A FAMILY MATTER? BUSINESS PROFILE, DECISION AND ENTREPRENEURSHIP IN FAMILY BUSINESSES: THE CASE OF THE AZORES

A FAMILY MATTER? PERFIL DO NEGÓCIO, DECISÃO E EMPREENDEDORISMO EM EMPRESAS FAMILIARES: O CASO DOS AÇORES

Duarte Nuno Gonçalves Pimentel

Ponta Delgada, novembro de 2016
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Thesis submitted to the University of the Azores for award of degree of Doctor of Philosophy in Business and Economic Sciences.

Tese apresentada à Universidade dos Açores para obtenção do grau de Doutor em Ciências Económicas e Empresariais.

Supervisor/Orientador: Professor Doutor Marc Scholten
Co-supervisor/Co-orientador: Professor Doutor João Pedro Couto

Duarte Nuno Gonçaves Pimentel

Ponta Delgada, novembro de 2016
To my parents and brother
and to Tatiana
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Abstract

Family firms have a major impact on any economy, being responsible for the largest portion of wealth generation, along with the creation of the majority of jobs in most countries, therefore, playing a central role not only in nations’ economy but also in social growth. These firms are particularly dominant in rural and remote areas, given the inability of large enterprises to operate in such singular socioeconomic settings. This thesis aims to increase the success of family business research in an outermost, ultra-peripheral socioeconomic context, in this case by looking at firms located and operating in the Autonomous Region of the Azores, Portugal.

In the course of this thesis three important topics in the family business research are addressed: (1) profile and characterization of family firms, (2) decision making processes, by centering in dual-process theories and (3) entrepreneurship, by focusing on a key construct from the entrepreneurship field - entrepreneurial orientation, resulting in three original research papers. The three papers were developed using a sample of 152 privately held firms family firms (82) and nonfamily (73) firms operating in the Azores.

The first paper looks at family firms’ relevant profiling aspects such as ownership and governance, experience and management, and corporate culture. While other demographic indicators are also taken into account, such as, sector of activity, years in business, number of employees, and last year’s turnover. By drawing an initial profile of these companies, in an outermost socioeconomic context, this paper aims to provide an early dataset on family firms in this particular context and shed some light on critical aspects that characterize these companies.

In the second paper an effort is made to examine patterns of decision making in family firms, by understanding which decision making style, experiential or rational, their owners and/or managers rely in, while assessing if decision making style in family business is different from nonfamily companies. Furthermore, this paper seeks to explore how family participation and influence in the business relates to the use of experiential or rational decision making styles. Results show that family firms mainly rely in rational decision making, and that family and nonfamily companies differ in the way they make decisions, and that family participation plays an important role in guiding the decision
process, by promoting experiential decisions, and suppressing the use of a more rational decision making processes.

Finally, in the third paper, we analyze differences between family and nonfamily firms in regards to their entrepreneurial orientation, and the influence of family participation in this construct is also explored. Results suggest that there are differences between family and nonfamily firms in regards to entrepreneurial orientation, and in two of its three components (innovativeness, risk taking and proactiveness). In short, family firms tend to be less entrepreneurially oriented and innovative, but more risk averse than nonfamily firms, however both types of companies do not differ in terms of proactiveness. Furthermore, the findings show that family participation is negatively associated with entrepreneurial orientation and its three components.

This thesis provides a set of findings that contribute to an improved understanding of family firms in outermost socioeconomic contexts, offering important theoretical and practical implications, thus bridging academics and practitioners.

**Keywords**: Family firms; Autonomous Region of the Azores; Outermost regions; Decision making: Entrepreneurial orientation.
Resumo

O impacto das empresas familiares na economia mundial é amplamente reconhecido, estas empresas assumem-se como responsáveis por uma parte considerável da geração de riqueza e da criação de postos de trabalho na maioria dos países. Estas organizações reclamam um papel central, não só na economia de uma nação, como no seu desenvolvimento social. As empresas familiares são particularmente dominantes em zonas e regiões rurais e remotas, dada a incapacidade dos grandes grupos empresariais operarem em contextos socioeconómicos com características tão particulares.

A presente tese tem como principal objetivo contribuir para a investigação em empresas familiares sediadas em contextos socioeconómicos ultraperiféricos, focando, em particular, o caso das empresas familiares localizadas na Região Autónoma dos Açores.

No curso desta tese são abordadas três das principais, e mais atuais, temáticas na investigação em empresas familiares: (1) caracterização e perfil das empresas familiares, (2) processos e estilos de tomada de decisão, e (3) empreendedorismo, neste caso, explorando o conceito de orientação empreendedora. Deste trabalho resultaram três artigos científicos, que contaram com uma amostra de 152 empresas privadas, 82 empresas familiares e 73 empresas não familiares.

O primeiro artigo analisa os principais aspetos caracterizadores das empresas familiares, como a propriedade e governança, a gestão e experiência, e a cultura organizacional. Outros indicadores são ainda tidos em conta, como o sector de atividade, anos em atividade, número de colaboradores, e o volume de negócios do último ano. Ao traçar o perfil destas empresas, num contexto socioeconómico ultraperiférico, este artigo apresenta um conjunto de dados relevantes que permitem aumentar o conhecimento sobre os diversos aspetos que caracterizam estas empresas.

No segundo artigo são examinados os padrões tomada de decisão em empresas familiares, procurando entender que estilismo de tomada de decisão, experiencial ou racional, é mais comum nestas empresas. É ainda avaliado se o estilo de tomada de decisão difere entre empresas familiares e não familiares. O presente artigo procura, de igual modo, explorar de que forma a participação e influência da família nos negócios impacta os
estilos de tomada de decisão utilizados. Os resultados mostram que as empresas familiares, em geral, tomam decisões de forma racional, e que existem diferenças entre empresas familiares e não familiares relativamente à forma como decidem. É ainda demonstrado que a participação da família no negócio desempenha um papel crítico na condução do processo de decisão, levando à promoção de decisões experienciais, e à supressão de processos racionais de tomada de decisão.

Finalmente, no terceiro artigo, são analisadas as diferenças entre empresas familiares e não familiares em relação à orientação empreendedora. A relação entre a participação da família e este constructo é igualmente explorada. Os resultados revelam a existência de diferenças entre empresas familiares e não familiares em relação à orientação empreendedora e, em particular, no que diz respeito a duas das três dimensões que compõem este constructo (inovação, propensão ao risco e proatividade). Em suma, as empresas familiares tendem a apresentar níveis inferiores de orientação empreendedora e inovação, e níveis superiores de aversão ao risco, quando comparadas com empresas não familiares. No entanto ambos os tipos de empresa não diferem nos níveis de proatividade. Os resultados mostram, ainda, que a participação da família nos negócios está negativamente associada com os níveis de orientação empreendedora e dos três componentes.

Esta tese apresenta um conjunto de dados que visam contribuir para uma melhor compreensão das empresas familiares nos Açores, oferecendo importantes implicações teóricas e práticas, e contribuindo para a criação de pontes entre académicos e profissionais.

**Palavras-chave:** Empresas familiares; Região Autónoma dos Açores; Regiões ultraperiféricas; Tomada de decisão; Empreendedorismo.
SECTION I.

GENERAL INTRODUCTION
Chapter 1. General Introduction

1.1. Foreword

What is a family business? Does the family truly own and manage the business? What characterizes these companies? How does the family influence the business? These were the questions raised by Langsberg, Perrow and Rogolsky, in the editorial note of the first issue of Family Business Review, in 1988. Almost three decades later, there are still no definitive answers to these questions (Desman & Brush, 1991; Chua, Chrisman, & Sharma, 1999; 2003). In the course of this thesis an effort is made to answer some of these questions by looking at the reality of family firms located in an outermost, ultra-peripheral region – the Autonomous Region of the Azores, Portugal. The Azores qualify as a particularly interesting case to address our research questions, given the fact that in this region (1) the vast majority of companies operating in the private sector are family firms, and (2) are recognized as an important guarantor of economic and social development. (3) The Azores are a particularly good example of the economic setting in outermost regions.

The specific questions we intend to answer in this thesis are the following: Which are the main profiling characteristics of family companies in an outermost region? What decision making style characterizes family companies? Do family firms differ from nonfamily firms in terms of entrepreneurial orientation? Does the family participation in the business influences the decision making style and the entrepreneurial orientation in family firms?

Most firms in the world are controlled by their founders, or by the founders’ families and heirs. Such family ownership is virtually universal among privately held firms, but is also dominant among publicly traded firms (La Porta, Lopez-de-Silanes, & Shleifer, 1999; Claessens, Djankov, Fan & Lang, 2002; Faccio & Lang, 2002). Family firms operate all over the globe, being particularly dominant in rural and remote areas, mainly due to the inability of large enterprises to operate in these marginal economies (Getz & Nilsson, 2004). In these particular environments family companies are consider to be the most important socioeconomic actor. Thus, to understand family business in a
small, outermost region is to understand an important part of the region’s socioeconomic context. Therefore, comprehending key aspects that characterize these companies, how they make decisions, and what is their propensity to adopt entrepreneurial behaviors becomes essential to better understand these companies.

Despite the recognized importance of family firms in outermost socioeconomic contexts, this topic has, so far, received little attention in the literature. Hence, in this thesis we present three original research papers aiming to make several contributions to this underexplored field in family business literature.

The first paper aims to characterize and profile family business in the Azores, providing an opportunity to analyze, in a clear way, some of the core factors and main dimensions that define family companies, i.e., ownership and governance, experience and management, and corporate culture. Moreover, an effort is made to understand how these companies are adapted to the region where they are located and to the environment in which they operate.

The second paper explores the issue of decision making in family firms, by evaluating differences between family and nonfamily firms, and furthermore by examining the role of family participation and influence in their decision style.

Finally, the third paper addresses a current debate in family business literature that involves the extent to which family firms provide an environment that hinders or fosters entrepreneurial orientation (Litz, 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003). To do so this paper focuses on analyzing differences between family and nonfamily firms, and explores the relationship between family participation and entrepreneurial orientation.

The aforementioned factors have motivated this thesis to examine several important aspects of family firms, in a particular, outermost, socioeconomic context. From a theoretical perspective, we contribute to the family business literature by (1) profiling family firms in outermost regions, (2) exploring the differences between family and nonfamily firms in regard to decision making and entrepreneurial orientation and (3) examining how family participation influences both the decision making style and the firm’s entrepreneurial orientation. From an applied perspective, we provide tools for family firms located in outermost regions, namely in the Azores, to better understand these companies’ essence and nature, and to increase the knowledge on some major aspects (e.g., governance and management, organizational culture, decision
making, and entrepreneurship) that are critical to their performance, growth, and survival.

This thesis is organized as it follows: the first chapter provides a general introduction to the main topics and concepts that will be addressed in the course of the thesis; in the second chapter an overview of the research methodology is provided, while an overview of the research papers is also given; in the third, fourth and fifth chapters, the three original research papers are presented; Finally, in the sixth chapter, a general review of the findings, practical implications, and directions for future research are presented. References used in the course of the first, second and sixth chapters are also provided in the end of the thesis.

1.2. Purpose of the Thesis

Although empirical research on family business was first initiated in 1953 with Grant Calder completing the early doctoral dissertation on family business studies in North America, entitled “Some management problems of the small family controlled manufacturing business”, at Indiana University, only in the last three decades family firms emerged as an important field of research (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; DeMassis, Frattini, & Lichtenthaler, 2013; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011).

In recent years, there has been an important and growing stream of research into several issues involving family businesses (DeMassis et al., 2013; Gomez-Mejia et al., 2011), as reflected by the outbreak of academic articles that appeared in top journals (Gedajlovic et al., 2012), the number of reviews published in handbooks (e.g., Melin, Nordqvist, & Sharma, 2013) and the special issues focusing on family business published in management (e.g., Schulze & Gedajlovic, 2010), innovation (e.g., Chrisman, Chua, & Sharma, 2005) and entrepreneurship (e.g., Chrisman, Chua, Pearson, & Barnett, 2012) journals. Table 1.1 presents a list of important events in family business studies from 1980 onwards.
### Table 1.1. Relevant family business studies from 1980 onwards.

<table>
<thead>
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<th>Year</th>
<th>Chronology of family business studies</th>
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<tr>
<td>1981</td>
<td>Chair of Private Enterprise established at Kennesaw State College (first Chair holder: Craig Aronoff appointed in 1983)</td>
</tr>
<tr>
<td>1981</td>
<td>Elaine Kepner presents a workshop on “Family dynamics and family owned organizations”, at the Gestalt Institute of Cleveland conference</td>
</tr>
<tr>
<td>1982</td>
<td>Wharton Family Business Program launched at the Wharton Applied Research Center (Founding Director: Peter Davis)</td>
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<tr>
<td>1982</td>
<td>John A. Davis completes his dissertation entitled “The influence of life stage on father–son work relationship in family companies”, Harvard University</td>
</tr>
<tr>
<td>1983</td>
<td>Organizational Dynamics publishes a special issue on family business studies (Co-editors: Richard Beckhard and Warner Burke)</td>
</tr>
<tr>
<td>1984</td>
<td>Gibb W. Dyer Jr completes his dissertation entitled “Cultural evolution in organizations: the case of a family owned firm”, Sloan School of Management, Massachusetts Institute of Technology</td>
</tr>
<tr>
<td>1984</td>
<td>Yale establishes program for the Study of Family Firms (Founding members: Joe Astrachan, Ivan Lansberg, Sharon Rogolsky)</td>
</tr>
<tr>
<td>1985</td>
<td>The College of Business, Oregon State University starts the second Family Business Program in the US (Founding Director: Patricia A. Frishkoff)</td>
</tr>
<tr>
<td>1985</td>
<td>Rosenblatt and deMik publish <em>The Family in Business</em>, Jossey-Bass</td>
</tr>
<tr>
<td>1985</td>
<td>First Family Business Research Conference, University of Southern California (Chair: John Davis)</td>
</tr>
<tr>
<td>1986</td>
<td>Founding of the Family Firm Institute Inc. (FFI) (Founding President: Barbara Hollander)</td>
</tr>
<tr>
<td>1986</td>
<td>Kennesaw State College establishes the Family Business Center and runs the First Family Business Forum (Founding Director: Craig Aronoff)</td>
</tr>
<tr>
<td>1986</td>
<td>Andrew Errington edits, <em>The Farm As a Family Business: An</em></td>
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### Chapter 1. General Introduction

<table>
<thead>
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<th>Year</th>
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<td>1987</td>
<td>First Family Business Chair launched in Europe at IESE Business School, University of Navarra, Barcelona (Chair holder: Miguel Ángel Gallo)</td>
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<td>1987</td>
<td>Institute for Family Enterprise established at Baylor University (Founding Director: Nancy Upton)</td>
</tr>
<tr>
<td>1988</td>
<td><em>Family Business Review</em> began publication (Editor-in-Chief Ivan Lansberg), a Jossey-Bass publication</td>
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<tr>
<td>1988</td>
<td>First FFI research conference hosted by Boston University School of Management, chaired by Marion McCollom Hampton (20 attendees)</td>
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<tr>
<td>1988</td>
<td>Carl R. Zwerner endowed professorship in Family Business established at Georgia State University in the US (Chair holder: Frank Hoy)</td>
</tr>
<tr>
<td>1989</td>
<td>Baylor University establishes Institute for Family Business conducts first conference (Chair: Nancy Upton)</td>
</tr>
<tr>
<td>1989</td>
<td>FFI established the Best Doctoral Dissertation Award (first award recipient: Colette Dumas) and the Best Unpublished Research Paper Award (first award recipient: Stewart Malone)</td>
</tr>
<tr>
<td>1989</td>
<td>Wendy Handler completes her dissertation entitled “Managing the family firm succession process: the next generation family member’s experience”, Boston University</td>
</tr>
<tr>
<td>1990</td>
<td>Founding of the Family Business Network (FBN)</td>
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<tr>
<td>1992</td>
<td>First FFI Educators Conference hosted by Northeastern University Center for Family Business, Boston</td>
</tr>
<tr>
<td>1993</td>
<td>First Mass Mutual Annual Gallup survey of family businesses (the first large sample study of FBs in the United States)</td>
</tr>
<tr>
<td>1994</td>
<td>Family Business Division established at the United States Association of Small Business Enterprise (USASBE)</td>
</tr>
<tr>
<td>1994</td>
<td><em>Entrepreneurship Theory and Practice</em> publishes a special issue on family business studies (Co-editors: Gibb W. Dyer Jr and Wendy Handler)</td>
</tr>
<tr>
<td>1994</td>
<td>FFI’s Case Series Project launched (Editor: Jane Hilburt-Davis)</td>
</tr>
<tr>
<td>1994</td>
<td>FAMLYBIZ listserv established by Scott Kunkel, University of San Diego</td>
</tr>
<tr>
<td>1994</td>
<td>Max Wortman publishes first major review article of family business studies in <em>Family Business Review</em></td>
</tr>
</tbody>
</table>
Chapter 1. General Introduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>The first annual Psychodynamics of Family Businesses (PDFB) conference hosted by the Northwestern University (Chair: Ken Kaye)</td>
</tr>
<tr>
<td>1995</td>
<td>FFIs Body of Knowledge (BOK) task force created</td>
</tr>
<tr>
<td>1996</td>
<td>First Family Business major offered at the Texas Tech University</td>
</tr>
<tr>
<td>1997</td>
<td>First National Family Business survey (first large study using household sample). Findings reported in <em>Family Business Review</em> special issue 7(3)</td>
</tr>
<tr>
<td>1998</td>
<td>Sharma’s dissertation receives the NFIB Best Dissertation award (first family business dissertation recognized by the Entrepreneurship division of the Academy of Management)</td>
</tr>
<tr>
<td>1999</td>
<td>First Family Business professorship established in Northern Europe at the University of Jyväskylä, Finland (Chair: Matti Koiranen)</td>
</tr>
<tr>
<td>2000</td>
<td>Doctoral program for family business studies established at the University of Jyväskylä, Finland</td>
</tr>
<tr>
<td>2001</td>
<td>International Family Enterprise Research Academy (IFERA) founded (Founding President: Albert Jan Thomassen). First IFERA conference hosted by INSEAD Fountainbleau (co-organizers: Christine Blondel and Nicholas Rowell; 35 attendees)</td>
</tr>
<tr>
<td>2001</td>
<td>First Theories of Family Enterprise (ToFE) conference co-hosted by the universities of Alberta (UoA) and Calgary (UoC) at the School of Business, UoA, Edmonton (co-organizers: Jim Chrisman, Jess Chua and Lloyd Steier)</td>
</tr>
<tr>
<td>2003</td>
<td><em>Journal of Business Venturing</em> publishes two special issues on family business studies (Co-editors for 18(4) issue: Jim Chrisman, Jess Chua and Lloyd Steier, and for 18(5) issue: Ed Rogoff and Ramona Heck)</td>
</tr>
<tr>
<td>2005</td>
<td>International Masters Programme for Family Business established at the University of Jyväskylä, Finland (lectured in English and Finnish)</td>
</tr>
<tr>
<td>2005</td>
<td>FITS-project established, a strategic alliance between Finnish (Jyväskylä), Italian (Bocconi), and Swiss (Lugano) universities to offer Doctoral and Post Doctorals in Family Business</td>
</tr>
<tr>
<td>2005</td>
<td>First Family Enterprise Research Conference (FERC) hosted by the Austin Family Business Program, Portland (co-organizers: Mark Green and Pramodita Sharma; 55 attendees)</td>
</tr>
</tbody>
</table>
| 2005   | Miller and Le Breton-Miller’s book entitled “Managing for the
Chapter 1. General Introduction

The increasing relevance of family firms in the global arena has captured the attention of scholars from several disciplines, gradually becoming multidisciplinary, crossing not only thematic boundaries but also disciplinary ones, encompassing on sociology, psychology as much as economic and management (Wiklund & Shepherd, 2005). In the same way, this thesis adopts a multidisciplinary path, crossing approaches and frameworks from behavioral and businesses sciences.

As discussed previously, research on family business has improved considerably since the second half of the 1980s. However, some of the questions initially discussed remain open. In order to provide answers to these questions and to further explore the family business context the following questions were posed:

1. What characterizes a family business?
2. Does the family truly own and manage the business?
3. What is the influence and participation of the family members in the business?
4. What decision making style characterizes family companies?
5. Do family firms differ from nonfamily companies in terms of their decision style?
6. Does the family influence and participation in business have an effect in their decisional style?
7. Do family firms show different levels of entrepreneurial orientation than nonfamily firms?

8. Do family and nonfamily firms differ with regards to the three components of entrepreneurial orientation - innovativeness, risk taking and proactiveness?

9. How is family participation related to entrepreneurial orientation and to its three dimensions?

In Table 1.2 we present the research questions address in each of the three papers as well as the principal contributions.

Table 1.2. Research questions and principal contributions.

<table>
<thead>
<tr>
<th>Papers</th>
<th>Research Questions</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper 1</td>
<td>What characterizes a family business? Does the family truly own and manage the business? What is the influence and participation of the family members in the business?</td>
<td>Offers an initial characterization of family companies located in the Azores and provides a first profile prototype of these companies.</td>
</tr>
<tr>
<td>Paper 2</td>
<td>What decision making style characterizes family companies? Do family firms differ from nonfamily companies in terms of their decision style? Does the family influence and participation in business have an effect in their decisional style?</td>
<td>Explores the decision making style in family business, by assessing the influence of two factors that distinguish family from nonfamily firms (family influence and participation in the business).</td>
</tr>
<tr>
<td>Paper 3</td>
<td>Do family firms show different levels of entrepreneurial orientation than nonfamily firms? Do family and nonfamily firms differ with regards to the three components of entrepreneurial orientation - innovativeness, risk taking and proactiveness? How is family participation related to entrepreneurial orientation and to its three dimensions?</td>
<td>Examines entrepreneurial orientation in family firms and provides more information to a contemporary debate in literature, which discusses if family companies constitute a fertile ground for entrepreneurship.</td>
</tr>
</tbody>
</table>
The key concepts of this thesis are briefly defined in the following table (Table 1.3).

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business</td>
<td>For this thesis the criteria of ownership and management control (Chua et al., 1999) and the owner or manager’s perception of being a family firm (Westhead &amp; Cowling, 1998) was select. Therefore, in the thesis, a firm is classified as a family firm if: at least 50% of the shares are owned by the family, the family is responsible for the management of the company, and the owner or manager identifies and perceives the business as a family business.</td>
</tr>
<tr>
<td>Family Influence</td>
<td>It is generally agreed that family influence in the business is what makes the family business different (Miller &amp; Rice, 1967). It can be defined as the effective influence that family members that actively work in the firm and are integrated in the day-to-day operations have in the business (Astrachan &amp; Shanker, 2003).</td>
</tr>
<tr>
<td>Family Participation</td>
<td>Family participation can be defined as the number that actively work in and are integrated in the day-to-day operations of the business (Astrachan &amp; Shanker, 2003).</td>
</tr>
<tr>
<td>Decision Making Style</td>
<td>Dual-process theories of cognition attribute certain variations in decision making behavior to the relative involvement of two distinct types of information processing: (a) experiential and intuitive processing that is automatic, fast, preconscious, associative, and autonomous and (b) rational and reflective processing that is relatively slow, effortful, conscious, analytical, rule-based (Evans, 2008).</td>
</tr>
<tr>
<td>Entrepreneurial Orientation</td>
<td>This construct can be define as a strategic posture that involves a propensity to be innovative, proactive and open to risk in exploring new products, services and markets (Covin &amp; Slevin, 1991).</td>
</tr>
</tbody>
</table>
1.3. Family Business Definition

Lansberg et al. (1988) asked a simple and obvious question: What is a family business? After almost three decades, this question continues to be asked mostly because definitions of family business abound in the literature, creating definitional ambiguities (Desman & Brush, 1991; Upton, Vinton, Seaman, & Moore, 1993).

In a comprehensive study of family businesses, Chua, et al. (1999) obtained 21 different definitions of the term family business in their extensive review of 250 research articles. Below, in Table 1.4, we present the list of 21 definitions that touch on the degree or nature of family participation and influence.

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Definition of Family Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcorn (1982)</td>
<td>“a profit-making concern that is either a proprietorship, a partnership, or a corporation. ...If part of the stock is publicly owned, the family must also operate the business” (p. 230).</td>
</tr>
<tr>
<td>Babicky (1987)</td>
<td>“is the kind of small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership or the enterprise.” (p. 25).</td>
</tr>
<tr>
<td>Barnes and Hershon (1976)</td>
<td>“Controlling ownership is rested in the hands of an individual or of the members of a single family” (p. 106)</td>
</tr>
<tr>
<td>Bernard (1975)</td>
<td>“an enterprise which, in practice, is controlled by the members of a single family” (p. 42).</td>
</tr>
<tr>
<td>Carsrud (1994)</td>
<td>“closely-held firm's ownership and policy making are dominated by members of an &quot;emotional kinship group&quot;” (p. 40).</td>
</tr>
<tr>
<td>Churchill and Hatten (1993)</td>
<td>“what is usually meant by family business... is either the occurrence or the anticipation that a younger family member has or will assume control of the business from the elder” (p. 52).</td>
</tr>
<tr>
<td>Davis (1993)</td>
<td>“are those whose policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management” (p. 47).</td>
</tr>
<tr>
<td>Davis and Tagiuri (1985)</td>
<td>“a business in which two or more extended family members influence the direction of the business” (quoted in</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Definition</td>
</tr>
<tr>
<td>----------</td>
<td>------------</td>
</tr>
<tr>
<td>Rothstein, 1992)</td>
<td>“if family members own at least 60 percent of the equity” (p. 152).</td>
</tr>
<tr>
<td>Dimckels and Frohlich (1991)</td>
<td>“when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family” (p. 94).</td>
</tr>
<tr>
<td>Donnelley (1964)</td>
<td>“are economic enterprises that happen to be controlled by one or more families (that have) a degree of influence in organizational governance sufficient to substantially influence or compel action” (p. 226).</td>
</tr>
<tr>
<td>Dreux (1990)</td>
<td>“a business where a single family owns the majority of stock and has total control” (p. 181).</td>
</tr>
<tr>
<td>Gallo and Sveen (1991)</td>
<td>“an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board” (p. 262)</td>
</tr>
<tr>
<td>Handler (1989)</td>
<td>“any business in which decisions regarding its ownership or management are influenced by a relationship to a family or families” (p. 27).</td>
</tr>
<tr>
<td>Holland and Oliver (1992)</td>
<td>“a business in which members of a family have legal control over ownership” (p. 2).</td>
</tr>
<tr>
<td>Lansherg, Perrow and Rogolsky (1988)</td>
<td>“a company in which more than 50 per cent of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family” (quoted by Astrachan, 1993. pp. 341-342).</td>
</tr>
<tr>
<td>Lyman (1991)</td>
<td>“the ownership had to reside completely with family members, at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed” (p. 304).</td>
</tr>
<tr>
<td>Prati and Davis (1986)</td>
<td>“one in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (chap. 3, p. 2).</td>
</tr>
<tr>
<td>Rosenblatt, deMik, Anderson and Johnson (1985)</td>
<td>“any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business” (pp. 4-3)</td>
</tr>
<tr>
<td>Stern (1986)</td>
<td>“owned and run by the members of one or two families” (p. xxi).</td>
</tr>
</tbody>
</table>
| Welsch (1993) | “one in which ownership is concentrated, and owners or relatives of owners are involved in the management
When comparing data, the definition of family business used is critical (Welsch, 1993), since using different definitions with the same database may produce widely varying results (Shanker & Astrachan, 1996). In this way, researchers generally agree that family participation and influence in the business is what makes the family business different from other forms of organizations (Miller & Rice, 1967) (see Table 1.5). The general concept of family business includes any business in which the bulk of the ownership or control lies in a family, and in which two or more family members are involved directly (Brockhaus, 2004). Analogously, most researchers define and interpret family influence as ownership and management (Handler, 1989). Corroborating this idea, and according to Chua et al. (1999), there appears to be total agreement that a business owned and managed by a nuclear family is, in fact, a family business. However, once one deviates from that particular combination of ownership pattern and management participation and influence, researchers hold different opinions.

According to Poza and Daugherty (2013) for a business to be considered a family business it should meet the following criteria: (a) ownership control (15% or higher) by two or more members of the family; (b) strategic influence by family members on the management of the firm, either by being active in management, continuing to create culture, serving as an advisor or board member, or by being an active shareholder; and (c) concern for family relationships; the possibility of continuity across generations. Further to this list of criteria, the same authors add several features: (a) the presence of the family; (b) the overlap of family, management, and ownership, with its zero-sum (win-lose) propensities, which in the absence of growth of the firm, render family business particularly vulnerable during succession; (c) the unique sources of competitive advantage (e.g., a long term investment horizon), derived from the interaction of family, management, and ownership, especially when family unity is high; and (d) the owner’s dream of keeping the business in the family (the objective being business continuity from generation to generation).

Alderson (2011, p.6) defines a family business as a “business governed and/or managed in order to form and follow the vision of the business held by a dominant
coalition controlled by members of the same family or a small number of families that is potentially sustainable in all generations of the family or families.”

Therefore, family firms are understood, in a broad way, as firms where one family controls the company through a clear majority of the voting shares, the family is represented on the management team, and the leading representative of the family identifies and perceives the business to be a family firm (Westhead & Cowling, 1998).

Table 1.5. Criteria to define Family Business.

<table>
<thead>
<tr>
<th>Definitional criterion</th>
<th>Number of occurrences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>99</td>
</tr>
<tr>
<td>Management</td>
<td>66</td>
</tr>
<tr>
<td>Directorship</td>
<td>35</td>
</tr>
<tr>
<td>Self-identification</td>
<td>19</td>
</tr>
<tr>
<td>Multiple generations</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>229</td>
</tr>
</tbody>
</table>


Following the same line, for this thesis the criteria of ownership and management control (Chua et al., 1999), and the owner or manager’s perception of being a family firm (Westhead & Cowling, 1998) was chosen to select an operational definition of family firms. As a consequence, in this thesis, a firm is classified as a family firm if: at least 50% of the shares are owned by the family, the family is responsible for the management of the company, and the owner or managers identifies and perceives the business as a family business.

In the next section we examine the applicability of different theoretical approaches for explaining several important differences between family and nonfamily companies, by focusing on three of the most influential models and theories in this field: the three-circle model, the agency theory and the resource-based approach, which have received most of the attention in theoretical as well as in empirical family business studies (e.g., Dyer, 2006; Habbershon & Williams, 1999; Schulze, Lubatkin, Dino, & Buchholtz, 2001; Sirmon & Hitt, 2003).
1.4. Family Business Models and Theories

1.4.1. The Three-Circle Model

Are there unique dynamics that characterize family firms? (Kets de Vries, 1993). Discussing three of the most influential family business frameworks and theories may help answering this question. Much research on family firms is underpinned by systems theory, which, at the broadest level, focuses on viewing the world in terms of the interrelationships of objects with one another. The idea of a business acting as a system, which may be seen as open or closed, is commonly accepted. The family, equally, is a system in its own right. Family system theory looks at the family as a whole, usually considering it as a relatively closed set of interactions between individual members (James, Jennings, & Breitkreuz, 2012).

When a family owns and runs a business, however, an open systems view of family and business tends to predominate, emphasizing the interaction of the family with the business. This interaction is represented by the overlap between two circles:

![Figure 1.1. The two-circle model. Source: Adapted from Barret (2014).](image)

Applications of the two-circle model in family business research have traditionally focused on how the family system positively or negatively affects the business system. Lansberg (1983) discussed how family norms create human resource problems in family firms. However, this negative view of family influence has been challenged by other authors who show how the shared goals of members of a family who work in – and for – their own firm provide a high level of tacit coordination and control that many nonfamily firms lack.
This “dual-system”, family-business approach to family companies’ research has been criticized on several grounds, including its neglect of other influential subsystems. These criticisms led to the development of multi-system models where ownership was added to “family” and “business” (Tagiuri & Davis, 1982). Having in mind this issue, Tagiuri and Davis (1982) created the three-circle model of family business (see Figure 2), which has, probably, become the main model for family business studies. The proposed model presents the family business as consisting of three complex and overlapping subsystems: ownership, family and business. The model has been instrumental in understanding many of the complexities, particularities and dynamics within family business context.

The revised model incorporates three overlapping circles. One circle represents the family as before, but the second circle has become two: the first representing owners of shares in the firm, the other representing firm management.

The intersections where the three circles meet explain the possible competitive advantages of family firms as well as the disadvantages. Accordingly, it is easy to understand the differences between family members who are in different subsystems. For instance, a family member who is an owner but not an employee – present in two circles – may be more inclined to consider a buyout offer than a family member who is both an owner and a member of management – present in all three circles. A family member who resides in only one circle - as a nonowner and nonemployee - will or may have a different viewpoint, concerns, and goals than one who resides in two or in all three circles of the model.

![Figure 1.2. The three-circle model. Source: adapted from Taguiri and Davis (1982).](image-url)
1.4.2. The Agency Theory

The idea that a nonfamily member would not have the same incentive, motivation, and power as an owner would have or would possibly engage in self-serving behavior is the central feature of agency theory (Jensen & Meckling, 1976). In order to prevent this potential conflict of interest, the owner hires managers and provides them with controls, procedures and policies to limit the effect of the conflict, thus creating agency costs. Most scholars and experts argue that family businesses have fewer agency costs because of the shared ownership and management functions. In this way, many family business scholars put forward agency theory to explain the competitive advantage held by a large share of family firms. While highlighting benefits, agency theory can also explain, in some cases, poor performance in family firms due to unprofessional management, entrenched leadership, and altruistic behavior. In sum, there can be both negative and positive agency benefits within the family firms.

Three types of agency relationship can be defined (Jensen & Meckling, 1976). In the first, the shareholders can delegate the ongoing business decisions to a manager whose mission is to maximize their wealth. The performance of the business is therefore heavily influenced by the strategic, financial and commercial choices made by the manager. The effectiveness of these decisions depends not only on the professional skills of managers, but also on their specific incentive to make the optimal choices to maximize shareholders’ wealth. In the second type, the company’s financial creditors delegate to the shareholder the management of the funds that are made available to the business. The creditors’ interests are satisfied since the company’s aggregate risk is not modified between the date the funds are made available and the date they are reimbursed. Some choices made by shareholders (risky strategic projects, changes in the dividend policy, or an increase in the level of indebtedness) may modify the company’s level of aggregate risk without the creditors being in a position to intervene (Jensen & Meckling, 1976).

Finally, the third relationship exists where there is opposition between shareholders. The origin of shareholder related conflict is twofold. The first is common to all public firms and is the result of differences between the interests of family shareholders and those of external shareholders. This conflict is over and above those which may emerge between family owners. This second type of conflict is specific to family firms and can be dangerous for the perpetuation of the business in the family.
In this context, the intensity of agency conflicts between the agent and the principal depends on their preference set, in which the degree of risk aversion is an important determinant (Jensen & Meckling, 1976).

The introduction of the ownership circle raises the issue of agency theory, derived from Berle and Means’ (1932) work on issues arising from the separation of firm ownership and management. Agency theory points to inbuilt conflicts of interest between the owners and the managers of a firm. In a family firm, owners and managers are members of the same family, so it is sometimes argued that there are no agency problems in family firms, and that a stewardship model, which stresses the way firm owners sees themselves as holding the firm in trust for future generations, is more appropriate (Alderson, 2011). More recently, however, researchers have pointed to a special form of the agency problem in family firms (Madison, 2014). For example, a spirit of misplaced altruism may lead the owners to appoint family members to positions for which they are less qualified than an available outsider. Such actions, while helping a family member, reduce firm performance.

The three overlapping circles model allows researchers to focus on the positive and negative consequences of the overlap between family, ownership and management in family firms. It has become a staple of the family business research literature, feeding the development of new theories of how family firms operate.

1.4.3. The Resource-Based Approach

It is believed that the resource-based view of the firm may explain the competitive advantage of many family firms over nonfamily firms. This approach states that a family firm has a set of unique capabilities, resources, and relationships that nonfamily firms do not have and naturally cannot develop. Five sources of family firms’ capital may help to explain the positive effects of the resource-based view theory: human capital, social capital, patient capital, survivability, and governance structures. The advantage of family firms result from the interaction of the family and the business in the unique way that they manage, evaluate, acquire, discard, bundle, and leverage their resources (Barney, 1991).

The term “familiness” has been used to describe the unique and differing aspects of a family business when compared to nonfamily businesses. Therefore, it describes
the interplay between the family and the business, including a social aspect that affects the strategic decisions of the business.

In the field of strategic management, the resource-based view has been successfully used to explain long-term differences in the performance of firms that cannot be attributed to industry or economic conditions. Because family firms have been described as unusually complex, dynamic, and rich in intangible resources (e.g., Habbershon & Williams, 1999), the resource-based view gives family business researchers an appropriate means by which to analyze family and nonfamily business performance differences. The resource-based view examines the links between a firm’s internal characteristics and processes and its performance outcomes (Habbershon & Williams, 1999; Chrisman et al., 2005). Sirmon and Hitt (2003) argue that family firms evaluate, acquire, shed, bundle, and leverage their resources in ways that differ from those of non-family firms. These authors believe that these differences allow family firms to develop a competitive advantage. According to Dyer (2006), three types of capital or assets - defined as “family factors” have been associated with the performance of family firms: human capital, social capital, and physical/financial capital. Certain family factors can lead to important assets and contribute to high performance, while other family factors are liabilities to firm performance and contribute to lower performance.

Based on some other cognitions (e.g., Barney, 1991), Habbershon and Williams (1999) suggest the division of firm resources into four categories: physical capital resources (plant, raw materials, location, cash, access to capital, intellectual property), human capital resources (skills, knowledge, training, relationships), organizational capital resources (competencies, controls, policies, culture, information, technology), and process capital resources (knowledge, skills, disposition, and commitment to communication, leadership, and the team). Again according to Habbershon and Williams (1999), the systemic influences generated by the interaction of the subsystems (family unit, business entity, and individual family members) create an idiosyncratic pool of resources and capabilities. These resources and capabilities have deeply embedded defining characteristics that the authors refer to as the “family factor” ($f$ factor) and connote as resources ($f$) and capabilities ($f$). Any of the resources and capabilities that could be associated with a given firm might have an $f$ factor influence, either positive or negative. The positive $f$ factor influences are defined as “distinctive”
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and hold the potential to provide an advantage, while the negative \( f \) factor influences are defined as “constrictive” and hold the potential to constrain competitiveness.

Habbershon, Williams and MacMillan (2003) define the “familiness” of the firm as the sum of the resources \( f \) and capabilities \( f \) in a given firm. This idiosyncratic familiness bundle of resources and capabilities provides a potential differentiator for firm performance and explains the nature of family influence on performance outcomes. Wealth creation is thus tied to the systemic influences in the system as they create an idiosyncratic bundle of distinctive resources for the firm. Chrisman, Chua and Litz (2003) extended this concept to incorporate the substitution of value creation for wealth creation as the ultimate goal, adding noneconomic benefits as a co-determinant of value creation. The authors argue that wealth creation is not necessarily the only or even primary goal of all family firms. Therefore, recognizing and allowing for the possibility that family firms seek to achieve a variety of goals can make the concept developed by Habbershon et al. (2003) more widely acceptable.

There is little agreement in the family firm literature about whether family firm uniqueness leads family owners to make different strategic choices compared to nonfamily firms or whether family firm uniqueness is beneficial or detrimental to family firm performance. On the one hand, the non-conformity approach of family firm behavior suggests that, whether inspired by stewardly principles (Le Breton-Miller & Miller, 2009) or by a desire to preserve socio-emotional wealth (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010), family firms differ from nonfamily firms in many organizational choices concerning management processes, firm strategies, corporate governance, structures, stakeholder relations and business ventures (Chrisman et al., 2005; Gómez-Mejía et al., 2011). On the other hand, the conformity approach of family firm strategic behavior argues that family businesses display isomorphic tendencies and are inconspicuous economic actors (Arregle, Hitt, Sirmon, & Very, 2007; Le Breton-Miller, Miller, & Lester, 2011).

With regard to the effect of family firm uniqueness on family firms’ performance, some scholars argue that reduced principal-agent problems due to unified ownership and control (e.g., Anderson & Reeb, 2003a, 2003b; Gedajlovic & Shapiro, 1998; McConaughy, Walker, Henderson, & Mishra, 1998) and development of valuable capabilities due to stewardly managers (e.g., Arregle et al., 2007; Gedajlovic & Carney, 2010; Miller, Le Breton-Miller, & Scholnick, 2008; Miller & Le Breton-Miller, 2006;
Sirmon & Hitt, 2003; Zahra, Hayton, & Salvato, 2004) would be beneficial to the performance of family firms. Other scholars emphasize the negative effects of family ownership and family participation and influence in the firm. They argue that aggravated principal agency problems due to concentrated ownership (e.g., Bertrand & Schoar, 2006; Burkart, Panunzi, & Shleifer, 2003; Claessens et al., 2002; Heugens, van Essen, & van Oosterhout, 2009; Morek & Yeung 2003; Peng & Jiang, 2010) and low-quality top management teams (e.g., Chandler, 1962, 1977, 1990) due to retention of family control would hamper the performance of family firms.

As mentioned above, family businesses reveal a set of very particular aspects, which are addressed in the next section.

1.5. Family Business Uniqueness

Family businesses, irrespective of scale of operation, legal form, industrial activity, and level of socio-political development have long been the backbone of corporate life, across nations, remaining, to this day, a cornerstone of socioeconomic development worldwide.

Family firms owe their importance to their and unique organizational structure (Zahra, Hayton, & Salvato, 2004), which consists of distinctive features like family participation, influence and involvement in management (Kim & Gao, 2013) and strong family orientation (Uhlancer, Kellermanns, Eddleston, & Hoy, 2012).

Family firms can be viewed as a contextual hybrid - a unique combination of two sets of rules, values, and expectations: (1) the family’s and (2) the business’s (Flemmons & Cole, 1992; Gersick, Davis, McCollom, Hampton, & Lansberg, 1997; Tagiuri & Davis, 1982). These firms share certain characteristics that render them unique in terms of patterns of ownership, governance, succession, decision making, and strategy (Chua et al., 1999; Steier, 2003).

In many ways, family businesses are stronger, more vital, and more important than they ever been. Family businesses are viewed as critical and extremely important to the well-being of most economies throughout of the world. Between 80 and 95% of businesses in the United States and Latin America and over 80% of business in Europe and Asia remain family-owned or family-controlled. These, small and large, young and old businesses account for more than 50% of the gross domestic product of the world’s
most advanced economies and employ the majority of the population (Poza, 2010). Alongside with this, various estimates peg their share of global gross domestic product at between 70 and 90%.

While many family businesses are private, about a third of the Fortune Global 500 companies are founder or family controlled, as are 40% of the major listed companies in Europe.

Family businesses are especially important in emerging markets, accounting for about 60% of private-sector companies with revenues of $1 billion or more (McKinsey & Co, 2014). Taken these facts into account, the importance and economic impact of family companies in the global economic context is explored in the following section.

1.6. Socioeconomic Importance of Family Businesses

What is the importance of family businesses as a socioeconomic player? Family firms constitute the dominant and oldest form of business organizations, and are undoubtedly an essential part of the world economy (Comi & Eppler, 2014; Zahra et al., 2004).

In most countries, family firms play a key role in overall economic development. Family firms range from small enterprises serving a neighborhood, to large corporations and conglomerates that operate in multiple industries and countries (IFC, 2008). These firms represent the majority of companies worldwide, and are an important source for wealth generation, and workforce engagement (Cadbury, 2000; Fattoum & Fayolle, 2009; Hacker & Dowling, 2012; Hoy & Sharma, 2010; Kellermanns, Eddleston, Barnett, & Pearson, 2008, Kuratko & Hodgetts, 2004; Mazzarol, 2006; Ramadani, Fayolle, Gerguri, & Aliu, 2013). Thus, family firms are fundamental social and economic actors in the global context (see Table 1.6). Official data show that more than two thirds of all firms, and one third of all publically listed firms, can be considered family firms and these, in turn, contribute substantially to the majority of jobs and gross domestic product on a global base (Instituto de la Empresa Familar, 2015) being perceived as the most important organizational form worldwide (La Porta, Lopez-de-Silanes, & Shleifer, 1999).
Table 1.6. Family Business: Numbers and facts.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family business constitute</td>
<td>80-98%</td>
<td>of the business in the worldwide free economy</td>
</tr>
<tr>
<td>Family business produces</td>
<td>70-90%</td>
<td>of the gross domestic product in the most countries worldwide</td>
</tr>
<tr>
<td>Family business employs more than</td>
<td>75%</td>
<td>of the workforce worldwide</td>
</tr>
<tr>
<td>Family business creates</td>
<td>50-80%</td>
<td>of new jobs worldwide</td>
</tr>
</tbody>
</table>


As presented above, the importance of these businesses to a nation's economy is substantial. Multiple research studies have recorded the predominance of family firms in countries throughout the world (La Porta et al., 1999; Claessens et al., 2002; Faccio & Lang, 2002; Masulis, Pham, & Zein, 2011). The prevalence of family businesses documents, once more, both the economic and social impact they have (Brigham, 2013). Next, we present some general, but important, worldwide and regional highlights on family business.

In the United States, the world’s largest economy, at least 60% of all public and private partnerships and corporations are family businesses (Astrachan & Shanker, 2003). Families are the controlling owners of one-third of the S&P 500 companies, accounting for 18% of outstanding equity, and exercising a substantial socioeconomic influence (Anderson & Reeb, 2003a). Using a broad family business definition (i.e., family controls strategic direction and directly participates in business), a total of 24.2 million family businesses can be found in the United States alone, employing 62% of the nation’s workforce, which corresponds to approximately 82 million individuals, and contributing for 64% of the gross domestic product, roughly $5.9 trillion (Astrachan & Shanker, 2003).

A similar picture can be found in the world’s second largest economy, China, where 85% of all private enterprises are family-owned being responsible for the employment of two-thirds of the working population, around 515 million individuals. In 2010, 37% of the 762 listed private companies in China’s A-share stock market were family-owned firms (Ministry of Commerce and All-China Federation of Industry and Commerce, 2010).
In India, family companies alone account for two-thirds of the total gross domestic product, and for 90% of gross industry output. These companies are also responsible for 79% of organized private sector employment (KPMG, 2013).

Also in the Middle East, outside the oil sector, 80% of all companies are family controlled, accounting for the major share of the region’s gross domestic product (PWC, 2012; 2014).

Regarding Europe, over 60% of all companies are family firms, representing €1 trillion in turnover only in 2013. Accounting for 9% of the European Union’s gross domestic product, and responsible for about 50% of all employment in the Union (KPMG, 2013).

Focusing in Europe (see Figure 1.3), several reports and data support the notion that family firms are the major contributor to the different European economies. For instance, a report from the PwC (2014) reveals that 93% of the manufacturing Italian companies with fewer than 50 employees are in the hands of a family.

In Germany, and according to Bundesverband der Deutschen Industrie (2015), family businesses account for about 95% of all companies, generating about 55% of gross domestic product, and being responsible for 57% of private employment. In Spain, the importance of family businesses is even greater, constituting roughly 90% of the Spanish economic tissue, providing 75% of the private employment and contributing to 70% of the country’s GDP and (Instituto de la Empresa Familiar, 2015). In the United Kingdom, the Institute for Family Business (2016) acknowledges that family firms account for 3 million firms, providing 9.2 million jobs representing the largest source of employment in the private sector.

In the case of Portugal, similarly to other European countries and as reported by the Portuguese Association of Family Enterprises, 70 to 80% of all business are family business, being responsible for over 50% of the Portuguese gross domestic product (Associação de Empresas Familiares, 2014). Therefore, accounting for an important part of the country economic life, which is demonstrated by the €12 billion turnover these companies reached in 2009, while contributing to approximately 60% of all jobs created in Portugal.

Acknowledging the decisive role that family firms play in the European economy, and understanding that their stability is critical to economic growth, official European institutions have progressively increased their interest in family firms,
agreement on a European definition of family firms and carrying out specific activities on the family business sector (European Commission, 2009). Alongside this, and according to Melin, Nordqvist and Sharma (2013), the number of family business associations, business researchers at universities and research centers on family firms has been increasing steadily since the 1990s.

Family companies make up more than 60% of all European companies, encompassing a vast range of firms of different sizes and from different sectors (European Family Businesses, 2016). Available data show that families own the majority of European Small and Medium Enterprises, which are the backbone of the European economy (European Family Businesses, 2016).

However, it should be emphasized that not all family businesses are small. Recent data show that some of the largest European companies are family businesses. In particular, a recent report by Serrano and Letamendia (2014) shows that 27% of the listed European firms with more than €50 million in market capitalization are controlled by a family group. We find numerous well-known listed companies (e.g., Roche, LMHV, Fiat, Beretta or Swatch) that are European based and family controlled. This also reflects the Portuguese reality where great part of the key players and the country’s largest companies are family-owned (e.g., Grupo Jerónimo Martins, Grupo Sonae or
Grupo José de Mello). In the Azores, as in the majority of outermost regions, these companies are even more dominant and important, given the inability of large corporations to operate in these particular settings, leaving the local economy almost entirely in the hands of family companies.

1.7. Family versus Nonfamily Business

Are family businesses different from nonfamily businesses? (Daily & Dollinger, 1992). According to Poza (2010), there are several assets that differentiate a family-owned or family-controlled business from other forms of enterprise, mainly resolving around the relationship between the family and business, especially the guidance and orientation that family members exert as managers and as shareholders. Parallel to this, several significant differences are apparent between family and nonfamily firms. Family business often have a long-term view, a lasting mission, vision and purpose, showing a desire to create a nurturing, caring community, and an ability to build strong and unique relationships, bonds, and connections with customers, suppliers and other outsiders.

As addressed before, the greatest difference between a family firm and a nonfamily firm is the addition of the family unit. The participation, influence and involvement of family members is both an advantage and a disadvantage, since it not only can lead to an exceptional competitive advantage but also can be the cause for serious dysfunction and complications. In this regard, nonfamily firms do not have to deal with many of the complex issues that family firms face, such as familiar and interpersonal conflicts, succession, inheritance, and the non-employed family members with decisional power and authority. Employed family business members have to cope with the fact that their life’s work, employment, and wealth are all intermingled with their extended family.

According to Alderson (2011), the characteristics of families include an inward focus, unconditional acceptance, sharing, and the offer of lifetime membership. Families are based on love and are, in most circumstances, very emotional. Conversely, businesses are outward oriented, based on tasks, and are unemotional. They embrace and encourage change and they reward performance, adopting “perform or leave” philosophy. In this sense, these two types or systems of organizations are diametrically opposed to each other. In this context, the family plays a dual role. First and foremost
they are a family, with the same concerns as everyone else, with all the pros and cons that regular families have. Management becomes complicated when the family is involved in the business, since family issues and stresses may be brought to the business and vice-versa. Now the usual concerns of business, such as investments, finances, employment, and reputation, intertwine with the family (Alderson, 2011).

A family-owned business has complex family dynamics at work. Within family business, conflicts can grow, escalate and become exaggerated, in the same way, communication within families is less formal that it is in professional settings. Some families communicate with respect, understanding and compromise, while others communicate by arguing, slinging accusations, and displaying feelings of distrust, dislike and jealousy (Alderson, 2011).

Moreover, family firms have different priorities than nonfamily firms have (e.g., stability and continued ownership of the business, employing family member, preserve social emotional wealth maintain the identity of the firm, etc). It is commonly accepted by most scholars that family firms are different from nonfamily firms for three reasons.

First, the family’s influence over the strategic orientation and direction and sustainability over generations of the family firm contribute to the essence of family businesses, which differentiates them from nonfamily firms (Chrisman, Chua, & Sharma, 2005).

Second, the social emotional wealth represents a major frame of reference that families use in making decisions (Berrone, Cruz, & Gomez-Mejia, 2012; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012). Social emotional wealth is defined as the nonfinancial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Therefore, the management of family firms is related to feelings and emotions (Morgan & Gómez-Mejía, 2014). This influence has to do with family owners willing to preserve family ties over time (Litz, 1995; Zellweger, Kellermanns, Chrisman, & Chua, 2012).

Third, the resource-based view highlights the concept of “familiness” as a distinctive set of human, organizational, processes, resources, and capabilities arising from family influence and involvement and interactions (Habbershon & Williams, 1999). Habbershon and Williams (1999) define familiness as the “unique bundle of
resources a particular firm has because of the systems interaction between the family, its individual members, and the business” (p. 11).

Although, family companies have particular aspects and particularities, evidence suggests that over time family firms are often more successful than nonfamily firms (Anderson & Reeb, 2003b; Miller & Le-Breton-Miller, 2006). But what explains this overall dominance?

The exact mechanisms by which family firms outperform nonfamily firms are still poorly known. However, a number of studies citing “the founder effect” suggest that the family founder’s influence on the firm often translates into a competitive advantage (Dyer, 2006) perhaps due to the founder’s long-term orientation and emphasis on growing and preserving the firm for future generations. Early positive emotional experiences of the family founders may be one causal mechanism by which family firms achieve higher levels of performance. A stock of positive experiences may serve as a competitive advantage for family firms and increase survival, sustainability, and, ultimately, performance. Individuals experiencing positive affect are: better able to acquire valuable human resources, more creative, and better able to tolerate stress (Baron, 2008). Furthermore, family ownership can confer a strong competitive advantage through the creation of value-driven organizational cultures that inspire identity, trust, and a sense of belonging among employees. In a sense, they speak to people’s hearts in a way that other businesses do not.

Several different studies on family business report a wide range of dichotomies between family and nonfamily firms. Table 1.7 presents and classifies some of the often-cited dichotomies, including representative citations.
Table 1.7. Family versus nonfamily business.

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Family Business</th>
<th>Nonfamily Business</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Concentrated, kinship based wedge between cash flow and ownership rights; non-diversified.</td>
<td>Dispersed, non-kinship based wedge between cash flow and ownership rights; well diversified.</td>
<td>Achmad, Rusmin, Neilson and Tower, 2009; Morck and Yeung, 2005</td>
</tr>
<tr>
<td>Governance</td>
<td>Ownership and control united; internal dominance of the board.</td>
<td>Ownership and control split; external influence on the board.</td>
<td>Sirmon, Arregle, Hitt and Webb, 2008; Parada, Nordqvist and Gimeno, 2010</td>
</tr>
<tr>
<td>Returns</td>
<td>Noneconomic outcomes important; private benefits for the family; minority shareholders unprotected.</td>
<td>Largely economically defined; no private benefits; minority shareholders protected.</td>
<td>Chrisman, Kellermanns, Chan and Liano, 2010; Anderson and Reeb, 2003; Matinez, Stohr, and Quiroga, 2007.</td>
</tr>
<tr>
<td>Networks and Relationships</td>
<td>Emebebbed in kinship networks; role diffuseness; personalized social responsibility.</td>
<td>External ties based on business; Distinct business and family spheres; impersonal social responsibility.</td>
<td>Ingram and Lifschitz, 2006; Lomnitz and Pérez-Lizuar, 1987; Muntean, 2009.</td>
</tr>
<tr>
<td>Leadership</td>
<td>Entrenched, long tenured; trained on the job; succession draws on kinship pool.</td>
<td>High turnover with market discipline; formally educated; succession draws on large pool.</td>
<td>Oswald, Muse and Rutherford, 2009; Pérez-González, 2006.</td>
</tr>
<tr>
<td>Management</td>
<td>Emotional and intuitive; rent-seeking, stifling innovation; mutual accommodation.</td>
<td>Delegation to professionals; rational and analytical; innovative; formalized, command and control.</td>
<td>Zellweger and Astrachan, 2008; Morck and Yeung, 2003; Zhang and Ma, 2009.</td>
</tr>
</tbody>
</table>

1.8. Outermost Regions: The Autonomous Region of the Azores

The outermost or ultra-peripheral regions of the European Union have well-defined specifications such as the remoteness, insularity and relatively small sized territory with difficult topography and climate. Due to these and several other factors, these regions have a particular socioeconomic context and some level of economic dependence. These specific economies are seen as weak due to the shortage of usable land, strong dependence on transport and communications infrastructure, limited natural resources and lack of skilled manpower. Their small-scale economies and reliance on a limited number of key sectors, demographic pressure and unemployment make them particularly vulnerable to internal and external economic crises (Valente, 2015). The economy in these regions becomes greatly dependent of “autochthonous” companies that are well adapted to this context, namely, family firms.

According to Lorincz (2011), only nine regions in the European Union are classified as outermost or ultra-peripheral. They are: the Spanish Autonomous Community of the Canary Islands; the four French overseas departments (*departments d’outre-mer, DOM*): Guadeloupe, French Guyana, Martinique and Réunion; the two French overseas collectivity: Saint Barthélemy and Saint Martin; and the Portuguese autonomous regions of the Azores and Madeira.

The Autonomous Region of the Azores is an overseas region of Portugal and an outermost region of the European Union, situated in the North Atlantic Ocean about 1,500 kilometers from Portugal mainland and 3,900 kilometers from the east coast of the United Sates. The Azores archipelago consists of nine volcanic islands with a total area of 2,333 square kilometers of emerged land (Petit & Prudent, 2008). The archipelago’s nine islands are divided in three geographical groups: Flores and Corvo constitute the Western group; Terceira, Graciosa, São Jorge, Pico and Faial the Central group; and São Miguel and Santa Maria the Eastern group.

As reported by the latest *Census* (2011) the population in the Azores was 246,746 at a density of 106 inhabitants per square kilometer (Pordata, 2016). The main economic contributors are services and tourism, and small industries, such as, agriculture, dairy farming (primarily for cheese and butter production), minor livestock ranching, and fishing (Sánchez, Gil, Sabater, & Dentinho, 2011).
1.9. Decision Making in the Business Context

Decision making has long been considered a central and essential building block in management (Mintzberg, 1973; Rausch & Washbush, 1998). In modern business, the challenge for managers is to find the alternatives for improving the decision making process, since most important decisions directly affect profit generation and positioning of the company in the market. In recent literature decision making remains considered as the core activity of managers and the function that separates the responsibilities of managers from employees (Robbins & DeCenzo, 2008). While decisions are made also by other parties in the organizations, the most important decisions are still the responsibility of managing bodies and the management.

Decision making constitutes a very significant and complex function of management that reflects the process of choosing the best alternative (Istrat, Stanisavljev, & Markoski, 2015). It constitutes a dynamic and interdisciplinary process (Pimentel, 2011) that involves all forms of activities in the organizations and its importance is reflected in the fact that all the activities begin and finish with decision making (Grubic-Nesic, Mitrovic, & Melovic, 2016). Managers are daily confronted with numerous decisions, and so even those which are fairly mechanical in nature and have rather high task certainty require managerial common sense (Dinur, 2011). However, with the advent of globalization, work ambiguity, and task complexity, there is a need for managers to be more adaptable and have greater rapid response (Pearce & Robinson, 2011).

According to Grubic-Nesic et al. (2016), managers should be able to make functional and high quality decisions that are also appropriate to improve the work processes and relationships with the environment. Hence, no one seeks a manager who dislikes decision making (Brooks, 2011). Managers try to make sound and practical decisions which allow work to progress smoothly given the relative available information within the context of any resource and time constraints (Tversky & Kahneman, 1974).

Given the relevance of this topic, the next section is dedicated to a brief discussion on information processing and decision making styles.
1.10. Information Processing and Decision Making Style

According to Phillips, Fletcher Marks, and Hine (2016) life involves a continuous set of decisions, but human decision making is not a uniform or straightforward process. For example, an individual may feel compelled to make a non-optimal choice even when they know that the decision is based on flawed logic. To better understand this, dual-process theories of cognition attribute certain variations in decision making behavior to the relative involvement of two distinct types of information processing: (a) experiential, intuitive processing that is automatic, fast, preconscious, associative, and autonomous and does not require working memory, and (b) rational, reflective processing that is relatively slow, effortful, conscious, analytical, rule-based, and requires working memory (Evans, 2008) (see Table 1.8).

The notion of information processing is central to dual-process theories which state that there are two fundamentally different ways of making decisions; one variously labeled as intuitive, automatic, natural, narrative, and experiential; and the other analytical, verbal, deliberative, and rational. Stanovich and West (2000; 2003) refer to the former system collectively as “system 1” and the latter collectively as “system 2.” Several dual process theories exist (Epstein, 1994; Evans & Over, 1996; Hammond, 1996; Hogarth, 2005; Klein, 1998; Levinson, 1995; Pollock, 1991; Reber, 1993; Sloman, 1996; Smith & DeCoster, 2000; Strack & Deustch, 2006) with considerable overlap of content and structure (see Chaiken & Trope, 1999). One important commonality among the different dual-process theories is that processing in system 1 is intimately associated with affect and is influenced by mood and emotional states of mind and involves how we feel about a particular prospect. System 2 on the other hand is deliberative, analytical, and affect free. Decision making behavior is influenced by both systems to varying degrees, depending on the individual and the nature of the outcomes (Kahneman, 2011).
**Chapter 1. General Introduction**

Table 1.8. Comparison of the Experiential and Rational Systems.

<table>
<thead>
<tr>
<th>Experiential System – System 1</th>
<th>Rational System – System 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Automatic, effortless</td>
<td>2. Intentional, effortful</td>
</tr>
<tr>
<td>3. Affective: Pleasure-pain oriented (what feels good)</td>
<td>3. Logical: Reason oriented (what is rational)</td>
</tr>
<tr>
<td>4. Associationistic connections</td>
<td>4. Logical connections</td>
</tr>
<tr>
<td>6. Encodes reality in concrete images, metaphors, and narratives</td>
<td>6. Encodes reality in abstract symbols, words, and numbers</td>
</tr>
<tr>
<td>7. More rapid processing: oriented toward immediate action</td>
<td>7. Slower processing: oriented toward delayed action</td>
</tr>
<tr>
<td>8. Slower and more resistant to change: Change with repetitive or intense experience</td>
<td>8. Changes more rapidly and easily: changes with strength of argument and new evidence</td>
</tr>
<tr>
<td>11. Experienced passively and preconsciously: we are seized by our emotions</td>
<td>11. Experienced actively and consciously: We are in control of our thoughts</td>
</tr>
<tr>
<td>12. Self-evidently valid: “Experiencing is believing”</td>
<td>12. Requires justification via logic and evidence</td>
</tr>
</tbody>
</table>


**1.11. Entrepreneurial Orientation**

The concept of entrepreneurial orientation stems from Miller’s (1983) work, in which entrepreneurial companies are defined as “*those that are geared towards innovation in the product-market field by carrying out risky initiatives, and which are the first to develop innovations in a proactive way in an attempt to defeat their competitors*” (p. 771).
Covin and Wales (2012) suggest that the notion of an orientation toward entrepreneurial activities has been given a variety of labels in past research including entrepreneurial orientation, intensity, style, posture, proclivity, propensity, and in some instances, corporate entrepreneurship (e.g., Zahra, Jennings, & Kuratko, 1999). In line with the conceptualization presented by Miller (1983) and Covin and Slevin (1989; 1991), in this thesis we consider entrepreneurial orientation as the competencies of the entrepreneur that shape the processes, structures, and behaviors of firms that are characterized by innovativeness, risk taking, and proactiveness. Entrepreneurship or corporate entrepreneurship, instead, may be viewed more broadly than entrepreneurial orientation, as it refers to the content of new entry, as consisting of two types of phenomena and processes: (1) the birth of new businesses within existing organizations, whether through internal innovation or joint ventures/alliances; and (2) the transformation of organizations through strategic renewal, i.e., the creation of new wealth through the combination of resources (Dess & Lumpkin, 2005b).

Although there have been various conceptions about entrepreneurial orientation’s components (see Table 1.9), most research has converged, as mentioned above, on three core components (Miller & Le Breton-Miller, 2011): innovation, risk taking, and proactiveness.
Table 1.9. Definition of Entrepreneurial Orientation.

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Definition of Entrepreneurial Orientation (EO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mintzberg (1973)</td>
<td>“In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities” as well as “dramatic leaps forward in the face of uncertainty” (p. 45).</td>
</tr>
<tr>
<td>Miller and Friesen (1982)</td>
<td>“The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies” (p. 5).</td>
</tr>
<tr>
<td>Miller (1983)</td>
<td>“An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive” innovations, beating competitors to the punch” (p. 771).</td>
</tr>
<tr>
<td>Morris and Paul (1987)</td>
<td>“An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk” (p. 249).</td>
</tr>
<tr>
<td>Covin and Slevin (1989)</td>
<td>“Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidenced by the firms’ strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive” (p. 218).</td>
</tr>
<tr>
<td>Merz and Sauber (1995)</td>
<td>“… entrepreneurial orientation is defined as the firm’s degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings” (p. 554).</td>
</tr>
<tr>
<td>Lumpkin and Dess (1996)</td>
<td>“EO refers to the processes, practices, and decision-making activities that lead to new entry” as characterized by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities” (pp. 136–137).</td>
</tr>
<tr>
<td>Zahra and Neubaum (1998)</td>
<td>EO is “the sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes” (p. 124).</td>
</tr>
<tr>
<td>Voss, Voss, and Moorman (2005)</td>
<td>“… we define EO as a firm-level disposition to engage in behaviors [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that lead to change in the organization or marketplace” (p. 1134).</td>
</tr>
<tr>
<td>Avlonitis and Salavou (2007)</td>
<td>“EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and… “</td>
</tr>
</tbody>
</table>
“Entrepreneurial orientation (EO) refers to the top management’s strategy in relation to innovativeness, proactiveness, and risk taking” (p. 27).

“An EO is conceptualized as a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy” (p. 219).


### 1.12. Components of Entrepreneurial Orientation

As addressed earlier, Miller (1983) posited that entrepreneurship involves three key components: innovativeness, risk taking, and proactiveness. These when geared to face the challenges of the dynamic environment, are collectively known as the entrepreneurial orientation of a firm (Kandemir & Acur, 2012; Talke & Hultink, 2010). According to Li, Guo, Liu and Li (2008), these components have been recognized as the driving force behind the development of new products and services from concept to commercialization.

#### 1.12.1. Innovativeness

Innovativeness refers to a company’s ability, willingness and efforts to support creativity, new ideas and experimentation which may result in new product and/or service opportunities, and improvements to existing processes and systems (Hage 1980). This reflects a tendency “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin & Dess, 1996, p. 142). Innovativeness is present, not only, in the creation and generation of new ideas, but also to facilitate the development and implementation of new inventions, products, or services (Dess & Lumpkin, 2005b; Hurley & Hult, 1998). Therefore it requires that firms abandon existing practices and approaches and adopt novel solutions (Dess & Lumpkin, 2005, p. 150).
With respect to competitive conduct, innovativeness is said to facilitate both differentiation from and contending with competitors (Hughes & Morgan, 2007). In that sense, differentiation can be achieved by exploration and thus developing creative new offerings to satisfy customer needs. Moreover, innovativeness improves the application of market information (Hurley & Hult, 1998), supporting the company in pursuing existing market opportunities by introducing new products and helping it conduct market and customer-oriented adjustments in the process of value creation (Allen, 2001; Slater & Narver, 1995).

1.12.2. Risk Taking

Risk taking is considered a defining feature of entrepreneurial behavior even though prior research suggests that many entrepreneurs either do not perceive their actions as risky (Simon, Houghton, & Aquino, 2000) or take action only after significantly reducing uncertainty through research and planning (Bhide, 2000).

In the entrepreneurial orientation context, risk taking refers to a willingness to venture into the unknown without certain knowledge of probable outcomes (Miller & Friesen, 1982; Covin & Slevin, 1991; Lumpkin & Dess, 1996). It refers to “incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace” (Lumpkin & Dess, 1996, p. 144). This involves investing in unproven technologies or entering untested markets; it also refers to financial risk, such as borrowing heavily or committing to types of financial liabilities needed to achieve organizational objectives (Baird & Thomas, 1985). The decision in favor of or against a high level of risk taking is largely associated with the tolerance to the risk of either failing or missing an opportunity (Dickson & Giglierano, 1986). In this way, risk taking boosts decision speed, and enables firms to seize opportunities characterized by a short window of opportunity. Furthermore, risk-taking firms prefer the typical relationship of high risk and high return based on a high fault tolerance (Dess & Lumpkin, 2005). Successful corporate entrepreneurship requires, however, that firms choose riskier alternatives, which may involve even forgoing existing products and methods (Dess & Lumpkin, 2005, p. 152).
1.12.3. Proactiveness

According to Lumpkin and Dess (2001) proactiveness is the pursuit of opportunities and competitive rivalry in anticipation of future demand to create change and shape the business environment, associated with “processes aimed at anticipating and acting on future needs” in order to capitalize on emerging opportunities and establish a first-mover advantage in the marketplace (Lumpkin & Dess, 1996, p. 146). This involves tracking and monitoring changes in the business environment, consumer preferences and technologies (Lumpkin & Dess, 2001). Highly responsive firms, especially those in industries, such as consumer electronics and fashion that are heavily influenced by short-lived consumer preferences generally benefit from acting quickly. As such, the term “first mover advantages” (Lieberman & Montgomery, 1988) is often associated with proactiveness. Companies that follow a “ready-fire-aim” philosophy (Masterson, 2008), an entrepreneurial approach that encourages companies to get operational and launch products as quickly as possible as a way to generate fast cash or obtain rapid market feedback, might benefit from being proactive in the short run.

While the three dimensions can vary independently of one another (e.g., Kreiser, Marino, & Weaver, 2002), they typically tend to co-vary in the manner Miller identified as suggesting the presence of organizational-level entrepreneurship (Wiklund & Shepherd, 2005). In this view, each organization falls somewhere along a conceptual continuum ranging from conservative (low entrepreneurial orientation) to entrepreneurial (high entrepreneurial orientation) (Covin & Slevin, 1989).

According to Tognazzo and Gubitta (2013), and Hernández-Perlines (2016), entrepreneurial orientation is likely to be the most critical aspect for a company profitability, growth and survival. It Allows a company to fully exploit its current competitive advantage while also exploring tomorrow’s opportunities and developing competencies required to pursue them (Kuratko, Ireland, Covin, & Hornsby, 2005).

In the actual economic context where companies face a set of recent challenges: greater competition, market globalization, and the increasingly important role of technology in business mean that entrepreneurial orientation is becoming a critical need for most firms (Tajeddini & Trueman, 2008). Therefore, this situation requires the ability to identify how to:
1) Take advantage of new opportunities, developing new products or services (Berthon, MacHulbert, & Pitt, 2004);
2) take greater risks (Ahimbisibwe & Abaho, 2013), and;
3) develop proactive behaviors (Kreiser, Marino, Kuratko, & Weaver, 2013).

For these reasons the phenomenon of an entrepreneurial orientation has become one of the major topics in the entrepreneurship literature, receiving substantial conceptual and empirical attention (Colvin & Wales, 2011).
Chapter 2.

Research Methodology

2.1. Research Approach

In this thesis different data collection and analysis methods were used. An overview of the applied research methodology is presented in this section, while a detailed explanation is given later in each paper.

2.2. Data collection

The empirical data utilized on this study was collected using Qualtrics web-based survey platform. The induction of online platforms in the methods of survey research has provided several advantages when compared to more traditional methods of data collection, such as pencil-and-paper questionnaires and phone interviews (Lyons, Cude, Lawrenc, & Gutter, 2005; Wright, 2005; Skitka & Sargis, 2006). The main advantage includes quick response time, a better sense of anonymity for those responding, and is a less expensive avenue for tapping into human attitudes, opinions and behaviors. Other advantages, such as the more precise data entry and coding with decreased chance of human error, increase the potential reliability for data collection (Weber & Bradley, 2006).

A total number of 1,200 firms were selected from a business database available from Sociedade para o Desenvolvimento Empresarial dos Açores, EPER, (SDEA). An explanatory introduction where the scope of this work was presented, together with a link to the survey questionnaires was e-mailed to the owners and/or managers of the selected companies. The survey was organized in five subsections, as follows.

1. Type of Business
2. Family Participation and Influence (only presented if the company is a Family Business)
3. Information Processing and Decision Making Style
4. Entrepreneurial Orientation

5. Company Characterization (demographic indicators)

Altogether, 211 responses were obtained, resulting on a response rate of 17.6%, of which 175 were retained due to the deletion of incomplete cases. Resulting in a final sample of 155 cases - after deleting cases with missing values on relevant variables - out of these 82 were family firms and 73 nonfamily firms. All firms included in the sample were privately-owned. The surveys were conducted online, between November 2015 and February 2016.

The data analyzed in the three research papers composing this thesis as well as the methods of analysis are presented in Table 2.1.

Table 2.1. Data analyzed and methods used in the research papers.

<table>
<thead>
<tr>
<th>Paper</th>
<th>Data analyzed</th>
<th>Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper 1</td>
<td>82 responses from owners and managers of family companies.</td>
<td>Descriptive statistics; Principal component analysis</td>
</tr>
<tr>
<td>Paper 2</td>
<td>152 responses to survey questionnaires: 82 family business owners and managers; 73 nonfamily business managers.</td>
<td>Descriptive Statistics; t-student test; correlation and regression analyses</td>
</tr>
<tr>
<td>Paper 3</td>
<td>152 responses to survey questionnaires: 82 family business owners and managers; 73 nonfamily business managers.</td>
<td>t-student test; correlation and regression analyses</td>
</tr>
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2.3. Measures

2.3.1. Family Participation and Influence - The Family Influence on Power, Experience, and Culture Scale

The Family Influence on Power, Experience, and Culture Scale (F-PEC) (Astrachan, Klein, & Smyrnios, 2002), is a well recognized instrument that is able to measure the family influence on the business, and relies on three independent constructs: Power, Experience, and Culture.
According the authors, this instrument “enables the assessment of family influence on a continuous scale rather than restrict its use as a categorical (e.g., yes/no) variable.” (Astrachan et al., 2002, p. 45).

The Power and the Experience dimensions were assessed by asking direct questions to the respondents, e.g., “Please indicate the proportion of share ownership held by family and nonfamily members.”, “Does the business have a management board?”, “What generation owns the company?”, “How many family members participate actively in the business?”.

For the dimension Culture two multi-item scales were used, the first to assess family influence in business, which contained three statements, the second multi-item scale, was utilized to gauge the culture in family business, and included ten statements. The respondents were requested to rate on each of the statements on a scale of 1 (strongly disagree) to 5 (strongly agree). Cronbach’s Alpha for the instrument was calculated and its value was found to be 0.901.

2.3.2. Decision Making Style - Rational Experimental Inventory

Rational Experiential Inventory (REI-40) developed by Pacini & Epstein (1999) is a 40-question survey designed to examine an individual’s preference for two decision making styles: the need for cognition (rationality) and faith in intuition (experientiality). The two subscales (rationality and experientiality scales) are designed to measure information processing style as well as decision making styles of professionals. The rational subscale, or REI-R, is measured with 20 items, for example: “I enjoy intellectual challenges.” The experiential subscale, or REI-E, is measured by 20 items, for example “I believe in trusting my hunches.”

Respondents score each item on a 5-point scale, from 1 (completely false) to 5 (completely true). About half of the items are stated in positive direction, while the remaining half in negative direction. Thus, some items are scored from 1-5 and others are scored from 5-1. Cronbach Alpha was computed for reliability of each subscale of the instrument and its values were found to be 0.882 for the experientiality scale and 0.763 for the rationality scale.
2.3.3. Entrepreneurial Orientation Questionnaire

While several measures of entrepreneurial orientation exist (Miller, 1983; Hughes and Morgan, 2007) this thesis relies on the Entrepreneurial Orientation Questionnaire developed by Covin and Slevin (1989) to measure the entrepreneurial orientation of the firms. This instrument was developed based on early work by Miller and Friesen (1982) and Khandwalla (1977). The response of this nine-item questionnaire used a five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree), on which the owner or manager has to indicate the extent to which the items represent their firm’s strategy. The questionnaire distinguished three sub-dimensions; innovativeness, risk taking, and proactiveness.

The choice of this instrument increases the comparability of the findings, given that the majority of empirical research has employed this approach (Covin & Lumpkin, 2011). The Cronbach’s Alpha for the used sample was calculated and its value was found to be 0.835.

2.4. Surveys

The empirical data for this thesis was collected using three different surveys. The main goals for each of the three studies as well as the measurements and instruments used are briefly present below.

The first paper seeks to explore what characterizes family business in terms of power and ownership, experience, and culture, while understanding the role of the family in the business. To do so family businesses owners and/or managers were asked to complete the Family Influence on Power, Experience, and Culture Scale (Astrachan et al., 2002).

For the second paper, in order to collect data regarding owner and/or manager decision making style, all participants were asked to complete an instrument consisting of the Rational Experiential Inventory (Pacini & Epstein, 1999), followed by the Family Influence on Power, Experience, and Culture Scale (Astrachan et al., 2002) in the case of family firms, in order to measure family participation and influence in the business.

Regarding data collection for the third paper and in order to measure entrepreneurial orientation levels both in family and nonfamily firms, each owner and/or
manager was asked to respond to the Entrepreneurial Orientation Questionnaire (Covin & Slevin, 1989), followed by the Family Influence on Power, Experience, and Culture Scale (Astrachan et al., 2002) in the case of family firms, in order to assess family participation in the business.

### 2.5. Research Methods

Different research methodologies were used in the three papers included in this thesis. In the first paper several descriptive statistics analysis were used to describe the basic features of the data obtained, providing simple but robust summaries that helped characterizing and profiling the family firms in various domains. Given the exploratory nature of the first paper, principal component analysis was also used, since it allowed us to explore the main components related to family business culture (i.e., values and commitments). Principal component analysis is a mathematical algorithm that reduces the dimensionality of the data while retaining most of the variation in the data set. It accomplishes this reduction by identifying directions, called principal components, along which the variation in the data is maximal (Ringnér, 2008).

In the second paper descriptive statistics were used to identify the decisional style within family firms. Moreover, two-sample, student’s t-test was used to assess whether the means of family and nonfamily companies were statistically different from each other in terms of the decision making style. The two-sample t-test is the most used statistical method to know whether the unknown means of two populations are different from each other based on independent samples from each population (Skaik, 2015). Furthermore, correlation and regression analyses were used to identify and explore the relationship between family participation and influence, and the use of experiential and rational decision making processes. Clogg, Petkova, and Haritou (1995) describe regression coefficients as the most common method in social science research for comparing explanations of a particular predictor variable.

The third paper includes once more the use of student’s t-test to evaluate if family and nonfamily companies show statistically differences in their levels of entrepreneurial orientation, and its three dimensions - innovativeness, risk taking, and proactiveness. Correlation and regression analyses were also used in order to seek
associations and relationships between family participation and entrepreneurial orientation, and its three components.

2.6. Overview of the Original Research Papers

2.6.1. Profiling Family Business in an Outermost Region: The Azores case

Family companies are an important socioeconomic actor in most regions worldwide. To better understand these companies’ core aspects is to better understand a region’s socioeconomic context. Using an initial sample of 448 family firms selected from the available database of 1,200 companies provided by SDEA, and after e-mailing a survey link to the owner and/or manager of each family firm, a final sample of 82 valid cases was obtained.

This paper aims to characterize and profile family firms located in the outermost, Autonomous Region of the Azores, Portugal. In order to achieve these goals, we look at several important profiling aspects such as ownership and governance, experience and management, and corporate culture. While, other demographic indicators are also taken into account, such as the sector of activity, years in business, number of employees, and last year’s turnover. Therefore, this paper seeks to understand if, and in which degree, the families control the business, which family generation owns and/or manages the company, and how is family involved in the business, by assessing its corporate culture. By drawing a first profile of family firms, in an outermost economic context, this paper aims to provide an early dataset and shed some light on this underexplored field.

The obtained results provided information to outline an initial draft of a family company based in an outermost region, particularly in the Azores. This family firm operates in the trade sector, counts with a workforce of less than 10 employees, has been in business for over 30 years, and has a turnover of less than €500,000 per year.

Regarding ownership and management participation, the company is owned and controlled exclusively by the family, and does not have a management board. Its owners and managers are the family the founding generation, and on average two family
members actively participate in the business, while one family member do not participate actively but is interested, thus, overall, all family members are part of the family business.

The family members share similar values and consider that the family has a high participation and influence on the business, and also believe that both family and business share the similar values. Finally, the owners and/or managers show a great and strong connection with the family business culture mainly regarding key aspects as loyalty, belief and pride.

One important topic in the family business field was revisited in this paper, identifying, profiling and characterizing family companies, in particular in a specific socioeconomic context. This article presents itself as a starting point for this topic and aims to be an impulse for new and improved research that can increase the knowledge on family business in outermost regions.

2.6.2. Who's running the business? Rational versus Experiential Decision Making in Family Firms

Decision making is the fundamental managerial activity (Bass, 1985; Yukl, 2002; Williams, 2003). Business owners and managers continuously face many decisions, from minor issues of routine life in the job setting to strategic choices which determine the fate of the organization. This paper contributes to the understanding of decision making within the family business context. Hence, an effort is made to examine patterns of family firms owners and/or managers, by assessing which decision making style - experiential or rational – they rely their decisions in, and if decision making style in family firms is different from nonfamily firms. Furthermore, we try to comprehend how family participation and influence relates to the use of experiential and rational decision making styles.

The empirical study was developed using a sample of 152 privately held companies, 82 family firms and 73 nonfamily firms. Results show that family and nonfamily firms differ in the way they make decisions, and that family influence and participation plays an important role in guiding the decisional process, by promoting
experiential decisions, and suppressing the use of a more rational decision making processes.

These findings constitute a starting point to better explore and understand not only the differences between family and nonfamily firms in terms of decision making, but also to create and develop a family firm decisional profile.

2.6.3. Family participation and entrepreneurial orientation in Family Firms

Entrepreneurial orientation is one of the most critical aspects for a company performance, growth and survival. A current debate in the family business field involves the extent to which the distinctive characteristics of family firms hinder or promote entrepreneurial behavior (Habbershon & Pistrui, 2002). Some researchers argue that family businesses provide an environment that fosters entrepreneurial activities (e.g., Litz, 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003), while others, by contrast, claim that family businesses are risk averse, reluctant to innovate and slow to change, thus hampering entrepreneurial activities (e.g., Kets de Vries 1993; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Naldi, Nordquist, Sjoberg, & Wiklund, 2007).

As an attempt to further explore this debate, this paper assesses the construct of entrepreneurial orientation in the context of family-owned organizations. Hence, this paper contributes to the referred discussion by learning more on the particular dynamic between family firms and entrepreneurial orientation. Furthermore, it explores the relationship between family participation, perhaps one of the most important characteristic of family firms, and the three dimensions of the entrepreneurial orientation construct: innovativeness, risk taking and proactiveness.

Results show that there are differences between family and nonfamily firms in what regards entrepreneurial orientation, and in two of its three components. In short, family firms tend to be less entrepreneurially oriented and innovative, but more risk averse than nonfamily firms, however both types of companies do not differ in terms of proactiveness.

Moreover, these findings suggest that family participation is negatively associated both with entrepreneurial orientation and its three components. In other
words, the higher the levels of family participation within family firms the lower the levels of entrepreneurial orientation, innovativeness, risk taking and proactiveness.

This paper provides additional contributions that might help to reconcile the divergent insights in the literature on entrepreneurial orientation in family business.
SECTION II.

RESEARCH PAPERS
Chapter 3.

Profiling Family Business in the Azores

3.1. Introduction

Family firms have a major impact on any economy, being responsible for the largest portion of wealth generation, along with the creation of the majority of jobs in most countries (Astrachan & Shanker, 2003; Cadbury, 2000; Chrisman, Chua, & Sharma, 2005; Fattoum & Fayolle, 2009; Hacker & Dowling, 2012; Hoy & Sharma, 2010; Kellermanns, Eddleston, Barnett, & Pearson, 2008; Kuratko & Hodgetts, 2004; Mazzarol, 2006; Morck & Yeung, 2003; Ramadani, Fayolle, Gerguri, & Aliu, 2013; Xi, Kraus, Filser, & Kellermanns, 2015), playing a central role not only in a nation’s economy but also in its social growth (Astrachan, Zahra, & Sharma, 2003). Colli, Fernández and Rose (2003) report a strong presence of family businesses in most European countries. Similarly, in Portugal family firms are responsible an important share of the gross domestic product generated annually. The Associação de Empresas Familiares (2014) estimates that, in Portugal, the share of family firms is over 70% and that these firms are responsible for over 60% of all jobs created nationwide. Official data sources, including Instituto Nacional de Estatística (2010), further underscore the importance of family firms in Portugal, reporting that they were responsible for approximately 60% of the entire turnover volume during the period between 2008 and 2010.

Although family firms located in the Azores take part in the Portuguese national statistics there is a lack of any accurate data on the presence or economic impact of family firms in the region. The Azores statistical office does not monitor a separate category of family businesses. Even though there are no accurate statistics for the region, experts remark the importance and impact of such firms in the local economy. These companies play a key role, not only as the main economic engine, but also as one of the most important contributors to the region’s socioeconomic development.

The challenge of identifying, characterizing and profiling family businesses remains one important debate among family business researchers and practitioners. In this paper, we explore the main characteristics of family firms located in an outermost,
ultra-peripheral socioeconomic context, by looking at a sample of family owned firms located in the Autonomous Region of the Azores, Portugal. We intend to look at important profiling aspects such as ownership and governance, experience and management, and corporate culture as well as demographic indicators, seeking to understand if, and in which degree, the families control the business, which family generation owns and/or manages the company, and how is family involved in the business. Thus this paper serves the dual purpose of (1) providing a preliminary profile of family firms located in an outermost, ultra-peripheral region, and (2) providing an initial dataset with relevant information on this region that can be used in future research, both by scholars and practitioners.

3.2. Family Business Identification

Prior to providing a preliminary profile of family firms in a particular context, it is crucial to identify and define these organizations. Although the field of family businesses has been regarded as a separate academic discipline since the early 1990s (Bird, Welsh, Astrachan, & Pistrui, 2002), only recently it has been incorporated by mainstream research (Chua, Chrisman, & Steier, 2003; Stewart, 2003). One reason why family business has not been more widely accepted as a topic of research is that there is not a generally accepted definition that may help identify what constitutes and differentiates a family firm. Handler (1989) suggests that “defining the family business or firm is the first and most obvious challenge facing family business researchers”. To this day, almost thirty years later, this discussion is still a hot topic and the initial challenge remains. There is still not a widely accepted definition; instead the literature continuously reports a wide range of various definitions. Thus, addressing the “family business definition dilemma” (Astrachan, Klien, & Smyrnios, 2002, p. 45) remains as a crucial point for the advancement of this field (Chrisman, Chua & Sharma, 2005).

According to Uhlaneer (2002), part of the challenge regarding the identification and definition of family business is that it is multidimensional in nature. Accordingly, it is difficult to pinpoint one characteristic that is so all-encompassing that both academics and practitioners can agree. However, there do appear to be cumulative effects such that the more characteristics are present, the more “family-oriented” the company is likely to
be in its objectives, strategies, and corporate culture. For this reason, several researchers
have proposed definitions based on multiple criteria (Litz, 1995).

As reported by Astrachan, Klien and Smyrnios (2002), an extensive review of
the literature suggests three principal ways in which definitions can be considered:
content, purpose, and form (e.g., Flören, 2002, provides an overview of more than 50
definitions). Most definitions focus on content (e.g., Handler, 1989; Heck & Scannell,
1999). Many early definitions concerned ownership (e.g., Berry, 1975; Lansberg,
Perrow, & Rogolsky, 1988), management involvement of an owning family (Barnes &
Hershon, 1976; Burch, 1972), or generational transfer (Ward, 1987). By contrast, more
recent definitions concentrate on family business culture (Chua, Chrisman, & Sharma,
1999; Dreux & Brown, 1999). Possibly due to practical reasons, a number of published
articles have utilized definitions that have concentrated, once again, on family

Although, in the last three decades, the literature about family businesses has
seen some evolution (Bird, Welsh, Astrachan, & Pistrui, 2002), studies about family
businesses still show a modest improvement, despite of the growing share of this
organizational segment in the market. As stated by Westhead and Howorth (2007),
research into private family firms is relatively neglected, despite their significant
contribution to the economy. It could be considered that this negligence derives from
the fact that their major participation has been kept within local markets (Astrachan,
Zahra, & Sharma, 2003), mainly because most family businesses are small. On a
common sense basis, as family and small businesses are erroneously conceived as being
synonymous (Bird et al., 2002), they are thought to be less interesting, which leads to
prejudice and to a negative stereotype. The intense attention given to large companies
by scholars is the evidence that strengthens this reflection about family business
research (Carrão, Sartori, & Montebelo, 2015).

3.3. Outermost Regions: The Azores

The Autonomous Region of the Azores is one of the nine European Union
regions classified as outermost or ultra-peripheral. The other eight regions are: the
Spanish Autonomous Community of the Canary Islands; the four French overseas
departments (départements d’outre-mer): Guadeloupe, French Guyana, Martinique and Réunion; the two French overseas collectivity: Saint Barthélemy and Saint Martin; and the Portuguese autonomous region of Madeira (Lorinc, 2011).

The outermost regions of the European Union have well-defined specifications from which the most determinants are the remoteness, insularity and relatively small sized territory with difficult topography and climate. Due to these and several other factors, these regions have a particular socioeconomic context and some level of economic dependence from the main economic centers. The private sector is largely dominated by “autochthonous” companies that are well adapted to the particularities of the context, namely, family firms.

The Azores are situated in the North Atlantic Ocean, about 1,500 kilometers from Portugal and 3,900 kilometers from the east coast of the United States, and consist of a nine volcanic islands archipelago with 246,746 inhabitants (Pordata, 2016) and a total area of 2,333 square kilometers (Petit & Prudent, 2008).

As mentioned before and according to Sánchez, Gil, Sabater and Dentinho (2011) the main economic contributors are family firms operating mainly in trade and services, and small industries, such as, agriculture, dairy farming, minor livestock ranching, and fishing.

3.4. Profiling Family Businesses

An important contribution in profiling family business was made by Astrachan et al. (2002), with the development of “The Family Influence on Power, Experience, and Culture Scale” (F-PEC), which goes beyond ownership, and assesses the influence of the family on the business, taking three fundamental variables into account: power, experience and culture.

Power refers to dominance exercised through financing the business and through leading and/or controlling the business through management and/or governance participation by the family. Experience refers to the sum of the experience that the family brings into the business and is operationalized by the generations in the firm’s management and ownership. According to Klein, Astrachan and Smyrnios (2005), the more generations, the more opportunities for relevant family memory to develop and
culture refers to values and commitments. The underlying assumption is that commitment is rooted in and shaped by the value of family.

Finally, the third dimension is that of culture. The F-PEC scale assesses the extent to which family and the business’ values overlap as well as the family’s commitment to the business, derived from a subscale developed by Carlock and Ward (2001). As observed by Klein et al. (2005) these three sources combined can lead to functional resources, including knowledge and skills.

The F-PEC authors suggest that this scale “enables the assessment of family influence on a continuous scale rather than restrict its use as a categorical (e.g., yes/no) variable.” (Astrachan et al., 2002, p. 45). Demonstrating that through this instrument, it is possible to understand what extent family members and families may keep influence and participation on their business, which gives support to the definition of strategies aiming at a balance between both family and business needs.

3.5. Research Methods

3.5.1. Participants and Data Collection

The target population of this study was family businesses located in the Autonomous Region of the Azores, Portugal. Official data on Azores’ family firms is yet not available or published; therefore, in order to explore the family firm characteristics, primary data needs to be collected, which can be costly and time-consuming. Thus, this paper used a convenience sample, supplied by Sociedade para o Desenvolvimento Empresarial dos Açores, EPER, which provided an updated database of the businesses based in the Azores, from which we were able to identify family owned companies that were, consequently, invited to participate in this study.

A total number of 448 family firms were selected from the available database, and a survey link was sent by e-mail to the owner and/or manager with covering statement introducing the purposes of the study and guaranteeing the confidentiality of the responses. After a three-wave e-mailing, a response rate of 18.3% was obtained, resulting in a final sample of 82 valid cases. All family firms included in the sample were privately-owned.
In order to collect data about the family firms, respondents were asked to complete an electronic survey instrument consisting of the F-PEC scale (Astrachan et al. 2002), followed by a set of demographic indicators, including: sector of activity, years in business, number of workers, and total turnover for the last fiscal year.

To control response bias, a single respondent was targeted, usually the owner or a family member with a management position within the company. This choice was made given the key role played by both owners and managers in family firms, since these are intrinsically and directly involved in the business (Preisendorfer & Voss, 1990), and have first-hand information on the firm’s characteristics, strategic activities and operations (Yusof & Aspinwall, 2000). The data was collected through an online web survey platform, and statistically analyzed using Statistica 8 and SPSS 19.

### 3.5.2. Instrument

As previously mentioned, this paper relies on the F-PEC scale (Astrachan et al. 2002) in order to collect data. The Power and the Experience dimensions were assessed by asking direct questions to the respondents, e.g., “Please indicate the proportion of share ownership held by family and nonfamily members.”, “Does the business have a management board?”, “What generation owns the company?”, or “How many family members participate actively in the business?”.

For the culture dimension two multi-item scales were used, the first to assess family influence in business, which contained three statements evaluated on a 5-point scale (where “not at all” = 1 and “to a large extent” = 5). The second multi-item scale, was utilized to gauge the culture in family business, and included ten statements. The respondents were requested to rate on a scale of 1 (strongly disagree) to 5 (strongly agree) on each of the statements.

Although this particular measuring instrument is not yet validated for the Portuguese population, the types of items that are included in the questionnaire do not raise major validity issues (e.g., “Your family and business share similar values.”, “We feel loyalty to the family business.”, “We really care about the fate of the family business.”). For our sample of family firms the instrument achieved a good level of reliability ($\alpha = 0.901$).
3.6. Results

According to our results, the trade sector accounts for 57.3% of the total Azorean family firms, followed by small industries (14.6%), and the construction sector (11%). The remaining 17% of the family owned firms operate in other various sectors such as tourism, transports and services.

The majority of the companies hold less than 10 employees (63.4%), followed by 26.8% with 10 to 25 workers, and only 9.5% are responsible for employing more than 25 people.

Most family firms maintain their activity for over 30 years (30.5%), being also significant the number of companies with 10 to 20 years of activity (26.8%). Furthermore, 23.2% are in business for a period ranging from 20 to 30 years, and companies with 0-10 years of activity account for 19.5% of the family firms located in the Azores (see Figure 3.1).

Regarding the turnover in the last fiscal year (2015), for 61% of the companies, it less than €500,000, followed by 28% of the firms with a turnover ranging from €500,000 to €2,000,000, while 11% the Azorean family firms generated a turnover between €2,000,000 and €10,000,000.

![Figure 3.1. Years in activity of family firms.](image)

In terms of the proportion of share ownership held by family and nonfamily members, 90.2% of the family firms located in the Azores are totally and exclusively held and managed by the family members.

Only 13.6% of the family firms have a management board, and in average the management boards compromises 3 people, being these always family members. Less
than 20% (19.5%) of the firms involved in this study held shares in a holding company or similar entity (e.g., trust) (Figure 3.2).

![Figure 3.2. Family ownership and management participation.](image)

Regarding the generation who owns the family firm, and as shown in Figure 6, 70.1% of the family firms in the Azores are owned by the founders (1st generation). As to the generation that manages the family business, the results are similar, 56.1% of the firms are managed by the founding generation. As illustrated (see Figure 3.3), 24.4% and 36.6% of family business in the Azores are owned and managed by the second generation respectively.

The third generation is responsible for only 3.7% of the ownership, and 6.1% of the management in the Azorean family firms. Finally, the fourth and above family generations represent roughly 1.2% of family businesses ownership and management.
Chapter 3. Profiling Family Business

In relation to the participation of the family members in the business, as shown in Figure 3.4, in average, family firms located in the Azores, hold 2.34 family members that participate actively in the business. The results also show that, in average, by family, there are 1.18 family members who do not participate actively but are interested. And, in average, only 0.54 family members are not (yet) interested at all in the family business.

The family influence and values in business is presented in Table 3.1. A manifest 65.8% of the family firms’ owners or managers recognize that the family has a
major influence on the business. While 74.4% consider that the family members share the same values. Finally, 79.3% of the respondents believe that the family and the business share similar values.

Table 3.1. Family Influence in Business.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Median</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Your family has influence on your business.”</td>
<td>4.40</td>
<td>5.00</td>
<td>0%</td>
<td>2.4%</td>
<td>9.8%</td>
<td>32.9%</td>
<td>32.9%</td>
</tr>
<tr>
<td>“Your family members share similar values.”</td>
<td>3.96</td>
<td>4.00</td>
<td>3.7%</td>
<td>6.1%</td>
<td>15.9%</td>
<td>39.0%</td>
<td>35.4%</td>
</tr>
<tr>
<td>“Your family and business share similar values.”</td>
<td>3.89</td>
<td>4.00</td>
<td>6.1%</td>
<td>3.7%</td>
<td>11%</td>
<td>53.7%</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

Figure 3.5, offers an overview of the corporate culture of the family firms based in Azores. Results for some of the most relevant statements for the characterization of family businesses in this context are noteworthy, e.g., statement 1, 3, 5, and 8, which are intrinsically connected with important dimensions such as commitment, belief, pride, and loyalty to the family business and where the large majority of the respondents agree or strongly agree with the statements.
<table>
<thead>
<tr>
<th>Statement</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our family members are willing to put in a great deal of effort beyond</td>
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<tr>
<td>normally expected in order to help the family business be successful.</td>
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<tr>
<td>2. We support the family business in discussions with friends, employees,</td>
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<tr>
<td>and other family members.</td>
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<tr>
<td>3. We feel loyalty to the family business.</td>
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<tr>
<td>4. We find that our values are compatible with those of the business.</td>
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<tr>
<td>5. We are proud to tell others that we are part of the family business.</td>
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<tr>
<td>6. There is so much to be gained by participating with the family business</td>
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<tr>
<td>on a long-term basis.</td>
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<tr>
<td>7. We agree with the family business goals, plans and policies.</td>
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<td></td>
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<tr>
<td>8. We really care about the fate of the family business.</td>
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<tr>
<td>9. Deciding to be involved with the family business has a positive influence on my life.</td>
<td></td>
<td></td>
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<tr>
<td>10. I understand and support my family's decisions regarding the future of the family business.</td>
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</tbody>
</table>

*Figure 3.5. Family Business Culture: Values and Commitments.*
A Principal Component Analysis, for the culture subscale, extracted 3 principal components (loyalty, belief, and pride). These 3 components are strongly linked with statements like: “We feel loyalty to the family business.”, “There is so much to be gained by participating with the family business on a long-term basis.”, and “We are proud to tell others that we are part of the family business.”

As shown in Figure 3.6, family firms located in this region show a great homogeneity regarding the three principal components which are associated with values and commitments within the company culture.

As a result of this analysis, three particular cases (18, 58 and 76) deserve further attention. Owners or managers of these three family firms do not demonstrate a high level of belief in their companies, showing, however, average levels of consideration of loyalty and pride.

A further analysis of the cases presented above, found that there are no significant differences, between these three companies, regarding two of the main variables in family businesses - family influence in business, and generation in control.

Figure 3.6. Principal Component Analysis on Family Business Culture.
3.7. Discussion

When addressing the demographic characterization of family business in terms of sector of activity, results show trade as the core sector in which family businesses located in the Azores operate in, accounting for 57.3% of all companies, followed by small industries, such as agriculture or dairy farming (14.6%). These results were expected and clearly reflect the business activity in the archipelago. It is well-known that small shops, restaurants, markets are the backbone of the economy in the Azores, and that small industries operating in dairy farming and minor livestock ranching are also an important part of the economic life (Sánchez et al., 2011).

As to the workforce, the majority of family firms located in the Azores hold less than 10 employees (63.4%), while 26.8% are responsible for employing 10 to 25 collaborators, and only 9.5% of family firms employing more than 25 people. According to these results we are able to characterize these family firms, in terms of size, as small and medium enterprises, corroborating the existing literature which states that a significant proportion, 45% to 70%, of all family business are classified as small and medium enterprises (Vozikis, Weaver, & Liguori, 2013).

Parallel to the number of employees is the company’s turnover, in the last fiscal year (2015) which was less than €500,000 for most firms (61%), for 28% of the family firms the turnover lied between €500,000 and €2,000,000, and ranging from €2,000,000 to €10,000,000 in only 11% of the cases. Although the results demonstrate a good financial performance, taking into account the small, outermost economic context in which they operate in, and the recent global economic crisis. These results also show, in most cases, a lower performance and growth rate than nonfamily firms (Buhalis & Peters, 2004). This may help to explain the idea that family businesses are commonly characterized by having a vision that puts the needs and personal and/or family preferences above company financial performance, growth, or profit maximization (Getz & Nilsson, 2004; Getz & Carlsen, 2005). Moreover, it is possible to identify, in the literature, arguments in favor of a lower orientation towards financial performance in family-owned firms, at least in the short term (Zahra, Hayton, & Salvato, 2004). In this sense, Carney (2005) stated that family control imposes capital constraints that can inhibit corporate performance and growth. Likewise, family businesses tend to put continuity before financial performance so that they prioritize a desire to maintain the
status quo (Salvato, 2004). Furthermore, these firms are closely involved in several aspects linked to the family, community, and above all to region in which they are located, and to which they must effectively respond. As is the case of ensuring the livelihood of family, to create sustainable jobs in their region, to strive for the company survival over several generations, or to fight for the company’s ownership and control to remain in the hands of family.

One of the most interesting results of this study is the fact that a substantial percentage (30.5%) of the family firms maintains their activity for over 30 years. This result is remarkable since the lifespan of family businesses is considered by many researchers as relatively short (Shanker & Astrachan, 1996; Neubauer & Lank, 1998). This unusual longevity may be associated with the fact that in a specific and particular context, such as the Azores, there is a continuous need for people to create their own jobs. In this way, family firms make their best efforts in order to maintain the jobs created, since in an outermost economic context like the one found in this region, there are not much employment opportunities, creating an absolute need to preserve available jobs and somehow to build a career within the family firm, can contribute to the long lifespan shown.

Regarding the family power and management participation, results show that roughly all (90.2%) family firms located in the region are owned and controlled exclusively by family members, demonstrating that these firms can be defined in their nature and essence as family businesses, the remaining percentage of firms (9.8%) have nonfamily members participating in the governance and management. This is consistent with the literature, where a significant number of published articles proposed that the family business definition and identification should be concentrated on family ownership (e.g., Berry, 1975; Lansberg et al., 1988; Klein & Blondel, 2002), and management involvement of the owning family (Barnes & Hershon, 1976; Burch, 1972). Still, some combination of family representation in ownership, and management or governance is widely used by different research groups as a base definition of family business (Cowling & Westhead, 1996; Cromie, Stevenson & Monteith, 1995; Daily & Dollinger, 1992; Flören, 1998; Heck & Scannell, 1999; Hulsoff, 2001; Klein, 2000; Martin & Suarez, 2001).

The fact that less than one fifth of the family firms held shares in a holding company or similar entity, and only 13.6% have a management board may be, once
more, explained by the economic reality in which these companies operate. Considering that these family firms are normally classified as small and medium enterprises (Vozikis et al., 2013) and in which there’s not a primary need to hold shares in a holdings, or to have a dedicated management board. However, this may create several serious management problems. Recent studies (Institute for Family Business, 2014) highlight the importance of the professionalization of decision making mechanisms within family firms (with the creation of family boards and board of directors).

In relation to the family experience assessed by the generation in charge, the results demonstrate that over two thirds of the family firms in this study are owned and managed by the founding generation (1st generation), while one third of the companies are controlled by the second generation, and finally only a residual percentage (less than 5%) of the companies are owned and managed by the family’s latter generations. These results are consistent with the literature, Zucker and Borwick (1992), estimate that less than half of family businesses make it to the second generation. In his book, Family Business, Poza (2007) suggests that only 30% are successfully transferred to the second generation of the founding-family owners. The odds get even worse in the transition between the second and the third generations, and from the third to the fourth generations, when only 12% and 4% of such businesses, respectively, remain in the same family.

Regarding the participation of the family members in the business, there are around two family members that participate actively in the business. The results also show that, in average, by family, there is 1 family member who does not participate actively but is interested, being all family members interested in business. These results reveal the importance and impact of the company in the family everyday life, since the number of family members actively involved in the business is superior to the number of members that not participate actively or are not interested at all in the family business. The obtained results may be interpreted according to Casillas, Vázquez, and Díaz (2007), and Westhead (1997), who suggest that family businesses revolve around some fundamental aspects and objectives: family control over the company; inclusion of family members in management; transfer ownership to the next generation; maintain financial independence of the family and the business; and ensure the survival of the family business as a going concern.
Concerning the family influence in business, the results show that the large percentage of the owners and managers consider that the family has a great influence in the business (over 65%). The results also demonstrate that in most cases, over two thirds, the family members share similar values, while almost 80% of the owners and managers claim they believe that their family and businesses share similar values. Once more, these results can be simply explained by the families’ total control over the ownership of their companies. Being the firms owned, controlled and managed by the family it is likely that they illustrate the family beliefs and values. Furthermore, this supports the view of Stafford and colleagues that “Without the business, there isn’t a family business; however, without the family there also isn’t a family business” (Stafford, Duncan, & Winter, 1999, p. 206).

In terms of family business culture, which compromises family values and commitments, it is easily perceptible that a substantial percentage of the owners and managers of family firms in the Azores show a strong connection with core company values and commitments, mainly with the ones intrinsically connected with effort, belief, pride, and loyalty. This can be explained by the fact that our respondents have a strong emotional bound with the family business since, in most cases, the company was founded by themselves, or their parents, creating a strong sense of belonging, feeling that they grew up within companies and vice-versa.

Finally, the performed principal component analysis extracted three principal components (loyalty, belief, and pride) from the F-PEC culture subscale, demonstrating that the family firms who took part in this study are very homogeneous regarding these components. The results can be explained, firstly by the fact that the sample of this study is somewhat limited, which may contribute to obtain such homogeneity. Furthermore, and most important, is the fact that these family businesses are located in remote and small region, with less than 250,000 inhabitants, and where the family culture and business culture are undistinguished. Moreover, the fact that the family firms are exclusively owned by founding family members, and operate in the same socioeconomic context, often facing the same difficulties and adaptation needs certainly contributes to the portrayed homogeneity.
3.8. Limitations and Future Research

This article, as any empirical work, comes along with some limitations. First, the fact the contact with the initial sample of family firms was carried out by e-mail may have contributed to a lower overall participation, since in some family firms the e-mail account is still not consulted on a daily basis. Second, the results were collected using a web-survey tool, and in small and rural socioeconomic context, as the one found in the Azores, some of the companies owners and/or managers still do not feel conformable responding to a questionnaire which is presented in a digital format. Third, although 82 family firms is a substantial sample for an exploratory analysis, future research should be extended to a larger sample, using a traditional data collection approach with paper-and-pencil instruments, which could avoid the aversion that some owners and/or managers have in relation to online questionnaires. Finally, it would be important to replicate this study in nonperipheral regions in order to understand if remoteness is effectively an important aspect of the family businesses profile.

3.9. Conclusions

This research contributes to the characterization of family-owned businesses in an outermost region, through an outlook of family firms located in the Autonomous Region of the Azores. The collected data, results and consequent knowledge aims to help improve the knowledge on this underexplored field, by drawing an initial profile of the family firms operating in these particular socioeconomic contexts.

According to our set of results we were able to provide a draft profile of a family firm based in the Azores. This family firm operates in the trade sector, counts with less than 10 employees, has been in business for over 30 years, and has a turnover of less than €500,000 per year.

Regarding ownership and management participation, the company is owned and controlled by the family, and does not have a management board. Its owners and managers are the founding generation. On average two family members actively participate in the business, while one family member does not participate actively but is interested, thus, all family members are in the family business.
The family members share similar values and consider that the family has a high influence on the business, and also believe that both family and business share the similar values. Finally the owners and managers show a great and strong connection with the family business culture mainly regarding key aspects as loyalty, belief and pride.

One important debate in the family business field was revisited in this paper, identifying, profiling and characterizing these companies. This article aims to be an impulse for new and improved research on family business in outermost and ultra-peripheral regions. More work is, indubitable, required to better understand and quantify the importance of family business in these particular socioeconomic contexts.

3.10. References


Chapter 3. Profiling Family Business


Chapter 3. Profiling Family Business


Chapter 4.

Who's running the business? Rational \textit{versus} Experiential Decision Making in Family Firms

4.1. Introduction

Decision making is the prime and fundamental managerial activity (Bass, 1985; Yukl, 2002; Williams, 2003). Certo and Certo (2005) suggest that decision making is the process of choosing the best alternative in order to reach an objective; therefore a good alternative can make a good decision. But how are decisions made? According to Glockner and Witteman (2010) this same question has attracted research interest over many years. Decision making occurs from two reactions – a problem or an opportunity and it depends on decision makers to consider alternative courses of action; Individuals are required to interpret and evaluate the information before making any decision.

In business context, owners and managers are often involved in daily decision making, whether for simplest or more complicated problems (Kreitner & Kinicki, 2001; 2004) and may use several bases on the decision making process.

In this paper we seek to contribute to the limited understanding of decision making processes within family firms. An effort is made to examine patterns of decision making of family business owners and managers, by assessing which decision making style, experiential or rational, is more common in their decisions. Furthermore, we explore differences between family and nonfamily firms in terms of decision making. Finally, we investigate how family participation and family influence relates to the use of experiential or rational decision making.

This paper is organized as follows: first, we review the dual-process models in decision making, presenting and discussing the main differences between the experiential and rational styles. Second, we discuss how family participation and influence affects the owners and managers decisions. In order to do this, we present the analysis of the data obtained from the survey of family business owners and managers to examine their decision making style, and the participation and influence of the family in the decisional process. Finally, we discuss the main findings, limitations and present future research opportunities.
4.2. Dual-Process Theories in and Decision Making

According to Epstein (1994, 2003), dual-process theories reinforce the idea that, in addition to rational or cognitive information processing, humans use an automatic experiential system with an intuitive base. Congruent with this most models postulate that people rely either on rational (deliberative, conscious) or experiential (automatic, unconscious) reasoning, or, in certain situations, on combinations of both (Evans, 2008; Weber & Johnson, 2008).

The differences between these two modes of decision making have often been evoked as an attempt to organize the results apparently contradictory of several studies on judgment and decision making (Kahneman & Frederick, 2002). There is, however, a consensus on the characteristics that distinguish these two types of cognitive processes, which Stanovich and West (2000) refer to as “System 1” (experiential/intuitive) and “System 2” (rational/reason-based). The operations performed by System 1 are typically fast, require no effort, automatic, associative, implicit and usually have a great emotional charge, being governed by habits, making them difficult to control or modify. System 2 operations are slower, require effort, are more likely to be monitored in a thoughtful way, in addition to being deliberately controlled, and characterized as relatively flexible and potentially rule-governed (Kahneman, 2011).

Similarly, Klein (1998) developed the Recognition Primed Decision model. The model describes the dual-process theories in decision making, including rational and intuitive decision making. The rational approach is based on some criteria and needs to compare among the criteria in order to choose the optimal and best solutions. The intuitive approach is relied on decision makers’ experience and expertise to recognize problems. The rational style is assessing the long-term effects of decisions and strong fact-based orientation of deliberate, analytical, and logical. The intuitive style is feeling-oriented, internal ordering of information and fact decision.

Seymour Epstein developed the Cognitive-Experiential Self Theory (e.g., 1973, 1990, 1994), as an integrative theory that seeks to explain the conflict between reason and emotion, once again suggesting the existence of two information processing systems: the experiential system and the rational system (Epstein, 2003). The experiential system (or intuitive system) is a pre-conscious, fast, automated, holistic learning system, primarily nonverbal, closely linked to the affection and with a very long evolutionary history. The rational system (or analytical system) is a conscious
system, relatively slow, analytical, and primarily verbal and relatively free of affection, having a relatively short evolutionary history, operating from the understanding of the individual reasoning rules transmitted culturally (Pacini & Epstein, 1999; Epstein, 2003) (see Table 4.1).

<table>
<thead>
<tr>
<th>Experiential System</th>
<th>Rational System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Holistic</td>
<td>1. Analytic</td>
</tr>
<tr>
<td>2. Automatic, effortless</td>
<td>2. Intentional, effortful</td>
</tr>
<tr>
<td>3. Affective</td>
<td>3. Logical</td>
</tr>
<tr>
<td>4. Associationistic connections</td>
<td>4. Logical connections</td>
</tr>
<tr>
<td>5. Behavior mediated by “vibes” from past events</td>
<td>5. Behavioral mediated by conscious appraisal of events</td>
</tr>
<tr>
<td>6. Encodes reality in concrete images, metaphors, and narratives</td>
<td>6. Encodes reality in abstract symbols, words, and numbers</td>
</tr>
<tr>
<td>7. More rapid processing: oriented toward immediate action</td>
<td>7. Slower processing: oriented toward delayed action</td>
</tr>
<tr>
<td>8. Slower and more resistant to change</td>
<td>8. Changes more rapidly and easily</td>
</tr>
</tbody>
</table>


Despite of some different assumptions, most models agree on very general properties of the two kinds of processes. Rational-deliberative processes are supposed to consist of conscious, controlled application of rules and computations. While the core property of the experiential and intuitive processes is that it operates (at least partially) automatically and without conscious control (Glockner & Witteman, 2010; Kahneman & Klein, 2009).
4.3. Experiential versus Rational Decision Making

As early as 1954, researchers have been looking into the question of whether experiential (intuitive) or rational (logical) decision making is best. As discussed before, rational decision making has been defined as a deliberative, purposeful, conscious, intentional, planned, and rule-based process (Hammond, 2000; Kahneman, 2003; Stanovich & West, 2000), whereas intuitive decision making is based on “gut feelings”, past experiences and emotional feelings (Agor, 1989). Most authors advocate that these are the two distinct modes of human information processing (for overviews see, Damásio, 1994; Kahneman, 2003, 2011).

The distinction between intuition and reasoning has been a topic of considerable interest in the last decades (see Chaiken & Trope, 1999; Epstein, 1994; Hammond, 2000; Jacoby, 1991, 1996; for comprehensive reviews of intuition, see Hogarth, 2001; Myers, 2002). Prior researches from Kotler (2003) and Hayashi (2001), define intuition in some terms such as premonition, gut instinct, inner voice, hunch, natural feeling, or conscience. Encarta (1999) defined that intuition is known as something instinctively without having to discover or perceive it. Patton (2003) stated that intuitive can be innate, general experience or focused learning efforts to develop habits and achieve intuitive reactions to certain situations. Furthermore, intuition is based on automatic processes that rely on knowledge structures that are acquired by (different kinds of) learning, and operate without people’s awareness and result in feelings, signals, or interpretations (Glockner & Witteman, 2010).

Sauter (1999) suggests that rational decisions involves explicitly defining the problem, deciding on exact solution methodologies, conducting an orderly search for information, increasingly refining the analysis, aiming for predictability and a minimum of uncertainty. Others suggest that notion of rational decisions is based on conventional economic theories which assume that people act rationally and consider all available information in their decisions (Dedu, Turcan, & Turcan, 2012).

According to the economic theory of rational decision making, individuals are considered to be rational actors who engage in the process of optimizing expected utility by selecting the highest payoff from available alternatives (March, 1988a; Majone, 1989; Rich & Oh, 2000). The assumption that decisions should be rational is implicit in
the neo-classical economic theory of the “economic man” or the “rational man” (von Neumann & Morgenstern, 1947; Marsden, 1984; Boland, 1998).

Simon (1979) distinguished between purely economic rational behavior and functional behavior, which he referred to as “bounded rationality”, recognizing the cognitive limitations. Bounded rationality assumes that information is essential in allowing individuals to compare alternatives (March & Simon, 1958). March (1988b) indicates that the main reason for using information in rational decision making is to reduce uncertainty in making a choice from among a number of alternative courses of action.

According to Somil (2007), principles of maximization and consistent choice commonly underpin the rational economic factor. However, over the last few decades, it has been discovered that contrary to the assumptions and theories of conventional economics, many irrational behaviors related to important economic decisions occur in real life. When making decisions in the presence of complexity, humans tend to process information using shortcuts and emotional filters, which create the intuitions and heuristics that allow individuals to simplify the decision making process. Allowing for problem solving based on experiential learning and thus often invoke intuition or rules of thumb (Jain, Jain, & Jain, 2015).

In sum, research has suggested that decisions can be made in either a reason-based manner, by carefully assessing and weighing the target attributes (e.g., Shafir, Simonson, & Tversky, 1993) or in a feeling, intuitive-based manner, by using one’s subjective feeling reactions toward the target (Schwarz & Clore, 1996). Whereas experiential, intuitive-based decision making tends to be faster (Pham, Cohen, Pracejus, & Hughes, 2001) and more automatic (Zajonc, 1980); by contrast, rational, reason-based decision making tends to be slower (Pham et al., 2001) and more deliberate (Kahneman & Frederick, 2002).

The intuitive versus rational decision making remains to this date a subject of hot academic debates. While experiential and rational mechanisms receive a lot of attention in research in psychology, particulars of these processes are not clear when applied to a business environment.
4.4. Experiential *versus* Rational Decisions in Business

In running their businesses, as mentioned above, owners and managers can rely on experiential or rational decision making (Covin, Slevin, & Heeley, 2001; Khandwalla, 1977). In modern day organizations rational, reason-based, decision making involves objectively collecting, analyzing, and evaluating information before making final choices (Scott & Bruce, 1995), which implies a heavy reliance on quantitative decision making tools and an overall propensity to be systematic and deliberative making business decisions. A variation of optimization decision mode would be expected in analytical management style: decision makers evaluate all attributes of alternatives, usually in a compensatory way. In very simple terms, compensatory way of evaluating attributes implies that superior performance on one attribute can compensate the lack in another attribute. For example, in the eyes of a manager the higher sales volume of a product may compensate its lower profitability. The choice is then being made based on a more attractive, optimal combination of attributes or cues (Katsikopoulos, 2011). On the contrary, experiential or intuitive decision making attends to fewer data and spending less time and effort processing these data and often is dominant in fast-changing, competitive environments. Experiential decision making implies reliance on “gut feelings” and heuristics for choosing between alternatives. Heuristics, described as cognitive processes that allow making fast and frugal decisions by limiting the amount of information (Gigerenzer & Goldstein, 1996, 2011; Tversky & Kahneman, 1974), utilizing fewer decision inputs and evaluating them in a non-compensatory way. In other words, a decision maker gives priority to a cue that has a stronger potential to indicate a better decision and leaves the rest of the cues out of analysis even if they still might have an ability to differentiate alternatives (Gigerenzer & Goldstein, 1996; Katsikopoulos, 2011). Owners and managers' “gut feelings” about the appropriateness or inappropriateness of decisions heavily influence their choices in the experiential decision mode (Covin et al., 2001).

Typically, the behavior of managers is compared to that of a model of optimal decision making, which assumes that behavior is rational in a full-information, full-optimization environment without decision costs. However and not surprisingly, much empirical evidence suggests that most management actions deviate from the predictions of such a model.
To better understand how and why owners and managers make certain decisions constitutes an important research area with significant practical importance. Accordingly, the following research question is proposed:

Research Question: Which style, experiential versus rational, characterizes the decision making in family firms?

4.5. Decisions Making, Family Participation and Influence

Business owners and managers continuously face many decisions which involve minor issues of routine life in the job setting and strategic choices which determine the fate of the organization. The nature of their decisions not only determines his or her own success but also determines the destiny of the entire organization (Kreitner & Kinicki, 2004). According to Adiandari (2014), the role of the family business owner or manager as a leader is critical due to the fact that he/she is the main actor on each decision making activity that must be made quick and right, particularly when changes occurs remarkably. The quality of these decisions can have a huge impact not only on the firm's profitability, adaptability and even survival chances, but also on relationships between family members.

Since family businesses are often highly complex organizations, measuring the extent to which a family is able to influence the business can be key to understanding how they function in several aspects (Klein, Astrachan, & Smyrnios, 2005; Penttila, 2003). By measuring, one can understand the family businesses more precisely. In fact, family participation and influence have attracted considerable study on family businesses, and the view of family business researchers seems to be shifting toward recognition of the importance of these factors (Penttila, 2003).

Research comparing family and nonfamily firms generally shows differences and similarities between both groups (e.g., Anderson and Reeb, 2003b; Villalonga and Amit, 2006). The literature shows that family businesses are distinctively different from nonfamily businesses adopting different decision making processes, management styles, and strategic approaches and orientations (Tagiuri & Davis, 1996; Poza, Alfred, & Maheshwari, 1997; Baskin, 2001). Taking into account the different arguments and
positions, and since the differences in decision making between family and nonfamily firms is not yet clear in the literature, we propose:

H1: *Family and nonfamily firms do not show differences between use of experiential and rational decision making.*

Family businesses are considered to be unique in the ways that they evaluate, integrate, and decide on their business strategy (Sirmon & Hitt, 2003), largely resulting from the participation and influence of family members in the business, their own particular characteristics and management style. Clearly, the participation and influence of the family in the decision making process is a critical factor that can be both positive and negative. For example, in the quest for competitive advantage, family participation and influence can be invaluable in evaluating the external environment and deriving options for advancement (Lumpkin & Lichtenstein, 2005). However, it can also lead to tensions that can lead to negative impact (Kellermanns & Eddleston, 2004). Among others, Filbeck and Smith (1994), suggest that family businesses encounter special problems concerning how they treat information and, therefore, make decisions because of the double role that family members play - both as members of the business and as members of the family. Whereas the free exchange of ideas and interaction among top decision makers is beneficial in general, a participative atmosphere is especially necessary in family firms due to influence and involvement of the family members (Kellermanns & Eddleston, 2004). This is connected to idea that the affective charge plays an important role in acquiring and processing information on the intuitive, experiential, system (Epstein, 2003). In the present study, we extend the research of the relationships between family participation and family influence and decision making styles. In sum, it is proposed that:

H2: *Family influence is positively related to experiential decision making.*

H3: *Family participation is negatively related to rational decision making.*
4.6. Research Method

4.6.1. Sample and Data Collection

In family business literature, there is a wide assortment of proxies that have been used in the empirical literature to define family firms in research terms (e.g., Rutherford, Kuratko, & Holt, 2008; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). In this paper, the criteria of ownership and management control (Chua, Chrisman, & Sharma, 1999) and the owner or manager’s perception of being a family firm (Westhead & Cowling, 1998) was selected to create an operational definition of family firms. As a consequence, a firm is classified as a family firm if: at least 50% of the shares are owned by the family, the family is responsible for the management of the company, and the owner or manager perceives that firm as a family firm.

All the firms that took part of this paper are located in the Autonomous Region of the Azores, which is composed of nine volcanic islands situated in the North Atlantic Ocean, 1,500 km west of continental Portugal.

A total number of 1,200 firms were selected from a business database available from Sociedade para o Desenvolvimento Empresarial dos Açores, EPER, and a survey link was e-mailed to the owner and/or manager of each firm. A response rate of 17.6% resulted in 211 surveys, of which 175 were retained due to the deletion of incomplete cases. To run the statistical analysis, we deleted cases with missing values on relevant variables, resulting in a final sample of 155 cases; out of these 82 were family firms and 73 nonfamily firms. All firms included in the sample were privately-owned.

To collect data about owner or manager decision making style, participants were asked to complete an electronic survey consisting of the Rational Experiential Inventory (REI-40) (Pacini & Epstein, 1999), followed, in the case of family firms, by the Family Influence on Power, Experience, and Culture Scale (F-PEC) (Astrachan, Klein, & Smyrnios, 2002). The majority of the respondents both in family and nonfamily firms (89% and 98% respectively) were owners, with high levels of decisional power inside the firm.
4.6.2. Measures

4.6.2.1. Decision Making Style

Rational Experiential Inventory developed by Pacini & Epstein (1999) is a 40-question survey designed to examine an individual’s preference for two decision making styles: the need for cognition (rationality) and faith in intuition (experientiality). The two subscales, rationality and experientiality, were designed to measure information processing and decision making styles of professionals. The rational subscale, or REI-R, is measured with 20 items, for example: “I enjoy intellectual challenges.” The experiential subscale, or REI-E, is measured by 20 items, for example “I believe in trusting my hunches.”

Respondents score each item on a 5-point scale, from “1 = completely false” to “5 = completely true”. Half of the items are stated in positive direction, while the other half in negative direction. Thus, some items are scored from 1-5 and others are scored from 5-1. Cronbach Alpha was computed for reliability of each subscale and its values were found to be 0.882 for the experientiality scale, and 0.763 for the rationality scale.

A composite rational score was obtained by summing responses from the rational subscale 20 items, while a composite experiential score was obtained by summing the experiential subscale 20 items.

4.6.2.2. Family Participation and Influence

The Family Influence on Power, Experience, and Culture Scale (F-PEC) (Astrachan et al., 2002), is a well-recognized instrument that is able to measure the family influence on the business, and relies on three independent constructs: Power, Experience, and Culture. In order to measure family participation, the experience subscale was used, by directly asking the respondents to report the number of active family members simultaneously involved in the governance and management of the firm (see Kellermanns & Eddleston, 2004 Zahra, 2005). To assess the family influence in business, the culture subscale was used, containing three statements evaluated on a 5-point scale (where “strongly disagree” = 1 and “strongly agree” = 5). Cronbach’s Alpha for the instrument was calculated and its value was found to be 0.901.
Statistical analyses were conducted using SPSS Version 22 for Windows, comprised analyses of descriptive statistics, student’s t-test for independent groups (μ1 ≠ μ2) for decision making style and firm type (family and nonfamily firms). Pearson’s correlation coefficients and regression analysis were used to examine associations among family participation and influence and decision making style within family firms.

4.7. Results

Our research question asked, “Which style, experiential versus rational, characterizes the decision making in family firms?”. Table 4.2, presents the results answering this question, by comparing the total score means for the use of experiential and rational decision making within family firms. The results suggest that decision making in family firms is more rational (M = 76.53, SD = 9.02) than experiential (M = 65.20, SD = 9.49).

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiential</td>
<td>82</td>
<td>40</td>
<td>80</td>
<td>65.20</td>
<td>66.5</td>
<td>9.49</td>
</tr>
<tr>
<td>Rational</td>
<td>53</td>
<td>94</td>
<td>76.53</td>
<td>77.5</td>
<td>9.02</td>
<td></td>
</tr>
</tbody>
</table>

*aExperiential Decision Making Score, ranging from 20-100.
*bRational Decision Making Score, ranging from 20-100.

Means comparison and t-test were used for testing hypothesis 1, concerning the differences between use of experiential and rational decision making in family and nonfamily firms. The t-test analysis for independent groups (μ1 ≠ μ2) reveals that the use of experiential decision making was significantly greater for nonfamily firms (M = 69.20, SD = 11.90) than for family firms (M = 65.20, SD = 9.49), t(153) = -2.338, p = .021; d = 0.37. However, the use of rational decision making in family firms (M = 76.53, SD = 9.02) and nonfamily firms (M = 77.30, SD = 7.01) do not differ significantly, t(153) = -0.645, p = .520; d = 0.17. According to Cohen’s (1988), the effect sizes for both analyses (d = 0.37 and d = 0.17) accounts as medium and small effects.
Taken together, these results suggest that there is a significant difference in the use of experiential decision making, but not in the use of rational decision making between family and nonfamily firms, partially confirming hypothesis 1.

Regarding hypothesis 2, that suggests there is positive relation between family influence and experiential decision making in family firms. Table 4.3 shows that there is a positive correlation between family influence \((M = 4.40, SD = 0.76)\) and experiential decision making \((M = 65.20, SD = 9.49)\), \(r = 0.258, p = 0.019\). Simple regression analysis reveals that family influence positively affects experiential decision making in family firms \((t = 2.386, p = 0.019)\), confirming the hypothesis.

As to hypothesis 3, that anticipates a negative relation between family participation and rational decision making in family firms. Results (see Table 4.3) show that there is a significant negative correlation between family participation \((M = 2.34, SD = 1.32)\) and rational decision making \((M = 76.53, SD = 9.09)\), \(r = -0.327, p = 0.003\). Simple regression results (see Table 4.4) show that family participation significantly affects the use of rational decision making in family firms. The higher the family participation, the lower the use of rational decision making \((t = -3.092, p < .05)\), supporting the hypothesis.

Although, this set of results provides support for both hypothesis 2 and 3, the effect size \((f^2)\) for hypothesis 2 was 0.1, and for hypothesis 3 was 0.12. According to Cohen’s (1988) conventions, these are small effects.
Chapter 4. Rational vs. Experiential Decision in Family Firms

Table 4.3. Means, standard errors, and correlations – Decision Style and Family Participation and Family Influence.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Experiential(^a)</td>
<td>65.20</td>
<td>9.49</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Rational(^b)</td>
<td>76.53</td>
<td>9.02</td>
<td>0.96</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3) Family Participation(^c)</td>
<td>2.34</td>
<td>1.32</td>
<td>0.05</td>
<td>-0.327(^*)</td>
<td>1</td>
</tr>
<tr>
<td>4) Family Influence(^d)</td>
<td>4.40</td>
<td>0.76</td>
<td>0.258(^\ast)</td>
<td>0.97</td>
<td>0.243(^\ast)</td>
</tr>
</tbody>
</table>

N = 82
\(^a\) Experiential Decision Making Score, ranging from 20-100.
\(^b\) Rational Decision Making Score, ranging from 20-100.
\(^c\) Family Participation, ranging from 1-7.
\(^d\) Family Influence, ranging from 1-5.
\(\ast p < .05. \quad ** p < .01.\)

Table 4.4. Regression results - Family Influence and Participation and Experiential and Rational Decision Making.

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>B</th>
<th>SE (B)</th>
<th>β</th>
<th>t</th>
<th>(R^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiential Decision Making</td>
<td>Family Influence</td>
<td>3.189</td>
<td>1.337</td>
<td>0.258(^\ast)</td>
<td>2.386</td>
<td>0.066</td>
</tr>
<tr>
<td>Rational Decision Making</td>
<td>Family Participation</td>
<td>-2.231</td>
<td>0.721</td>
<td>-0.327(^\ast)</td>
<td>-3.092</td>
<td>0.107</td>
</tr>
</tbody>
</table>

N = 82.
\(\ast p \leq .05. \quad ** p \leq .01.\)

4.8. Discussion

The purpose of this paper was to assess the decision making style within family firms, and to contribute to an improved understanding of the relation between their decision processes and two of the most important aspects that make these companies unique in the organizational context – family participation and influence in the business.

Results answering the research question provide empirical evidence to support the idea that family firms rely on a rational style to make their decisions. Although, a first assumption might be that family firms, given their familiar and informal
environment, would demonstrate a tendency to make decisions in an emotionally and intuitive driven way.

However, our findings suggest the opposite, which can be explained by the need and importance of maintaining stable and solid relations between family members, consequently leading to the need for rational decisions, supported by valid data and strong arguments. This can be related to the fact that the desire to preserve socioemotional wealth will often take precedence in family firm over simply economic wealth considerations (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Gomez-Mejia et al., 2011; Janjuha-Jivraj & Spence, 2009). Family business owners and managers, who usually have a double role, both as members of the business and of the family (Filbeck & Smith, 1997), feel the need to ensure that their decisions are based in a solid analytic framework. Congruent with this, Neubauer and Lank (1998) point to the complexity of the family business with its management having to act in up to double the number of roles when the “family” system overlaps with the governance and management systems. Yet, another possible explanation has to do with the fact that a reason-based decision making process will improve the chances to achieve an acceptable fit between the business and its environment, in order to guarantee a higher level of performance and improve chances for survival (Venkatraman & Prescott, 1990; Forte, Hoffman, Lamont, & Brockmann, 2000). Moreover, the commitment of the family to the businesses is recognized as being relevant in decision making process, since their decisions will have a close impact on their lives. It has been argued that participative decision making among family members within the family firm increases commitment to improve the decision making quality of family firms (Kellermanns & Eddleston, 2004).

Other possible explanation may be related to the participative atmosphere present in family firms (Kellermanns & Eddleston, 2004), which can promote the need for robust arguments based on factual data and scenarios analysis, leading to a rational decision style.

Regarding hypothesis 1, results partially confirm it, showing that family firms and nonfamily firms do not differ in the use of rational decision style. However, when it comes to experiential decision making, the results suggest that this decision style is more common in nonfamily firms, providing interesting information for further studies, since nonfamily business are normally associated with more strict decision processes.
and rules. Decision making in a family business is thought to be different from that of a nonfamily business since the decision makers are easily identifiable and are usually often directly involved in the implementation of their own decisions (Ward & Aronoff, 1991).

This paper also focused on exploring how family participation and influence is related to the decisional style in family firms. A significant relation was found between family influence and experiential decision making, therefore confirming hypothesis 2, and corroborating the initial idea that higher levels of family influence are positively related to experiential, intuitive decisions. Our findings reinforce the available literature suggesting that decisions in family firms are usually strongly influenced by family ties and relations (Songini, Gnan, & Malmi, 2013), therefore, corroborating authors that defend, in a theoretical perspective, the idea that family businesses largely rely on intuitive decision making (Sharma, Sieger, Nason, González, & Ramachandran, 2014). However, this was the first time that the relation between family influence and decision making style was empirically explored. Hasan (2002) suggests that the foundations of decision making are intuition, logic, reason, facts, authority, and experience which can be intrinsically related to the decision making approach in family business context. In line with this, Kets de Vries (1995) considers that decision making is faster and more flexible in family businesses as they are often without the same safety checks that exist in nonfamily companies. The notion that fast and intuitive decision making is often the mark of a great entrepreneur, sometimes associated with family business founders, connected with the idea that, in family firms, the traditions and legacy established by previous owners or managers may carry legitimacy, even if those stakeholders are no longer alive (Janjuha-Jivraj & Spence, 2009), may help explaining, the use of intuitive decision processes in this type of organizations.

Moreover, and as mentioned before, family firms are likely to pursue noneconomic goals, normally related to succession, well-being of the family members and continuation of the business (Chrisman, Chua, & Sharma, 2005; Janjuha-Jivraj & Spence, 2009), relying mostly on intuition to make these decisions.

Addressing hypothesis 3, which proposes that there is a negative relation between family participation and rational decision making, our results support it. This finding seems to be opposite to what should be expected, since families and their members are concerned with several particular socio-emotional wealth aspects, such as
the survival of the firm, or the well-being of the family members. Hence, a higher participation of family members should boost the use of rational decisions, leading to a more participative decision making among family members within the firm which has been argued to increase commitment to a concrete course of action and to improve the decision making quality within family firms (Kellermanns & Eddleston, 2004).

However, family businesses encounter special problems concerning how they share and process information, make decisions and interact with others because, previously mentioned, of the double role that family members play (Filbeck & Smith, 1997). Whereas the free exchange of ideas and interaction among top decision makers is beneficial in general (Thomas & McDaniel, 1990), a participative atmosphere may be a disadvantage to family firms, given that this atmosphere can lead to conflicts. Eddleston, Otondo and Kellermanns (2008), suggest that much of the research on conflict in family firms often refers family participation as a root cause of conflict.

As conflict causes ambiguity and uncertainty in the decision process it most likely hampers the use of rational decision making. In this way, Sinclair and Ashkanasy (2005) found that intuitive decision is very useful in this situation, particularly for decision makers in business world. Similarly, Certo and Certo (2005) suggest that people rely heavily on intuition to make decision because they are not completely sure of the alternative. These ideas can be applied to decision making in family business context, since the decisions affect not only the business itself, but also the interpersonal relations within the family.

4.9. Limitations and Future Research

This article, as any empirical work, comes along with several limitations, which provide further opportunities for future research. The first limitation has to do with the fact that an increasing number of scholars have argued that family firms are not a homogeneous group (Chua, Chrisman, Steier, & Rau, 2012; Sharma, 2004). Family firms differ on a range of dimensions (Klein et al., 2005) and it is possible that different types of family firms show different patterns of decision making.

Secondly, self-assessment and perceived measures were used to assess family influence and decision making style. Even though this is an often practice method in
this field of research (Lyon, Lumpkin, & Dess, 2000), the data could be biased and reflect wishful thinking rather than a factual state.

The third limitation is that the collected data relied on a single respondent. Responses from different individuals within the firms would have given a more complete picture of the firm’s decision style.

Finally, the collected data consisted exclusively of companies located in the Azores, which operate in a specific socioeconomic context, with a number of particularities. Having this in mind, inference or extrapolation of these findings to other countries, regions, or socioeconomic contexts should be made with caution. Thus, future should be carried out in other regions and different socioeconomic settings in order to confirm these findings.

4.10. Conclusions

In recent years family companies have been a frequent target of investigations by researchers, concerned to understand several elements linked to the nature of this particular type of company (Poutziouris, Smyrnios, & Klein, 2006; Sharma, 2004). In general, family firms demonstrate dynamic produced by the conjunction of two completely different systems in their nature and goals: the family and the organization.

Scholars have mainly analyzed the differences between family and nonfamily firms, especially focusing on corporate governance, leadership, ownership, and succession topics, while omitting other relevant issues such as decision processes. In this regard, this paper is a contribution to the family firms’ research field, by exploring and analyzing decision making within this organizational form. These findings contribute to the research comparing family and nonfamily firms in aspects that generally shows differences and similarities between both groups (e.g., Anderson & Reeb, 2003b; Villalonga & Amit, 2006). Even though family businesses are not perceived as homogenous (Déniz & Suárez, 2005; Pieper & Klein, 2007; Croutsche & Ganidis, 2008; Salvato, 2002; Sharma, 2004), some commonalities on the participation and influence of the family in the decision making process are observable.

Results also show that family firms, overall, rely on rational decision making and that family and nonfamily companies differ in the way they make decisions.
Moreover, it was found that family participation and influence play a key role in guiding the decision process, by promoting experiential decisions, and suppressing the use of rational decision making processes. Our findings may help to understand not only the differences between family and nonfamily firms in terms of decision making, but also to create and develop an initial family firm decisional profile.

We encourage future works to further explore decision making in this research field, in order to better understand the underlying complexities in such a particular and relevant business context.

4.11. References


Chapter 4. Rational vs. Experiential Decision in Family Firms


Chapter 4. Rational vs. Experiential Decision in Family Firms


Chapter 5.

Family Participation and Entrepreneurial Orientation in Family Firms

5.1. Introduction

The phenomenon of an entrepreneurial orientation as a driving force behind the organizational pursuit of entrepreneurial activities (Covin & Wales, 2011) has become a central focus of entrepreneurship literature in the last three decades. Entrepreneurial orientation has generally been conceived of as an organizational decision making proclivity favoring entrepreneurial activities and behaviors (Lumpkin & Dess, 1996).

In recent years this phenomenon has received increasing attention as an activity important for firms’ performance and vitality (Dess, Ireland, Zahra, Floyd, Janney, & Lane, 2003) that leads to organizational rejuvenation through implementing of novel ideas. Previously, the focus of entrepreneurship research was restricted mainly to the individual entrepreneurs, the context and the process of creation of new enterprises (Low & MacMillan, 1988). More recently, the increasing attention on entrepreneurship within existing organizations is determined by the challenges faced by entrepreneurs and managers operating in an increasingly uncertain, complex and dynamic economic environment.

Since the beginning of the 1980s, entrepreneurship within existing organizations, also commonly referred as corporate entrepreneurship, has attracted the interest of both scholars and practitioners (Antoncic & Hisrich, 2001). According to Van Doorn, Heyden, Tröster and Volberda (2015), entrepreneurial orientation construct has continuously been at the core of research on corporate entrepreneurship. Therefore, today, entrepreneurial orientation is a widely accepted measure for capturing a firm’s inclination toward entrepreneurship (Covin & Wales, 2011; Wiklund, 1998), revealing a company’s institutional embodiment of the entrepreneurial perspective (Ma & Tan, 2006).

A current debate in the family business field involves the extent to which the distinctive characteristics of family firms hinder or promote entrepreneurial behaviors (Habbershon & Pistrui, 2002). Some researchers have argued that family businesses
provide an environment that fosters entrepreneurial activities (e.g., Litz 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003). While others, by contrast, have concluded that family businesses are risk averse, reluctant to innovate and slow to change, thus hampering entrepreneurial activities and behaviors (e.g., Kets de Vries, 1993; Gómez-Mejía, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Naldi, Nordquist, Sjöberg, & Wiklund, 2007).

Having this in mind, and as a contribution to this debate, this paper has three objectives; first, assess differences between family and nonfamily firms in terms of entrepreneurial orientation and its three fundamental dimensions - innovativeness, risk taking and proactiveness. Second, contribute to the above mentioned discussion by learning more about the particular dynamic between family firms and entrepreneurial orientation. Third, explore the relationship between family participation, probably the most important characteristic of family firms, and entrepreneurial orientation and its three components.

This paper is organized as follows: We start by presenting a review of the literature on entrepreneurial orientation and its three fundamental components. Then, we discuss entrepreneurial orientation in the context of family firms. Moreover, we present the research design and obtained results. Finally, in the concluding section, the limitations are examined and suggestions for future research presented.

5.2. Entrepreneurial Orientation

Since being introduced by Miller in the early 1980s, the phenomenon of an entrepreneurial orientation has become one of the major topics in the entrepreneurship literature.

Entrepreneurial orientation is the concept used to refer to the processes and endeavors of organizations that engage in entrepreneurial behaviors and activities (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Lumpkin & Dess, 2001). The concept stems from Miller’s (1983) work, in which entrepreneurial firms are defined as “those that are geared towards innovation in the product-market field by carrying out risky initiatives, and which are the first to develop innovations in a proactive way in an attempt to defeat their competitors” (p. 771). Entrepreneurial orientation addresses
entrepreneurial strategy making and focuses on the extent to which firms are characterized by a decision-making style that is innovative, risk taking and proactive, as they pursue opportunities (Miller 1983; Covin & Slevin, 1989, 1991), referring to “the processes, practices, and decision-making activities that lead to new entry” (Lumpkin & Dess, 1996, p. 136). In the same way, and according to Miller (1983, p. 771) “an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch”.

Although there have been various conceptions about entrepreneurial orientation’s components (Wiklund & Shepherd, 2005, p. 75; Lumpkin & Dess, 1996), research has converged on three core dimensions of entrepreneurial orientation (Miller & Le Breton-Miller, 2011): innovativeness, risk-taking, and proactiveness. In the next section, these three components are addressed in more detail.

5.3. Components of Entrepreneurial Orientation

As presented earlier, Miller (1983) posited that entrepreneurship involves three key components: innovativeness, risk taking, and proactiveness. These components, when geared to face the challenges of the dynamic environment, are collectively known as the entrepreneurial orientation of a firm (Kandemir & Acur, 2012; Talke & Hultink, 2010). According to Li, Guo, Liu and Li, (2008) these components have been recognized as the driving force behind the development of new products and services from concept to commercialization.

5.3.1. Innovativeness

Innovativeness refers to a company’s ability, willingness and efforts to support creativity, new ideas and experimentation which may result in new product and/or service opportunities, and make improvements to existing processes and systems (Hage, 1980), reflecting a tendency “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin & Dess, 1996, p. 142). Innovativeness is present,
not only, in the generation of new ideas but also to facilitate the development and implementation of new inventions, products, or services (Dess & Lumpkin, 2005b). Therefore it requires that firms abandon existing practices and approaches and adopt novel solutions (Dess & Lumpkin, 2005a, p. 150).

With respect to competitive conduct, innovativeness is said to facilitate both differentiation from and contending with competitors (Hughes & Morgan, 2007). In that sense, differentiation can be achieved by exploration and thus developing creative new offerings to satisfy customer needs. Additionally, innovativeness improves the application of market information (Hurley & Hult, 1998), supporting the company in pursuing existing market opportunities by introducing relevant new products and helping it conduct market and customer-oriented adjustments in the process of value creation (Slater & Narver, 1995).

5.3.2. Risk Taking

Risk taking is considered a defining feature of entrepreneurial behavior, even though prior research suggests that many entrepreneurs either do not perceive their actions as risky (Simon, Houghton, & Aquino, 2000) or only take action after significantly reducing uncertainty through research and planning (Bhide, 2000).

In an entrepreneurial orientation context, risk taking refers to a willingness to venture into the unknown without certain knowledge of probable outcomes (Miller & Friesen, 1982; Covin & Slevin, 1991; Lumpkin & Dess, 1996). It refers to “incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace” (Lumpkin & Dess, 1996, p. 144). This may involve investing in unproven technologies or entering untested markets; it also refers to financial risk, such as borrowing heavily or committing to types of financial liabilities needed to achieve organizational objectives (Baird & Thomas, 1985). The decision in favor of or against a high level of risk taking is largely associated with the tolerance to the risk of either failing or missing an opportunity (Dickson & Giglierano, 1986). In this way, risk taking boosts decision speed, and enables firms to seize opportunities characterized by a short window of opportunity. Dess and Lumpkin (2005a) suggest that risk-taking firms prefer the typical relationship of high risk and high return based on a high fault tolerance. According to the same authors, successful
corporate entrepreneurship requires, however, that firms choose riskier alternatives, which may involve even forgoing existing products and methods.

5.3.3. Proactiveness

Proactiveness is the pursuit of opportunities and competitive rivalry in anticipation of future demand to create change and shape the business environment (Lumpkin & Dess, 2001), associated with “processes aimed at anticipating and acting on future needs” in order to capitalize on emerging opportunities and establish a first-mover advantage in the marketplace (Lumpkin & Dess, 1996, p. 146). This involves tracking and monitoring changes in the business environment, consumer tastes and technologies (Lumpkin & Dess, 2001). Highly responsive firms, especially in industries, such as consumer electronics and fashion that are heavily influenced by short-lived consumer preferences generally benefit from acting quickly. As such, the term “first mover advantages” (Lieberman & Montgomery, 1988) is often associated with proactiveness. Companies that follow a “ready-fire-aim” philosophy (Masterson, 2008), an entrepreneurial approach that encourages companies to get operational or launch products as quickly as possible as a way to generate fast cash or obtain rapid market feedback, might benefit from being proactive in the short run.

While these three components of entrepreneurial orientation can vary independently of one another (e.g., Kreiser, Marino, & Weaver, 2002), they typically tend to covary in the manner Miller (1983) identified as suggesting the presence of organizational-level-corporate-entrepreneurship (Wiklund & Shepherd, 2005). In this view, each organization falls somewhere along a conceptual continuum ranging from conservative (low entrepreneurial orientation) to entrepreneurial (high entrepreneurial orientation) (Covin & Slevin, 1989). Business organizations that have high entrepreneurial orientation expose willingness to innovate, to take risks and to be more proactive than competitors (Covin & Slevin, 1991; Wiklund & Shepherd, 2005). Research has revealed strong linkages between entrepreneurial orientation and various firm-level attributes and outcomes (e.g., Barringer & Bluedorn, 1999; Covin & Slevin, 1989; Wiklund & Shepherd, 2003). Within the realm of entrepreneurial orientation research, scholars have pursued a diverse set of objectives. Principal among these are
the identification of factors that predict entrepreneurial orientation (e.g., Miller & Friesen, 1982; Zahra, 1991), the identification of entrepreneurial orientation’s effect on various dimensions of firm performance (Lee, Lee, & Pennings, 2001; Wiklund, 1998), and the identification of variables that moderate the entrepreneurial orientation – firm performance relationship (e.g., Covin & Slevin, 1989; Lumpkin & Dess, 2001; Yusuf, 2002).

5.4. Entrepreneurial Orientation and Family Participation

With the exception of a limited number of pioneering studies, the fields of entrepreneurship and family business research have, for a long time, developed separately. Entrepreneurship scholars have mainly focused on the pursuit of opportunities, the creation of new businesses and the renewal of established organizations through innovation and new venturing. While family business scholars have traditionally directed their attention towards ownership, governance and succession issues in organizational contexts where family relations are a predominant theme.

Only recently, entrepreneurial orientation has been seen as critical to family firms’ success and survival across generations (Kellermanns & Eddleston, 2006; Rogoff & Heck, 2003; Salvato, 2004). It allows a firm to exploit its current competitive advantage while also exploring future opportunities and required competencies (Covin & Miles, 1999; Kuratko, Ireland, Covin, & Hornsby, 2005; Schendel & Hitt, 2007), promoting entrepreneurial activities within organizations that are designed to revitalize the company’s business (Kellermanns & Eddleston, 2006; Kuratko et al., 2005; Zahra, 1995, 1996).

In an environment of continuous and rapid change, and shortened product and business model life cycles, future profit streams from existing operations are uncertain, requiring businesses to constantly seek new opportunities. Therefore, family firms may benefit from adopting entrepreneurial behaviors (Rauch, Wiklund, Lumpkin, & Frese, 2009). Partly in contrast to these claims of the pivotal role of entrepreneurship for organizational success, research on entrepreneurship in family firms that have survived and prospered for long periods of time is divided as to whether these organizations
represent a context where entrepreneurship flourishes or is hampered (e.g., Naldi et al. 2007).

Researchers argue that the particular culture and power structure found in many family firms may considerably influence the extent to which entrepreneurial activities are encouraged or hindered (Hall, Melin, & Nordqvist, 2001; Salvato, 2004; Zahra, Hayton, & Salvato, 2004). Some propose that family firms constitute an environment that is conducive to high levels of entrepreneurship (Aldrich & Cliff 2003; Rogoff & Heck, 2003), by presenting unique settings for entrepreneurship to flourish, for example, family-to-firm unity (Eddleston, Kellermanns, & Sarathy, 2008a), and long-term orientation (Zellweger, 2007).

Family firms have been viewed as entrepreneurial firms (Litz, 1995). A number of empirical studies have shown that entrepreneurial activity is a common characteristic of many family firms (Zahra et al., 2004; Zahra, 2005). There are several arguments supporting the view that family firms have an entrepreneurial orientation towards risky projects and ventures (Aldrich & Cliff, 2003; Zahra et al., 2004). In contrast to this positive perspective, Barringer and Bluedorn (1999) suggest that reliance on long-term planning runs counter to the proactive nature of the entrepreneurial process, and that a long-term tenure is optimal for conservative and less entrepreneurial firms (Covin & Slevin, 1991). Similarly, according to Aronoff and Ward (1997), family firms are conservative and resistant to change (Hall et al., 2001), due to the perceived risk of losing family wealth created over a long period of time (Sharma, Chrisman, & Chua, 1997).

So far, previous research has revealed mixed results on whether family participation and involvement functions as a resource or as a barrier for growth in firms (Zahra, 2005). Results are ambivalent, and doubts remain about whether family participation and involvement is an advantage or a liability (Miller & Le Breton-Miller, 2011). In fact, some authors report a “dark” and a “bright” side of family participation (Chirico & Bau, 2014; Minichilli, Corbetta, & MacMillan, 2010). Regardless of the theoretical blend, there is general agreement that family firms are not simply a unique phenomenological setting and there are many empirical findings consistent with this statement.

In sum and according to Casillas and Moreno (2010), family firms are a unique context for entrepreneurship, due to their specific resources and capabilities that may
limit or facilitate entrepreneurial activities. Taken into account the controversial results present in the literature, we propose the following research question and hypotheses:

Research Question: *Do family firms show higher levels of entrepreneurial orientation than to nonfamily firms?*

H1a: *Family firms show lower levels of innovativeness than nonfamily firms.*

H1b: *Family firms show lower levels of risk taking than nonfamily firms.*

H1c: *Family firms show higher levels of proactiveness than nonfamily firms.*

Thus, on the basis of these unique peculiarities of family firms, that give them a distinctive profile in terms of ownership, governance, management, and succession (Lumpkin, Martin, & Sloat, 2005; Steier, 2003) a growing stream in entrepreneurship research has examined the role of family participation in the entrepreneurial orientation construct (Knight, 1997; Namen & Slevin, 1993). Donckels and Fröhlich (1991) and Zahra (2005) highlighted that family firms’ peculiarities, affecting the relationship between property and management, can also influence each of the dimensions of the construct, i.e. innovativeness, risk-taking, proactiveness (Habbershon & Pistrui, 2002). However, these results are not yet clear and the importance of an entrepreneurial mindset for the success, performance and survival of family firms requires further research about how families influence their firms’ entrepreneurial activities (Salvato, 2004). In order to better understand the relationship between family firm’s characteristics and dynamics, specifically, between family participation and entrepreneurial orientation, and the three components of entrepreneurial orientation, we propose:

H2: *Family participation is negatively related to entrepreneurial orientation.*

H3a: *Family participation is negatively related to innovativeness.*
H3b: Family participation is negatively related to risk taking.

H3c: Family participation is positively related to proactiveness.

5.5. Research Methods

5.5.1. Sample and Data Collection

In order to select an operational definition of family firms, this paper relies on the criteria of ownership and management control (Chua, Chrisman, & Sharma, 1999) and the owner or manager’s perception of being a family firm (Westhead & Cowling, 1998). Therefore, in this paper, a firm is classified as a family firm if: at least 50% of the shares are owned by the family, the family is responsible for the management of the company, and the owner or manager identifies and perceives the business as a family business.

All the firms that are part of this study are located and headquartered in the Autonomous Region of the Azores, Portugal. A total number of 1,200 firms were selected from a business database available from Sociedade para o Desenvolvimento Empresarial dos Açores, EPER, and a survey link was sent by e-mail to the owner or manager. A response rate of 17.5% resulted in 211 surveys, of which 175 were retained due to the deletion of incomplete cases. To run the statistical analysis, all the cases with missing values on relevant variables were deleted, resulting in a final sample of 155 cases; out of these 82 were family firms, and 73 nonfamily firms. All firms included in the sample are privately-owned.

In order to measure entrepreneurial orientation levels both in family and nonfamily firms, each owner or manager was asked to complete an electronic survey consisting of the Entrepreneurial Orientation Questionnaire (Covin & Slevin, 1989), followed, in the case of family firms, by the Family Influence on Power, Experience, and Culture Scale (Astrachan, Klein, & Smyrnios, 2002), in order to assess family participation in the business.
5.5.2. Measures

5.5.2.1. Entrepreneurial orientation

While several measures of entrepreneurial orientation exist, we relied on the widely used instrument developed by Covin and Slevin (1989) to measure the entrepreneurial orientation of the firms. This choice increases the comparability of our findings, given that the majority of empirical research has employed this approach (Covin & Lumpkin, 2011). Covin and Slevin (1989) developed this instrument based on early work by Miller and Friesen (1982) and Khandwalla (1977).

The response of this nine-item questionnaire uses a five-point Likert scale, 1 (strongly disagree) to 5 (strongly agree), on which the owner or managers have to indicate the extent to which the items represent their firm’s strategy. The entrepreneurial orientation questionnaire distinguished three sub-dimensions: innovativeness, risk taking and proactiveness. Finally, a composite entrepreneurial orientation mean score was obtained by summing responses from the 9 items. The same procedure was used to calculate the mean scores for each of the three dimensions. Cronbach’s Alpha was calculated and its value was found to be 0.835.

5.5.2.2. Family Participation

The Family Influence on Power, Experience, and Culture Scale developed by Astrachan et al. (2002) is a well-recognized instrument that is able to measure the family participation. This instrument relies on three independent constructs: Power, Experience, and Culture.

In order to measure family participation, one item of the experience subscale was used, where the respondents were asked to report the number of family members simultaneously involved in the governance and/or management of the firm (see Kellermanns & Eddleston, 2006; Zahra, 2005). Cronbach’s Alpha for the instrument was 0.901.
5.6. Results

The results answering our research question were obtained by comparing the total mean score for entrepreneurial orientation both in family and nonfamily firms. According to the results (see Figure 5.1), family firms \((M = 23.75, SD = 6.90)\) show lower levels of entrepreneurial orientation than nonfamily firms \((M = 28.08, SD = 6.04)\), this difference is statistically significant as student’s t-test analysis for independent groups \((\mu_1 \neq \mu_2)\) reveals, \(t(153) = -4,128, p = .001; d = 0.66\).

![Image](image-url)

*Figure 5.1.* Entrepreneurial orientation means for family and nonfamily firms.

Table 5.1 presents the results for the first set of hypotheses. For hypothesis 1a, the results suggest that family firms \((M = 7.69, SD = 2.50)\) have a significantly lower level of innovativeness than nonfamily firms \((M = 9.63, SD = 2.46)\), \(t(153) = -4,830, p = 0.001; d = 0.78\), thus supporting the hypothesis.

Regarding hypothesis 1b, results show that family firms \((M = 6.86, SD = 2.80)\) show significantly lower level of risk taking than nonfamily firms \((M = 8.46, SD = 2.01)\), \(t(153) = -4,029, p = 0.000; d = 0.65\), confirming the hypothesis.

For hypothesis 1c, results reveal that family \((M = 9.19, SD = 2.80)\) and nonfamily firms \((M = 9.98, SD = 2.83)\) do not differ significantly in terms of proactiveness, \(t(153) = -1,744, p = 0.083; d = 0.28\), thus rejecting the initial hypothesis.
Chapter 5. Family Participation and Entrepreneurial Orientation

Table 5.1. Descriptive statistics - Family and nonfamily firms

<table>
<thead>
<tr>
<th></th>
<th>Family Firms</th>
<th>Nonfamily Firms</th>
<th>t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>Entrepreneurial Orientation(^a)</td>
<td>82</td>
<td>23.75</td>
<td>6.90</td>
</tr>
<tr>
<td>Innovativeness(^b)</td>
<td>82</td>
<td>7.69</td>
<td>2.50</td>
</tr>
<tr>
<td>Risk Taking(^b)</td>
<td>6.86</td>
<td>2.80</td>
<td>8.46</td>
</tr>
<tr>
<td>Proactiveness(^b)</td>
<td>9.19</td>
<td>2.80</td>
<td>9.98</td>
</tr>
</tbody>
</table>

\(^a\) Entrepreneurial Orientation Score, ranging from 9-45.
\(^b\) Innovativeness, Risk Taking and Proactiveness Scores, ranging from 3-15.
* \(p \leq 0.05\), ** \(p \leq 0.01\)

Hypothesis 2 anticipates that family participation is negatively related to entrepreneurial orientation. Table 5.2 shows that there is a negative correlation between family participation \((M = 2.34, SD = 1.32)\) and entrepreneurial orientation \((M = 23.75, SD = 6.90)\), \(r = -0.287, p = 0.009\). A statistically significant negative impact can be noted for family participation, suggesting that family participation negatively affects entrepreneurial orientation \((t = -2.677, p = 0.009)\), supporting our hypothesis.

Regarding hypothesis 3a, which proposes there is a negative relation between family participation and innovativeness. Table 5.2 reveals that there is significant and negative correlation between family participation \((M = 2.34, SD = 1.32)\) and the level of innovativeness \((M = 7.69, SD = 2.50)\), \(r = -0.259, p = 0.019\). Simple regression results (see Table 5.3) show that family participation affects negatively innovativeness in family firms, thus the higher the family participation the lower the level of innovativeness \((t = -2.394, p = 0.019)\), confirming the hypothesis.

As to hypothesis 3b, which proposes there is a negative relation between family participation and risk taking. Table 5.2 reveals a significant negative correlation between family participation \((M = 2.34, SD = 1.32)\) and the level of risk taking \((M = 6.86, SD = 2.80)\), \(r = -0.242, p = 0.029\). Regression analysis (Table 5.3) confirms that family participation affects negatively risk taking in family firms \((t = -2.227, p = 0.029)\), supporting the hypothesis.

Hypothesis 3c states that there is a positive relation between family participation and proactiveness. Table 5.2 reveals a significant and negative correlation between family participation \((M = 2.34, SD = 1.32)\) and the level of proactiveness \((M = 9.19, SD = 2.83)\), \(r = 0.259, p = 0.019\). Simple regression results (see Table 5.3) show that family participation affects positively proactiveness in family firms \((t = 2.394, p = 0.019)\), confirming the hypothesis.
= 2.80), $r = -0.233$, $p = 0.036$. Simple regression analysis results (see Table 5.3) show that family participation negatively affects proactiveness in family firms ($t = -2.227$, $p = 0.029$), rejecting hypothesis 3c.

This set of results provides support for hypothesis 2 and hypotheses 3a and 3b, however no support is found for hypothesis 3c. Although, all results were statistically significant, the effect sizes ($f^2$) for hypothesis 2 was 0.1, and below 0.1 for hypotheses 3a, 3b, and 3c. According to Cohen’s (1988) conventions, these are small effects.

Table 5.2. Means, standard errors, and correlations - Family Participation and Entrepreneurial Orientation, Innovativeness, Risk Taking and Proactiveness.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)Entrepreneurial Orientation$^a$</td>
<td>23.75</td>
<td>6.90</td>
<td>1</td>
<td>0.858**</td>
<td>0.662**</td>
<td>0.555**</td>
</tr>
<tr>
<td>2)Innovativeness$^b$</td>
<td>7.69</td>
<td>2.50</td>
<td>0.865**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3)Risk Taking$^b$</td>
<td>6.86</td>
<td>2.80</td>
<td>0.827**</td>
<td>0.555**</td>
<td>0.537**</td>
<td>1</td>
</tr>
<tr>
<td>4)Proactiveness$^b$</td>
<td>9.19</td>
<td>2.80</td>
<td>0.827**</td>
<td>0.555**</td>
<td>0.537**</td>
<td>1</td>
</tr>
<tr>
<td>5)Family Participation$^c$</td>
<td>2.34</td>
<td>1.32</td>
<td>-0.287**</td>
<td>-0.259*</td>
<td>-0.242*</td>
<td>-0.233*</td>
</tr>
</tbody>
</table>

N = 82. *$p \leq .05$. **$p \leq .001$

$^a$ Entrepreneurial Orientation Score, ranging from 9-45.

$^b$ Innovativeness, Risk Taking and Proactiveness Scores, ranging from 3-15.

$^c$ Family Participation, ranging from 1-7.

Table 5.3. Regression results - Family Participation and Entrepreneurial Orientation, Innovativeness, Risk Taking and Proactiveness.

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Independent Variable</th>
<th>B</th>
<th>SE (B)</th>
<th>$\beta$</th>
<th>$t$</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial</td>
<td>Family Participation</td>
<td>-1.499</td>
<td>0.560</td>
<td>-0.287**</td>
<td>-2.677</td>
<td>0.083</td>
</tr>
<tr>
<td>Innovativeness</td>
<td></td>
<td>-0.491</td>
<td>0.205</td>
<td>-0.259*</td>
<td>-2.394</td>
<td>0.078</td>
</tr>
<tr>
<td>Risk Taking</td>
<td></td>
<td>-0.514</td>
<td>0.231</td>
<td>-0.242*</td>
<td>-2.227</td>
<td>0.068</td>
</tr>
<tr>
<td>Proactiveness</td>
<td></td>
<td>-0.494</td>
<td>0.231</td>
<td>-0.233*</td>
<td>-2.138</td>
<td>0.065</td>
</tr>
</tbody>
</table>

N = 82. *$p \leq .05$. **$p \leq .01$. 115
5.7. Discussion

The purpose of this paper is to contribute and reinforce research that explores entrepreneurial orientation within family firms. By doing this, we went beyond the usual inference of entrepreneurial orientation in family businesses, and investigated how the three key components of entrepreneurial orientation, innovativeness, risk taking and proactiveness, differ between family and nonfamily firms. Furthermore, we explored its relation with the fundamental characteristic of family firms, family participation.

A current debate in family business literature involves the extent to which family firms provide an environment that hinders or fosters entrepreneurial orientation (Litz 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003). The first finding, answering our research question, shows that family firms have a lower entrepreneurial orientation than nonfamily firms, reinforcing a prominent notion in the literature, that suggest that family firms, when compared with nonfamily firms, are risk averse, reluctant to innovate and slow to change (e.g., Kets de Vries, 1993; Gomez-Mejia et al., 2007; Naldi et al., 2007). Family firms have often been portrayed as traditional organizations that shy away from seeking new opportunities, following conservative strategies, and that ultimately are less entrepreneurial than other types of organizations (Duran, 2015).

Regarding hypothesis 1a, results show that family firms demonstrate significant lower levels of innovativeness than nonfamily firms. These findings are similar to the ones presented in a study by Gomez-Mejia et al. (2007), revealing that family firms are less innovative than nonfamily firms because “they prefer to avoid the risk of failure associated with the new and untried” (p. 133). Our results also corroborate several other recent studies that provide empirical evidence for negative associations between family firms and innovation (Block, 2012; Chen & Hsu, 2009; Chrisman & Patel, 2012). Reconfirming the idea that family firms typically underinvest in research and development (Chrisman & Patel, 2012).

Addressing hypothesis 1b, which proposes that family firms show lower levels of risk taking than nonfamily firms, the results confirmed it. This finding is not surprising when reviewing recent literature, a study by Naldi et al. (2007) has previously demonstrated the same result, showing that family firms take risks to lesser extent than nonfamily firms. Explaining this, may be the fact that most family firms consider risk taking as a highly resource-absorbing orientation involving a willingness
to commit large volumes of resources to endeavors with uncertain outcomes, which is not compatible with their need to preserve not only financial but also socioemotional wealth (Rauch et al., 2009; Wiklund & Shepherd, 2003).

As to hypothesis 1c, the results do not show a higher level of proactiveness in family firms when compared to nonfamily firms, thus rejecting the hypothesis. The idea behind our hypothesis was that the presence of family members and their influence in the business would create a synergetic environment that would make family firms to be more proactive, than nonfamily firms, in the search for new solutions and ways to enhance their performance. Our results, however, show that both types of firms do not differ in terms of proactiveness. This can be explained by the fact that proactive businesses that tend to have a short-term perspective, and are more likely to prefer fast action taken to capitalize on a trend or get ahead of the competition, which goes the opposite direction of most family firms, that normally show a long-term orientation.

Consistent with hypothesis 2, results show that there is a negative relation between family participation and entrepreneurial orientation, this finding corroborates the idea that some distinctive characteristics of family firms, namely family participation, inhibit entrepreneurship (e.g., Hall et al., 2001; Schulze, Lubatkin, Dino, & Buchholtz, 2001). This can be explained by the fact that most family firms have conservative managing styles, seeking above all to guarantee continuity of the business, and therefore choosing not to take any risks that can disturb the status quo of the organization.

Regarding hypothesis 3a, our findings reveal that family participation is negatively related to innovativeness. As argued before, and given the conservative nature of most family firms, owners and managers tend to be reluctant when facing decisions to invest in new products or services. Two alternative explanations for this observation should be explored further. First, family firms, particularly in the Azores, usually operate in traditional activities and industries, and are recognized for their high quality handcraft manufacturing processes that distinguish them from the competitors. In this way, most managers and owners do not find necessary to create and invest in the development of new products and processes. Second, the idiosyncrasies of family firms imply lower innovation input, defined as a firm’s innovation related financial investments (Ahuja, Lampert, & Tandon, 2008), because such firms, relative to their nonfamily counterparts, seek wealth concentration and face a limited availability of
financial resources to be invested into innovation and because they hold a preference for investments characterized by low levels of uncertainty. Our findings are congruent with recent studies (e.g., Duran, 2015).

Hypothesis 3b states that family participation is negatively related to risk taking. Results confirm there is a negative association between family participation and risk taking, this can be explained, once more, by the desire to maintain and protect family wealth, as well as the need to preserve reputation by avoiding changes that will alter how the company is perceived, leads family firm owners and managers to become more conservative in taking risks associated with entrepreneurship (Zahra, 2005; Naldi et al., 2007). These major family concerns may help explain the finding that levels of risk taking in family firms declined as the levels of family participation increases.

The results for our last hypothesis (3c) show that there is a negative relation between family participation and proactiveness, thus rejecting our hypothesis. When generating our hypothesis we focused on the fact that family and business largely overlap and that family members share a common destiny with the firm. In this way, the goals of family members should be perfectly aligned with business goals (DeMassis, Kotlar, Campopiano, & Cassia, 2014). As such, family members would most likely promote the economic well being and the development of the firm and to do so they would show a proactive approach to the business, making efforts, for example, to leap ahead the competition. However, our results suggest the opposite, which can be explained taken into account the fact that in most cases, family firms adopt a wait-and-see posture, waiting for the right moments to act (Zellweger & Sieger, 2012).

These findings might help to reconcile the divergent insights in the literature on entrepreneurial orientation in family firms (e.g., Martin & Lumpkin, 2003; Nordqvist, Habbershon, & Melin, 2008).

5.8. Limitations and Future Research

As in any empirical work, this paper presents some limitations. First, an increasing number of scholars have argued that family firms do not constitute a homogenous population of firms (Dèniz & Suárez, 2005; Pieper & Klein, 2007;
Croutsche & Ganidis, 2008; Sharma, 2004). This makes possible that different types of family firms show different patterns in terms of entrepreneurial orientation.

Second, the analyzed data consisted exclusively of firms based in the Autonomous Region of the Azores, therefore inference to other countries or regions should be made with caution. Moreover, the geographic location of the Azores as an outermost region and its particularities may influence entrepreneurial orientation, which has important implications for the generalization of these findings. For this reason, it would be pertinent to replicate the study by increasing the sample in different geographical locations, countries, and socioeconomic contexts.

Third, this papers relied on a single respondent, the owner and/or manager of the firm using self-assessment measures for entrepreneurial orientation, therefore the obtained data could be biased and reflect wishful thinking rather than a factual state. Although, this is a common practice method in entrepreneurship research (Lyon, Lumpkin, & Dess, 2000). Future research could benefit from analyzing responses from a large set of individuals within the firms providing a more reliable of the firm’s situation and behavior.

5.9. Conclusions

Several researchers have argued that family firms would benefit from having an effective entrepreneurial orientation (e.g., Habbershon & Pistrui, 2002; Eddleston, et al., 2008). However, few studies have empirically examined the question of what is the relationship between key characteristics of family firms, such as family participation, in promoting or suppressing entrepreneurship. The present article addresses some of the unsolved issues regarding entrepreneurial orientation within family firms, by focusing on exploring the differences between family and nonfamily firms in terms of entrepreneurial orientation and its three components - innovativeness, risk taking, and proactiveness. Furthermore, an effort was made to understand the relations between family participation, entrepreneurial orientation, innovativeness, risk taking, and proactiveness.

This paper suggests that there are differences between family and nonfamily firms in what regards entrepreneurial orientation, and its three components. Family
firms seems to be less entrepreneurially oriented and innovative, but more risk averse than nonfamily firms, however both types of companies do not differ in terms of proactiveness.

Moreover, these findings suggest that family participation is negatively associated both with entrepreneurial orientation and with its three components. In other words, the higher the levels of family participation within family firms the lower the levels of entrepreneurial orientation, innovativeness, risk taking and proactiveness.

This set of findings is relevant and should be taken into account. Family firms located in the Azores could benefit from adopting entrepreneurial activities and behaviors, given that positive relationships between entrepreneurial orientation and performance have been noted by a number of researchers (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Wiklund, 1998; Kreiser et al., 2002; Al Swidi & Mahmood, 2011). Entrepreneurial orientation is also associated to better export performance (Ibeh, 2004), and success in terms of firm size and economic growth (Tang, Tang, Marino, Zhang, & Li, 2008). Several other studies have also found positive effect of entrepreneurial orientation on growth of small firms (Gurbuz & Aykol, 2009), which compose the majority of family firms located in the Azores.

Future research should be developed to confirm and support these findings. In particular, this type of study should be replicated with a wider sample from different geographical locations and socioeconomic contexts.

5.10. References


Chapter 5. Family Participation and Entrepreneurial Orientation


Chapter 5. Family Participation and Entrepreneurial Orientation


Chapter 5. Family Participation and Entrepreneurial Orientation


SECTION III.

FINAL REMARKS
Chapter 6.

Review of the Findings

6.1. Main Findings and Conclusions

The basic premise of this thesis is that there is still a lot to be developed in the family business field despite extensive research on the topic during the last thirty years. A comprehensive literature review identified several research gaps and disputes.

In the course of this thesis three independent studies were conducted, each focusing on one topic to improve and extend the knowledge and methodological options family business researchers have at their disposal. In this section, an overview the main findings of each paper is presented.

In the first paper, in line with previous literature, several questions have been raised, “What characterizes a family business?”, “Does the family truly own and manage the business?”, or “What is the influence and participation of the family members in the business?”. In order to provide an answer to these questions certain important profiling aspects were assessed, measured and explored, such as ownership and governance, experience and management, and corporate culture. A set of demographic indicators were also collected, seeking to understand if, and in which degree, the families control the business, which family generation owns and/or manages the company, and how is the family involved in the business. Given the exploratory nature of this paper a considerable amount of information was obtained. Next, the most important findings are highlighted.

Results provided a set of data that allowed us to outline an initial profile prototype of a family firm based in an outermost region, the Autonomous Region of the Azores. This family firm operates in the trade sector, counts with a workforce of less than 10 employees, has been in business for over 30 years, and has a turnover of less than €500,000 per year.

Regarding ownership and management participation, the firm is owned and managed exclusively by family members, and does not have a management board. The firm’s owners and managers are the founder generation, and on average two family
members actively participate in the business, while one family member does not participate actively but is interested, thus, all family members are in the family business.

The family members share similar values and consider that the family has a high influence on the business, believing that both family and business share the similar values.

Finally, the owners and managers show a strong connection with the family business culture mainly regarding three fundamental aspects: loyalty, belief and pride.

The second paper aims to answer a set of questions regarding decision making in family firms, “What decision making style characterizes family companies?” , “Do family firms differ from nonfamily companies in terms of their decision style?”, and “Does the family influence and participation in business have an effect in their decisional style?”. In order to answer to these questions, this paper explores, for the first time, decision making within family firms, by assessing the most common decisional style in family business, and if there are differences between family and nonfamily firms in this regard. Moreover, the relationship of decision style and two of the most important aspects that make these companies unique in the organizational context, family participation and influence, is explored.

Results suggest that family firms overall rely on rational decision making, and that family and nonfamily companies do differ in the way they make decisions. The results also suggest that family influence and participation play an important role in guiding the decision process, by promoting experiential decisions, and suppressing the use of rational decision making. Accordingly, these findings may help creating and developing an initial family firm decisional profile, but also to explore the differences between family and nonfamily companies in terms of decision making style.

The third paper intends to contribute and reinforce research that explores entrepreneurial orientation in the family business context, by asking the following set of questions, “Do family firms show different levels of entrepreneurial orientation than nonfamily firms?”, “Do family and nonfamily firms differ with regards to innovative, risk taking and proactive behaviors?”, and “How is family participation related to entrepreneurial orientation and to its three dimensions?”.

Results reveal differences between family and nonfamily firms in what regards entrepreneurial orientation, and its three components. Family firms tend to be less entrepreneurially oriented and innovative, but more risk averse than nonfamily firms,
however, no differences were found between both types of companies in terms of proactiveness.

Furthermore, the findings suggest that family participation is negatively associated with entrepreneurial orientation and with its three components. In other words, the higher the levels of family participation within family firms the lower the levels of entrepreneurial orientation, innovativeness, risk taking and proactiveness.

As stated previously, this thesis was motivated by several research gaps and unclear results in the literature, namely in what respects to: (1) characterization of family business in an outermost region; (2) decision making within family companies and; (3) the ambiguous set of results regarding entrepreneurial orientation in the family business context.

Surely, academic research, especially in the family business field, is not conducted solely for the benefit of the scientific community; the findings can and should be used and applied in practice. The main practical implications of this thesis are presented in the next section.

6.2. Practical Implications

The findings in this thesis have several important practical implications for family firms. First, the thesis offers, for the first time, a characterization and a profile of family companies located and that operate in the Autonomous Region of the Azores, providing a set of relevant data and information that may be useful not only for scholars, practitioners and official identities, but also for the family companies themselves. The obtained profile may help to better understand key aspects of family companies operating in a small and outermost socioeconomic context. By acknowledging family companies strengthens and needs, hopefully more attention will be drawn to them, and certainly more informed and conscious sociopolitical and economic decisions can be made.

Second, assessing decision making in family business contributes to comprehend the most important activity an owner or a manager has, since every single decision have a direct or indirect impact on the company. By exploring the most
common decisional style, comparing family and nonfamily business in terms of
decision making, and evaluating the influence of family in the process, this thesis
contributes on drawing an overall picture of decision making in family firms. This can
make owners and managers more attentive to the way in which each decision is made,
and therefore being capable of readjusting each decision process to its particular needs,
understanding if in some cases is best to involve various family members in the decision
making or if in other cases it is best to decide by themselves, therefore improving the
quality of their decisions.

Third, by addressing the topic of entrepreneurial orientation, this thesis looks at
one of the most important factors of a firm’s performance, growth and survival.
However, it may be neglectful to award general advice on the benefits of entrepreneurial
orientation without considering context-specific issues. Family firms are, often,
characterized by dominant ownership and the presence of family members in the firm’s
operations, but also in regard to goals for and attitudes toward business activities.
Advice with regard to entrepreneurial processes must take these particular aspects into
account. Moreover, most outermost economic contexts, such as the Autonomous Region
of the Azores, are mainly small and rural economic settings, and the opportunities firms
have to correct a strategic error are little or none, thus it is vital for family firms owners
and managers to secure systems and routines in order to conduct a careful evaluation of
risky investments without hampering the organization. Despite the previous remark, it is
crucial for family firms to invest and engage in the creation and development of new
services and products, as this is a key factor for outermost and Azorean family firms not
to be reduced only to the local market, but to succeed in reaching other makers, taking
advantage of an increasingly global economy.

All in all the results of this thesis provide owners and managers of family
companies with several practical applications. They can use general results presented in
the three papers, for example, to understand their position in the market, reshape their
decisions making processes, or to evaluate their entrepreneurial actives and behaviors.
6.3. Future Research

There is no doubt that family firms will continue to be, in the decades to come, the most influential and dominant organizational form not only in the global economic context, but particularly in small and rural economies and remote areas (Westhead & Cowling, 1998; Getz & Nilsson, 2004).

Although, there has been a considerable increase in the literature on family business over the last three decades, results of most research are always region or country specific. Given this, it becomes critical to replicate studies, including the three papers that constitute this thesis, in other regions, countries and socioeconomic contexts.

Despite the fact that decision making has long been consider the most important managerial activity (Mintzberg, 1973; Bass, 1985; Yukl, 2002; Williams, 2003), there is still little research focusing on decision making in the family business context, in this way, more research on this topic is indeed needed. In addition, a longitudinal study exploring decision making styles between generations in family firms would provide important information on how these firms adjust and adapt their decision making in the long term.

Even thought there is a large stream of research involving entrepreneurial orientation and family firms, it would be important to explore the associations between decision making styles and entrepreneurial orientation, assessing which style of decision making fosters or hampers entrepreneurial orientation.

Most research on family business, as is this thesis, adopts a quantitative approach. The main strength of this research approach resides in the generalization of the results. However, family businesses are an extremely complex environment with a set of critical dynamics that should be explored in a broader way. Therefore, the use of a combination of qualitative and quantitative research should be considered.
General Reference List


A FAMILY MATTER? BUSINESS PROFILE, DECISION AND ENTREPRENEURSHIP IN FAMILY BUSINESSES: THE CASE OF THE AZORES

A FAMILY MATTER? PERFIL DO NEGÓCIO, DECISÃO E EMPREENDEDORISMO EM EMPRESAS FAMILIARES: O CASO DOS AÇORES

APPENDICES

Duarte Nuno Gonçalves Pimentel
Appendix A.1. Questionnaire
Exmo(a). Sr(a). Empresário(a),

O questionário que lhe propomos participar, enquadra-se no âmbito do desenvolvimento de uma tese de doutoramento, em curso no Departamento de Economia e Gestão da Universidade dos Açores, que se insere no contexto de estudo aplicado das empresas açorianas.

Pretende-se que os dados deste trabalho contribuam para um maior conhecimento da realidade empresarial açoriana, e que os resultados e conclusões se traduzam num contributo com aplicabilidade válida para as empresas.

Solicitamos que o respondente deste questionário seja um elemento com responsabilidades de gerência na empresa. Asseguramos, desde já, a confidencialidade de todos os dados recolhidos.


Estamos à sua disposição para quaisquer esclarecimentos. Deste modo, não hesite em contactar-nos caso tenha alguma dúvida, sugestão, ou comentário relativos a este estudo. Do mesmo modo, e caso tenha interesse, teremos todo o prazer em apresentar e partilhar os resultados e conclusões deste trabalho.

Desde já agradecemos, genuinamente, a sua disponibilidade,

Duarte Pimentel, duartepimentel@uac.pt

Por favor, clique no botão abaixo ( >> ) para iniciar a sua participação.

Business Type (Familiar vs Não Familiar)

Por favor, refira a que tipo de empresa pertence.

Definição útil:

1. São Empresas Familiares aquelas em que uma Família detém o controlo, em termos de nomear a gestão, e alguns dos seus membros participam e trabalham na empresa.

A que tipo de empresa está ligado?

- Familiar
F-PEC (Power)

Por favor, caracterize o poder e a gestão no seio da sua empresa.

Definições úteis:

1. Família é definida como um grupo de pessoas, incluindo os descendentes de um casal (independentemente da geração), os cunhados e sogros, bem como os filhos legalmente adoptados.

2. Administração ou Conselho de Administração refere-se à directoria da empresa que gere ou administra a(s) entidade(s).

3. Outras pessoas, que não familiares, mas nomeadas através de membros da família representam os valores, posições, e objectivos da família.

Indique a percentagem da empresa que detida por membros familiares, e por não familiares.

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Os capitais, quotas, e património da empresa são mantidos numa Sociedade Gestora de Participações Sociais (SGPS) ou noutra entidade similar?

- Sim
- Não

Indique a percentagem da empresa principal do grupo que é detida por (Familiares, Não Familiares, SGPS).

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Indique a percentagem em que a SGPS é detida por (Familiares, Não Familiares, Uma segunda SGPS).

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Familiares
Não Familiares
Uma segunda SGPS

A empresa possui uma Administração ou um Conselho de Administração?

- Sim
- Não

Quantas elementos constituem a Administração ou o Conselho de Administração da empresa?

__

Dos elementos da Administração ou do Conselho de Administração quantos são membros da família?

__

Dos elementos da Administração ou do Conselho de Administração, que não familiares, quantos foram escolhidos pela família?

__

**F-PEC (Experience)**

**Por favor, avalie o nível de experiência da sua empresa.**

Definições úteis:

1. A geração fundadora da empresa é entendida como a 1ª geração.

2. Os membros da família considerados activos são aqueles que contribuem substancialmente para a empresa. Podendo ocupar um cargo oficial dentro da empresa como accionistas, elementos da administração, ou como colaboradores.

Qual a geração proprietária da empresa?

- 1ª geração
Qual a geração responsável pela gestão da empresa?

- 1ª geração
- 2ª geração
- 3ª geração
- 4ª geração ou posterior

Qual a geração que está activamente presente na Administração ou no Conselho de Administração da empresa?

- 1ª geração
- 2ª geração
- 3ª geração
- 4ª geração ou posterior

Quantos membros da família têm uma participação activa na empresa e nos negócios?

[ ]

Quantos membros da família não têm uma participação activa mas, no entanto, demonstram-se interessados na empresa e nos negócios?

[ ]

Quantos membros da família não têm uma participação activa e não estão interessados na empresa e nos negócios?

[ ]

**F-PEC (Culture)**

Por favor, avalie a cultura da sua empresa.
A família tem influência na empresa e nos negócios.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Os membros da família partilham valores semelhantes.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

A família e a empresa partilham valores semelhantes.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Por favor, classifique, em grau de concordância, as seguinte afirmações:

Os membros da família estão dispostos a fazer grandes esforços, para além do que é normalmente esperado, a fim de contribuir para o sucesso da empresa e dos negócios.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Apoiamos a empresa e os negócios da família em discussões com amigos, colaboradores, e outros membros da família.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Sentimos lealdade para com a empresa e os negócios da família.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente
Acreditamos que nossos valores, enquanto indivíduos e família, são compatíveis com os valores da empresa.

Dizemos orgulhosamente aos outros que fazemos parte dos negócios da família.

Acreditamos que, a longo prazo, há muito a ganhar na participação na empresa e nos negócios da família.

Estamos de acordo com os objectivos, planos, e políticas da empresa e dos negócios.

Temos uma preocupação sincera e genuína com o destino dos negócios da família.

A decisão de me envolver nos negócios da família tem tido uma influência positiva na minha vida.

Entendo e apoio as decisões da família em relação ao futuro do negócio.
REI - 40

Por favor, classifique, em grau de concordância, as seguintes afirmações (solicitamos que responda com a maior sinceridade):

Gosto de confiAR nas minhas impressões intuitivas.

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Usar minha intuição costuma funcionar bem para mim quando tenho que resolver problemas na minha vida.

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Não sou muito intuitivo(a).

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A intuição pode ser uma forma muito útil para resolver problemas.

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Confio nos meus palpites.

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Com frequência sigo os meus instintos ao decidir sobre alguma coisa.

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Não acho que seja uma boa ideia confiar na intuição para tomar decisões importantes.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Não gosto de situações em que eu tenho que confiar na intuição.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Sou do tipo que coloca o coração na frente da razão.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Confio nas minhas primeiras impressões sobre as pessoas.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Acho que em certos momentos é necessário confiar na nossa intuição.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Quando se trata de confiar nas pessoas, geralmente, posso contar com a minha intuição.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente

Acho que é insensato tomar decisões importantes com base na minha intuição.

- Discordo totalmente
- Discordo parcialmente
- Não concordo nem discordo
- Concordo parcialmente
- Concordo totalmente
Se eu confiasse nos meus instintos cometeria erros com frequência.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Em geral, não confio nos meus sentidos para me ajudar a tomar decisões.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Raramente engano-me quando escuto os meus mais profundos “instintos” para encontrar uma resposta.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Não gostaria de depender de alguém que se autodenominasse intuitivo.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Acho que meus palpites podem ser tanto precisos quanto imprecisos.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Em geral, consigo sentir se uma pessoa está certa ou errada, mesmo sem saber explicar como o sei.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente

Os meus pareceres instintivos provavelmente não são tão bons quanto os das outras pessoas.

Discordo totalmente  Discordo parcialmente  Não concordo nem discordo  Concordo parcialmente  Concordo totalmente
Não sou muito bom a resolver problemas que exigam uma análise lógica cuidadosa.

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Não gosto de pensar muito.

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Gosto de resolver problemas difíceis que exijam muito raciocínio.

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Tento evitar situações que exigam pensar profundamente nas coisas.

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Tenho um raciocínio lógico.

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Não sou muito bom (boa) em resolver problemas complicados.

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Sou muito melhor a encontrar a solução lógica das coisas do que a maioria das pessoas.

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Gosto de desafios intelectuais.

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Reflectir cuidadosamente sobre as coisas não é um dos meus pontos fortes.

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</thead>
</table>

Não sou uma pessoa que fica a analisar as coisas.

<table>
<thead>
<tr>
<th>discordo totalmente</th>
<th>discordo parcialmente</th>
<th>não concordo nem discordo</th>
<th>concordo parcialmente</th>
<th>concordo totalmente</th>
</tr>
</thead>
</table>

Prefiro problemas complexos a problemas simples.

<table>
<thead>
<tr>
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<th>discordo parcialmente</th>
<th>não concordo nem discordo</th>
<th>concordo parcialmente</th>
<th>concordo totalmente</th>
</tr>
</thead>
</table>

Ficar a pensar sobre alguma coisa muito tempo não me dá prazer nenhum.

<table>
<thead>
<tr>
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<th>discordo parcialmente</th>
<th>não concordo nem discordo</th>
<th>concordo parcialmente</th>
<th>concordo totalmente</th>
</tr>
</thead>
</table>

Sob pressão não consigo raciocinar bem.

<table>
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<tr>
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<th>discordo parcialmente</th>
<th>não concordo nem discordo</th>
<th>concordo parcialmente</th>
<th>concordo totalmente</th>
</tr>
</thead>
</table>

Não tenho dificuldades para reflectir sobre as coisas com clareza.

<table>
<thead>
<tr>
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<th>discordo parcialmente</th>
<th>não concordo nem discordo</th>
<th>concordo parcialmente</th>
<th>concordo totalmente</th>
</tr>
</thead>
</table>
Gosto de fazer reflexões abstractas.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente

Saber a resposta sem entender o raciocínio que está por trás, para mim é o suficiente.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente

Pensar não é a minha ideia de uma actividade agradável.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente

Em geral as razões das minhas decisões são claramente explicáveis.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente

Na minha vida usar lógica costuma funcionar bem para resolver problemas.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente

Aprender novas maneiras de pensar seria muito atraente para mim.

Discordo totalmente Discordo parcialmente Não concordo nem discordo Concordo parcialmente Concordo totalmente
Por favor classifique, em grau de concordância, as seguintes afirmações:

Nos últimos 3 anos, a nossa empresa tem desenvolvido muitos produtos / serviços novos.

A nossa empresa é frequentemente a primeira a introduzir novos produtos / serviços.

Para enfrentar a concorrência, a nossa empresa normalmente adopta acções agressivas perante os concorrentes.

A nossa empresa procura adoptar uma postura muito competitiva como forma de ultrapassar os concorrentes.

A nossa empresa faz uma forte aposta em projectos de alto risco com retornos incertos.

A fim de alcançar os objectivos da empresa, o impacto do ambiente de negócios, obriga a nossa empresa a adoptar medidas fortes e destemidas.
Em situações de tomada de decisão incertas e inseguras, a nossa empresa adopta uma posição destemida de modo a aumentar as hipóteses de explorar potenciais oportunidades.

A nossa empresa tem um forte ênfase em I&D (Investigação e Desenvolvimento) e inovação, em vez de se concentrar na comercialização de produtos / serviços actuais.

As alterações e inovações nos novos produtos / serviços na nossa empresa são bastante radicais.

**Characterization**

**Por favor, diga-nos um pouco mais sobre si.**

**Género**
- [ ] Masculino
- [ ] Feminino

**Idade**

[ ]

**Habilitações académicas**

[ ]
Cargo na empresa

Anos na empresa

Por fim, por favor, caracterize a sua empresa.

Concelho onde está sediada a empresa

Sector de actividade

Anos em actividade

Número total de colaboradores

Volume de negócios
Terminou o questionário. Muito obrigado pela sua participação!

O seu contributo foi fundamental para nós!

Relembramos, uma vez mais, que estamos à sua inteira disposição para qualquer dúvida, sugestão ou comentário.

Com os melhores cumprimentos e votos do maior sucesso,
Duarte Pimentel

Por favor, clique no botão abaixo ( >> ) por forma a finalizar o questionário e a submeter as suas respostas.