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Transgenerational entrepreneurial family firms: An examination of the business model construct

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ABSTRACT

This paper investigates the intergenerational development of the business model construct within transgenerational entrepreneurial families (TEFs) over a four-year period, using a longitudinal multiple case study methodology comprising 48 interviews, 390 archival sources and 25 observational instances of four TEF firms. As a result of our longitudinal stance, our findings and theoretical model provide new insights into the relationship between business model dimensions (resource, finance, infrastructure, stakeholders and value) for TEF firms within and across different generations. For instance, our insights into the opportunities and risks of knowledge transmission during micro/macro resource pooling contribute to the demographic approach of the theorizing process of the family business field, through developing our understanding of how family participation dimensions affect resources for TEF firms. Accordingly, we advance entrepreneurship theory and practice by assessing the fundamentals of business model construction within the TEF context, thus expediting stronger theoretical perspectives of transgenerational entrepreneurship.

1. Introduction

Transgenerational entrepreneurship refers to the progressions through which a family utilizes and develops entrepreneurial outlooks and family-influenced proficiencies to construct new avenues of entrepreneurial, financial and social value across generations (Habbershon & Pistrui, 2002). Contemporary research has focused on the entrepreneurial attributes of family firms in terms of how they transcend different family generations (Aldrich & Cliff, 2003; Chua, Chrisman, & Sharma, 1999; Olson et al., 2003). The emphasis of much of these topical studies has been the governance structure of family firms in terms of ownership, balance of power and succession (Bagby, 2004; Dyer, 2003; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Stewart & Hitt, 2012) or the social aspect of the transgenerational entrepreneurial family (TEF) (Astrachan, 2010; Habbershon, Williams, & MacMillan, 2003). TEF firms are considered unique entities in that they have evolved from small entrepreneurial family firm start-ups to long-standing corporations, in which the original entrepreneurial essence of the venture has transcended numerous family generations and continues to influence management decisions within the family unit (Habbershon, Nordqvist, & Zellweger, 2010). Therefore, the engagement of family firms in transgenerational entrepreneurship necessarily incorporates the possession of an entrepreneurial mind-set across several generations (Jaskiewicz, Combs, & Rau, 2015).

Theories in relation to both entrepreneurship and family firms are well established and tested in the management literature (Astrachan, 2010; Chua et al., 1999; Sharma, 2004; Stafford, Duncan, Dane, & Winter, 1999). However, theoretical foundations for the more recent academic field of transgenerational entrepreneurship are noticeably underdeveloped and lacking cohesion (Habbershon et al., 2010; Zahra & Sharma, 2004). These theoretical shortcomings have directly resulted in two distinct research gaps that the current paper seeks to address. First, there remains a notable lack of theory development surrounding how and why entrepreneurial behaviours manifest and develop across generations within family firms (Nordqvist, Wennberg, & Hellerstedt, 2013; Randerson, Bettinelli, Fayolle, & Anderson, 2015). Despite a recent study by Jaskiewicz et al. (2015, p. 45) that takes initial steps towards developing such a theory in the form of "entrepreneurial legacy", this research field remains in its infancy, with the authors conceding that "future inquiry is warranted to understand how […] conditions shape transgenerational entrepreneurship". Second, and more importantly, the underlying issue behind this research gap is that very little is known about how the TEF firm is actually constructed. The research that has been conducted to date on the TEF firm as a distinct organizational type is not only limited in scope, but also does not expound the constituent makeup of the TEF firm in terms of its business model construction (see Sharma, Auletta, DeWitt, Parada, & Yusof, 2015). This inaction precludes our ability to fully understand and

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theorize its entrepreneurial inclinations, and thus how its inherent entrepreneurial behaviours function across generations. Despite the theoretical and managerial importance of enhancing our cognition of how TEF firms function at the family/firm interface, no research to date has established a fundamental understanding of the entrepreneurial construction of the TEF firm through exploring and evaluating its business model structure across generations. As TEF firms have inimitable opportunities to imprint entrepreneurial behaviours onto subsequent generations (Jaskiewicz et al., 2015), it is imperative that CEOs or successors within these firms observe and comprehend the operational and entrepreneurial processes that have driven (and are driving) their business model development, as a means of evaluating and managing the entrepreneurial realization of the firm for prospective family generations. Despite this, the TEF literature offers virtually no empirical studies that examine business modelling within these firms (George & Bock, 2011). Furthermore, the broader family firm literature only provides descriptive and generalized discussion on the business models of family firms, with a persisting emphasis on a cross-sectional perspective (as opposed to longitudinal and transgenerational) and the hierarchical structure (Sharma, Chrisman, & Chua, 1997; Zahra, 2005; T. Zellweger, Sieger, & Halter, 2011). As it is well established that business model analysis can reveal valuable insights into the performance of entrepreneurial firms across time (Morris, Schindehutte, & Allen, 2005; Zott & Amit, 2007), the prospect of evaluating how the TEF firm business model is structured at different generational phases has the potential for practical as well as theoretical significance for the family business field.

Accordingly, this paper aims to investigate the development of the business model construct of TEF firms across family generations. Using a longitudinal multiple case methodology to evaluate four TEFs, we seek to cultivate a more nuanced understanding of their business model construct in terms of how it is developed within and across generations. In achieving this, we make the following contributions. First, our research findings and theoretical model contribute to the family firm literature by clarifying and extricating the configuration of internal and external management processes of TEF firms across generations, thus providing new insights into the role of the TEF business model in organizational and entrepreneurial outcomes. Our findings and model contest literature arguments regarding family control domination over exterior stakeholder influences and their alleged positive implications of multi-directional interactions on performance outcomes (Morck & Yeung, 2003). This is achieved by demonstrating how the tri-directional interactions between internal and external TEF firm stakeholders do not invariably result in systemic conditions for positive entrepreneurial outcomes (Habbershon et al., 2003). Second, our theoretical model derived from our findings facilitates enhanced cognition of the relationship between business model dimensions for TEF firms through its illustration of the functions and interrelations of the dimensions at each generational phase of the TEF firm. We demonstrate that variation and more drastic strategic management may lead to pressure and/or actual drains on the resource dimension of second-generation TEF business model constructs, although these may be counterbalanced by the prioritization of value opportunities and challenges (Doganova & Eyquem-Renault, 2009; Stark, 1996). Third, our research findings and theoretical model advance the field of entrepreneurship theory and practice by assessing the entrepreneurial influence of the business model structure of TEF firms from their provenance stage to their current embodiment. In so doing, they provide unique insights into the intergenerational dimension of business model construction, which is currently lacking within business model research. Our findings on the amalgamation of sustainability objectives into the resource dimension advance Stafford et al.'s (1999) theoretical model of family firm sustainability by determining that, with multi-generation TEF firms, the architypes of family and firm resources are compounded through ideologies of family risk mitigation and sustainability assessment.

The remainder of the paper is structured as follows. First, we consider business model construction and application within transgenerational entrepreneurship contexts. Our multiple case study methodology is then detailed and the analysis approach is presented. Next, findings and discussion are provided, along with our empirical and theoretical models. Finally, conclusions are drawn in relation to the theoretical and research implications of the findings.

2. Literature review

2.1. The TEF firm and their business models

In the family business field, the TEF firm is considered to be differentiated from traditional family firms, which are often viewed as rather conventional and averse to risk (Miller & Le Breton-Miller, 2005). This distinction is predicated on their perceived entrepreneurial legacy and long-term orientation (Jaskiewicz et al., 2015; Lumpkin & Brigham, 2011). It has also led to more academic attention on the role of family influence and the family ownership group in transgenerational entrepreneurship (Chrisman, Chua, De Massis, Frattini, & Wright, 2015; Zellweger, Kellermanns, Chrisman, & Chua, 2012). Indeed, TEF firms are inclined to act with the motivation and opportunity to generate new businesses, innovate or create profit through the family ownership group (Zahra, 2012). Therefore, the entrepreneurial process is perpetual and continually aimed at determining, assessing, and exploiting new business opportunities (Shane & Venkataraman, 2000). Transgenerational entrepreneurship, which encapsulates the core principles of the TEF firm, is defined as the "processes through which a family uses and develops entrepreneurial mind-sets and family influenced capabilities to create new streams of entrepreneurial, financial, and social value across generations" (Habbershon et al., 2010, p. 1). Such mind-sets represent the attitudes and beliefs that infuse entrepreneurship within the TEF firm (Rogoff & Heck, 2003).

Doganova and Eyquem-Renault (2009, p. 1568) claim that a business model permits entrepreneurs to explore new markets and new innovations, and that it performs narrative and calculative functions that are focused on third party stakeholders such as investors or consumers. They thus define the business model as "a scale model of a new venture, which aims at demonstrating its feasibility and worth to the partners whose enrolment is needed". Given the aim of this paper, we adhere to this definition of a business model.

As the business model is clearly significant for understanding the long-term strategic management of the firm and can be defined in multifarious philosophical and organizational contexts, the prospect of conceptualizing it for TEF firms is not only a matter of academic interest but managerial necessity (Sharma et al., 2015). For instance, Carlock and Ward (2001) designate the modern family firm configuration as incorporating what they describe as an expanded business model of collective ownership and power. This aspect of presenting a '21st century business model' for family firms may be counter-intuitive to the more generally accepted perception of the business model as a representation of the developmental structure of the firm from past, present and future projections (Al-Debei & Avison, 2010; Doganova & Eyquem-Renault, 2009; Gamble, Brennan, & McAdam, 2017), as opposed to a mere snapshot in time.

A recent empirical study on business models by Demil, Lecocq, Ricart, and Zott (2015) sought to counteract this professed limitation by espousing a longitudinal perspective. Indeed, some family firm researchers have conducted their empirical work with the combined considerations of entrepreneurial motivations and the evolution of the business model of the family firm (Karra, Tracey, & Phillips, 2006). Moreover, Le Breton-Miller and Miller (2009, p. 1186) propose that prevailing family traditions epitomize a significant contributory factor in how a family firm can "preserve and strengthen a functional business model and maintain its integrity across long intervals".

There are isolated cases of scholars taking tentative steps towards formulating theoretical models for family firms, although these models