

**HOW PUBLICLY QUOTED FAMILY BUSINESS ORGANIZATIONAL BEHAVIOR REFLECTS FINANCIAL CRISIS  
- a content analysis of the annual reports from 2008 to 2011**

Qian Wang  
University of Jyväskylä  
School of Business and Economics  
Entrepreneurship  
Master's thesis  
October 20, 2012

**HOW PUBLICLY QUOTED FAMILY BUSINESS ORGANIZA-  
TIONAL BEHAVIOR REFLECTS FINANCIAL CRISIS  
- a content analysis of the annual reports from 2008 to 2011**

# ABSTRACT

Wang, Qian

How publicly quoted family business organizational behavior reflects financial crisis

- a content analysis of the annual reports from 2008 to 2011

University of Jyväskylä, School of Business and Economics

The aim in this research is to analyze the strategic reactions the entrepreneurs in public traded family business take towards the global financial crisis. It is mainly based on a bilateral contextual structure: the internal context concerns the Entrepreneurial Orientation (EO) five-dimension theoretical framework (Lumpkin & Dess, 1996) under family business background; the external context refers to the global financial crisis as a macro environment. Hence, the research question can be concluded as "how the entrepreneurs in large publicly traded family firm organizational behavior, named EO, reflects the global financial crisis?"

Furthermore, during the analysis process, several assumptions originated from the research question will be extracted step by step in order to explore the connection between the theory and the practicalities. Indeed, the five dimensions in EO (autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness) constitute a systematic congregation which aims to aid the entrepreneurs to transform the external crisis into the opportunities.

As to the empirical materials, content analysis, as a methodological choice, will be applied basically upon a qualitative and deductive approach. The researching target is focused on the annual reports (especially for the shareholder letters) from the year 2008 to 2011. Four companies (Walmart, Samsung, Fiat and Ahlstrom) have been chosen as to typically verify the assumptions.

Afterwards, it is to compare the findings based on the empirical information and the assumptions on the basis of the theories aiming to exploit the gap between the strategic-theoretical behaviors and the strategic-real behaviors. Ultimately, it is in fact the "gap" that leads the useful suggestions and recommendations which is able to support the entrepreneurs to survive and conquer the global economic turbulence.

Keywords: family business, entrepreneurial orientation, global financial crisis, content analysis, annual report, shareholder letter

## ACKNOWLEDGEMENT

When I am exploring the academic world, I am also exploring myself. Entrepreneurial orientation, as a navigator, leads me to connect the theoretical framework with the empirical realities. When composing the thesis, I am continuously pushing myself to dig more within my potentialities. It is therefore so worthwhile for me to develop not only the learning capabilities but also the practical abilities.

Accordingly, I would like to express my most sincere gratitude to the University of Jyväskylä, School of Business and Economics which provides a precious opportunity for me to study and conduct the research here. Meanwhile, I would also like to present my great appreciation to my supervisor---Juha Kansikas who is always full of patience and creative thinking. He indeed inspires me a lot with his valuable suggestions and recommendations. His encouragement always gives me power to go forward.

Furthermore, during this process, my family and my closest friend also offer their concern and confidence on me, which makes me feel warm and comfortable in my deep heart. Hence, thanks so much to you all.

## FIGURES

FIGURE 1 RESEARCH SETTING.....	10
FIGURE 2 FAMILY BUSINESS THREE-CIRCLE MODEL.....	13
FIGURE 3 OPERATIONALIZATION OF INNOVATIVENESS.....	22
FIGURE 4 LEVELS OF PROACTIVITY.....	26
FIGURE 5 THE ENTREPRENEURSHIP GRID .....	31
FIGURE 6 SAMSUNG VISION 2020.....	49

## TABLES

TABLE 1 DEGREE OF FAMILY CONTROL AND OWNERSHIP .....	14
TABLE 2 FAMILY FIRMS AS EXAMPLES.....	16
TABLE 3 RESEARCH ON THE ENTREPRENEURSHIP (ESPECIALLY EO) AND FAMILY BUSINESS .....	20
TABLE 4 TRANSVERSE AND LONGITUDINAL COMPARISON .....	39
TABLE 5 WALMART FINANCIAL HIGHLIGHTS; EO COMPARISON .....	46
TABLE 6 SAMSUNG FINANCIAL HIGHLIGHTS; EO COMPARISON .....	54
TABLE 7 FIAT FINANCIAL HIGHLIGHTS; EO COMPARISON.....	62
TABLE 8 AHLSTROM FINANCIAL HIGHLIGHTS; EO COMPARISON .....	69
TABLE 9 SYNTHESIS .....	72

## CONTENTS

ABSTRACT

ACKNOWLEDGEMENTS

FIGURES

TABLES

1	INTRODUCTION.....	8
1.1	Definition and Aim of the Research.....	9
1.1.1	Research Setting.....	9
1.1.2	Research Question.....	10
1.2	Structure of the Study.....	11
2	FAMILY BUSINESS AS PARADOX.....	12
2.1	Definition of family business.....	12
2.2	Characteristics of family business.....	14
2.2.1	Public quoted family firms.....	16
3	ENTREPRENEURIAL ORIENTATION AS DUALITY.....	18
3.1	Entrepreneurial Orientation: An Overview.....	18
3.1.1	Autonomy.....	20
3.1.2	Innovativeness.....	21
3.1.3	Risk taking.....	23
3.1.4	Proactiveness.....	24
3.1.5	Competitive Aggressiveness.....	27
3.2	Synthesis of Entrepreneurial Orientation.....	28
3.2.1	EO as Personification.....	28
3.2.2	EO as Duality.....	29
3.2.3	EO within Context.....	31
3.3	Conclusion and Assumption.....	32
4	METHODOLOGICAL CHOICES.....	33
4.1	Content analysis.....	33
4.1.1	Qualitative vs. Quantitative.....	33
4.1.2	Inductive vs. Deductive.....	34
4.2	Empirical material.....	36
4.2.1	Application Feasibility.....	36
4.2.2	Selecting Principles.....	37
4.2.3	Processing Plan.....	38
4.3	Reliability and Validity.....	39
5	EMPIRICAL RESULTS.....	41
5.1	Walmart (Wal-Mart Stores, Inc.).....	41
5.1.1	2008 Walmart Shareholder Letter.....	42

5.1.2	2009 Walmart Shareholder Letter.....	43
5.1.3	2010 Walmart Shareholder Letter.....	44
5.1.4	2011 Walmart Shareholder Letter.....	45
5.1.5	Finding 1 .....	46
5.2	Samsung (Samsung Electronics Co. Ltd.) .....	48
5.2.1	2008 Samsung Shareholder Letter .....	49
5.2.2	2009 Samsung Shareholder Letter .....	51
5.2.3	2010 Samsung Shareholder Letter .....	52
5.2.4	2011 Samsung Shareholder Letter .....	53
5.2.5	Finding 2 .....	54
5.3	Fiat (FIAT S. p. A.) .....	56
5.3.1	2008 Fiat Shareholder Letter.....	57
5.3.2	2009 Fiat Shareholder Letter.....	58
5.3.3	2010 Fiat Shareholder Letter.....	59
5.3.4	2011 Fiat Shareholder Letter.....	60
5.3.5	Finding 3 .....	62
5.4	Ahlstrom Corporation.....	63
5.4.1	2008 Ahlstrom Shareholder Letter .....	65
5.4.2	2009 Ahlstrom Shareholder Letter .....	66
5.4.3	2010 Ahlstrom Shareholder Letter .....	67
5.4.4	2011 Ahlstrom Shareholder Letter .....	68
5.4.5	Finding 4 .....	69
6	DISCUSSION .....	72
6.1	EO Duality .....	74
6.2	EO Interrelation .....	76
7	CONCLUSION .....	79
	REFERENCE .....	83
	APPENDIX .....	93
	APPENDIX 1 Step model of inductive category development.....	93
	APPENDIX 2 Step model of deductive category application .....	94
	APPENDIX 3 Walmart low price productivity loop.....	94
	APPENDIX 4 Ahlstrom three categories of risks and opportunities affecting its operations .....	95

## 1 INTRODUCTION

Family business, as the “backbone” of world economies and society development (Bird et al. 2002, 337-350), contributes its powerful impetus to both local and international market. Particularly as an indispensable organic part in the global competition, family firms have manifested strong capabilities to create job opportunities; to build up a harmonized relationship with shareholders; and to represent long-term orientation with particular flexibility and forward looking. (Neubauer & Lank 1998, XIV; Poza 2010, vii-xiii) Moreover, numerous “large and long-established international” (Colli & Rose 2008, 200) family enterprises have also performed an essential role in the modern world, despite of family firms usually known as small or medium sized. Indeed, large publicly quoted family firms also at the same time present a considerable share in their local market, such as in North America, South America, and Europe. Besides, in Asia, family business always has a rather close connection with culture and tradition. (Alderson 2011, 1-14; Colli & Rose 2008, 194-217) As a result, Poza (2010, vii) has indicated that family business has become a “vibrant area” and an aroused general interest for researchers, entrepreneurs, policymakers and so on. Particularly in this paper, the principal subject is the large publicly traded family business.

Furthermore, in order to clarify the uniqueness of family business, it needs to select certain theoretical background. Notably, the relationship between entrepreneurship and family business leads more and more researchers to go in-depth analysis. (Short et al. 2009; Nordqvist, Habbershon & Melin, 2008; Naldi et al. 2007) Especially, the backing theory is targeted as Entrepreneurial Orientation which was originally pointed out by Miller (1983) as including three dimensions (proactiveness, risk-taking and innovativeness). Step by step, it has been developed as a systematic knowledge sets containing five dimensions (autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness). (Lumpkin & Dess, 1996; Wiklund, 1999; Lee & Perterson, 2000) Concerning this paper, it has chosen the EO studied by Lumpkin & Dess (1996).

In addition, the global economic situation is currently filled with turbulence and dynamics, which possesses both challenges and opportunities for the



organizations and companies worldwide. (Family Firm Institute, 2009) In reality, there is still left a further research area for exploring the relations between family firms and ongoing worldwide financial crisis<sup>1</sup>. Therefore, in this paper, it aims to at some extent reveal how the family firms react towards the financial crisis under EO construction.

## 1.1 Definition and Aim of the Research

In this sense, there exist both the internal and external factors for a body of research. The internal cycle includes family business (emphasizing on large publicly traded family firms) and its strategic inclination (targeting as Entrepreneurial Orientation five dimensions). The external condition is set as the ongoing global financial crisis. Hence, the relevant research setting and research question will be explained at the following session.

### 1.1.1 Research Setting

Accordingly, this research is based on the exploration within the relationship between the entrepreneurial responses (considered as part of human action) and external uncertainties. In fact, Kizner (1982, 139-159) has clearly proposed the viewpoints as:

*“Entrepreneurship in the market consists in the function of securing greater consistency between different parts of the market. It expresses itself in entrepreneurial alertness to what transactions are in fact available in different parts of the market. It is only such alertness that is responsible for any tendency toward keeping these transactions in some kind of mutual consistency.”* (Kizner 1982:153)

*“Scope for market entrepreneurship is provided by the imperfect knowledge that permits market transactions to diverge from what would be a mutually inconsistent pattern.”* (Kizner 1982:153)

The point of view enlightened the initial idea for this paper: how the interrelation effects on both the subject (family firms) and the object (external risks and opportunities). The basic line of reasoning has been demonstrated in the

---

<sup>1</sup> Basically, there are two major events within the global financial crisis including U.S. Subprime Mortgage Crisis and European Sovereign Debt Crisis. U.S. Subprime Mortgage Crisis is resulted from a series of problematic events concerning the U.S. housing market in around 2006-2007, which caused the late 2000s worldwide financial crisis. Moreover, its origin is related to the U.S. housing bubble (the prices for houses went disequilibrium, which ultimately led subprime mortgage go bankruptcy. Besides, it also set off the global economic fluctuation regarding to banking system, relative organizations and companies. (Jansen, Beulig & Linsmann, 2009) European Sovereign Debt Crisis is originally derived from the high budget deficits run by the governments in such nations as Greece, Ireland, Portugal, Italy and Spain. Meanwhile, other Eurozone countries cannot easily avoid the associated influences caused by “bad governing with widespread corruption and tax evasion”. The Eurozone Debt Crisis is from 2010 and still ongoing which brings about the imbalanced financial systems and uneven market environment. (Duthel 2010, 87)

flowchart (figure 1). Considering the family business and its entrepreneurial orientation, both of them will be analyzed in-depth for its interdependence and interaction, in which the core issue can be fixed as a “duality” regarding the certain degree to define the EO dimension (Cassillas & Moreno, 2010; Nordqvist, Habbershon & Melin, 2008; Morris, Kuratko & Covin, 2011).

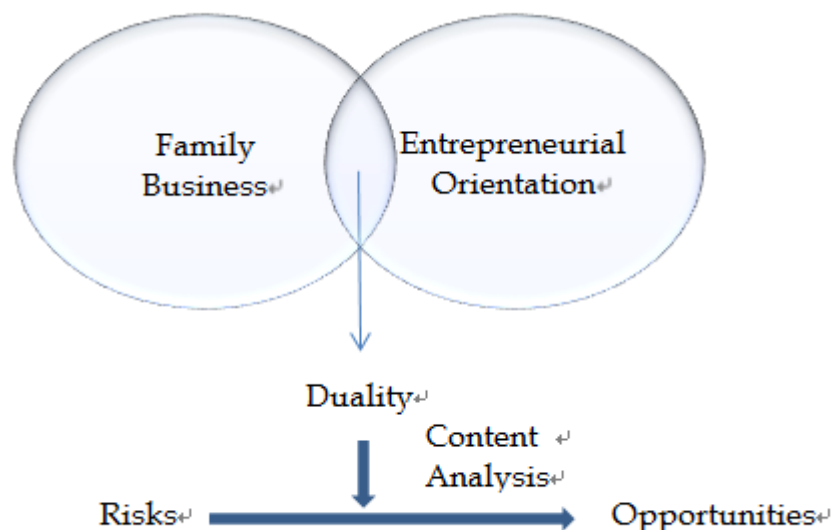


FIGURE 1 Research Setting

At the same time, the step-by-step assumption will be displayed based on the analysis of the theoretical framework. Furthermore, in order to verify the preceding exemplified theory, four representative companies will be observed in the empirical part (including Walmart, Samsung, Fiat and Ahlstrom). The main database is located as shareholder letters and the time range is fixed from 2008 to 2011 (generally covering the process of global financial crisis). Additionally, the shareholder letter will follow the content analysis research methodological choice from a deductive approach. (ELO & Kyngas, 2008) Ultimately, it is to synthesize the findings from both longitudinal and transverse comparison based on the data, which aims to find appropriate suggestions for the entrepreneurs and managers and lead further research for other researchers and scholars.

### 1.1.2 Research Question

Therefore, the research question is defined as “how the large publicly quoted family firms organizational behavior, named EO, reflects the global financial crisis?” In other words, as showed in Figure 1, it is to search out the process how the family firms transform the risks into opportunities when being confronted with the external uncertainties. In the meantime, there are also some sub-questions listed below which need to be answered during the researching procedure.

- How the EO duality is reflected theoretically and empirically?

- In what process, how the family firms transform the risks into opportunities? And how they react and respond towards the external challenges?
- At what extent, how the EO five dimensions exert their influences on the real strategy-making? Is EO a systematic cluster interrelating with each other?

## 1.2 Structure of the Study

Concerning the above research questions and inquiries, the structure of the onward study generally includes four main sections apart from the introduction (chapter 1) and conclusion (chapter 7):

- Theoretical background: it consists of both chapter 2 (the characteristics of family business) and 3 (Entrepreneurial Orientation), which can be regarded as the internal factors for this study.
- Methodological choice: it is analyzed in chapter 4, which bridges the relation between the theory and empirical part.
- Empirical part: it will be deeply examined in chapter 5 that is to explore the connection between the internal factors (family entrepreneurs) and external factors (global financial crisis).
- Discussion: further comparison will be discussed in chapter 6. Meanwhile, it will exhibit the main purpose of this research – to study how the family firms transform the risks into opportunities by EO during the worldwide economic crisis.

## 2 FAMILY BUSINESS AS PARADOX

Chapter two is to introduce the general conception concerning family business from a systematic perspective. It includes two sections which illustrate the definition and characteristics of family business respectively. In both the two parts, family business is defined as a paradox containing not only positive constitutions but also negative ones. This bilateral understanding is also reflected in its family-ownership-business three circle model. In particular, there is a sub-sector in the second section which mainly displays the research orientation in the paper. In the end, it highlights the assumption at the early stage which aims to lead further analysis in the following chapters.

### 2.1 Definition of family business

Family business, as a conception, is a cluster combining varieties of different subjects. Hence, it can be defined via many ways according to distinctive understanding approaches. Handler (1989) summarized family business from four aspects as follows.

- Ownership and management
- Influence upon business coming from the control and involvement from the family
- Succession and continuity
- Other factors

Nevertheless, there is still no consensus among scholars and researchers. Thus, Chrisman, Chua and Sharma (1996) were able to find 21 types of definitions by searching 250 articles. Furthermore, alongside with the improvement of analysis, the definition has arrived at a unique synthesis (Poza 2010, 6). Poza (2010) pointed out that family business is constituted by four main sections including “ownership control, strategic influence from family members, concern for family relationships, and possibility for transferring to next generations”. Particularly, the “family” inscribed effects on management will at some extent

determine a company's vision and strategy. Therefore, it has attached importance to analyze the interdependence among family, ownership and business, according to the family business three-circle model (figure 2) developed by Tagiuri and Davis (1982).

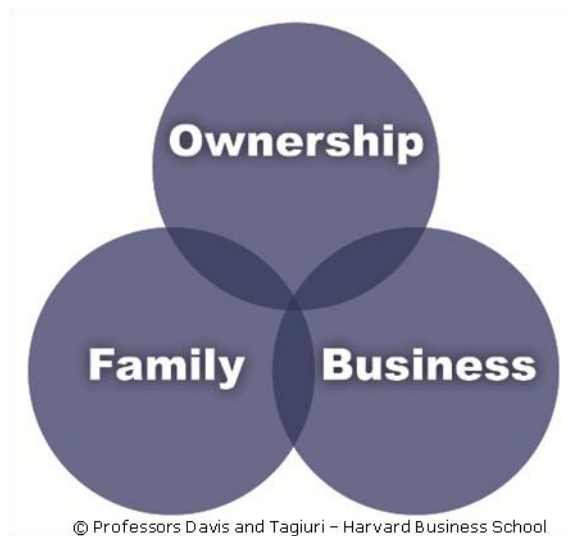


FIGURE 2 Family business three-circle model (Tagiuri & Davis, 1982)

At some way, the mutual effects between ownership and family are highly dependent on the level of family participation into the governance bodies. For instance, if a family member is actively involved in the board, he/she will express influential ideas on a company's goal-setting. For this reason, the three-circle model could be reorganized as a bilateral-structure: ownership ↔ management. In this sense, Litz (1995, 71-81) has clarified that family business should be defined upon two constitutions, which are organizational structure and future orientation for the business. At the same time, Chua, Chrisman and Sharma (1999, 25) have created a definition by synthesized various kinds of viewpoints emphasized on the entrepreneurial behavior in family business, which is "the family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families".

Still, family business, as defined, can be considered as a "subject" that needs to be estimated under particular context and reference group. For example, the corporate culture of family firms in Eastern societies is highlighted as collectivism and larger power distance, compared with the Western's. Consequently, the principal in the Eastern family firms will impose too much self-ambition on the agency, which could somehow suppress its efficiency. (Lin & Liu, 2004) Meanwhile, this situation illustrates the difference between two sub-concepts: family-owned business and family-controlled business, as explained by Mark Casson (2000, 116-145). The former emphasizes family's governing

function with adequate voting shares; the latter is focused on the family's intervene into the managerial line.

Moreover, the distinction depicted above is further refined into four modules (table 1) by Muntean (2008, 13).

TABLE 1 Degree of family control and ownership (Muntean 2008, 13)

Concentration of shares \ Family presence	High	Low
Yes	Closely held, family controlled	Dispersed, family controlled
No	Closely held, no family	Dispersed, no family

Apparently, it has applied two essential variables: the shares whether are held by family or not, and the family whether shows the presence into the business or not. Hence, it can also lead to display the difference between family business and non-family business in a clear way. Simultaneously, apart from the most general type of family business (closely held, family controlled), it introduces another important kind of family firm with publicly quoted shares, whereas the family still possesses considerable rights. Under the current globalization trend, some of them become the multi-national companies, which will be investigated as empirical information later.

In addition, family business will be taken as a main theme in this paper with emphasizing on its entrepreneurial orientation especially under the financial crisis from external circumstance, which will be put into detail in the following chapters.

## 2.2 Characteristics of family business

According to a survey conducted by PwCIL (2010) for analyzing how family business performed due to the global crisis, more than 70% of family firms in Brazil foresaw the demand for their products and services would rise in 2010; family firms in Northern Europe (such as Finland, Sweden and Denmark) maintained their stability despite of the economic downturn; and 70% of family companies in U.S. tried to improve their capabilities concerning global resourcing. Although the CEO of Fiat (Annual Report, 2011) said "uneven trading conditions across our principal markets with particular weakness in Europe", there is still one encouraging fact that two-thirds of entrepreneurs believe family business represents extraordinary flexibility.

In particular, only the unique characteristics of family business are able to become driving power for people to anticipate the firms' promising future. It is

in line with Poza's word "the family-management-ownership interaction can produce significant adaptive capacity and competitive advantage" (Poza 2010, 5-6). In some extent, this idiosyncratic overlapping inside the interaction can provide a family business with discreet perspectives upon the external challenges. At the same time, it will not neglect any opportunity to maximize the profit. The reasons for the advantages illustrated above can be dated back to Carney (2005, 249-265), Chrisman, Steier and Chua (2006, 719-729). They referred the family firms' features mainly to parsimony, personalism and particularism. Each one of the three characteristics has stressed the relationship between power and resource. Parsimony means the fiscal plan needs to be balanced in accordance to a family firm's income and expenditure. Personalism shows the power should be at some way concentrated within the ownership and control panel by a family or families. The last one is to integrate the contingency from outside into certain objective-setting.

Besides, as a family business' inherent gift, the business will be unconsciously internalized with a family or families' strong value, tradition and culture, which could be regarded as a family's DNA by analogy. (Schuman, Stutz & Ward 2010, 42-45) In the meantime, apart from its internal cycle perception, social network is also an issue family firms pay great attention to. The relationship connected with external world will definitely furnish the business with more co-operation channels. For instance, the business contact can provide more acquisition opportunities which will enhance a firm's capabilities against adversity. Additionally, political connections can safeguard a firm with preferential policies and bailout measurements. (Chung & Ding 2010, 135-152)

Furthermore, these characteristics in general are also the objectives family firms desire to achieve. Nevertheless, they could be converted to obstacles which are harmful for family business to survive longer. It is originated from the relationship between family and business which is defined as a dual system (Swartz 1989, 329-331). For example, these two elements will be overlapped in an imbalanced way providing that a family business is not able to solve the conflicts. At the same time, too much loyalty towards the tradition will also cause rigidity. According to Graves and Thomas (2004, 7-27), comparing to non-family business, family firms are not likely to renew their strategies in order to adapt to the external changes; otherwise they prefer to adjust their objectives in a slower way, better step by step. Moreover, emphasis on old doctrine sometimes means that in family business an owner will trust only the family members instead of the professional entrepreneurs without family ties. It is the same as to build a block to prevent innovations from growing to taking shape.

Therefore, family business and its characteristics can be considered as a paradox (Schuman, Stutz & Ward 2010, 46). It embraces both the positive and negative parts. Being in the internationalization trend, it is worthwhile to seek more opportunities instead of being encountered by misfortunes. In the following chapter, the conversion view will be merged into entrepreneurial orientation theoretical framework in order to analyze how family business transforms itself aiming to change the "crisis" to "opportunity". As demonstrated, family

business is able to internalize its characteristics as to transform the external crisis to opportunity.

To sum up, concerning both the definition and the uniqueness, Poza (2010, 6) summarized family business' particularities from three aspects.

- The family involvement
- The system of family-ownership-business:
  - a) Balanced relationship will bring competitive advantages
  - b) Imbalanced relationship can cause conflicts
- Owners' anticipation for maintaining continuity across generations

Particularly under entrepreneurial orientation as a main line, this paper will weaken the focus on the family influence factors. Yet, the emphasis will be put into the "business" in family which refers to the entrepreneurial behavior by facing the global financial crisis. Actually, the entrepreneur-oriented business will exactly help to sustain the family heirloom (Ward 2004, 21) by providing both the interior thinking pattern and exterior catalyst. (Memili et al. 2010, 3-29) Thus, it is underlying the essence of the business which is seeking particular opportunities to grow stronger. Besides, it goes back to follow the consistency with the long-term goal of the family---to keep the sustainability longer. In this sense, family and business within the three-circle structure are able to seize a harmonized and balanced condition through the support of entrepreneurial orientation.

### 2.2.1 Public quoted family firms

Generally, family firms exist in almost every country in the world. (Alderson, 2011) They are able to produce around 70%-90% of global GDP per year. (Kenneth et al. 2012, 132) In particular, the public quoted family firms (exemplified in the table 1) are the primary target for observing in the following chapters. As defined, this specific type of family business is public traded with extensively dispersed shareholders whereas still under a family control. (Muntean 2008, 13) The famous public family firms selected as examples are illustrated in the following table which is rearranged partly from Alderson's summary (2011).

TABLE 2 Family firms as examples (adapted from Alderson 2011, 9-14)

Country	Prevalence of Family Business	Well-known Family Firms (Examples)
U.S.A.	Family business contributes the largest part of America's wealth. 80%-90% of companies are family firms in North America. <sup>2</sup>	Ford Motor Company Wal-Mart Hilton

<sup>2</sup> Astrachan, J. H. & Shanker, M. C. 2003. Family business' contribution to the U. S. Economy: a closer look. *Family Business Review*, 16(3), 211-219.



Korea	The economy is predominated by Chaebols, such as Samsung and Hyundai. <sup>3</sup>	LG Samsung Hyundai
Italy	73% of all firms are categorized as family business in Italy. More than half of all the employees are Italians. <sup>4</sup>	FIAT Prada Ferrero
Finland	90% of all Finnish businesses are family-controlled. More than 40% of workforces are employed. <sup>5</sup>	Ahlstrom Kone Componenta

TABLE 2 (continues)

Apparently, those family firms displayed in the table have sufficient capabilities to gain large quantities of loyalty customers via their brand effect. Some of them are also symbolized the development situation in a country's economy. In S&P 500 index<sup>6</sup>, one third of companies are stipulated as family firms. It is the same as some of the European countries; large and well-organized family firms hold an important position in the economy and stock market, such as Germany, France and Sweden. (Caspar, Dias & Elstrodt, 2010) Obviously, Combs et al. (2010) pointed out "family firms account for a significant portion of all publicly traded firms". Therefore, it is valuable to analyze this type of family business especially the public quoted family business is able to internalize its characteristics as to transfer the external crisis to opportunity.

Furthermore, concerning the previous researching results, many scholars focus more on resolving the difference between the public traded family firms and non-family ones. (Anderson & Reeb, 2003; Alderson, 2011; Muntean, 2008) Still, it is a comparatively new area for the topic relating to the entrepreneurial behavior in family firms under the circumstances within global financial crisis. In addition, there have already been some papers that have proposed some suggestions and advices. (Tran, 2002; Vasudev & Watson, 2012) Part of them merely are still regarding to the surveys or reports from Internet sources. (Family Firm Institute, 2009; the Financial Times, 2012) However, it might need a possible relatively systematic framework and some comparatives based on different cases. Thus, it is worthwhile to seek certain ways to finding out the relationship between family firms and their strategy orientations.

<sup>3</sup> Alderson, K. J. 2011. Understanding the family business. Business Expert Press. Chaebols is a business conglomerate in Korea including large groups of firms.

<sup>4</sup> Global Data Points <http://www.ffi.org/?page=GlobalDataPoints> Retrieved July 1, 2012

<sup>5</sup> Global Data Points <http://www.ffi.org/?page=GlobalDataPoints> Retrieved July 1, 2012

<sup>6</sup> S&P 500 (the Standard & Poor 500) is an index on the basis of common stock prices by investigating 500 American companies. It is one of the most popular databases concerning the equity which is able to reflect the economic situation in the U.S. Meanwhile, it is controlled by Standard & Poor's, part of McGraw-Hill. It also releases other indexes about other countries, such as S&P 1500 and S&P Global 1200.

<http://www.standardandpoors.com/home/en/us>

### 3 ENTREPRENEURIAL ORIENTATION AS DUALITY

In chapter 3, it is to thoroughly explore entrepreneurial orientation from a general picture for an overview to each dimension as an independent unit. The theoretical framework is mainly in accordance with the EO five dimensions clarified by Lumpkin and Dess (1996), which contain autonomy, innovativeness, proactiveness, risk-taking and competitive aggressiveness. The first sector is to present each dimension based on its particular perspective, including the definition, the uniqueness and the arguments gathered from relevant literature. In the second sector, it is to lead macro point of view into EO in order to summarize its main features. EO has personification and psychological traits; each dimension in EO has a duality in which there is a certain degree to mark the boundary for the opposite poles; ultimately, EO should be studied under concrete context. In the end, the assumption has been modified as to build up a relationship within the three A's trilogy, which will initiate more detailed discussion in the following chapter.

#### 3.1 Entrepreneurial Orientation: An Overview

Entrepreneurial orientation, derived from the analysis of entrepreneurship (Davidsson & Wiklund, 2001), has inherited its homogeneous genes concerning the innate characters. As explored, the core of entrepreneurship is to seek opportunity (Shane & Venkataraman 2000, 219); thus its characteristics are containing an inherent sensitivity towards the external changes, which includes "innovation and initiative"<sup>7</sup> (Schumpeter, 1934); "ambition, desire for independence, responsibility, and self-confidence"<sup>8</sup> (Davids & Bunting, 1963); "need for achievement, autonomy, aggression, power, recognition, innovative and inde-

---

<sup>7</sup> Schumpeter, J. A. 1934. *The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle*. New Brunswick, N. J.

<sup>8</sup> Davids, L. E. & Bunting, J. W. 1963. *Characteristics of small business founders in Texas and Georgia*. Bureau of Business Research, University of Georgia.

pendent”<sup>9</sup> (Hornday & Aboud, 1971); “risk, innovation, power, and authority”<sup>10</sup> (Casson, 1982); and “risk, power, internal locus of control, and innovation”<sup>11</sup> (Thomas & Mueller, 2000). (Timmons, 1995) Furthermore, they are naturally embodied in the dimensions of entrepreneurial orientation.

According to Lumpkin and Dess (1996, 136), an entrepreneurial orientation (abbr. EO) refers to “the processes, practices, and decision-making activities that lead to a new entry”. It contains five dimensions which are autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. Apparently, these five factors retain the origin of entrepreneurship-oriented features, which has already been discussed by Miller (1983, 770-791) via the means of the hypotheses for the type of firms. In Miller’s paper (1983), a firm needs to think ahead, to weather certain risks, and to produce competitive advantages with applying new ideas; which can be concluded as three elements: proactiveness, risk taking and innovativeness. With building up the connection between firms’ behavior and EO, Miller’s three-dimensional theory initiates more researchers to exploit the EO and other existing relativities, including Lumpkin and Dess introduced above. (Covin & Slevin, 1991; Wiklund, 1999; Lee & Peterson, 2000) For the record, Covin and Slevin (1991, 7-25) agreed with Miller’s viewpoints and at the same time stressed more importance on the inquiry for probing organizational structure and environment. Moreover, Wiklund (1999, 37-48) linked firms’ performance into the thinking range, whether the performing results and EO-inputs are kept in sustainability or not.

In addition, EO has been developed and enlarged to five dimensions by Lumpkin and Dess as a conceptualized set; Lee and Peterson (2000, 401-416) placed EO within contemporary events and cultural context in order to find its global competitiveness. Hence, this paper will adopt EO constructed by Lumpkin and Dess. In this way, it is able to comprehensively reveal how the family firms behave due to the global financial crisis in regard to the five dimensions.

As far as family business is concerned, the research achievements on the relations between entrepreneurial orientation and family firms are summarized by Nordqvist and Melin (2010, 216-219). Part of the forms is rearranged in the following table.

---

<sup>9</sup> Hornaday, J. A. & Aboud, J. 1971. Characteristics of successful entrepreneurs. *Personnel Psychology*, 24(2), 141-153.

<sup>10</sup> Casson, M. C. 1982. *The entrepreneur: an economic theory*. Oxford: Martin Robertson.

<sup>11</sup> Thomas, A. S. & Mueller, S. L. 2000. Culture and entrepreneurial potential: a nine country study of locus of control and innovativeness. *Journal of Business Venturing*, Vol. 16, 51-75.

TABLE 3 Research on the entrepreneurship (especially EO) and family business (adapted from Nordqvist & Melin 2010, 216-219)

Authors	Main points	Country
Short et al. (2009) <sup>12</sup>	Compares the differences between family and non-family business selected from S&P 500 by applying content analysis of the shareholder letters, preceded by EO five dimensions	USA
Nordqvist, Habbershon & Melin (2008) <sup>13</sup>	Elaborates how family firms maintain the continuity across the generations by certain mindsets and capabilities	Sweden
Naldi et al. (2007) <sup>14</sup>	Analyzes how risk-taking dimension influences the family business performance	Sweden
Littunen & Hyrsky (2000) <sup>15</sup>	Investigates how family firms survive and success at an early stage via employing entrepreneurial abilities and resources, differentiated from non-family business	Finland
Chrisman, Chua & Steier (2002) <sup>16</sup>	Examines how national cultural factors affects the entrepreneurial performance especially under the family business circumstances	USA

As a matter of fact, there are still some research questions that are left ambiguous. Concerning the global economic crisis, it is meaningful to assess how family firms perform and achieve the success under the conception of entrepreneurial orientation. In the following sectors, each dimension will be presented as to direct the in-depth discussion.

### 3.1.1 Autonomy

Autonomy is defined as an independent action exhibited by an individual or a team in order to process an idea from initiation to the completion. (Lumpkin & Dess 1996, 140) It shows the consistency with the desire for an entrepreneur to pursue the opportunity. Thus, it is able to exert positive influences on the “leveraging new product and product mix flexibility” (Chang et al. 2007, 1012); ob-

<sup>12</sup> Short, C. J., Payne, G. T., Brigham, H. K., Lumpkin, G. T. & Broberg, J. C. 2009. Family firms and entrepreneurial orientation in publicly traded firms: a comparative analysis of the S&P 500. *Family Business Review*, 22(1), 9-24.

<sup>13</sup> Nordqvist, M., Habbershon, T. G., & Melin, L. 2008 Transgenerational entrepreneurship: exploring entrepreneurial orientation in family firms. In Landsrom, H., Smallbone, D., Crigns, H. & Laveren, E. 2008. *Entrepreneurship, sustainable growth and performance: frontiers in European entrepreneurship research*. Cheltenham: Edward Elgar, 93-116.

<sup>14</sup> Naldi, L., Nordqvist, M., Sjogerg, K. & Wiklund, J. 2007. Entrepreneurial orientation, risk taking, and performance in family firms. *Family Business Review*, 20(1), 33-47.

<sup>15</sup> Littunen, H. & Hyrsky, K. 2000. The early entrepreneurial stage in Finnish family and nonfamily firms. *Family Business Review*, 13(1), 41-54.

<sup>16</sup> Chrisman, J. J., Chua, J. H. & Steier, L. P. 2002. The influence of national culture and family involvement on entrepreneurial perceptions and performance at the state level. *Entrepreneurship Theory and Practice*, 26(4), 113-131.

viously, it has positive correlation with a firm's growth (Cassillas & Moreno 2010, 217).

Concerning the family business, autonomy has been less highlighted than non-family firms through analyzing the S&P 500 index in regard to Short et al. (2009, 9-24) However, this researching result still needs to be deliberated due to the uniqueness of family firms (explained in Chapter 2). In fact, Nordqvist, Habbershon & Melin (2008, 93-116) have already considered the possible overlapping between family involvement and EO. As for autonomy, it can be divided into the autonomy on the internal networks and external resources. With respect to Kant (1781, 136), "any beginning of an action of a being out of objective causes is always a first thing determining grounds"; therefore a self-disciplined leader or a group of workers in a family firm will conduct as the determinants of the developing orientation. Nevertheless, it is still deemed as questionable that the more complicated relationship in family firms could somehow impede too much self-characterized autonomy. Simultaneously, for the dependence on the external interactions, many scholars hold the ideas that family firms are less likely to show their inclusive attitudes towards the outside contact. (Nordqvist, Habbershon & Melin 2008, 93-116; Short et al. 2009, 12; Zellweger, Sieger & Muhlebach 2010, 70-97) Consequently, there exists a contradiction which means what degree of autonomy on outside world can lead family firms to approach suitable opportunity. On the one hand, lower social connection will cause lower level of autonomy (Chen et al. 2007, 213-232); whereas, it will increase the chances for a firm to be exposed to the uncertainty with less cooperation with other firms. On the other hand, too many social networks will definitely diffuse the access to the accurate information, which will also mislead a firm to fallacy.

Generally, as described in Chapter 2, large public quoted family firms have more diversified shareholders and resort global resourcing throughout the world. Therefore, in this paper, the researching target will manifest particularities concerning autonomy. For the internal cycle, less controllable power from ownership (resulted from dispersed shareholders) will encourage more innovative ideas for the expertise to pursue the opportunities. For the external connection, they will accept various types of collaboration with other firms, such as joint venture, new partnership, and strategic alliance. Especially when confronting financial crisis taking place globally, family firms need to rethink and reorganize their mindset of defining autonomy and its operating degree.

### 3.1.2 Innovativeness

Accordingly, innovativeness reflects "a firm's *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, 142) As

derived from the definitions introduced by Miller<sup>17</sup> (1983, 771) and, later by Miller and Friesen<sup>18</sup> (1983, 221-235), they entirely emphasizes on three indispensable factors, which include a firm's emotion, action and the anticipated results (highlighted in italics). In reality, it underlies an implication inside, which is an effective response by being aware of external uncertainties in order to obtain new opportunities. Moreover, to seize the opportunities requires new path and route to execute. The procedure has been deconstructed by Garcia & Calantone (2002, 110-132) in the following figure.

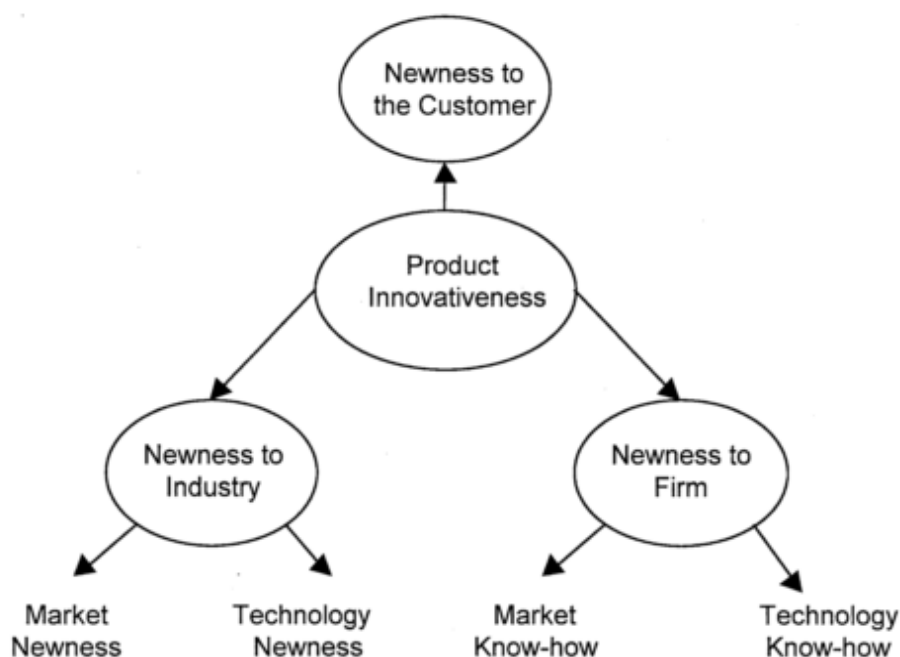


FIGURE 3 Operationalization of innovativeness (Garcia & Calantone 2002, 110-132)

Hence, innovativeness is penetrated within two substructures: the product-for-market innovativeness (Miller & Friesen, 1978; Ulwick, 2002) and the product-with-technology innovativeness (Cooper & Scott, 2009; Renko, Carsrud & Brannback, 2009). Actually, both of them are in accordance with the market trends and aiming at satisfying customers' needs and wants. "For-market" and "with-technology" both subordinate to the innovativeness strategies which cohere to a firm's long-term objective. As convinced by Chang et al. (2007, 1010-1011), innovativeness is able to significantly increase the product flexibility and effectively adjust aggregated product level. As a result, the two substructures are organically complementary with each other, which can be adopted through comparison.

<sup>17</sup> Miller (1983, 771) pointed out an EO means a firm "*engages in product market innovations, undertakes somewhat risky ventures and is first to come up with 'proactive' innovations, beating competitors to the punch*".

<sup>18</sup> Miller and Friesen (1983, 221-235) constructed innovativeness as a firm's *willingness towards new competitive advantages* as a result of effective stimulation on *newness and creative capabilities*.

Additionally, concerning the financial crisis, innovativeness is one of the key points to transfer the chaos into the opportunities. In this way, innovativeness cannot be rigidly featured as “radical” or “discontinuous”. (Garcia & Calantone 2002, 110-132) It even more comprises the long-term orientation and large investment into the research area in a firm. In this case, innovativeness at some extent adheres to the family firms’ direction and structure. Although Short et al. (2009, 9-24) did not find any definite distinction for innovativeness between family firms and non-family ones in large public quoted business; it is not able enough to subvert the connection between innovativeness and family involvement. On the account of the research implemented by Cassillas and Moreno (2010, 284-285), it confirmed that there exist “extraordinary boosting effect” that family participation has for enhancing the intensity as to fulfill the innovativeness management. For instance, vice chairman & CEO Yoon-Woon Lee addressed in the annual report (2008) “we will simultaneously push forward with...value innovation initiatives that will enable us to eliminate inefficiency, redundancy, and waste in our processes as we take our cost-reduction efforts to the next level”. It appropriately conforms to the analysis by Cassillas & Morenno (2010, 272-273); innovativeness possesses collaborative characteristics with family business: long-term orientation, and effective corporate governance structure.

### 3.1.3 Risk taking

Literally in most cases, risk-taking is seen as a dangerous behavior which will cause negative influences. However, it is far from series of adventurous actions; instead, it is endowed with an entrepreneurial spirit and a future-oriented goal (ultimately to defuse the uncertainty into new prospect). As synthesized by Shapira (1995, 17) for analyzing the descriptive model of risk-taking management, the risk-taking parallels inside both behavioral and normative perspectives. They share three factors (Shapira 1995, 17):”

- Focusing on a few discrete values in the outcome distribution
- Attending to critical performance targets, of which survival is the most salient
- Dealing with risk in a dynamic process in which estimates are modified, parameters are changed, and the problem is restructured in an active manner”.

As a matter of fact, these points can be traced within the definition clarified by Lumpkin and Dess in the narrative for entrepreneurial orientation (1996, 144): risk taking is to e.g. “incur heavy debt or making large resource commitment, in the interest of obtaining high returns by seizing opportunities in the marketplace”. At the same time, a fact cannot be completely disregarded that the result is left “unknown”; even an organization is committing large amount of resources into the projects and willing to reduce the risk coefficient. (Wiklund & Shepherd 2003, 1309) However, it cannot become the excuse for a firm to voluntarily turn into exceeding risk-aversion. To formulate the feasible

scenario beforehand is one of the most effective ways to taking risk and grasping opportunities rather than straying into the failure. (Damodaran, 2008)

Indeed, recently the economic world is filled with dynamics and turbulence; firms are inevitably surrounded by uncertainties and risks. Undoubtedly, it is necessary for a firm to slow down before taking the risks. For instance, Walmart (Annual Report, 2008) specialized a section named "Management's Discussion and Analysis of Financial Condition and Results of Operations" to assist the firm to acknowledge the "risks inherent in the operations and certain market risks, including changes in interest rates and changes in foreign currency exchange rates". Similarly, Fiat (Risk Management) ranges from "identification, quantification, analysis to treatment" in each year's annual report especially from 2008 to 2011, which ensures its business continuity and stabilizes its profitability.

Overall, these two firms are considered as successful representatives for public traded family business during the current economy recession times. Reversely, many scholars argued that there is no strong relation between family firms and risk-taking propensity (Short et al. 2009). Some analysis results directly demonstrated family firms take less risky actions than non-family firms through drawing on a sample of Swedish SMEs (Naldi et al. 2007), because risk-taking activities will result in negative performance. (Hughes & Morgan, 2007; Naldi et al. 2007) Besides, the conclusion cannot be fixed without more thorough investigation. Wiseman and Catanach (1997, 799-830) proposed that risk-taking in family firms can lead to totally opposite effects in different cases. This inspiring argument has been verified by Naldi (2005, 23-40) who has gathered the data from a survey of 209 family-owned U.S. manufacturing firms, which showed that family ownership and involvement tend to pursue more entrepreneurial risk-taking; on the contrary, a long CEO tenure will possibly constrain the risk-taking operations. Apparently, agency theory can be included in the possible variables for inspecting risk-taking behavior within the relationship between organizational and governance bodies. Hence, risk-taking in family firms is not an absolute concept, which should be studied under certain context with inquiring into certain degree. In the meantime, different external conditions will also demand distinctive risk-taking reaction. In fact, to take precautions is the first prerequisite for a firm to take certain risk in order to commence a new opportunity.

#### **3.1.4 Proactiveness**

As primarily defined by Miller (1983, 770-791), EO contains three sub-dimensions: proactiveness, innovativeness, and risk taking. They are actively interdependent and interacted with each other. Having been described above in the former two sectors, proactiveness acts as a presupposition which focuses on "taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets" (Lumpkin & Dess 1996, 146). It is forwarded by the entrepreneurial willingness to "beat the competitors to the punch" (Miller 1983, 771) with active even aggressive moves such as "introducing new prod-



ucts or services ahead of competition and acting in anticipation of future demand to create change and shape the environment" (Keh, Nguyen & Ng 2007, 595; Wang 2008, 637). Particularly on the basis of "forward-thinking" attitude (Short et al. 2009, 14), it is time to implement innovation strategies and to take risks towards precious opportunities.

However, being proactive will also draw a firm into a clot of mist full of uncertainties and vulnerabilities, which is pessimistically regarded as strategic "missteps" by Green, Covin & Slevin (2008, 357). Undoubtedly, in order to avoid from this dilemma, it is necessary to delve into the interrelationship between "proactiveness" and "reactiveness". The sphere specified by proactiveness is more inclusive than reactivity; the conception of proactivity is therefore pre-empting a system of close monitoring and scanning of the environment for the managers to identify customer needs, industry trends, and emerging opportunities. (Chang et al. 2007, 1013) The strategy stages have been categorized in figure 4 embracing four levels, from a "cleaner" to a "shaper". (Lindgren & Hans 2003, 14) For this reason, it has appropriately overcome the disadvantages brought by "reactiveness". To be reactive represents a response which could involve both conservatism and reckless actions. As a matter of fact, it merely implies how to be a pioneer with over-estimating the demands in the market. Nevertheless, if the new product did not perform successfully as expected, the decline showed in the financial report could cause strategy retreat. (Leonardo & Gava 2012, 188) It is named as "vicious circles" by Lindgren and Hans particularly as "those that at each turn of the wheel nudge the organization to ever lower levels of robustness and responsiveness". (Lindgren & Hans 2003, 13)

In the contrast, it does not indicate that "proactiveness" is opposite to "reactiveness". They are at some extent able to co-exist and complement mutually with each other by means of employing technocratic decision processes in large firms. (Green, Covin & Slevin 2008, 370)

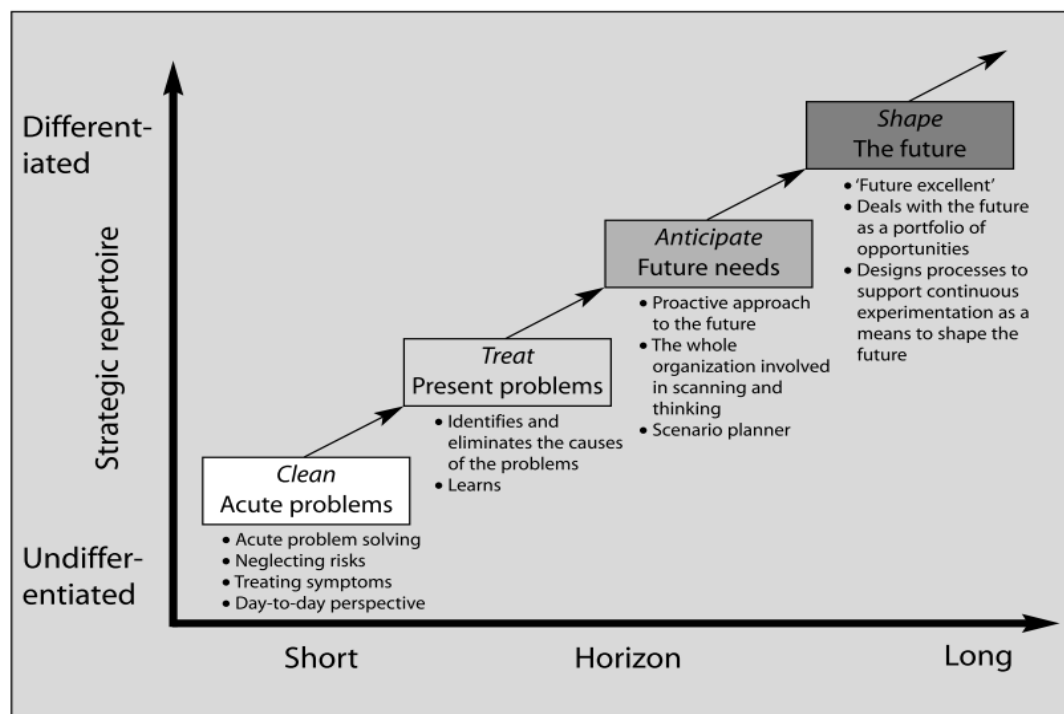


FIGURE 4 Levels of proactivity (Lindgren & Hans 2003, 14)

Consequently, with proper application of proactiveness in a firm's daily routines and marketing efforts, it will considerably accelerate the advancements in both product performance and customer performance. (Hughes & Morgan 2007, 656) Due to the examination between reactivity and proactiveness, there is still existing limitation for the concept of being proactive concerning Lumpkin and Dess (1996, 146). In some cases, it did not explicitly distinguish heterogeneous contents among reactivity, proactiveness and aggressiveness. (Madsen 2007, 185-204) The first one is the initiative response to the external changes without contemplation and analysis; the second one requires necessary strategic reactivity to be the endorsement, (otherwise it is somehow similar to the first one), which will aid the firm to achieve the expectation for capturing the opportunities; the last one probably indicates the most intense desire to act as a first-mover or a leader in the market.

Considering the financial crisis happening currently, it is worthwhile investigating how family firms pro-act towards the uncertainties and changes. The manifestation of proactiveness is comparatively low than the non-family firms, which is because family firms are relatively centralized in the top management and ownership level. (Stam & Elfring 2008, 97-111) Nevertheless, that does not stipulate that family involvement neglects the relationship between proactiveness and the firm's growth. (Casillas & Moreno 2010, 281-285) At some aspect, centralization will enhance the effectiveness and efficiency in strategies and decision-making which excludes the discrete concerning the information flow. It therefore positively moderates the relation between the proactiveness and a firm's performance. (Memili, Lumpkin & Dess 2010, 335)

### 3.1.5 Competitive Aggressiveness

Besides the dimension autonomy, Lumpkin and Dess (1996, 137) continued to characterize another new dimension that is competitive aggressiveness, based on three original dimensions introduced by Miller (1983). In fact, the clue can be tracked from the offensive inclination disclosed in Miller's words "beat the competitors to the punch" (Miller 1983, 771). Additionally, it was also implied by Covin and Slevin (1989, 79) in a depiction "an entrepreneurial strategic posture is characterized by frequent and extensive technological and product innovation, *an aggressive competitive orientation*, and a strong risk-taking propensity by top management". Hence, competitive aggressiveness is progressively referred to as "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace". (Lumpkin & Dess 1996, 148)

Particularly as explained in the previous sector, competitive aggressiveness is differentiated from proactiveness by expressing more radical attitude towards the other competitors in the market. Moreover, it denotes a sequential and dynamic relation between these two concepts. For instance, firms seek out an attractive niche by utilizing the strategy concerning proactiveness and once they establish it, they seek to protect it through competitive aggressiveness. (Lumpkin & Dess 2001, 433) Nevertheless, it is complicated to absolutely compartmentalize distinctive significance between when and how to act proactively or aggressively. They both are for raising a response to the external uncertainties. Indeed, Chen and Hambrick (1995, 457) suggested that "a firm should be both proactive and responsive in its environment in terms of technology and innovation, competition, customers, and so forth. Proactiveness involves taking the initiative in an effort to shape the environment to one's own advantages; responsiveness involves being adaptive to competitors' challenges". Therefore, it can be concluded as proactiveness is a response to opportunities whereas competitive aggressiveness is a response to threats. (Lumpkin & Dess 2001, 434)

Furthermore, competitive aggressiveness does not symbolize a simple compound of radical emotion and action without a clear planning in advance. As a matter of fact, it contains the reconfiguration and identification on the firm itself, the external environment, and the competitors respectively. In order to surpass the rivals, a firm needs to have a rational consciousness of both itself and the counterparts. It can be traced back to the military science book such as Sun Tzu's *The Art of War*<sup>19</sup> as "know the enemy and know yourself, and you'll fight a hundred battles without a defeat". After the thorough examination, a firm can take action by initiating new products, administrative techniques and operation technologies with a strongly competitive posture. (Memili, Lumpkin & Dess 2010, 335) For example, in Samsung's annual report (2008), the vice

---

<sup>19</sup> The Art of War is an ancient Chinese military treatise written by Sun Tzu in the 6<sup>th</sup> Century BC. It contains the definitive work on military strategies and tactics of its time. It has exerted far-reaching influences on the military thinking as well as business management. Nowadays, entrepreneurs prefer to incorporate the principles in the book into their management style.

chairman & CEO Yoon-Woo Lee clearly narrated about the aggressive attitude “we must create an organizational culture that promotes continuous individual growth and innovation driven by an entrepreneurial spirit that is not afraid of failure as we *aggressively* develop and use creative methods and tools that our rivals cannot easily imitate”. Apparently, certain methods of competitive aggressiveness are reconcilable with the innovativeness; meanwhile, to be a first-mover is also shouldering some risk and hazard. However, they are all directed vis-à-vis the same objective: to seize a useful opportunity with reducing the uncertainties.

On the contrast, researchers cannot reach a consensus to confirm if there exists inseparable relation between family firms and competitive aggressiveness. (e.g. Short et al. 2009; Cassillas & Moreno, 2010) Some of them have directly pointed out that family firms with taking aggressive posture will damage the firms’ reputation. (Harris, Martinez & Ward, 1994) The others approved that the uniqueness of family-ownership-business centralized trilogy can assist family firms to respond quickly even aggressively towards the challenges sent out by the competitors. (Tagiuri & Davis, 1996) Thereby, certain degree of aggressiveness is not harmful for a firm to make progress. Besides, a firm’s image can be enhanced with proper expansion and innovation application. At some extent, family firm will intensify the relationship between to be competitively aggressive and to make growth. (Cassillas & Moreno 2010, 285) Under the global economic crisis, it is to be smartly preemptive rather than to be blindly conservative.

## 3.2 Synthesis of Entrepreneurial Orientation

Regarding the dialectical thinking pattern (Yan & Arlin 1999, 547-552), the analysis process follows the three-step formula (thesis-antithesis-synthesis). In the reasoning structure, the thesis (statement) and antithesis (counterstatement) are embodied in each sector for each dimension. On the basis of the literature debate, it is to draw a synthesis that is able to achieve through the coordination of the contradictory parts into a dialectical whole. The common characteristics in EO consist of its personification, its duality, and the context-based study direction.

### 3.2.1 EO as Personification

According to Hector and Birkinshaw (2007, 12), individual entrepreneur is the personification or embodiment of a particular function. Similarly, EO concentrates on manifesting the characteristics of entrepreneurial behaviors and activities. Each dimension of EO is therefore representing certain degree of personality and psychological traits. Okhomina (2010, 1-16) found out the significantly positive relationships between psychological features (in italics) and entrepreneurial orientation. Nearly all the entrepreneurship-oriented conducts are driv-

en by particular *need for achievement*<sup>20</sup> (Bernstein et al. 2007, 428) under the *internal locus of control*<sup>21</sup> (Trevino & Nelson 2011, 84) with sufficient *tolerance for ambiguity*<sup>22</sup> (Ellingson & Wiethoff 2002, 154). Furthermore, Frese (2009, 437-496) has sublimed the EO into a more implicit referent concerning not only the firm itself but also the culture or climate of the firm--- a typical variable of organizational psychology. In this sense, each EO is closely and actively related to the firms' performance and objectives. Autonomy is derived from self-guided motion as to pursue certain opportunity. Innovativeness motivates the creative thinking and action aiming to establish differentiation in the market. To take certain risk requires the courage to accept uncertainties and unexpected results; whereas it could also expand more channels to the new opportunities. Being proactive signifies to be the first-mover with forward-thinking who desires to explore new chances. Meanwhile, when facing particular threats, competitive aggressiveness needs to be taken into consideration in order to exploit the irreplaceable advantages compared with the rivals in the market.

### 3.2.2 EO as Duality

Due to the psychological and personification features of entrepreneurial orientation, there exists a certain degree to distinguish the opposite poles inside each EO dimension, which is conceptualized as duality. Concerning the two contrary poles, there is a reflexive relationship between them in a duality. They both are characterized by their co-existence, by referring to each other and creating each other, but also by remaining irreducible to each other. (Ina 2009, 131-132) Nevertheless, it is hard to determine which part is definitely able to exert positive influences on the result or not. The determinants are highly dependent on varieties of alternatives, such as the executives themselves, the environment, and the context et al.

Accordingly, in this paper fixed by particular theme, the executives are mainly limited to the family firms (including the decision-makers); the environment is mainly referred to the global financial crisis; and the context is containing both the interior conditions (considering large publicly quoted family business) and the exterior uncertainties and opportunities resulted from the crisis. Notably, some researchers have paid attention to the dual effect within EO and family firms. (Cassillas & Moreno 2010, 267-287; Nordqvist, Habbershon & Melin 2008, 93-116) Cassillas and Moreno (2010, 267-287) found that family involvement exerts a dual effect on growth: on the one hand, it increases the positive effect of innovativeness on growth, and on the other hand, it reduc-

---

<sup>20</sup> Need for achievement: a motive influenced by the degree to which a person establishes specific goals, cares about meeting those goals, and experiences feelings of satisfaction by doing so.

<sup>21</sup> Locus of control: an individual's perception of how much control he or she exerts over life events. An individual with a high internal locus of control believes that outcomes are primarily the result of his or her own efforts.

<sup>22</sup> Tolerance for ambiguity: a compound characteristic consisting of an individual's sense of resilience, emotional stability, and stamina. It is to take uncertain situation as granted without unnecessary panic.

es the positive influence of risk-taking and proactiveness on growth. Moreover, this result has been explored in-depth by Nordqvist, Habbershon and Melin (2008, 93-116) who used the concept of duality to enhance the understanding of entrepreneurship in family business. They extracted three dualities associated with EO: the historical/new path duality, the independence/dependence duality and the formality/informality duality. Meanwhile, they pointed out that autonomy, innovativeness and proactiveness are more able to have considerable influences on the long-term entrepreneurial performance for family firms. However, the other dimensions in EO (risk-taking and competitive aggressiveness) are less critical to family business. In addition, Morris, Kuratko and Covin (2011, 75) concluded the “certain degree” as duality in an entrepreneurship grid (Figure 5), which particularly concentrated on time horizon.

Besides, it is still necessary to go further deeply exploring more empirical information to recognize the duality in each dimension of EO and each one’s effect on family firms. The possible dualities in each dimension are listed in the following paragraph.

- Autonomy: on internal resources/on external networks
- Innovativeness: on target (market)/on methods (technology); radical for short-term goal/rational for long-term goal
- Risk-taking: to take risk/to take certain risk under cautious preparation
- Proactiveness: reactivity/strategic proactivity
- Competitive aggressiveness: respond aggressively/respond aggressively under discreet consideration

Therefore, it needs more examination and investigation to acknowledge the dialectic content in each dimension and its duality. Especially for risk-taking and competitive aggressiveness, whether the finites “certain”, “cautious” and “discreet” are able to regulate the dimensions to a clear range or push them far away from the origins.

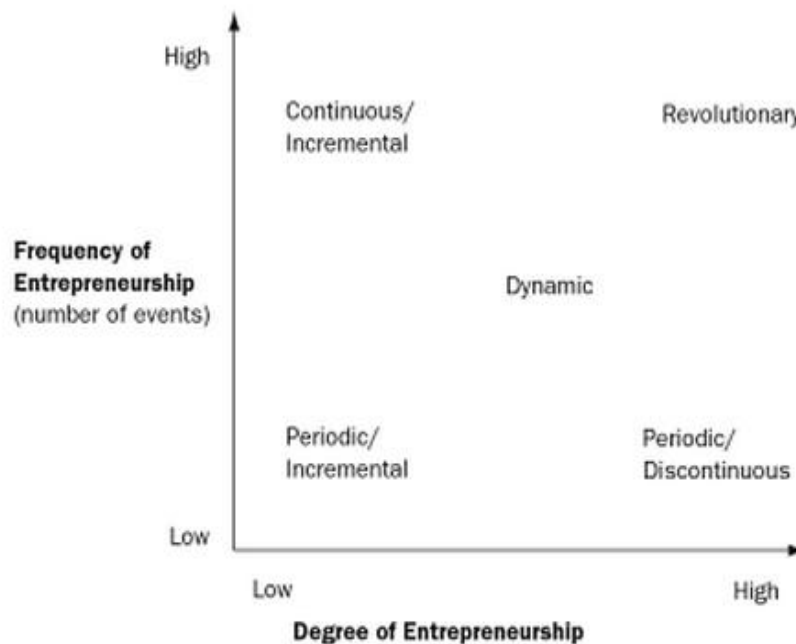


FIGURE 5 the Entrepreneurship Grid (Morris, Kuratko & Covin 2011, 75)

### 3.2.3 EO within Context

By definition, context<sup>23</sup> means “the circumstances that form the setting for an event, statement, or idea, and in terms of which it can be fully understood”. Obviously, without a concrete context, it is impossible to clearly understand the entrepreneurial orientation and its effects on a firm’s performance. Actually, it has been proposed by Lumpkin and Dess (1996) that each dimension of EO and its performance is context specific; and the dimensions of EO may vary independently of each other in a given context.

As presented in the previous sector, this paper is to analyze EO dimensions particularly under family business context and fast-changing surroundings context. With regard to family firms as an organizational context, Short et al. (2009) suggested that EO applied in the context of family business is still in scarcity; especially for large publicly traded family firms, the boundary conditions of EO for them also remain immensely unexplored. In addition, Nordqvist and Melin (2010) exhibited two contradictory perspectives based on the literature concerning entrepreneurship in family business: one considers family firms as “conservative, risk averse and inflexible” which depresses the functions exerted by entrepreneurial orientation; the other perception regards family business as “a highly entrepreneurial organizational context that is creative, dynamic, and change oriented”. Moreover, it asks for more empirical materials to test and verify how EO performs within family business, particularly under the global financial crisis which is full of both opportunities and uncertainties. It is necessary to find out whether large publicly traded family firms will welcome the entrepreneurship-oriented activities or not, by facing the turbulence and

<sup>23</sup> <http://oxforddictionaries.com/>

dynamics from outside world. In this case, Nordqvist and Melin (2010, 220) have provided a framework for the other researchers to understand the relationship between entrepreneurship and family firms, which is defined as the three A's of entrepreneurial families. This comprehensive system contains three themes: actor, activity and attitude, which are interrelated with each other.

- Actor: *family firms* engage in entrepreneurial activities.
- Activity: family firms undertake an explicit *action that implies entrepreneurial meanings* for the firms and/or for the social or economic development of a wider context.
- Attitude: family firms acts entrepreneurially under the instruction concerning *entrepreneurial orientation*.

Generally, the five dimensions of EO are able to function under certain context. Each one of them probably performs differently concerning different situation. (Wiklund, 1999; Lumpkin & Dess, 2001; Covin & Slevin, 1989) It is consequently requiring family firms to carefully study the circumstances beforehand.

### 3.3 Conclusion and Assumption

Finally, in entrepreneurial orientation, each dimension consists of certain dialectical factor, which embraces not only dichotomies but also contradictions and opposites. At the same time, each one varies independently upon its own internal relations; and is still able to interconnect concerning the wholeness and external changes. (Louw 2002, 503) Furthermore, concerning both the internal and external context, EO is in conformity with the three A's trilogy: who are entrepreneurs? (Actor) What motivates entrepreneurial behavior? (Attitude) Why are some individual more entrepreneurial than others? (Activity) (Minniti et al 2007, ix) It is also argued by Lumpkin and Dess (1996, 163) that a firm can choose to maintain an entrepreneurial orientation throughout its life. Whereas, the extent to which an EO will be effective in a given context may vary. Hence accordingly, public quoted family business is able to internalize its characteristics under entrepreneurial orientation (five dimensions: autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness) as to transform the external crisis to opportunity.

Besides, it still leaves a question mark that how each dimension performs its effect on the result supposing the duality exists in the EO. The extent they present and detailed discussion will be analyzed in the following chapters.



## 4 METHODOLOGICAL CHOICES

The main topic in Chapter 4 is to discuss the methodological choice---content analysis. In sector 4.1, content analysis will be defined according to two sets of approaches: either qualitative or quantitative; either inductive or deductive. Meanwhile, the research direction in this paper is targeted as qualitative and deductive method. In sector 4.2, it is to introduce the causes and effects concerning the data processing. This part includes three questions: why to choose content analysis to explore the shareholder letters? What are the significances regarding the empirical materials? How to organize these data in accordance with the main theme in this paper?

### 4.1 Content analysis

In the first sector, content analysis, as the essential methodological tool in this paper, will be dissected in either qualitative or quantitative sub-construction; meanwhile, it will also be de-constructed in both deduction and induction cogitation modes.

#### 4.1.1 Qualitative vs. Quantitative

According to Klenke (2008, 89), content analysis, as a research method, is applied to determine the presence of certain concepts within texts. Texts include both text-based materials (such as books, articles, newspaper headlines, historical documents, et al.) and non-text-based materials (e.g. TV segments, the performing and visual arts, or any communicative language). As defined by Krippendorff (2004, 18), content analysis is a research technique for constructing replicable and valid connotations from texts (or other meaningful matter) to the contexts of their use. Indeed, it has an intrinsic connection with tangible reality. Accordingly, Stemler (2001) has exemplified several practical applications of content analysis, for example, it can define authorship; inspect trends and pat-

terns for documents; and provide an empirical ground for monitoring shifts and tendencies of public opinions.

Typically, content analysis can be utilized either as qualitative or quantitative direction. (Klenke 2008, 90) On the side of quantitative choice, Berelson (1952, 74) pointed out “content analysis is a research technique for the objective, systematic, and quantitative description of manifest content of communications”. While on the other side, content analysis, which has been considered as “a widely used qualitative research technique” (Hsieh & Shannon 2005, 1277-1288), is able to not only compensate particular deficiencies for quantitative method, but also to develop the original advantages in quantitative content analysis for its use. As such, qualitative content analysis has initially incorporated the socio-cultural context into the analysis process and further put the relevant materials into categories following hypothesized research questions and thoroughly comprehensive procedures. (Mayring, 2000) It is thereby being largely adopted by strategic management scholars due to its credible reliability and validity. (Short et al. 2009, 15) Additionally, content analysis within qualitative perspective has also gained popularity into the application in entrepreneurship research, for instance, entrepreneurial orientation (Lyon, Lumpkin & Dess 2000, 1055-1085); social entrepreneurship (Cukier et al. 2011, 99-119); and strategic entrepreneurship especially concerning leadership (Klenke, 2008).

As a matter of fact, this researching area has already been extensively widened by some researchers who intended to explore the relationship between family business and its entrepreneurial behaviors. (Short et al, 2009, 2010; Okhomina, 2010) Meanwhile, they chose to build up the researching framework through the quantitative content analysis methodology choice. At some aspect, it will drag some difficulties to find a conclusion which is still in consistency with the previous assumptions, if they arrange the materials by merely following the word frequency calculations. In fact, the materials gathered beforehand need to be analyzed by in-depth and detailed understanding and exploitation; and after drawing a conclusion, it also needs to be re-checked and re-tested compared to the former priorities. Therefore, in this paper, the analyzing process will abide by the qualitative content analysis research methodology in order to portray the phenomenon (how family business responds toward global financial crisis under EO) with a new perception.

#### **4.1.2 Inductive vs. Deductive**

Moreover, there are two approaches concerning qualitative content analysis differentiated by cognitive mode and aim of the study, which are either inductive or deductive way. (Elo & Kyngas 2008, 107-115) On one hand, inductive content analysis (see flowchart in appendix 1) establishes its researching orientation on a grounded theory or directly from the data. (Ingwersen & Jarvelin 2005, 97-98) During its process for organizing qualitative data, it is essential to open coding and create categories. (Elo & Kyngas 2008, 109) In particular, coding is derived from the organization of qualitative data and enables the aspects of content into significantly meaningful categories. (Bishop & Yardley 2007, 314-

318; Elo & Kyngas, 2008) On the other hand, deductive reasoning process is on the basis of an existing theory, from which a series of hypotheses, conceptions, or categories will be examined via observation and inquiry. (Babbie 2010, 44-54; Gill & Johnson 2010, 6-10) Apparently, deductive researching method complies with a direction from underlining general principles towards assuming specific instances, which reverses the route of inductive process. Adapted from Lancaster's schematic understanding for deduction process (Lancaster 2005, 22-25), it includes four steps as follows:

- 1) To delineate theory or hypotheses from previous experiences or literature reviews which the author supposes to verify.
- 2) To define the measurements through appropriate empirical observation in order to exclude unnecessary misconception and confusion.
- 3) To identify the theory or hypotheses, which is reconcilable with the main theme or not, through analyzing and expounding the empirical materials.
- 4) To judge or decide which theory or hypotheses is resulted from falsification supposition as to discard fabricate premises.

In this sense, the step 2 and 3 are in line with the stage proposed by Elo and Kyngas (2008), which is to frame a categorization matrix and to code the data in accordance with the categories. Hence, compared to inductive method, deductive reasoning methodology is much easier for the researchers to maintain the whole analyzing process. As explained by Du (2002, 1-39), there is a major advantage of deductive method which is defined as a "recursive function". "If the equality concept can be accepted (not necessarily identical), then the previous problems would no longer be an issue. It can help an object-oriented database generate structured complex objects." At some extent, deductive approach (see flowchart in appendix 2) adheres to a more logical mental activity, in which several steps can be potentially reused. The re-checking and re-testing procedure can help the researchers to prevent from fraud acknowledgement. (Albrecht et al. 2012, 169-172)

Therefore, it is suitable for this paper to apply deductive way to find the interrelations between family business and entrepreneurial orientation. The abstraction process for collecting categories is listed down as following:

Previous experiences:

- The main subjects for observing: large public quoted family business (typical companies).
- The key empirical materials: annual reports from the year 2008 till 2011 (during which the global financial crisis was ongoing).

Existing theory:

- The main category: entrepreneurial orientation and five dimensions (autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness).
- The sub-category: Duality within EO and each dimension's effects on the firm's performance.

In the end, the conclusions drawn from the empirical data will be arranged according to the fixed theory in order to check if the assumption (Family business is able to conquer the harsh economic circumstances through EO) is valid or not.

## 4.2 Empirical material

The second sector is to demonstrate the empirical material by analyzing its applicable prerequisites and selecting requirements. It is an introduction for the in-depth analysis concerning annual reports of different companies in different countries.

### 4.2.1 Application Feasibility

To analyze the content of annual reports can provide the researchers with a precise source of data on not only individual firms but also on industries. (Bowman 1984, 61-71) Notably, it is one of the most directly-observed resources for the outside world to achieve an insight to a firm's information. Annual reports are usually sent to publication that offers a fundamental connection between the public (including the stockholders, employees, trade associations, and professional groups and so on) and the company itself, which at the same time enhances its image and identity in the society. (Goodman 1994, 111-116) Usually, annual reports consist of an interconnected system including the financial highlights; reports from Chairman and/or CEO to shareholders; financial report with detailed statements and several supportive materials concerning the strategy prospects and corporate information in narrative graphs, texts and photos. Although annual report may be provided with subjective insertion from top management team for presenting a company with more affirmative characterization, it can still be trustworthily relied on to study a firm's apperceive phenomenon because of its advantages compared to other resources of corporate information (such as interviews or questionnaires for the executives in a company) . Specifically, it approves both longitudinal and transverse researching angles without retrospective intention for a scholar to ream cognitive studies within business context by using content analysis methodology. (Kabanoff & Keegan, 2007; Durian, Reger & Pfarrer, 2007)

Furthermore, shareholder letters (CEO letters), as "a key organizational narrative for publicly traded firms" (Short et al. 2009, 11), reflect a series of important factors concerning organizational identity undoubtedly including the development of entrepreneurial orientation. (Short et al. 2009; Bakker et al. 2007) Therefore, the shareholder letters will be set as the main source for collecting empirical materials. Meanwhile, other paragraphs in the annual reports (especially the financial data) will be analyzed as supportive parts in order to enhance the objectivity of the researching results.

#### 4.2.2 Selecting Principles

Four publicly traded family firms were selected as the main target for analyzing, which include Walmart, Samsung, Fiat and Ahlstrom. Apparently, they locate in different countries and districts: Walmart is from the USA, North America; Samsung represents Asia which comes from Korea; Fiat is an Italian company in Southern Europe; and Ahlstrom is in Finland which belongs to Nordic countries. At the same time, the annual reports for each company will be narrowed down from the year 2008 to 2011, in total four years. The selecting principles and reasons will be listed down as follows:

1) Region differentiation: Apparently, the selected companies are located in different continents (America, Asia and Europe), which will respectively represent distinctive reflection concerning the managerial strategies when being confronted with the global financial crisis. It is worthwhile to compare the individual characteristics of the strategy orientation, whether are influenced by the external contexts and environments. For instance, the family business will appear different organizational structure in different areas; simultaneously, financial crisis has also showed different forms in Europe (European sovereign-debt crisis) and America (Subprime mortgage crisis). In particular, it is to choose two companies in Europe that the research result can highlight the difference between the responses in hard-hit area (Italy) and light disaster area (Finland). Additionally, the common features concluded from each of them are able to provide the systematic stress reactions of their entrepreneurial behaviors and strategies.

2) Time span: The global financial crisis broke out mainly in the year 2008. And most companies have publicized the annual reports till the year 2011. Hence, till the mid-2012, it enables the outside world to entirely access the detailed corporate information from 2008 to 2011. In the meantime, the four-year time span can basically reveal the strategic development and tendency for each company.

3) Representative family firms: Practically as a publicly traded firm, each of them represents the development orientation regarding the local economical, technological, and social-cultural factors. Some of them can even navigate the trend throughout the world. Walmart<sup>24</sup>: “maintains its perch atop the corporate ladder, taking the top spot on this year’s Fortune’s 500 and Global 500 lists”. Samsung<sup>25</sup>: “is taking the world in imaginative new directions through innovative, reliable products and services; talented people; a responsible approach to business and global citizenship”. Fiat<sup>26</sup>: “is one of the pioneers of the European automotive industry, which has built and sold nearly 100 million passenger cars and light commercial vehicles and its models have been named ‘Car of the Year’ 12 times”. Ahlstrom<sup>27</sup>: “a high performance materials company, partnering with leading business-

<sup>24</sup> <http://money.cnn.com/magazines/fortune/global500/2011/snapshots/2255.html>

<sup>25</sup> <http://www.samsung.com/us/aboutsamsung/>

<sup>26</sup> <http://www.fiatspa.com/en-US/group/brands/Pages/default.aspx>

<sup>27</sup> <http://www.ahlstrom.com/en/Pages/default.aspx>

es around the world to help them stay ahead". Therefore, it is of great referential significance to study and analyze the entrepreneurial orientation in these companies.

### 4.2.3 Processing Plan

In this paper, the plan for data processing follows two approaches in qualitative content analysis, which are directed and summative content analysis<sup>28</sup>, according to Hsieh and Shannon (2005). In practice, analysis will be guided by an existing theory that is amplified from Entrepreneurial Orientation five dimensions. The key words are therefore mainly set as "autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness". However, some of the texts in the shareholder letters may contain relevant and/or latent concept<sup>29</sup> (McBurney & White, 2010) that are also in the range of EO. It definitely needs the researcher to comprehensively discern and interpret the detail in each paragraph. In this sense, the researching results are able enough to thoroughly reflect the firms' entrepreneurial behaviors in a more authentic and objective way.

Moreover, after retrieving the empirical materials, it needs more in-depth procedures as to analyze the results by comparative and thematic content analysis methods.

- Comparative method of content analysis is a course for comparing and integrating categories aiming to delimit the interrelations and boundaries among each dimension. (Connaway & Powell 2010, 223-225) Hence, the empirical data can be rearranged into the Table 4.

- At the same time, appropriate interpretation for the comparison outcomes is needed in order to guarantee the correspondence with the main theme in the paper. The process is defined as thematic content analysis that "requires the researcher to engage in an iterative process of critical thinking, questioning, and categorizing". Its objective is to make inference which is "a conclusion that the researcher develops from systematic thinking and reasoning about the meaning of the narrative data that are the subject of analysis". (Winston 2012, 107-136)

---

<sup>28</sup> Directed approach "starts with a theory or relevant research findings as guidance for initial codes".

Summative approach "involves counting and comparisons, usually of keywords or content, followed by the interpretation of the underlying context". (Hsieh & Shannon, 2005)

<sup>29</sup> There are two approaches for coding content analysis, which are manifest and latent content coding. Manifest content is "the content of a text as indicated by measuring the frequency of some objective word, phrase, or action"; latent content is "the content of a text as measured by the appearance of themes as interpreted by the researcher". (McBurney & White, 2010)

TABLE 4 Transverse and longitudinal comparison (Methodological choices adapted from Elo & Kygnas 2008, 112)

Individual case: (Walmart/Samsung/Fiat/Ahlstrom)

	2008	2009	2010	2011
Autonomy				
Innovativeness				
Risk-taking				
Proactiveness				
Competitive aggressiveness				

Synthesis:

	Walmart	Samsung	Fiat	Ahlstrom
Autonomy				
Innovativeness				
Risk-taking				
Proactiveness				
Competitive aggressiveness				

### 4.3 Reliability and Validity

Furthermore, regarding content analysis, it needs to place high emphasis on its reliability and validity within the whole process. According to Potter (2008, 50), in content analysis, reliability means “the degree to which coders consistently agree in their coding decisions”. Meanwhile, validity refers to “the degree that coders are capturing the meaning in the content accurately in their coding decisions”. Hence, in order to enhance the reliability and validity in the researching procedure, it is necessary to clarify the relationship between the coding system and its implementing practicality.

Particularly in this paper, as illustrated above in the previous sections, the content analysis is following a deductive approach based on the existing backing theory (Entrepreneurial Orientation and its five dimensions); afterwards, there are several findings which will be summarized based on the empirical materials (shareholder letters); ultimately, each finding will be assembled into a synthesis chart as for further comparison. These steps are indeed in line with the abstraction process explored by Elo and Kygnas (2008, 111) as main category (EO) - generic category (five dimensions including autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness) - subcategory (summary and its relevant key words extracted from the shareholder letters). Besides, through the process, a “categorization matrix” (Elo & Kygnas 2008, 112) will be developed derived from the coding data (see table 4 which is also an

example from a categorization matrix). Accordingly during this procedure, proper interpretation is needed as the scales concerning the Entrepreneurial Orientation are defined in the previous chapter (see page 30). The dualities in each dimension will be considered as a main coding instruction to guide the whole analysis process.

As a result, this paper is to set the “coding decision” (Potter 2008, 50) initially as the names of EO five dimensions. However, anything relevant to the name of an EO could not be definitely related to the exact expression concerning a company’s entrepreneurial strategy for that EO. For instance, if there is a sentence in a shareholder letter as “a firm intends to shift its attention onto implementing *innovative* technology and enhancing production capabilities within emerging markets in a timely manner”, the word in italics indeed is the code which needs to be selected for the dimension **innovativeness**. Nevertheless at the same time, after appropriate interpretation, this saying could be also linked to the **proactiveness** (*emerging markets in a timely manner*) and **risk-taking** (*emerging markets*). Hence, as for Waltz, Strickland and Lenz (2010, 284), they proposed that “in content analysis, both unitizing reliability (consistency in identifying the units to be categorized) and interpretive reliability (consistency in assigning units to categories) are important.” In order to achieve the comprehensive analysis for the shareholder letter and its apt manifestation connected to the EO, appropriate deconstruction with dissecting cannot be avoidable through the whole process as deeply illustrated in the next chapter.

Besides, high reliability does not simultaneously imply relatively high validity. (Krippendorff 2004, 213) Notably, validity requires the trustworthiness throughout the whole analysis process and each step should be demonstrated in adequate detail, otherwise the recipients are not able to understand clearly the results and findings. (Elo & Kygnas 2008, 112; Gao, 1996, 45) It is therefore that in this paper there are large quantities of “authentic citations” involved in the empirical results. (Patton, 1990) As to reduce the degree concerning deviation and bias caused by artificial interpretation, the direct quotations relevant to the coded category will be gathered under the summary for each EO dimension. Meanwhile, aiming to increase validity and rationality, the figures listed in the financial reports will be displayed as a supportive material for each finding. For the annual reports published by the large companies, the financial reports will bring about the most concrete and solid truth without sensitivity adjunction.

To sum up, this paper at some extent has sufficient capabilities to demonstrate codes and categories with proper theoretical background (Entrepreneurial Orientation) and empirical material supports (shareholder letters in annual reports are valid and reliable data base). Additionally, appropriate interpretation can be accepted which is necessary for increasing reliability and both direct quotations and financial figure highlights will surely improve the validity.



## 5 EMPIRICAL RESULTS

In chapter 4, the empirical materials concerning the four companies (Walmart, Samsung, Fiat and Ahlstrom) will be analyzed in a comprehensive way. There are in total four sections: in each section, the company will be firstly introduced based generally on its company profile; next, the shareholder letters will be initiatively sorted in a chronological order (from 2008 to 2011); further, they will be explicitly explored according to the Entrepreneurial Orientation five dimensions (autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness); ultimately, it is to draw a particular finding on the basis of the figures and comparison results. Besides, the relevant key words selected from the annual reports will be highlighted in italics in each section; and there is a basic summary in bold to lead each group of key words as a topic sentence. Notably, as a supportive material, the financial highlight will be provided in a table filled with figures sorted out from the annual reports.

### 5.1 Walmart<sup>30</sup> (Wal-Mart Stores, Inc.)

Walmart was initially founded by Sam Walton in Rogers, Ark. (the USA) at the year 1962. In 1972, the first time Walmart stock was offered on the New York Stock Exchange symbolized its pace for becoming publicly traded. Moreover, it established a department near Mexico City, which turned Walmart as an international company. (Wal-Mart Stores, Inc. Official Website) By the efforts on expansion towards both stock as well as international market, it has been developed as “the world’s largest and best-positioned retailer” (Roberts & Berg, 2012). For the record, Walmart consists of three segments: Wal-Mart Stores U. S., Sam’s Club and International. Wal-Mart Stores division is organized in three

---

<sup>30</sup> <http://www.walmartstores.com/AboutUs/> Walmart is the trademark of the company representing both the company and its stores. Whereas the legal name of the corporation is Wal-Mart Stores, Inc. In this paper, “Walmart” without punctuation will be used as to express in a brief way.

formats including supercenters, discount stores and neighborhood markets, which in sum occupy the largest part of the business. Sam's Club refers to the warehouses associated by the membership. Additionally, the International branch builds up the link between the domestic and the outside U. S. as to popularize its retail operations globally. Alongside with the online sales channels, Walmart aims to accomplish its slogan "We save people money so they can live better" by providing a wide range of commodities comprising food, drugs, home appliances, electronics, hardware et. al. and their relevant merchandises and services. (Walmart Annual Report, 2008 & 2010) Nowadays, it includes 10,185 stores and the Sam's Club covering 27 countries, which in total employs 2.2 million associates. Meanwhile, more than 176 million customers will be served per year. (Wal-Mart Stores, Inc. Official Website)

Since 1992, S. Robson Walton (son of the founder Sam Walton) was appointed as Chairman of the Board of Directors. Till now, he still holds this position. Currently, Michael T. Duke acts as the President and Chief Executive Officer. As a successor, Robson Walton still holds the outstanding percentage common stock (42.97%) in the business. (Wal-Mart Stores, Inc. Official Website) Walmart can be apparently considered as a family-holding company. Whereas Robson Walton did not treat how much cash they earn in dividends as a significant mark to dominate ownership; to assume the responsibility and trustworthiness is the appropriate way to maintain the family legacy and heirloom. (Mosebach, 2007) Accordingly, to serve the customers is always being set as the original objective for Walmart; as a result, it is able to keep its sustainability with a long-term success. (Soderquist, 2005) By developing products with necessary strategies, resources and people, Walmart has achieved sales of about \$ 444 billion within the fiscal year 2012. (Wal-Mart Stores, Inc. Official Website) It is thereby worthwhile to take a deep insight into the Walmart Annual Report (especially the shareholder letter) from 2008 to 2011 in order to explore how the company coped with the global economy turbulence.

### 5.1.1 2008 Walmart Shareholder Letter

Although the uncertainty within the global economy started to take place in 2008, it did not exert evident impacts on Walmart strategies, which are sorted according to five dimensions.

- **Autonomy: It is referred to as an emphasis on domestic human resources and market.** For example, "Eduardo's management team (a team lead by Eduardo Castro-Wright Executive Vice President in Wal-Mart Stores U. S. focusing on improving operations and merchandising management) was strengthened through *internal promotions* and external recruitment. *Improvements in U.S. marketing* also were a very positive force."

- **Innovativeness: Despite of the consideration on a new model for managing capital efficiency, it still follows the Company's core orientation in a consistent way.** For example, "The management team began implementing *a new capital efficiency model* (a strategy for emphasizing the

Company's return on investment (ROI)<sup>31</sup>, which includes balancing returns and growth) and is now being *more precise* in deciding which projects we pursue and how those projects drive value for our shareholders."

- **Risk-taking: As a matter of fact, the strategies mentioned in the shareholder letter are unavoidably drawn with certain risk, such as expansion into international market and new model for operating capital. However, it is not illustrated clearly in the shareholder letter; therefore the proofs are selected in *Management's Discussion and Analysis of Financial Condition and Results of Operations* as a supportive material in the annual report.** For example, "In addition to the *risks inherent in our operations*, we are exposed to *certain market risks, including changes in interest rates and changes in foreign currency exchange rates.*" "We enter into interest rate swaps to *minimize the risks and costs* associated with financing activities, as well as to *maintain an appropriate mix of fixed-and floating-rate debt* (40%-50% of our debt portfolio)." "You are urged to consider all of these *risks, uncertainties and other factors* carefully in evaluating the *forward-looking statement.*"

- **Proactiveness: It is considered as the appropriate strategy with future-minded thinking.** For example, "In a more challenging economic and competitive environment, we drove the *right strategy* for our customers and for our business. And with the economic environment unlikely to change this year, the *same opportunity is continuing to present itself.*" "I am *optimistic about our future* because I know that customers everywhere will *continue* to depend on Wal-Mart to save them money so they can live better."

- **Competitive Aggressiveness: It continues to enlarge the expansion range in the global market.** For example, "Whether it was in the United States, the United Kingdom, Mexico or Brazil, we positioned ourselves as the *unbeatable price leader*<sup>32</sup>." "Internationally, the management teams in each country have *significant expertise in their markets*. Each individual country president has strength behind them, and this will help us *continue* to grow the Wal-Mart markets outside the United States."

### 5.1.2 2009 Walmart Shareholder Letter

In 2009, Walmart encountered more difficulties and challenges due to the worldwide economy changes. Whereas the Company maintained its success by the strategies listed down below:

- **Autonomy: Internal resources still contribute considerable quantum for driving Walmart to sustain its success.** For example, "Walmart U.S.

---

<sup>31</sup> In the annual report, ROI is defined as "adjusted operating income (operating income plus interest income and depreciation and amortization and rent from continuing operations) for the fiscal year or trailing twelve months divided by average investment during that period".

<sup>32</sup> Walmart's price leader position is mainly fostered by EDLC-EDLP (every day low cost – every day low price) strategy. It stands for a certain "pricing philosophy under which the Company prices items at a low price every day so that both the customers and merchandises (within membership) trust the prices will not change under frequent promotional activity and exceptional value on brand-name will be provided". This is also applied in its international market.

had an extraordinary year by *driving home our price message and driving up customer experience scores to record levels.*"

- **Innovativeness: More elements are attached to the capital efficiency model to balance its financial performance in a smart way.** For example, "Our team is very focused on working to *improve return on investment (ROI)*...The company has stepped up *investments in technology* to maintain leadership...These efforts will contribute to Wal-Mart's increased *efficiency through our use of capital, technology and logistics.*" "We'll *make a difference in responsible sourcing* that no other retailer and other company can make...We will find ways to *make a difference through our participation* in debates on issues, including *energy, health care and trade.*"

- **Risk-taking: Risk correlated with exchange rates emerged more intensively than preceding year; nevertheless, relevant strategies banded with risk (as in 5.1.1) did not retreat from the international market.** For example, "At Wal-Mart International, *currency fluctuations affected our reported sales*, but overall results were solid." (It has also been discussed in detail as in 2008 Annual Report.)

- **Proactiveness: More well-prepared tactics are introduced with positive-minded instructions.** For example, "Doors continue to open for international growth, such as with our *strategic acquisition* of Distribución y Servicio-D&S- in Chile. (We are *on the move internationally* and today have *more stores in more markets.*") "But even with the *uncertainty*, we're *optimistic* about Wal-Mart's *opportunity*, because we are so *well positioned.*"

- **Competitive Aggressiveness: Due to the threat Walmart faced, the Company intended to operate in a more aggressive way.** For example, "We have an *exceptionally strong management team*, able to execute our strategy (maintain our focus on *price leadership in every market*), perform every single day, and deliver results." "We *owe every customer our very best* - lower prices, higher - quality goods and a better store experience." "At Wal-Mart, we have an opportunity and a responsibility to *lead* (afford to do things like sustainability, responsible sourcing, associate opportunity and health care) *in the world...no other company can make.*"

### 5.1.3 2010 Walmart Shareholder Letter

The situation concerning global economy was still covered by dark cloud in 2010. In order to conquer the difficulties, Walmart developed its strategic scheme derived from three orientations: growth, leverage and returns. In fact, the primary target is to grasp more opportunities.

- **Autonomy: Concerning the current economic circumstances, Walmart intends to focus not only the local growth opportunities but also the valuable network resources from the global market.** For example, "We also *remain committed* to leveraging operating expenses and finding additional ways to benefit from *our global expertise, talented associates and company scale.*" "In the United States, we have considerable opportunities in *major metropolitan markets*...by making our *existing assets* more productive."

- **Innovativeness: Emphasis on technology creation will enhance its brand value within international market, which will also bring effectiveness for Walmart's operation and financial management.** For example, "...integrating *online channels*, and developing *new, innovative formats* to allow people to experience the *Walmart brands*..." "We'll continue to make *investments in technology* that are clearly driving *greater efficiency* throughout our company."

- **Risk-taking: Aggressive expansion will surely involve certain risk. However, it will be altered into opportunity by carefully pre-investigation.** For example, "...the *specific challenges* we've all faced over the past year or the *challenges* we'll face in the future." "It's up to us to *fulfill this vision* (help people save and do better in life) to the *greatest extent* possible. That's our *responsibility*." In the mission statement part: "The *risk profile* of *more mature markets* like the United Kingdom helps *provide the balance* for *significant growth opportunities* in *emerging markets* like Brazil, China and India." (It is also analyzed in the Discussion part.)

- **Proactiveness: Under long-term oriented consideration, Walmart is able to find equilibrium for risky solutions.** For example, "We have many *opportunities to grow* by opening *new stores*, entering *new markets*, making *acquisitions...expand into new channels*" "Each operating segment has a *long-term plan* to contribute to strong company returns." "We're reenergizing the *productivity loop* (see flowchart in appendix 3) by lowering expenses, passing those savings on to customers, bringing more customers in our doors, and selling more merchandise..."

- **Competitive aggressiveness: Being aggressive should also be integrated with prerequisites on considering growth, cost and returns.** For example, "Each operating segment is focused on contributing to *consistent, strong company returns*." "We strongly believe that Walmart is *the best positioned global retailer* and we can *continue to build on our momentum*...by driving *three important priorities*: to have *aggressive growth plans*; to leverage expenses and improve productivity; to generate solid returns." "...Walmart's opportunity to *lead on big issues in the world*...*leadership* has helped people and communities think even better of Walmart, as well as drive innovation and change throughout our company."

#### 5.1.4 2011 Walmart Shareholder Letter

At some aspect, the global economy is showing a sign of recovery in 2011. Therefore, Walmart decides to proceed on the existing successful plan (growth, leverage and returns) in order to seize more emerging opportunities.

- **Autonomy: There always exists great significance to pay attention to the value originated from local market.** For example, "...opportunity to grow in the *United States*...in *urban and rural markets*."

- **Innovativeness: Innovation is also closely connected with the talented. New technology should be produced according to the customers' needs.** For example, "...drive growth by deepening our understanding of

consumer trends and *creating new analytical tools...developing the best talent in each market. Recruiting, developing and retaining future leaders is vital to Walmart's success.* "Walmart U.S. is also leveraging *multi-channel innovations like Site-to-Store®...*"

- **Risk-taking: Some strategies need to be modified as to reduce the degree of risk, such as penetration into U.S. metropolitan market without concerning other areas. Hence,** "...simply *not satisfied with the net sales results* in Walmart U.S. last year." It is further supplemented in the Discussion Part (mainly concerning how to decrease the foreign currency risk): "...we entered into currency swaps to *hedge the currency exchange rate fluctuation exposure* associated with the forecasted payments of principal and interest of non-U.S. denominated debt."

- **Proactiveness: Emerging markets will provide more opportunity offers. Meanwhile, it needs coherent plans adhering to the real situation.** For example, "There's a *tremendous opportunity* to grow in the United States through supercenters and *new formats...in urban and rural markets.*" "...the *progress of the Massmart transaction* in South Africa and *continue to work on finalizing our acquisition* of the Netto stores in the U.K." "Our international leadership teams are *accelerating organic growth in emerging markets*, including Brazil, China, India and Mexico." "In *emerging markets*, the *economic recovery* is stronger and fueling a growing middle class." "With customers *adopting technology faster than ever*, we're *entering an era of even greater price transparency.*"

- **Competitive aggressiveness: Being Aggressive is not simply to take an irrational action. On the contrary, to deep inquiry customers' needs is the key to maintain Walmart's absolute leadership status.** For example, "The team is implementing an *aggressive plan* to *reinforce our commitment to EDLP* and offer a broad merchandise assortment and presentation that's even more relevant to customers." "There is *no doubt* that Walmart is *the best-positioned global retailer* to address the needs of customers *around the world.*" "We've published a Global Responsibility Report, expanding the dialogue to a *broader range of major issues* beyond our environmental sustainability efforts...*play an even bigger leadership role* on the social issues..."

### 5.1.5 Finding 1

TABLE 5a Walmart Financial Highlights (adapted from Walmart Annual Report, 2008, 2009&2011) (in USD millions)

	2008	2009	2010	2011
<b>INCOME STATEMENTS</b>				
Sales	378,799	405,607	408,085	421,849
Operating Profit	21,996	22,798	24,002	25,542
Net Income	12,731	13,400	14,883	16,993
<b>BALANCE SHEETS</b>				
Assets	163,514	163,429	170,407	180,663

Liabilities	98,906	98,144	97,759	109,416
Shareholders' Equity	64,608	65,285	72,648	71,247
CASH FLOWS				
Cash Flows from Operating Activities	20,642	23,147	26,249	23,643
Cash Flows from Investing Activities	15,670	10,742	11,620	12,193
Cash Flows from Financing Activities	7,422	9,918	14,191	12,028

TABLE 5a (continues)

Table 5b Walmart Entrepreneurial Orientation Comparison

	2008	2009	2010	2011
Autonomy	Domestic human resources & Domestic market	Walmart U.S. in domestic market	Local growth opportunity & Global network	Domestic (urban & rural) markets
Innovativeness	A new capital efficiency model	Efficiency through capital, technology & logistics	Innovative formats for advertising & Efficiency through technology	Customer-oriented innovation
Risk-taking	Expansion & New capital efficiency model	Expansion, acquisition & Investment to maintain global leadership	Expansion in emerging markets	Imbalanced market planning especially in the U.S.
Proactiveness	Right strategy with future-minded thinking	Strategic acquisition & optimism for opportunity-recognition	Expansion in new markets under long-term orientation	Opportunity-seizing through emerging markets

Competitive aggressiveness	Unbeatable price leader in the global market	Price leadership in every market	Aggressive growth plans	Commitment to EDLP through aggressive plan
----------------------------	--	----------------------------------	-------------------------	--

TABLE 5b (continues)

*Find 1:* According to the two tables above, it is clear to see that Walmart has basically maintained a robust performance with stable growth during the global financial crisis. Notably, the outstanding achievements are originated from the aggressive plan under a long-term oriented thinking pattern, which stimulates Walmart to recognize the emerging opportunities in advance.

## 5.2 Samsung<sup>33</sup> (Samsung Electronics Co. Ltd.)

In 1938, Samsung was established by Byung-Chull Lee in Taegu, Korea. At the beginning, it focused merely on grocery trade export mainly to the neighboring countries. Step by step in more than a decade, Samsung has elaborated its own manufacturing and sales faculties. (Samsung Official Website) Depending on its own constant efforts, nowadays Samsung Group has taken up more than 20% of South Korea's exports and become an irreplaceable leader in many domestic industries as a largest chaebol (also named as conglomerate that is a typical business form in South Korea), which owns many affiliates and penetrates into a wide range of business, such as electronics, machinery, heavy industries, financial, chemicals, constructions, retail and entertainment. (Della Peruta 2011, 47-72; the Economist US 2003, 46-48) As one of the representative brands in Samsung Group, Samsung Electronics is the world's largest electronics company and is also one of the most profitable companies in its same industry. (Chang, 2008) By 2011, Samsung has achieved sales revenue of KRW (Korean Won, the currency of South Korea) 165 trillion and operating profit of KRW 16 trillion, which increases 6.7% compared to 2010. (Samsung Annual Report, 2011) Indeed, originated from its focus on innovation-and- internationalization-oriented strategy, Samsung has already sited networks among 68 countries with 190,500 employees worldwide in order to consolidate its global leadership in semiconductors, telecommunications, digital media, and digital convergence technologies. (Samsung Profile, 2011)

Furthermore, as a family-owned business<sup>34</sup>, these accomplishments cannot be separated from the leadership and management skills executed by the pre-

<sup>33</sup> <http://www.samsung.com> Samsung Electronics Co. Ltd (hereinafter to be referred as Samsung) was at first set up as a subsidiary of Samsung Group in 1969. Due to its commitment on developing innovative and high quality products, Samsung has grown up as a flagship brand in the Group, leading the global market in high-tech electronics manufacturing and digital media. (In this paper, the main empirical material is selected from Samsung Electronics' Annual Report.)



sent Chairman Kun-Hee Lee. Since 1987, he continued to assume the position as the Chairman of the Samsung Corporation by inheriting the firm from his father Byung-Chull Lee. During the period Kun-Hee Lee directing the company, he successfully led his team by conquering the 1997 Asian Financial Crisis. (Casillas, Acedo & Moreno 2007, 215-234) With the joint effort coming from the current CEO Geesung Choi, Samsung has maintained steady growth during the 2008 global financial crisis till now.

Additionally, aiming to keep the firm as long-term oriented, Samsung has streamlined its organizational structure into eight independent businesses. The CEO directly controls eight autonomy departments: Visual Display Business, IT Solutions Business, Digital Appliances Business, Mobile Communications Business, Telecommunication System Business, Digital Imaging Business, Semiconductor Business and LCD Business. (Samsung Annual Report, 2009) Besides, with regard to its strength and determination, Samsung has planned its future as the Vision 2020 (Figure 6) as to persist on its high-end technology-based strategies. (Samsung Annual Report, 2010) Relevant strategies will be concretely analyzed under EO theoretical framework as following:



FIGURE 6 Samsung Vision 2020 (Samsung Annual Report, 2010)

### 5.2.1 2008 Samsung Shareholder Letter

As exhibited in the CEO letter from Samsung's annual report, the Company has gained remarkable success during the 2008' financial crisis. Samsung is enabled to transform the risk into opportunity by the "prepared-for-anything attitude,

<sup>34</sup> Alderson, K. J. 2011. Understanding the family business. Business Expert Press. In the book, Alderson pointed out that although Samsung was listed on stock exchange since 1975, Kun-Hee Lee held less power compared to his father. However, by now, Lee family still dominates 22% of family control in Samsung.

enterprising spirit, and creative thinking”, which are incorporated within the following entrepreneurial oriented strategies:

- **Autonomy: Internal collaboration can improve the resistibility towards external risk.** “...bolster our unrivaled speed, efficiency, and other *internal synergies* as our departments and divisions *closely collaborate* in each step of product development from concept to launch.”

- **Innovativeness: To be innovative is the most effective way to resisting exterior uncertainties. Furthermore, innovation filled with resilience can help Samsung to convert the risk into identified useful chance.** “Fueled by *creativity*...pursuing *innovative R&D*...approximately 40% of our global employees are now involved in *R&D* as we develop the technologies of tomorrow. In 2008, we earned 3,515 *patents* in the US, a 29% increase over 2007 that kept us a solid No. 2 in the annual patent ranking...*market- and customer-focused brand marketing programs*...” “...push forward with *value engineering* and *value innovation initiatives* that will enable us to *eliminate inefficiency, redundancy, and waste* in our processes as we take our *cost-reduction efforts* to the next level.”

- **Risk-taking: Ambitions within strategies naturally retain risk inside. However, systematic monitoring mechanism will promote forecast ability.** “...*US financial crisis* deepen the global economic downturn in 2008...*high oil prices fueled inflation, exchange rates increased in volatility, and falling asset values impacted real income*...systematic oversight and effective action enabled us to post *continued growth*...” “...our core semiconductor, mobile phone, LCD panel, and TV businesses *enjoyed continued growth*...despite significantly *weakened market demand*...and *tougher competition* in the second half of the year...we continued to generate stellar growth as our focus on *bolstering our lineup with new smartphones and building market share in emerging markets paid off*, enabling us to ship nearly 200 million phones for the year as we *demonstrated our potential to vie for the industry’s top spot*.” “While the majority of *global bourses and technology stocks lost more than half their value* in 2008, our shares fared comparatively better, *declining just 19% as our IR<sup>35</sup> efforts paid off*.” “We have intelligently *weathered countless crises* over the years, demonstrating our ability to *turn adversity into opportunity* as we have grown to become a *world-class consumer electronics company*.” “...upgrade our *enterprise-wide risk management system* to enhance our ability to *monitor and address risk in a timely manner*.”

- **Proactiveness: Foresight enables Samsung not merely to grasp opportunities but more to create chances.** “Despite the *global economic downturn in 2008, systematic oversight and effective action* enabled us to generate *continued growth* in our core businesses as we delivered yet another *solid financial performance*.” “...our *technical leadership and ongoing cost-reduction ef-*

---

<sup>35</sup> Laskin, A. 2010. Managing investor relations: strategies for effective communication. New York, NY: Business Expert Press. IR shorted for Investor Relations means that a department as presenting in most medium to large public companies offers investors with a precise account of the company’s affairs. This enhances the internal transparency between different lines of operations.

forts enabled us to further extend our *lead over our industry rivals*.” “We are confident that our *can-do attitude and creative entrepreneurship* will empower us *overcome our present challenges, creating yet another opportunity* to shape the future of our industry.”

- **Competitive aggressiveness: Aggressiveness is so intensively manifest in each line within the shareholder letter. Actually, it is originated from Samsung’s strength and confidence.** “Our *vision* of becoming *one of the world’s leading companies* is coming to life with *creative innovation and progressive entrepreneurship*.” “...*overcame slowing demand and tougher competition...maintained our industry-leading net profit margin and extended our lead over the competition* in the 40-inch-and-larger TV panel market...*solidifying our position as the undisputed industry leader* as we marked our *third consecutive year* at the top of the LCD, flat-panel, and overall TV markets.” “We will take the next step toward being *one of the world’s top companies*, intelligently risking above the current crisis by *strengthening our leadership in core businesses* and capabilities in key growth fields as we drive *creative innovation*.”

### 5.2.2 2009 Samsung Shareholder Letter

In 2009, world economy is still full of destabilizing factors and intense competition. Despite of the severe circumstances, Samsung has maintained its industry leadership and accomplished the status as a top-ranked global company.

- **Autonomy: Convergence within internal departments can enhance the degree of resource utilization.** “...*restructured and streamline our organization...will maximize speed, cost-efficiency and business synergies*.” “With the goal of becoming more *customer-focused and field-driven*, we realigned sales operations both *at home and abroad*.” “...*fully capitalize on developing true convergence and differentiated products and services, taking advantage of our business expertise* from components to sets.”

- **Innovativeness: Creativity is an ability rooted in harmony corporate culture. It is thereby able to reveal differentiated advantages among international market.** “...*developed differentiated strategies* that harness *creativity, trust and a nurturing, transparent culture* as part of our everyday work lives...we will build a content-rich business structure that harmoniously blends *innovation in hardware and software*. Leveraging that *creative platform*, we will develop *new businesses in health, the environment and renewable energy*.” “...*our chosen strategy of strengthening new category lineups* for touchscreen phones and smart phones proved to the right one.”

- **Risk-taking: Competition itself can be regarded as a campaign that is filled with risky activities. However, to compete with others can at the same time convey new opportunities.** “...*the financial crises* in Eastern Europe and the Middle East remain risk factors. The industry will likely face *continuing intense challenges* as competitors emerge from restructuring efforts leaner and agile.”

- **Proactiveness: It is absolutely necessary to focus the growth-**

**intense opportunities beforehand in this fast-changing world market.** “Concerns about *falling demand* in the LCD (liquid crystal display) business proved *fleeting* and *demand rose faster than expected*. Based on our *differentiated technologies and cost competitiveness* in LED panels, we achieved *the highest profit margin in the industry*, and continue to *widen the gap with late-to-market player*.” “Our concerted focus to *increase our market share* in the *emerging markets* also yielded outstanding results. We attained a *worldwide market share of 20%*.” “In this *rapidly changing and uncertain environment*, we intend to steer the company by *focusing on efficiency and liquidity and by identifying relevant growth opportunities*.” “To *fast-track* other *growing businesses*, including printers, computers...we will dramatically *scale up* our business capabilities...”

- **Competitive aggressiveness: Long-term goal sometimes is constructed on gradual aggressive strategies.** “...fulfilling our ten-year *Vision 2020 corporate goal*...intend to join the ranks of *the top 10 global companies* by achieving US\$400 billion in sales, becoming a *top five global brand* and securing our reputation as one of *the 10 most respected companies worldwide*.” “We will be making *aggressive investments* in the future that include developing *new core technologies*.” “For businesses where we already hold *top ranking*, including TVs, memory and LCDs, we expect to *widen our lead* in product selections and *cost competitiveness*, utilizing *differentiating* factors to *further secure our first-place position*.”

### 5.2.3 2010 Samsung Shareholder Letter

The economic situation recovers in an unbalanced condition in which major developed countries are growing faster than Eastern Europe and Middle East. Nevertheless, this does not cause negative influences on Samsung. For that, the Company has still made extraordinary development. By achieving the Vision 2010, Samsung keeps the “inspire the world, create the future” step forward to transform the crisis into opportunity, through a new stage: Vision 2020. (See Figure 6)

- **Autonomy: To establish affiliation is not to dilute a company’s strength. On the contrary, positive connection with outside world can brighten its identity and image.** “The (brand) value includes our dedication to *corporate citizenship*. We believe in building *social contribution programs* and *win-win relationships* with our business partners and our communities. Our organizational culture focuses on ethics management and that, too, deepens the value of our brand and builds *respect and loyalty among global customers*.”

- **Innovativeness: To enhance innovation and creativity depends on high input and right guidance.** “In 2010, we achieved a record-breaking performance of KRW 155 trillion in sales...these historic results were accomplished as we built *an open innovation system* and made bold decisions about *R&D investment*.” “In 2011, we expect to *invest* an additional KRW 23 trillion to *improve production capabilities* and expand opportunities. Recent *R&D investments* led us to *acquire significant patents*. Last year, we registered

4,551 patents in the United States, second in volume only to IBM." "We are fast improving our *technological capabilities in medical equipment and solar energy.*"

- **Risk-taking: By implementing risk management strategy, it is not to passively avoid from risky input. Reversely, it is to smartly make use of potential opportunities.** "...navigating the *fast-changing business environment* with enlightened *risk management* as we improve our *differentiated capabilities across all of our businesses.*"

- **Proactiveness: Agility is a standard that determines the degree of reactivity and proactivity.** "Our *agile response* to market changes in software and solutions is enabling the company's *steadfast progress during volatile times.*" "Samsung Electronics today is expertly equipped to produce components and products from development through launch. We will continue to *hone that unique advantage* for *differentiated vertical integration* as we establish more *efficient production systems.*"

- **Competitive aggressiveness: Samsung made its success by identified aggressiveness with properly targeted strategies.** "...reinforcing our *market dominance and industry leadership.* In the LCD Business, we accomplished the best sales and profit margin in the industry, owing to *aggressive marketing* of our premium products and to our differentiated technologies." "The Visual Display Business recorded the *leading global market share* for TV sales for the *fifth year in a row*, boosted by *strategic products* such as 3D and Smart TVs."

#### 5.2.4 2011 Samsung Shareholder Letter

In 2011, Samsung continued to sustain its great performance although the worldwide economy was still not so promising. By "shared growth and right path management", the Company planned to reach a brighter future.

- **Autonomy: Being independent is also oriented from harmonized corporate value.** "...we maintained *strong synergy* between our set and component business areas." "The vitality of the Samsung Electronics brand and products comes from...*shared social values* and our *companywide ethical principles.*"

- **Innovativeness: The essential target for innovation is to stimulate customer experiences.** "...expanding market share with *differentiated premium product lines* in our core areas..." "...offer a *trendsetting range* of content for *business and consumer solutions and services* by building *distinctive platforms and ecosystems.*" "...to add further *value* to the Samsung brand by launching *market-specific innovation products* that deliver new and exciting *customer experiences.*"

- **Risk-taking: Pressure can be transformed into motivation as risk can be altered as opportunities. Indeed, it needs a precise analysis system.** "In 2011, Samsung Electronics achieved *record-breaking sales* despite the worldwide *recession and increased pressure from competitors.*" (It has been put in detail in accordance to the exact figures in the *financial statement* part.

“Financial risk management: The Company is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investment. The Company has a *risk management program* in place to *monitor and actively manage* such risks.”)

● **Proactiveness: It is useful to revise the strategies in a timely manner according to the market trend and reliable information.** “Last year, we *maintained strong synergy* between our set and component business areas while also *expanding market share*...in our core areas, including mobile phones, TVs and memory chips.” “...*further enhance* our software capabilities, develop additional competitive business models...” “By launching *judicious and consistent marketing campaigns*, particularly with sports promotions and social contributions, we have *elevated the brand*.”

● **Competitive aggressiveness: Aggressiveness upon realistic attitude helps Samsung rank on the top level within international market.** “The stellar Samsung GALAXY S II sold more than 10 million units worldwide, helping us achieve the *No. 1 global market share for smartphones*...sustained the *top share in the worldwide TV market for the sixth year in a row*...we expect to continue our *dominance* while maintaining *robust growth and performance*.” “Having achieved *unmatched global competitiveness in hardware*, we have been focusing on *enhancing our software capabilities* in user interface, user experience, design and brand awareness.”

## 5.2.5 Finding 2

TABLE 6a Samsung Financial Highlights (adapted from Samsung Annual Report, 2008&2011) (in KRW billions<sup>36</sup>)

	2008	2009	2010	2011
<b>INCOME STATEMENTS</b>				
Sales	121,294	136,324	154,630	165,002
Operating Profit	6,032	10,925	17,297	16,250
Net Income	5,526	9,761	16,147	13,734
<b>BALANCE SHEETS</b>				
Assets	105,301	112,180	134,289	155,631
Liabilities	42,377	39,135	44,940	53,789
Shareholders' Equity	62,924	73,045	89,349	101,846
<b>CASH FLOWS</b>				
Cash Flows from Operating Activities	13,360	18,522	23,827	22,918
Cash Flows from Investing Activities	13,128	14,177	23,985	21,113
Cash Flows from Financing Activities	1,934	1,364	152	3,110

Table 6b Samsung Entrepreneurial Orientation Comparison

<sup>36</sup> <http://www.bok.or.kr/> Bank of Korea offers 1.00 USD = 1126.40 KRW Retrieved September 12, 2012.

	2008	2009	2010	2011
Autonomy	Internal synergies & Collaboration	Business synergies & Market field-driven sales operations	Social contribution programs & Win-win relationships	Synergies through shared companywide social values
Innovativeness	R&D, patents through market-and-customer oriented programs	Differentiated strategies through hardware, software & new category lineups	Production capabilities improvement through R&D, patents & open innovation system	Differentiated premium product line & Market-specific innovation for exciting customer experiences
Risk-taking	Aggressiveness in dynamic economy environment through enterprise-wide risk management system	Continuing intense challenges from competitors	Differentiated capabilities through risk management within fast-changing business environment	Worldwide recession & Pressure from competitor; investment under risk management program
Proactiveness	Systematic oversight, cost-reduction efforts & creative entrepreneurial spirit	Efficiency, liquidity & growth opportunity-identification	Differentiated vertical integration through efficient production systems with agile response	Expanding market share through consistent marketing campaigns

Competitive aggressiveness	Leadership through creative innovation & progressive entrepreneurship	First-place position through aggressive investments in new technologies & Vision 2020	Market dominance & industry leadership through aggressive marketing of the differentiated technologies	Unmatched global competitiveness through No.1 global market share for smartphones
----------------------------	---	---	--	---

TABLE 6b (continues)

*Find 2:* Accordingly, Samsung has achieved high-level performance with holding its global leadership in its own market area and industry even during the world economic turbulence. The results mainly are derived from its aggressive plans based on differentiated strategies and forward-looking management style. It is thereby helping Samsung to transform the risk into opportunities in a timely manner.

### 5.3 Fiat<sup>37</sup> (FIAT S. p. A.)

Fiat was founded in Turin, Italy at 1899 that was a period full of great passion for creation and innovative spirit. The founder was Giovanni Agnelli (initially appointed as Managing Director). Later in 1903, Fiat began listed on the stock exchange as a publicly traded company. After dedicatedly operating for more than a century, it becomes one of the pioneers of the European automotive industry, with a large group of brands (e.g. Fiat, Alfa Romeo, Lancia, Abarth and Fiat professional brands). (FIAT S. p. A. Official Website) Nowadays, the Group has realized its original objective – to become a world’s leading international auto company – with fulfilling the industrial and financial services through branches located in 44 countries and establishing commercial relationships in around 140 countries. (Fiat Annual Report, 2011) By the end of 2011, Fiat (with Chrysler) has increased the revenue Euro 59,559 million and trading profit Euro 2392 million (in 2010, revenue: Euro 56,258 million; trading profit: Euro 2204 million). Meanwhile, it has the workforce in total 197,021 employees worldwide. Indeed, Fiat Group has maintained its stability and growth during the global economy turbulence. (FIAT S. p. A. Official Website)

Moreover, according to Astrachan et al. (2007, 317-342), the ultimate control (over 25 percent) of Fiat is owned by Agnelli family. Apparently, “through control of the company is securely in the hands of the Agnelli family” (Colli 2003, 53), John Elkaan was appointed as the Chairman of Fiat Group in 2010. He

<sup>37</sup> <http://www.fiatspa.com> S. p. A. is an Italian term as an abbreviation for “Società per azioni”, which means a joint-stock company. Additionally, in the following paper, if there is no specific reference, Fiat is short for Fiat S. p. A. (Fiat Group).



is the grandson of Gianni Agnelli (son of the founder) and takes the helm from his grandfather's hand as the fifth-generation successor in Fiat. (Clark, 2012; FIAT S. p. A. Official Website)

With the collaboration from the CEO (Sergio Marchionne was assigned in 2004), recently Fiat has activated two influential strategies concerning its company structure, which contain the demerger of the Group and the acquisition of Chrysler. (Fiat Annual Report, 2008; 2010) From 2009, Chrysler Group LLC<sup>38</sup> (Limited Liability Company) started to build up a global strategic alliance with Fiat. And their manufacturing output includes Chrysler, Jeep, Dodge, and Fiat vehicles and relevant products. (Chrysler Official Website) Till 2011, Fiat has gained 58.5% ownership of Chrysler and successfully expanded into American market. (FIAT S. p. A. Official Website) It can be considered as a cornerstone for Fiat to ream its internationalization connection and assists Fiat to transform the crisis into a new opportunity. In addition, in 2010, Fiat decided to split the Group into two distinct entities – Fiat and Fiat Industrial<sup>39</sup>. (Fiat Annual Report, 2010) At some aspect, this activity enables each part to get more business opportunities and resources. During the age filled with changes and dynamics, huge appearance is not a symbol for marking power; however, smart-organized strategy is the key to maintaining long-term stability.

### 5.3.1 2008 Fiat Shareholder Letter

In the fourth quarter of 2008, Fiat suffered a negative result in its business from the economic turbulence sweeping throughout the world, compared to its prominent performance in the former nine months. In the contrary, Fiat was not beaten down by the financial crisis; it still maintained its strategies and management pattern in a stable manner through both of its determination and flexibility capabilities.

- **Autonomy: Both the domestic and international network resources should be taken into consideration, especially under specific external circumstances. Collaboration sometimes can create more opportunities and enlarge the market.** For example, “For Iveco...balance *an over-dependence on our domestic Western European market with an increased presence in Eastern Europe, Latin America and China.*”

- **Innovativeness: As for a traditional type of industry, Fiat needs more innovation to compete in the current global market and seize opportunities.** For example, “*renewing the product range*”; “FPT Powertrain Technologies has been committed to *research and technological innovation...in terms of performance and respect for the environment.*” (The detail has been introduced in the report on operations – Research and Innovation –

<sup>38</sup> <http://www.chryslergroupllc.com/> Chrysler is an American car manufacturer located in Auburn Hills, Michigan, United States. It was founded by Walter Chrysler in 1925.

<sup>39</sup> <http://www.fiatspa.com/> Fiat comprises FGA, Ferrari, Maserati, Magneti Marelli, Teksid, Comau and Fiat Powertrain Technologies (the “Passenger & Commercial Vehicles” powertrain business). Fiat Industrial contains CNH, Iveco and FPT Industrial (the “Industrial & Marine” powertrain business).

mainly to depict the technology and strategy.)

- **Risk-taking: Risk is a common thing brought by the crisis. In order to move forward, Fiat cannot easily avoid from risk-taking. Nevertheless, it can be managed by an analysis system through pre-event, in-event and post-event as a timeline procedure.** “The *crisis...spilled over into the real economy on a global scale, triggering significant and widespread deterioration of trading conditions in most sectors and regions where we operate.*” “...decided *not to propose a dividend for 2008...*” “...to 2009...we expect quarter-by-quarter performance will be uneven, with the first three months being particularly difficult.” “...to find ever more efficient methods of reducing the risks associated with doing business.” “...be the first mover in restoring order to a disoriented market and ensure that, in the restructuring process which the car industry will undoubtedly undergo, Fiat is one of the major players.” (It has been analyzed in detail in the report on operations – main risks and uncertainties to which Fiat S.p.A. and the Group are exposed – for eleven sections, e.g. risks associated with general economic conditions, with the Group’s results, with financing requirements and so on)

- **Proactiveness: Reaction with flexibility is the precondition for set up a long-term orientation.** “For the Fiat Group, the *prospects ahead will require additional commitment and sacrifice...the Fiat Group maintains a strong capital structure and a level of liquidity adequate to meet its future commitments and challenges.*” “...a letter of intent was signed with Chrysler and Cerberus Capital Management for the creation of a global alliance...based on an underlying rationale of mutual benefit...receiving equity interest in Chrysler and gaining access to new markets...for our Group to create medium and long-term value.” “...to 2009...difficult trading conditions will continue...fully assess the effect of actions to underpin demand for the automotive sector in Italy, and other major European markets...improvements should be visible...the benefits of restructuring initiatives...” “...geographic expansion, technological development and repositioning of the product range...taken with our eyes firmly on the future.” “...developed a natural instinct for handling the unpredictable and learned to think with extreme flexibility and react with great rapidity.”

- **Competitive aggressiveness: Being cautious and careful is the main target for Fiat in 2008. Hence, aggressiveness is left as a complementary plan.** “...accelerating the Group’s international expansion...” “At Case and New Holland, we have been working with determination to ensure an extensive product offering and stronger global presence.”

### 5.3.2 2009 Fiat Shareholder Letter

2009 was still a harsh year for Fiat. Besides the discreet strategies implemented as last year, Fiat intended to open up more market channels in order to compensate for the negative influences caused by the downturn of purchasing demand.

- **Autonomy: Internal resources are the core of driving power for development.** “We did it *without asking help from anyone, but rather by rely-*

ing on the solidity of Fiat, the ability and commitment of its employees and the decisiveness of its leaders.”

- **Innovativeness: Cooperation can also provide resources for renewing technology.** “...with the Russian automaker...further *underscores the level of technological advancement* we have reached and represents an enormous step forward for the Fiat Group in Russia...” “...the *environment and sustainable mobility*, which has led to us being *the most eco-performing producer in Europe...*” (The same as above in 2008)

- **Risk-taking: To establish alliance is not only followed with advantage, but also comprised risks. Being prepared with forward-thinking is necessary for Fiat to escape from unexpected cost.** “The *economic crisis severely impacted all of our markets, pushing demand to extremely low levels...*” “...last year’s decision *not to pay dividends...as indispensable in guaranteeing that the Group had the liquidity necessary to confront a particularly challenging year.*” “...2010 is expected to be a *year of transition in which our core markets will continue to experience a relatively high degree of difficulty.*” (The same as above in 2008)

- **Proactiveness: Appropriate modification on strategies can lead Fiat to a more promising future.** “...Fiat reacted to difficult market circumstance with *decisiveness and considerable determination.*” “Significant *cost containment measures* were implemented by all Sectors...ensuring that *energy and resources were never wasted.*” “...rethought our plans and adapted them to the crisis...explored every possible avenue to strengthen the Group and re-establish points of certainty in a market shaken by uncertainty.” “It had become imperative that we find a more efficient way of *lowering the risks associated with the capital commitments required by the business...the direction we took by forging an alliance with Chrysler.*”

- **Competitive aggressiveness: The economic recession needs Fiat to aggressively exploit more market opportunities worldwide.** “...laid the groundwork for other *alliances...for the establishment of a 50/50 joint venture in China...a letter of intent was signed with the Russian automaker Sollers and represents a springboard for Fiat’s presence in that market...within a few years, as the number 2 automaker in that market...*”

### 5.3.3 2010 Fiat Shareholder Letter

As for the global economy environment, 2010 is a year indicating recovery as well as changeable tendency. Accordingly, Fiat Group has cultivated two significant turning points: the demerger of the Group and the acquisition of Chrysler. In fact, both of them are being prepared and processed under a long-term planning and analyzing. These two strategies are closely related to the EO five dimensions, which will be exemplified as following:

- **Autonomy: The two demerged operation lines are able to make full use of their own resources respectively in order to seize more suitable opportunities.** “...achievements were only made possible by the *energy, commitment and dedication of the people at Fiat, who actively engaged in con-*

taining the impact of the crisis and *seized every opportunity* presented by the subsequent recovery." "...the *demerger of the Group*...into two distinct entities – Fiat and Fiat Industrial...the decision *responds to* the imperative for growth, *autonomy* and efficiency."

- **Innovativeness: More investment on innovation will consolidate the performance results for the company.** "...*renewal* of our product portfolio with the launch of 34 *new models* and 17 major *product interventions*." (The same as above in 2009)

- **Risk-taking: Demerger and acquisition will surely bring with risks: separation will probably weaken the brand value; making alliance will possibly increase the costs.** "2010 got off to a *difficult start*...*many of our markets not showing signs of significant recovery* from the crisis." "...the *demerger of the Group*...a *pattern-shifting, liberating* strategic solution...Fiat would *lose its identity as a Group*..." "Fiat achieved a 35% ownership of Chrysler Group" (The same as above in 2009)

- **Proactiveness: Nevertheless, both of the actions (described above) are instructed under a systematic investigation and analysis upon the internal and external circumstances.** "...prospects became *progressively*...our trading regions exhibited a significant *recovery*, although most of them performed well *below pre-crisis levels*...*uneven market environment*, Fiat *responded effectively and decisively*." "...*speed of changes* taking place in the market...the *demerger of the Group*...that *guarantees* each business the greatest *potential for development*." "...*partnership with Chrysler*...*expand* geographic footprint...*a long term viable global carmaker*."

- **Competitive aggressiveness: In order to gain more opportunities during a fast-changing era, it is worthwhile to shoulder some risk and perform aggressively.** "...the *demerger of the Group*...a *complex and ambitious transaction*...a *different and better future* for our respective business." "...*share platforms and engine technologies*...*reorganization and integration of commercial networks*...Chrysler and Lancia *distribution networks* in Europe are being merged...(Fiat achieved a 35% ownership of Chrysler Group)"

#### 5.3.4 2011 Fiat Shareholder Letter

During 2011, the world economy starts to revive. However, the European market is still filled by uncertainties and dynamics because of the sovereign debt situation. Based on this dilemma, Fiat decides to accelerate the process for the acquisition with Chrysler aiming to develop its competitive advantages in the global market. As one of the most essential strategies, the acquisition plan contains so many points relevant to EO as demonstrated below:

- **Autonomy: Due to the economy situation, it is necessary to widen and deepen the cooperation network.** "Fiat-Chrysler: A group that is *solid enough to be able to protect and support* any individual part of the system that may be vulnerable in a particular moment."

- **Innovativeness: Alliance will supply more resources and supports for innovation.** "Fiat-Chrysler: A *new organizational structure* was cre-

ated with leaders from both organizations to reflect the cultural and geographic diversity of our businesses...integrating purchasing activities, sharing best practice in manufacturing processes, *optimizing utilization of our combined production capacity.*" "...Fiat recognized by JATO (global leader in automotive intelligence) for the fourth year in a row for the *most eco-performing products among the main automotive brands in Europe...*" (The same as above in 2010)

- **Risk-taking: Diversity within both sides in an alliance will definitely hedge an imbalance especially for the capital management.** "Net industrial debt totaled €5.5 billion...with the increase over €0.5 billion...being primarily *attributable to the effect of initial consolidation of Chrysler's debt, acquisition of the U.S.*" "...the *sovereign debt situation...uncertainty concerning economic prospects in Europe...*Fiat's desire to *maintain a high level of liquidity...*Chrysler is subject to *certain restrictions on payment of dividends to its members...*propose the *conversion of all preference and savings shares into Fiat ordinary shares...*transaction...benefiting shareholders and satisfying market expectations..." (The same as above in 2010)

- **Proactiveness: However, the capital structure will be managed by the elaborately-planned transaction procedure.** "Acquisition of a majority interest in Chrysler Group...means that we are now also able to *view the financial results of this newly constructed alliance.*" "...in the *beginning stages of our plan to develop and strengthen Fiat-Chrysler...being implemented with decisiveness and conviction...a well-balanced and unified global group (Fiat-Chrysler) equipped to effectively manage the unpredictable and volatility in the market.*" "...net debt position was reduced...on the back of *positive operating performance and continued discipline in working capital management.*"

- **Competitive aggressiveness: Fiat-Chrysler not only represents an aggressive spirit, but also enlarges the market share throughout the world.** "...one of the *strongest and most competitive automakers globally with the most innovative and advanced technologies in the world.*" "Fiat-Chrysler group that possesses an *open and competitive mentality, with the ability and determination to be a leader in its sector...four operating regions...*North America, Latin America and Asia-Pacific."

### 5.3.5 Finding 3

TABLE 7 a Fiat Financial Highlights (adapted from Fiat Annual Report, 2009, 2010&2011) (in EUR millions)

	2008	2009	2010	2011 <sup>40</sup>
<b>INCOME STATEMENTS</b>				
Sales	59,564	50,102	56,258	59,559
Operating Profit	2,972	359	2,009	3,336
Net Income	1,721	848	600	1,651
<b>BALANCE SHEETS</b>				
Assets	61,772	67,235	73,442	80,031
Liabilities	50,671	56,120	60,981	67,771
Shareholders' Equity	11,101	11,115	12,461	12,260
<b>CASH FLOWS</b>				
Cash Flows from Operating Activities	384	4,601	6,110	5,195
Cash Flows from Investing Activities	6,092	2,559	3,829	858
Cash Flows from Financing Activities	3,127	6,281	787	632

Table 7b Fiat Entrepreneurial Orientation Comparison

	2008	2009	2010	2011
Autonomy	Dependence on domestic Western European market & Presence in emerging markets	Dependence on solidity of Fiat (both employees & leaders)	Demerger of the Group	Creation of a solid alliance: Fiat-Chrysler
Innovativeness	Renewing product range, research & technological innovation	Technological advancement through co-operation with Russian automaker	Renewing product portfolio through new models & product interventions	Optimizing combined production capacity through Fiat-Chrysler

<sup>40</sup> Amounts reported include seven months of operations for Chrysler from 1 June 2011.

Risk-taking	Restructuring initiatives through creation of global alliance (Chrysler), technological development & product repositioning	Expansion through establishment of more alliances during the challenging period	Demerger & Acquisition (Chrysler)	Debt & Transaction inconvenience partly brought by acquisition
Proactiveness	To develop a natural instinct for handling the unpredictable through thinking with extreme flexibility & reacting with great rapidity	To modify the plan filled with certainties by adapting to the uncertainties in order to lower the risks	To determine a long-term oriented plan through committing to the greatest potential for development	To manage volatility in the market through well-organized discipline in working capital management
Competitive aggressiveness	Extensive product offering & Stronger global presence through international expansion	Leadership through the creation of more alliances (joint venture with China & Russian)	Ambitious transaction for a promising future through demerger and acquisition	The most competitive global automaker through the leadership of Fiat-Chrysler Group

TABLE 7b (continues)

*Find 3:* As far as the two tables are concerned, Fiat was confronted with a difficult period caused by global financial crisis especially during the year 2009 and 2010. However, the fluctuation showed in the figures was changed into a rebound during the year of 2011. Apparently, it is because of the agile responses made by Fiat – the well-planned restructure strategy including the demerger and acquisition. It therefore proves that Fiat has enough capabilities to transfer the risks into opportunities during a period of uncertainties.

#### 5.4 Ahlstrom Corporation

Ahlstrom was established by Antti Ahlström in Finland in 1851. At the beginning, it focused on timber trading, shipping and sawmill operations. After sev-

eral decades in 1931, Ahlstrom Group grew up into Finland's biggest industrial company, with more than 30 manufacturing units and over 5000 employees. (Ahlstrom Official Website) In 2001, the old family-controlled Finnish conglomerate was ultimately divided into three new companies. As a matter of fact, the family shareholders still conserved considerable controllability in all three newly-organized firms. (Mäntysaari 2009, 377-379) As defined, the three companies include Ahlstrom Corporation (an industrial manufacturing company was listed on the Helsinki Stock Exchange in 2006) and two private-owned companies Ahlström Capital Oy (an investment company); A. Ahlström Osakeyhtiö (a company concentrating on forestry and real-estates business). (Ahlstrom Official Website) Notably, Ahlstrom Corporation (hereinafter referred to as Ahlstrom) will be considered as a main target for analyzing because it corresponds with the requirements fixed in this paper.

Furthermore, Ahlstrom is a materials company particularly producing specialty papers and nonwovens. Its products have a close connection with people's daily life such as filters, wall covers, flooring, labels and food packaging. (Ahlstrom Official Website) Nowadays, Ahlstrom is turning into a multinational company with a leading position in its business area. It has approximately 5700 employees within 28 countries in order to build up an active business relationship with local customers. By the year 2011, Ahlstrom has achieved net sales EUR 1,607.2 million and operating profit excluding non-recurring items<sup>41</sup> EUR 49.7 million. Although there is a slight reduction compared to previous year (in 2010 net sales: EUR 1,636.3 million, operating profit excluding non-recurring items: EUR 66.8 million), Ahlstrom has still made relatively solid performance concerning the ongoing global financial crisis (it caused low demand in the market and high costs of the raw materials). (Ahlstrom Annual Report, 2011)

Besides, the current Chairman is held by Peter Seligson and the CEO is appointed by Jan Lång. Considering the current situation, "in the Ahlstrom Corporation's case, the family arrived at a definition of its role as enlightened-not-passive-owners, and it developed several governance and communication mechanisms to support that role: a Family Council, a Family Assembly, formal training for the family's next generation, and so on" (Magretta 2000, 193-218); therefore, the Ahlstrom family members still actively participate in the company despite of absence from the dominant position. For example, Nathalie Ahlström and Thomas Ahlström act as important board members in the company. Additionally, the number one largest shareholder belongs to the Antti Ahlström Perilliset Oy, which is a private-held company charged by Ahlstrom family members. (Ahlstrom Official Website)

With this flexibility-oriented organization structure, Ahlstrom has recently adjusted its strategies following more practically to the reality. In 2011, Ahl-

---

<sup>41</sup> Grossman, T. & Livingstone, J. L. 2009. *The portable MBA in finance and accounting*. 4<sup>th</sup> ed. Hoboken, NJ.: Wiley, 19-38. Non-recurring item: "An entry that appears on a company's financial statements for a one-time expense that is unlikely to happen again." It is always related to an event which is unpredictable.



strom revised the focus on the divestment plan and targeted its expansion area mainly onto Asia. (Ahlstrom Annual Report, 2011) More information will be provided in the following sessions:

#### 5.4.1 2008 Ahlstrom Shareholder Letter

Due to the global economy changes, 2008 is a year full of challenges for Ahlstrom. The Company was heavily influenced by the uneven condition concerning the gap between high price of raw material and low demand from customers. Consequently, Ahlstrom speeded up its expansion step and investment procedure. The relevant strategies are defined by a determined objective which is to grasp more opportunities; after all, they will also be charged for more unpredictable risks.

- **Autonomy: The periphery market area still performs the dominant role within Ahlstrom sales strategic plan.** "...in the net sales...*Europe* still accounts for approximately *half of the total*..."

- **Innovativeness: New products with high technology should be organized according to customer's needs.** "...special emphasis will be placed on enhancing *the role of customer orientation*, and on *promoting innovation*...continuously offer *highly tailored solutions*, and to *renew our offering*. In the last three years alone, over 20% of *Ahlstrom's net sales* have been generated by *genuinely new products*." "...combining *responsibility* towards money, people, and the environment...role of *sustainability* is also increasing in our product portfolio...our *specialty papers* have a much *lower carbon footprint* than competitive materials..."

- **Risk-taking: Extensive expansion and intensive investment programs will undeniably cause risks. Timely adjustment is needed to as to reduce the loss.** "...in 2008...market was characterized by historically *high raw material and energy prices*...*rapidly declining demand* and a *downsizing of volumes throughout the value chain*." "...*weak financial performance* in 2008, which was mainly driven by the *low gross margin*<sup>42</sup>, *weak demand* in the fourth quarter as well as the higher than expected *ramp-up*<sup>43</sup> and *integration*<sup>44</sup>

---

<sup>42</sup> Stickney, C. P., Weil, R. L., Schipper, K. & Francis, J. 2010. Financial accounting: an introduction to concepts, methods, and uses. 13<sup>th</sup> ed. Mason, OH.: South-Western College Pub, 332. Gross margin: "A company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage, which represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company."

<sup>43</sup> Limberg, T. 2008. Examining innovation management from a fair process perspective. 1<sup>st</sup> ed. Gabler, 31. Ramp up: "A significant increase in the level of output of a company's products or services, which typically occurs in anticipation of an imminent increase in demand." It also happens when large companies intend to release new products or develop new markets.

<sup>44</sup> Monczka, R. M., Handfield, R. B., Guinipero, L. C., Patterson, J. L. & Waters, D. 2010. Purchasing and supply chain management. 4<sup>th</sup> ed. Cengage Learning EMEA, 103-134. Integration: "An arrangement between different regions marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies." Its objective is to enhance the economic connections between the countries participating in the agreement with decreasing unnecessary costs.

costs related to the growth investment program.” “...in order to improve profitability, and to adjust operations to the decline in demand...to close down and restructure non-competitive operations in the USA and Europe...production was reduced globally to adjust operations to the changed market situation.” (It is analyzed in detail in the risk management section as a supportive part in the annual report. A diagram is showed in the appendix 4.)

- **Proactiveness: Ahlstrom needs to react quickly with flexibility and clear mind after realizing its bias understanding on the marketing information and strategies-making.** “After such an intensive period of *strategic growth initiatives* (growth investment program), Ahlstrom is now entering a phase whereby the fruits of these *investments can be leveraged.*” “Ahlstrom has also announced further *global restructuring for 2009* to respond to current level of demand, and to *discontinue non-competitive operations.*”

- **Competitive aggressiveness: To capture the international market is at some extent an answer towards the economy crisis; nevertheless, it is not the absolute way to show competitive advantages.** “...2008...one of the key achievements of the year was the finalization of most of the *large growth investment program initiated...*EUR 500 million has been invested during 2007 and 2008, including *five acquisitions and nine organic growth investment...*in Brazil, Russia, India and China in line with the strategy.”

#### 5.4.2 2009 Ahlstrom Shareholder Letter

After undergoing the economic turbulence, Ahlstrom began to slow down its pace with adapting its strategies to uneven market situation. More concern was emphasized on long-term growth and defensiveness attitude towards international marketing expansion.

- **Autonomy: Human resources from internal cycle help Ahlstrom to conquer the difficulties.** “...our employees have committed themselves excellently to our goals of shifting the focus of operations towards cash flow and the decreasing of working capital<sup>45</sup>.”

- **Innovativeness:** There is no obvious demonstration concerning particular strategy about innovation. It has been discussed in the strategy section after the shareholder letter, as “growing and expanding through differentiation: *innovation for cost improvement*; supporting growth through efficient operations: *innovation for product performance* and improved *conversion processes*”.

- **Risk-taking: Preceding aggressive strategies cause risks. Restructuring methods (employees laying-off & financing actions) are also concealed with risks.** “The starting point of the year was challenging for us, not

---

<sup>45</sup> Stickney, C. P., Weil, R. L., Schipper, K. & Francis, J. 2010. Financial accounting: an introduction to concepts, methods, and uses. 13<sup>th</sup> ed. Mason, OH.: South-Western College Pub, 366. Working capital: “A measure of both a company’s efficiency and its short-term financial health is calculated as current asset minus current liabilities.” Reduction in it refers to that a company has fewer capabilities to reach its short-term liabilities with its current assets.

only because of the *weak demand (no clear signs of revival in the wind energy and marine industries in Ahlstrom's main markets in Europe and North America)*, but also because our aim was above all to *strengthen the company's balance sheet and streamline the cost structure.*" "Early in the year, we started two extensive restructuring programs to permanently streamline the company's cost structure...decided on *personnel reductions*...approximately 740 employees in 2009 and 2010...non-recurring items related to the restructuring programs and certain value impairment charges, the *operating result was negative.*" "...refinancing actions and a *domestic hybrid bond*<sup>46</sup> we issued, our gearing ratio<sup>47</sup> now meets the company's objectives and the maturity of *loan portfolio*<sup>48</sup> is significantly longer."

● **Proactiveness: Hopefully, the reorganized strategies can be centralized with long-term orientation.** "...thanks to the *strict cost control and streamlining measure*, we managed to *maintain our operating profit*..." "The key conclusion of the *strategy review process* is that Ahlstrom operates in two different kinds of business clusters (value-added business cluster and operational excellence cluster), in which the competitive situation, *potential for market growth* and *possibilities to differentiate* vary significantly."

● **Competitive aggressiveness: Ahlstrom has experienced the trial from former year; hence, less aggressiveness is forwarded as expansion focus has been put in one main district.** "...the growth will *focus on Asia*, where there are *good opportunities for growth* within several of our product lines."

### 5.4.3 2010 Ahlstrom Shareholder Letter

In 2010, economy growth seems to become visible; for that the demand is increasing in the global market, especially in Asia and South America. The other parts (Europe and North America) also appear as positive compared to previous period. Fortunately, Ahlstrom has promptly rearranged its strategies which are fit to the external environment. To streamline the capital structure and focus on the customers make the Company "stay ahead" (new brand slogan) the economic crisis.

● **Autonomy:** As a matter of fact, there is no concrete specification with regard to autonomy. Whereas Ahlstrom tends to gain capital injection from other sides, such as to issue bonds and to sign loan agreement. In oth-

<sup>46</sup> Pratt, J. 2011. Financial accounting in an economic context. 8<sup>th</sup> ed. Wiley, 589. Hybrid bond: "A security that combines two or more different financial instruments is characterized with both debt and equity features." Usually, a convertible bond is easily impacted by the price modification of the stock.

<sup>47</sup> Ogilvie, J. 2008. Cima official learning system management accounting financial strategy. 5<sup>th</sup> ed. CIMA, 150-152. Gearing ratio: "A term means a financial ratio that compares some form of owner's equity or capital to borrowed fund." In general, it represents the extent to which a company's activities are supported by the owners or the creditors.

<sup>48</sup> Rezaee, Z. 2001. Financial institutions, valuations, mergers, and acquisitions: the fair value approach. 2<sup>nd</sup> ed. New York: Wiley, 366. Loan portfolio: "It refers to the major assets of banks, thrifts, and other lending institutions." Notably, loan is bought for repayment; its value is usually dependent on the interest rates upon loans.

er words, during specific circumstances, it is worthwhile to shift the financial pressure onto external cycle.

- **Innovativeness:** Relative strategies are distributed in different parts in annual report. For example, "...Ahlstrom signed a EUR 45 million loan agreement with the European Investment Bank. The loan will be used for research and product development and innovation purposes in the years 2010 to 2013 at Ahlstrom's sites in Finland, France, Germany and Italy." "Ahlstrom is building its market position on a combination of continuous innovation and long-term customer relationships...key strengths are its technical expertise and know-how that has allowed it to be innovative, and thereby respond to customer requirements."

- **Risk-taking:** It is hard to judge whether the capital-injection strategy possesses high risk or not. Or else, currently regarding the Ahlstrom's ability to manage capital structure, it is still a promising solution merely with "acceptably healthy risk". "The reduction on operative working capital has succeeded very well in the past couple of years...with higher profitability, has improved our cash flow and enabled us to decrease our net debt." "At the end of last year, we issued a five-year bond in order to extend the maturity of our loan portfolio, and we signed a loan agreement with the European Investment Bank for research and development purpose."

- **Proactiveness:** Ahlstrom realizes that it is necessary to focus more on internal operation and corporate structure with proper expansion when confronting external challenges. "...in 2010, the demand for and sales volumes of nearly all products manufactured by Ahlstrom increased. In our focus region in Asia, we made an acquisition and established a joint venture in China." "...to streamline our product portfolio...divest the manufacturing of sealing and shielding papers and dust filtration materials as they did not fit strategically our product portfolio." "...new operating model...increase customer focus in our operations...on building stronger corporate culture, supported by our redefined values of acting responsibly, creating value, and learning and renewing...to build a unified and more dynamic company, which is well positioned to tackle external challenges."

- **Competitive aggressiveness:** To stress emphasis on Asia market indicates a renewed aggressiveness strategy compared to former years'. "In our focus region Asia...acquisition...joint venture in China...our net sales also showed the fastest organic growth in Asia." "Asia will play a significant role in the implementation of our strategy in the future as well as we want to increase the weight of the region in our operations."

#### 5.4.4 2011 Ahlstrom Shareholder Letter

Even though the global economy situation has been improved through 2011, the demand circumstance is still not that promising. However, Ahlstrom has solidified its steps within the strategic performance through three fundamental focuses: "identified growth, technology base, and global presence". One of the

direct results is that Ahlstrom has made a way successfully reducing the debt burden. The others will be presented as following:

- **Autonomy: Own resources act as the cornerstone for Ahlstrom to forward progress.** "...have clearly improved our capability in terms of *servicing global and local customers well.*" "...building a harmonized company with a unified high performance culture and common processes."

- **Innovativeness: New technologies are always determined by market demand and customers' needs. Moreover, the research and development are served by high level of cognition on market trend.** "...our focus will be on sectors where *high performance materials* enable our customers to build their product offering in a *differentiated* and a more *sustainable* way...*leveraging and developing our technology base and know-how*...strive for growth in existing and new markets...*investment in Porous Power Technologies*..."

- **Risk-taking: At some degree, risk is not merely resulted from external crisis. Personnel reduction is not a definitely appropriate solution to streamline the operation structure. In order to compensate the gap originated from uneven market, the better way is to comprehensively analyze the capital system.** "...set out to *gain efficiencies* in the supply chain and took firm action to *address underperforming units*, which unfortunately also led to *personnel reductions.*" "After a good start of the year, our *profitability* started to *weaken* as we were *not able to fully compensate for the increased raw materials costs with higher selling prices.* During the latter part of the year, the *sales volumes* for many of our products *declined.*"

- **Proactiveness: Being proactive depends not only on quick reaction towards changes, but also upon forward-perception concerning potential challenge.** "The *divestment* of our wiper fabrics business was a key milestone in *making the company more focused*, thus *freeing up resources* to strengthen the businesses where we *seek growth.*" "To illustrate the *ongoing change*, we *renewed our brand identity* to better reflect what we stand for today."

- **Competitive aggressiveness: To further exploit market overseas can attribute growth for the overall development in Ahlstrom.** "We continued to make headway in our *expansion in Asia* through *significant investment commitments.*"

#### 5.4.5 Finding 4

TABLE 8a Ahlstrom Financial Highlights (adapted from Ahlstrom Annual Report, 2009&2011) (in EUR millions)

	2008	2009	2010	2011
INCOME STATEMENTS				
Sales	1,802.4	1,596.1	1,636.3	1,607.2
Operating Profit	14.6	-14.6	46.5	20.1
Net Income	-48.1	-1.1	55.2	-44.0
BALANCE SHEETS				

Assets	1,707.0	1,530.2	1,558.9	1,430.8
Liabilities	1,078.9	844.6	805.1	798.3
Shareholders' Equity	628.1	685.6	703.8	622.7
CASH FLOWS				
Cash Flows from Operating Activities	102.4	209.6	167.5	83.7
Cash Flows from Investing Activities	-153.4	-66.3	-48.7	56.7
Cash Flows from Financing Activities	89.7	-183.6	-115.8	-70.7

TABLE 8a (continues)

Table 8b Ahlstrom Entrepreneurial Orientation Comparison

	2008	2009	2010	2011
Autonomy	Dependence on the European market	Internal collaboration based on the commitment of employees	Support from the capital injection & growth market	Emphasis on the harmonized & unified corporate culture
Innovativeness	To renew products based on customers' needs	Innovation for cost improvement, efficient operations & product performance	Continuous innovation with long-term customer relationship through technical expertise & know-how	High performance materials through technology base and know-how

Risk-taking	Expansion & Investment program re-adjusted in the uneven market environment	Restructuring programs: Personnel reductions & Issue of domestic hybrid bond	Issue of five-year bond & Loan agreement with European Investment Bank	Personnel reductions; Decline of sales (partly through divestment) volume in the uneven market
Proactiveness	Restructuring under strategic modification	Strategy review process through growth and differentiation-oriented operation	Well-positioned company through learning & renewing to tackle external challenges	To seek growth through streamlining the company structure & renewing the brand identity
Competitive aggressiveness	Global growth investment program (acquisitions in Brazil, Russia, India & China)	Growth opportunities through focus on Asia	The fastest organic growth in Asia through acquisition & joint venture (China)	Significant investment commitments through expansion in Asia

TABLE 8b (continues)

*Find 4:* With regard to the figures and comparison results, Ahlstrom was encountered with a large amount of challenges during a period filled with volatility and changes (from 2008 to 2011). By withstanding the consequences caused by the imbalanced organization structure, Ahlstrom intends to adjust the strategies according to the external environment. Especially in 2010, the structure-streamlining plan thereby efficiently helps the Company achieve a positive performance result. However, it still needs more time and efforts for Ahlstrom to reconsider its long-term orientation as to improve and optimize its capital structure.

To sum up, there are four findings extracted from the transverse comparisons within each individual company. By now, they roughly reflect a positive verification towards the previous assumption, which indicates that publicly quoted family business is at some extent able to transform the risks into opportunities during the time of uncertainties. In addition, the results will be further analyzed in a longitudinal way in the following chapter.

## 6 DISCUSSION

In this chapter, it is to conduct further discussion based on both previous theoretical and empirical parts. The aim is to stretch out more in-depth connection between Entrepreneurial Orientation five dimensions and their manifestation in the shareholder letters, which is able to at some extent find the answers towards the research questions raised in chapter 1. Both duality and interrelation within EO will be analyzed in this section. Meanwhile, the main line in this paper will be generated that is to adjust the “gap” between the assumptions and the findings. Moreover, the discussion part is also leading to the final section in this paper as for deeply clarifying how the family entrepreneurs transform the risks into opportunities.

TABLE 9 Synthesis

	Walmart	Samsung	Fiat	Ahlstrom
Autonomy	-Domestic market, domestic resources & local opportunity -External network resources	-Internal synergies -Win-win relationships	-Domestic Western European market -Solidity of Fiat (Demerger of the Group) -Alliance with Chrysler	-European market -Internal collaboration -Support from external capital resources & emerging market



Innovativeness	-Efficiency through technology -Innovation based on market trend	Differentiated strategies through the plans on -Product, R&D & patents -Market-oriented & customer-experience-specific programs	-To renew production capacity -Technological innovation	Continuous innovation through -Long-term customer relationship -Technology base and know-how
Risk-taking	-Expansion into global market through acquisition & investment	Aggressiveness plans - Differentiated production capabilities -Investment programs	Restructuring initiatives through -Global alliance with Chrysler (acquisition) -Demerger of the Group	Restructuring and readjusted programs: -Person reduction -Issue of bond & Loan of agreement -Divest program
Proactiveness	-To seize opportunity in new market through right strategy & long-term orientation	-To expand market share through systematic, efficient & agile growth-oriented strategies	-To adapt to the unpredictable volatility through reacting with flexibility, rapidity & well-organized plan	-To seek growth opportunities through strategic review (learning & renewing)
Competitive aggressiveness	-To maintain price leadership in the global market through aggressive growth plans	To keep market dominance through -Aggressive investment plans on creative technologies -Progressive entrepreneurship forward-looking(Vision 2020)	To take an ambitious transaction through -Extensive product offering: demerger of the Group -International expansion: acquisition with Chrysler	To retain the fastest organic growth in Asia through -Invest programs -Acquisition and joint-venture (with China)

TABLE 9 (continues)

Accordingly, the table exhibited above is the synthesis concerning both the longitudinal and transverse comparisons upon Entrepreneurial Orientation in

each company. (See table 4 in chapter 4) In the former chapter, a series of charts are collected from the individual company in a chronological order. The summary concerning these four companies is to further reflect the complete comprehension for thoroughly analyzing two features which are duality and interrelation in EO by the family business context.

## 6.1 EO Duality

As defined in chapter 3 (3.2.2 EO as Duality), it pointed out that there exist a mutual effect within each EO dimension including not only positive direction (“*co-existence, by referring to each other and creating each other*”) but also negative direction (by being *irreducible* to each other). (Ina, 2009) Depending on the particular context in this paper (large publicly quoted family business responding to the global financial crisis), the dual interaction will definitely manifest distinctive characteristics. (Nordqvist, Habbershon & Melin, 2008; Cassillas & Moreno, 2010; Morris, Kuratko & Covin, 2011) Meanwhile, based on the synthesis table displayed above, it is to further examine the real and concrete situation regarding EO duality within company entities.

- Autonomy: According to the previous demonstration concerning autonomy, there is a dual existence in it specifically for large publicly traded family business. Although many family firms are apt to emphasizing more on the internal cycle (Short et al. 2009, 9-24), appropriate connection with external links will also bring them more opportunities and channels (Chang et al. 2007, 997-1017; Chen et al. 2007, 213-232). In reality, during a period characterized with economy volatility, large firms are likely to shift their dependence partly on external network resources (as showed in table 9, e.g. to create the *alliance* with other organizations; to develop the *emerging market*) in order to remunerate for the decreasing opportunities caused by economy recession. At the same time, they do not neglect the internal synergies, which indeed enhances their solidity; providing that they are faced with outside challenges. As a result in this paper, there exists a duality with positive interaction (between dependence on internal collaboration and external cooperation), which in total can lead firms to a prominent prospect with more chances.

- Innovativeness: In chapter 3, innovativeness has been defined as a strategy through technology creation under market-trend orientation targeting to the long-term objective. (Garcia & Calantone 2002, 110-132) By analyzing the empirical materials selected from four large publicly quoted family firms, all of them intend to renew their production capabilities with firmly following the customers’ needs and wants. Due to the imbalanced market situation (low demand, high material price) brought by the global economy crisis, companies have established their long-term goal with proceeding technology-differentiation process. For instance, in their shareholder letters, they frequently express the ideas such as *customer experience, customer relationship* and *continuous innovation plan*. Therefore, the conclusion can be drawn as - duality of positive interplay (focus

on both market trend and technology creation) whereas especially from a long-term oriented perspective.

- Risk taking: Considering risk-taking in family business context, the researchers did not approach to a consensus with respect to its influences on strategic performances. (Wiseman & Ctanach 1997, 799-830; Short et al. 2009, 9-24) Notably, to take risk can easily push firms into a situation filled with vast abrupt uncertainties; so that family firms are usually figured as risk-aversion. (Hughes & Morgan 2007, 651-661) However, because of the contextual particularities, family firms tend to implement strategies with risk-taking under a proper monitoring system. (Naldi 2005, 23-40) Moreover, during the ongoing global financial crisis, these four large public quoted family firms did not try to stay avoided from risk-taking strategies. Nevertheless, they adjusted their plans to the external changes with shouldering certain risks (such as *expansion, acquisition, investment programs*). At the same time, each company has developed a risk management system alongside the whole implementation as to direct the strategic orientation to the targets without unnecessary retreats. Usually, the detail clauses are illustrated in the discussion part of the annual report. It is therefore inferred to a conclusion that the dual effect (in chapter 3, explained as risk-taking duality - to take risk/to take certain risk under cautiousness) is not that obvious in this paper - large public family firms focus on taking certain risks by elaborate supervision during the global economy depression.

- Proactiveness: Based on the definition in chapter 3, proactiveness, as a system, contains series of stages from the initial reactivity to the mature strategic design. (Lindgren & Hans 2003, 13-14) Hence, reactivity and strategic proactivity cannot be roughly delimited as two contradictory parts in a duality; in other words, they indicate two levels or stages one after another in the proactiveness. (Green, Covin & Slevin 2008, 356-383) Concerning family firms within the financial crisis, family involvement and centralization power structure can somehow moderate the relation between proactiveness strategy and its influences on the firm's performance. (Memili, Lumpkin & Dess 2010, 326-338) Furthermore, due to the synthesis chart above, almost all the investigated firms have carried out their proactivity through a long-term strategic plan (for example, *systematic, efficient, agile growth-oriented strategies; flexibility, rapidity, well-organized plan*). As a matter of fact, this strategic proactivity can help companies to seize more opportunities and maintain long-term sustainability. Thus, it is the same as above that there is no apparent clue for the duality (in chapter 3: proactiveness: reactivity/strategic proactivity) in proactiveness; for that large public quoted family firms emphasized more on the strategic proactivity with a long-term orientation in their shareholder letters.

- Competitive Aggressiveness: As to the aggressiveness plan initiated by a firm, it also consists of both the pre-examination and the post-configuration during the strategy implementing process. In accordance with Memili, Lumpkin and Dess (2010, 326-338), a company should not only perform aggressively but also need to show its competitive advantages aiming to "beat the competitors to the punch" (Miller, 1983). Besides, despite of family firms normally char-

acterized as more conservative (Harris, Martinez & Ward 1994, 159-174), they also have sufficient capabilities to respond aggressively during the crisis time. (Tagiuri & Davis 1996, 199-208) Several points have been showed in the table 9 that large publicly traded family firms act aggressively towards the financial crisis in order to sustain their industrial leadership position, for example *aggressive investment plan, ambitions transaction, international expansion* and so on. Additionally, these aggressive growth plans are also closely tied up with a well-structured framework, because the strategies are in consistency with their forward-looking mind and strategic proactivity. Hence, family entrepreneurs in large publicly quoted firms have paid more attention to respond aggressively at the same time under careful consideration, which implies that there is no manifest intention in its duality (as defined in chapter 3: competitive aggressiveness: respond aggressively/ respond aggressively under discreet planning).

To sum up, a particular context (large family businesses which are publicly listed respond towards the global financial crisis) is able to determine the EO duality features. Similarly, duality in each Entrepreneurial Orientation manifests different representations due to the external environment. Notably, the objectives set by these firms basically all correspond with their long-term orientations and growth opportunities, during the time full of uncertainties and filled by imbalanced market condition. Consequently, there is no specific dual effect inside the latter three EO dimensions including risk-taking, proactiveness and competitive aggressiveness, which are confined as opportunity- and long-term- oriented. Furthermore, in the former two dimensions (autonomy and innovativeness), there exist a positive direction within each duality as analyzed above.

## 6.2 EO Interrelation

According to Lumpkin and Dess (1996, 137), Entrepreneurial Orientation five dimensions may vary independently due to the internal and/or external context, which has also been deeply examined in 6.1 EO duality. In the meantime, defined as a series of activities relating to the “process, practices, and decision-making” (Lumpkin & Dess 1996, 136) within entrepreneurial strategies, EO consists of five dimensions that are “intuitively interrelated”. (Short et al. 2009, 9-24; Krauss et al. 2005, 11) Particularly, Miller (1983) has originally pointed out that there exists a certain relation among innovativeness, risk-taking and proactiveness: innovation strategy could be fulfilled by the instruction derived from proactivity; to be innovative as a first-mover could also bring with some *risky* and unpredictable factors. Furthermore, at some extent, the concept regarding competitive aggressiveness has already been covered within the words expressed by Miller (1983, 771) as “beating competitors to the punch”. Additionally, Miller and Friesen (1983, 221-235) have continuously deepened it as “a firm’s willingness for new competitive advantages”, although the competitive aggressiveness is still acting a sub-construct in the concept of innovativeness. Till Lumpkin and

Dess (1996, 135-172), they have developed Miller's ideology into a five-dimension EO construct with two additional dimensions: competitive aggressiveness and autonomy. At some way, to be innovative is also a part of aggressive growth plan and being aggressive in the market could cause *risks* and uncertainties. Meanwhile, autonomy might be *risky* if the leader does not have enough capabilities to balance the organizational resources structure. For example, it will increase the costs and expenditure if the manager shifts too much dependence on the external resources - to create alliance by aggressive investment plan.

Generally, due to the theoretical material, EO, as a conceptualized cluster, is interrelated by its inherent interior link. Specifically, the dimensions are connected by certain intersection which is relevant to the variables containing risks (highlighted as italics above). The context in this paper is exactly set as "the global financial crisis"; it is thus worthwhile to analyze the empirical database to further explore the interrelation among EO.

As far as the synthesis table is concerned, the EO interaction can be summarized in this way: (relevant examples will be marked as italics)

-Proactiveness: It presents as a premise for which the company needs to initially set up a long-term goal and growth plan based on the situation in order to seize opportunities and reduce risks. (e.g. *systematic, growth-oriented strategies, unpredictable volatility, well-organized plan, strategic review*)

-Autonomy, innovativeness & competitive aggressiveness: They stand for the concrete plans implemented based on the strategic proactivity. These plans help the company enhance its strength to resist the risks and ultimately to maintain its sustainability during the crisis. (e.g. *local opportunity, win-win relationships, differentiated strategies, price leadership, aggressive plans*)

-Risk-taking: As explained above in the previous paragraphs, each strategy including being proactive as a first-mover can at some way bring with certain risk and uncertainty. (e.g. *expansion, aggressiveness plans, restructuring initiatives, global alliance, demerger, divest*) In the meantime, companies exemplified in this paper have already paid considerable attention to the possible risks at advance, for that they have set up a *risk management system* to monitor the implementation of each strategy. As a result, they are able to somehow survive and achieve their original goals during the global financial crisis.

Based on the summary extracted from the empirical material, the EO interrelation structure is at some aspect in line with the conclusion drawn from the theoretical background. Actually, it requires the companies to firstly focus on the risks and opportunities that could be possibly encountered with during their operational process. Particular for large publicly quoted family firms with in the global financial crisis, they should consider more concerning the challenges and chances; for that the external circumstance is filled with more unpredictable factors compared to the period the economy is performing stably. Overall, large publicly traded family firms are able to transform the risks into opportunities by properly applying EO construction during the global economy recession. At this point, the connection between theory and practicality has

been linked up; and there will be some further suggestions and future analysis points in the following chapter.

## 7 CONCLUSION

Recently as the research process is coming to an end, the worldwide financial crisis is still ongoing, which has thus exerted considerable influences on the global economic situation. Family business, as an indispensable part of the world economy, is also inevitably involved into the contemporary trend filled with both dynamics and turbulences. Indeed, the financial crisis is never an out-of-date topic for the human society due to its diversified complexity and extensive impacts; for that, both theorists (e.g. researchers, scholars) and practitioners (such as managers, entrepreneurs) have already deeply analyzed the “crisis” itself with considering it as a double-edged sword that incorporates both challenges (risks, uncertainties) and opportunities. Furthermore, in order to conquer the crisis, the key point is to grasp the emerging opportunities without any delay, although the precious chances always consist of either risky origins or uncertain prospects. Meanwhile at some extent, opportunities possess such characteristics as short interval and high competitiveness (high demand with low supply); it is therefore necessary for the strategy-makers in the relevant organizations to somehow transform the existing risks into targeted opportunities.

Particularly in this paper, the main line has been repeatedly emphasized upon both theoretical and empirical sessions, which is the “*transform*” ideology as to convert the risks into opportunities. Since the research question has been raised in the introductory part “how the large publicly quoted family firms react towards the global financial crisis”, the researching layout is explicitly set up as containing the subject (family entrepreneurs in large publicly traded companies) and the object (entrepreneurial strategies). Based on the Entrepreneurial Orientation theoretical framework, the preceding assumptions have been clarified step-by-step and ultimately made to compare with the empirical findings. The synthesis and in-depth discussion are forwarded in the chapter 6 aiming to string the theory and practicality together. Hence, it is to raise relative suggestions concerning the transverse and longitudinal comparisons through EO and its reflections in the shareholder letters. In addition, these suggestions are not merely recommended for family firms or else large publicly quoted companies. As a matter of fact, the consciousness of crisis-transform can be cul-

tivated and applied at the same time into other companies which actively participate in the world and local economy with striving to achieve their objectives.

The suggestions are listed down as following:

1) To constantly keep an appropriate *degree* within the strategies. As there is a certain duality among each dimension of Entrepreneurial Orientation, different strategic direction will thereby impose distinctive effects on the results performed by companies. In fact, the degree is not an exact symbol to define a totally conflictive pole; at some aspect, the two compositions will co-exist in a harmonized way to have an alignment force to promote a company's strategy-making. As a result, especially when being confronted with a period filled with more uncertainties (such as the global financial crisis), it is necessary for the strategy-makers in a company to initially shape a general picture and a long-term objective that determines and directs the company's development orientation. With holding the mainline in mind, they need to adjust each strategy based on the real situation. Besides, any irrelevant points which might distract the general goal should be removed from the timeline and schedule.

2) To maintain a holistic and comprehensive *quality* for the strategies. Regarding the points illustrated in the first suggestion, there should be an enlightened schema for the series of strategies following-up. As a matter of fact, inside EO each individual dimension has a certain connection integrating them together as a cluster or a system. One EO could be either cause or effect for the other one. For example, proactiveness can contribute impetus to improving the innovation; similarly, new technology-creation is also symbolizing the agility as a part of proactive strategies. Thus, it is essential for the managers in a company to establish a systematic strategy instead of a disintegrated bunch of provisions. To combine each EO in an organic way can bring about more capabilities to enhance a company's growth.

In general, these two suggestions are mainly proposed from the macro-point of view, which can be considered as a cognitive preparation for the detailed strategy-making. In the following part, there are several specific suggestions through a micro-understanding perspective.

3) The *collaboration* from the internal cycle presents as the strongest power for a company to resist the external risks. Notably, it is imperative for the managers to establish a unified and united corporate culture not only covering the managerial layer but also for each employee. Furthermore, this strategy does not contradict the dependence on external network resources. In fact, it is indispensable for a company to create appropriate cooperation with other organizations or firms in order to strengthen its capabilities and expand more channels. Comprehensive strength is thus required particularly in the modern world which is filled with increasingly fierce competition.

4) *Technology-creation* should be constructed on the basis of customers' needs and market trend. Nowadays in almost every company, the primary strategy is to create differentiated technology in order to show its competitive advantages. However, only the one captures the customers' mind is able



to accomplish the leadership position among the other competitors. Actually, the process of innovation needs a large quantity of inputs – e.g. capital injection, the investment support (from both material and human resources), the research and analysis upon the market situation, and so on. Similarly, the company should discover more ways to gather the customers' real experience; for instance, interviews, advertisements, and trial promotion. Additionally, to establish proper alliance can also provide necessary resources and backup information for a company to renew its technology.

5) To *take certain risk* is a realistic and rational strategy for a company to sustain its long-term orientation. Risks are definitely unavoidable within market competition; nevertheless, risk management system can help a company to preclude unnecessary risky intention and activities. In this case, it is important for a company to organize the pre-assessment and evaluation upon the circumstances in a well-structured manner. In the meantime, the risk-analysis should be taken into account alongside the strategy-implementing process and even afterwards.

6) Moreover, the risk monitoring system is also closely connected with the *forward-looking* ability. As a matter of fact, it needs a thorough training and sufficient experience for an entrepreneur or a manager to develop the future mind. Frequently, a knowledgeable and experienced decision-maker has enough capabilities to lead the company to more growth opportunities.

7) *Proper aggressive spirit* can be considered as the catalyst for a company to reach its aim. The entrepreneurial strategy is naturally inheriting similar aggressive features from the economic competition. Meanwhile, the ambition does not stand for irrational eager for quick success. Aggressive strategy should also be integrated with forward-looking plan as well as the risk consciousness.

To sum up, by advocating these detailed recommendations, it is expected to help the companies enhance their agility, flexibility and rapidity on reacting towards the opportunities. Particularly during a period full of uncertainties, companies are able to transform the risks into target opportunities through well-organized strategies.

Moreover, as for the main topic in this study, it still needs more in-depth analysis and research concerning family business under Entrepreneurial Orientation construction due to its lack of articles and papers. With adding up the global financial crisis as an external context, it becomes a comparatively updated issue, which is not only useful for the decision-makers in the organizations, companies but also for the governments. Future analysis will definitely be stimulated as to improve a sense of crisis and risk-transforming ideology. Indeed, several examination viewpoints could be put forward as to compensate the limitations in the paper. For example, how the non-family firms react towards the financial crisis? Or else, how the SMEs family firms response to the global economic crisis? What are the differences concerning the entrepreneurial

strategy between the family firms and non-family ones, or between the large family firms and small & medium sized family business?

In addition, there still exists research space for exploring the duality within each Entrepreneurial Orientation dimension. Through linking family business and crisis contexts, this research task can lead more researchers and scholars to clarify its inside relationships and connotation. Similarly, it needs more step research to reveal the internal conjunction among each EO and whether EO is an inseparably interrelated system or not. Particularly, more relevant empirical materials are needed such as other type of database provided by the company. It thus asks for other angles concerning the methodological choices, such as content analysis with an inductive way or a quantitative approach. In some way, computer-based content analysis can help the researchers to decrease their own understanding and interpretation. However, it also needs more attention to control the procedure about the program selection, statistics input and output.

In the end, it is a difficult mission to predict the global economy situation; however, by appropriately applying EO, companies are able to transform the risks into opportunities in an efficient way.

## REFERENCE

- A survey of South Korea. 2003. *The Economist (US)*, 367(8320), 46-48.
- Albrecht, W. S., Albrecht, C. O., Albrecht, C. C. & Zimbelman, M. F. 2012. *Fraud examination*, 4<sup>th</sup> ed. Maspam, OH.: South-Western College Pub, 169-172.
- Alderson, K. J. 2011. *Understanding the family business*. Business Expert Press, 1-14.
- Anderson, R. C. & Reeb, D. M. 2003. Founding-family ownership and firm performance: evidence from the S&P 500. *The Journal of Finance*, 58(3), 1301-1328.
- Astrachan, J. H., Keyt, A., Lane, S. & McMillan, K. 2007. Generic models for family business boards of directors. In Poutziouris, P. Z., Smyrnios, K. X. & Klein, S. B. (Eds.) 2007. *Handbook of Research on Family Business*. Northampton, MA: Edward Elgar Pub, 317-342.
- Babbie, E. 2010. *The practice of social research*. 12<sup>th</sup> ed. Belmont, Calif.: Wadsworth Publishing, 44-54.
- Bakker, G. A. de, Ohlsson, C., Hond, F. den, Tengblad, S. & Turcotte, M. F. 2007. Tracing the evolution of corporate discourse on corporate social responsibility: a longitudinal lexicological study. In Hond, F. den, Bakker, G. A. de & Neergaard, P. (Eds.) 2007. *Managing Corporate Social Responsibility in Action: Talking, Doing, Measuring*. Aldershot: Ashgate, 53-73.
- Berelson, B. 1952. *Content analysis in communication research*. New York: Free Press, 74.
- Bernstein, D. A., Penner, L. A., Clarke-Stewart, A. & Roy, E. 2007. *Psychology*, 8<sup>th</sup> ed. MA: Wadsworth Publishing, 428.
- Bird, B., Welsch, H., Astrachan, J. H. & Pistrui, D. 2002. Family business research: the evolution of an academic field. *Family Business Review*, 15(4), 337-350.
- Bishop, F. & Yardley, L. 2007. Qualitative assessment. In Ayers, S., Baum, A., McManus, C., Newman, S., Wallston, K., Weinman, J. & West, R. (Eds.) 2007. *Cambridge Handbook of Psychology, Health and Medicine*. Cambridge University Press, 314-318.
- Bowman, E. H. 1984. Content analysis of annual reports for corporate strategy and risk. *Strategic Management*, 14(1), 61-71.
- Carney, M. 2005. Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice*, 29(3), 249-265.
- Casillas, J. C., Acedo, F. J. & Moreno, A. M. 2007. *International entrepreneurship in family businesses*. Cheltenham, UK.: Edward Elgar Pub, 215-234.
- Caspar, C., Dias, A. K. & Elstrodt, H-P. 2010. The five attributes of enduring family businesses. *McKinsey Quarterly*.
- Cassillas, J. & Moreno, A. 2010. The relationship between entrepreneurial orientation and growth: the moderating role of family involvement. *Entrepreneurial and Regional Development*, 22(3), 265-291.

- Casson, M. 2000. An entrepreneurial theory of the firm. Competence, governance, and entrepreneurship: advances in economic strategy research. 116-145.
- Chang, S-C., Lin, R-J., Chang, F-J., & Chen, R-H. 2007. Achieving manufacturing flexibility through entrepreneurial orientation. *Industrial Management & Data Systems*, 107(7), 997-1017.
- Chang, S-J. 2008. *Sony Vs. Samsung: the inside story of the electronics giants' battle for global supremacy*. Hoboken, HJ: Wiley.
- Chen, C-N., Tzeng, L-C., Ou, W-M. & Chang, K-T. 2007. The relationship among social capital, entrepreneurial orientation, organizational resources and entrepreneurial performance for new ventures. *Contemporary Management Research*, 3(3), 213-232.
- Chen, M. J. & Hambrick, D. C. 1995. Speed, stealth, and selective attack: how small firms differ from large firms in competitive behavior. *The Academy of Management Journal*, 38(2), 453-482.
- Chrisman, J., Steier, L. & Chua, J. 2006. Personalism, particularism, and the competitive behaviors and advantages of family firms: an introduction. *Entrepreneurship Theory and Practice*. 30(6), 719-729.
- Chua, J., Chrisman, J. & Sharma, P., 1999. Defining the family business by behavior. *Entrepreneurship: Theory and Practice* 23(4), 19-39.
- Chung, H-M. & Ding H-B. 2010. Political connections and family business diversification. In Cooper, C. & Finkelstein, S. (Eds.) 2010. *Advances in mergers and acquisitions*. Emerald Group Publishing Limited. 9(135-152).
- Clark, J. 2012. *Mondo Agnelli: Fiat, Chrysler, and the power of a dynasty*. Hoboken, NJ.: Wiley.
- Colli, A. & Rose, M. 2008. Family business. In Zeitlin, J. & Jones, G. (Eds.) 2008. *The Oxford Handbook of Business History*. Oxford: Oxford University Press, 194-217.
- Colli, A. 2003. *The history of family business, 1850-2000*. New York: Cambridge University Press, 53.
- Combs, J. G., Penney, C. R., Crook, T. R., & Short, J. C. 2010. The impact of family representation on CEO compensation. *Entrepreneurship Theory and Practice*. 34(6), 1125-1144.
- Connaway, L. S. & Powell, R. R. 2010. *Basic research methods for librarians*. 5<sup>th</sup> ed. Santa Barbara, Calif.: Libraries Unlimited, 223-225.
- Cooper, R. & Scott, E. 2009. *Product innovation and technology strategy*. Product Development Institute.
- Covin, J. G. & Slevin, D. P. 1989. Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75-87.
- Covin, J. G. & Slevin, D. P. 1991. A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7-25.
- Cukier, W., Trenholm, S., Carl, D. & Gekas, G. 2011. Social entrepreneurship: a content analysis. *Journal of Strategic Innovation and Sustainability*, 7(1), 99-119.

- Damodaran, A. 2008. Strategic risk taking: a framework for risk management. Upper Saddle River, N. J.: Wharton School Publishing.
- Davidsson, P. & Wiklund, J. 2001. Levels of analysis in entrepreneurship research: current research practice and suggestions for the future. *Entrepreneurship Theory and Practice*, 25(4), 81-100.
- Della Peruta, M. R. 2011. Learning processes and social implications in family organizations. In Giudice, D. M., Della Peruta, M. R. & Carayannis, E. G. (Eds.) 2011. *Knowledge and the Family Business: the Governance and Management of Family Firms in the New Knowledge Economy*, 7(1), 47-72.
- Du, T. C. 2002. Emerging database system architectures. In Cornelius, L. T. (Ed.) 2002. *Database and Data Communication Network Systems: Techniques and Applications*. Amsterdam: Academic Press, 1(1), 1-39.
- Duriau, V. J., Regeer, R. K. & Pfarrer, M. D. 2007. A content analysis of the content analysis literature in organization studies: research themes, data sources, and methodological refinement. *Organizational Research Methods*, 10(1), 5-34.
- Duthel, H. 2010. European Debt Crisis 2011. IAC Society.
- Ellingson, J. E. & Wiethoff, C. 2002. From traditional to virtual: staffing the organization of the future today. In Heneman, R. L. & Greenberger, D. B. (Eds.) 2002. *Human resource management in virtual organizations*. Greenwich, CT: Information Age, 141-177.
- Elo, S. & Kyngas, H. 2008. The qualitative content analysis process. *Journal of Advanced Nursing*, 62(1), 107-115.
- Family Firm Institute. 2009. The challenges and opportunities of family business during economic crisis. *Intelligence matters: issues for critical thinking*. 1(1).
- Frese, M. 2009. Towards a psychology of entrepreneurship: an action theory perspective. *Foundations and Trends® in Entrepreneurship*, 5(6), 437-496.
- GAO. 1996. Content analysis a methodology for structuring and analyzing written material. Program Evaluation and Methodology Division, United States General Accounting Office, Washington, 43-45.
- Garcia, R. & Calantone, R. 2002. A critical look at technological innovation typology and innovativeness terminology: a literature review. *Journal of Product Innovation Management*, 19(2), 110-132.
- Gill, J. & Johnson, P. 2010. *Research methods for managers*. 4<sup>th</sup> Ed. Los Angeles: Sage Publications Ltd, 6-10.
- Goodman, M. B. 1994. Corporate identity. In Goodman, M. B. (Ed.). 1994. *Corporate Communication: Theory and Practice*. Albany: State University of New York Pr., 111-116.
- Graves, C. & Thomas, J. 2004. Internationalization of the family business: a longitudinal perspective. *International Journal of Globalization and Small Business*, 1(1), 7-27.
- Green, K. M., Covin, J. G. & Slevin, D. P. 2008. Exploring the relationship between strategic reactivity and entrepreneurial orientation: the role of structure---style fit. *Journal of Business Venturing*, 23(3), 356-383.

- Handler, W. C. 1989. Methodological issues and considerations in studying family businesses. *Family Business Review*, 2, 257-276.
- Harris, D., Martinez, J. I. & Ward, J. L. 1994. Is strategy different for the family-owned business? *Family Business Review*, 159-174.
- Hector, R. & Birkinshaw, J. 2007. Entrepreneurship safari (foundation and trends (R) in Entrepreneurship S.) Now Publishers Inc., 11-14.
- Hsieh, H-F. & Shannon, S. E. 2005. Three approaches to qualitative content analysis. *Qualitative Health Research*, 15(9), 1277-1288.
- Hughes, M. & Morgan, R. E. 2007. Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management*, 36(5), 651-661.
- Ina, E. 2009. Sustainable human resource management: a conceptual and exploratory analysis from a paradox perspective. Berlin: Physica, 131-132.
- Ingwersen, P. & Jarvelin, K. 2005. The turn: integration of information seeking and retrieval in context. Dordrecht: Springer, 97-98.
- Jansen, L. H., Beulig, N. & Linsmann, K. 2009. US subprime and financial crisis- to what extent can you safeguard financial system risks? GRIN Verlag.
- Kabanoff, B. & Keegan, J. 2007. Studying strategic cognition by content analysis of annual reports: a validation involving firm innovation. In Chapman, R. (Ed.) 2007. *Managing Our Intellectual and Social Capital: 21<sup>st</sup> ANZAM 2007 Conference*, 4-7 December, Sydney, Australia.
- Kant, I. 1781. *Theoretical philosophy*. Allison, H. (Ed.) 2002. New York: Cambridge University Press, 136.
- Keh, H. T., Nguyen, T. T., & Hg, H. P. 2007. The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of Business Venturing*, 22(4), 595.
- Kenneth, M. H., Slee, R. T., Blee, C. W. & Nall, M. R. 2012. *Middle market M&A: handbook for investment banking and business consulting*. Hoboken, N. J. 132.
- Kirzner, I. M. 1982. Uncertainty, discovery and human action: a study of the entrepreneurship profile in the Misesian system. In Kirzner, I. M. (Ed.) 1982. *Method, Process and Austrian Economics: Essays in Honor of Ludwig von Mises*. Lexington, Mass: D. C. Heath, 139-159.
- Klenke, K. (Ed.) 2008. *Qualitative research in the study of leadership*. Emerald Group Publishing, 89-90.
- Krauss, S. I., Frese, M., Friedrich, C. & Unger, J. M. 2005. Entrepreneurial orientation: a psychological model of success among southern African small business owners. *European Journal of Work and Organizational Psychology*, 14(3), 315-344.
- Krippendorff, K. 2004. *Content analysis: an introduction to its methodology*. 2<sup>nd</sup> ed, Thousand Oaks, Calif: Sage Publications, Inc., 18, 211-214.
- Lancaster, G. 2005. *Research methods in management: a concise introduction to research in management and business consultancy*. Oxford: Butterworth-Heinemann, 22-25.

- Lee, S. M. & Peterson, S. 2000. Cultural, entrepreneurial orientation and global competitiveness. *Journal of World Business*, 35(4), 401-416.
- Leonardo, A. & Gava, R. 2012. *Proactive companies: how to anticipate market changes*. Basingstoke: Palgrave Macmillan, 188.
- Lin, Y. F. & Liu, W. C. 2004. The influence on firm performance on CEO compensation and CEO turnover under different ownership structure in Taiwan. In Lee, C. F. (Ed.) 2004. *Advances in quantitative analysis of finance and accounting: new series*, Vol. 1. World Scientific Pub Co. Inc., 149.
- Lindgren, M. & Hans, B. 2003. *Scenario planning: the link between future and strategy*. Palgrave Macmillan, 13-14.
- Louw, D. A. 2002. *Human development*, 2<sup>nd</sup> ed. Kagiso, 503.
- Lumpkin, G. T. & Dess, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1), 135-172.
- Lumpkin, G. T. & Dess, G. G. 2001. Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5), 429-451.
- Lyon, D. W., Lumpkin, G. T. & Dess, G. G. 2000. Enhance entrepreneurial orientation research: operationalizing and measuring a key strategic decision making process. *Journal of Management*, 26(5), 1055-1085.
- Madsen, E. L. 2007. The significance of sustained entrepreneurial orientation on performance of firms---a longitudinal analysis. *Entrepreneurship & Regional Development*, 19(2), 185-204.
- Magretta, J. 2000. Governing the family-owned enterprise: an interview with Finland's Krister Ahlström. In Wetlaufer, S., Prokesch, S., Magretta, J. & Howard, A. 2000. *Harvard Business Review Interviews With CEOs*. Boston: Harvard Business School Press, 193-218.
- Mäntysaari, P. 2009. *The law of corporate finance: general principles and EU Law III: funding, exit, takeovers*. Springer, 377-379.
- Mayring, P. 2000. Qualitative content analysis. *Forum: Qualitative Social Research*, 1(2). Retrieved July 26, 2012 from <http://www.qualitative-research.net/index.php/fqs/article/view/1089/2385>
- McBurney, D. H. & White, T. L. 2010. *Research methods*. 8<sup>th</sup> ed. Belmont, CA: Wadsworth Publishing, 219-244.
- Memili, E., Eddleston, K., Zellweger, T., Kellermanns, F. & Barnett, T. 2010. The importance of looking toward the future and building on the past: entrepreneurial risk taking and image in family firms. In Stewart, A., Lumpkin, G. T. & Katz, J. (Eds.) 2010. *Entrepreneurship and family business (Advances in entrepreneurship, firm emergence and growth)*. Vol. 12. Emerald Group Publishing Limited. 3-29.
- Memili, E., Lumpkin, G. T. & Dess, G. G. 2010. Entrepreneurial orientation: the driving force for corporate entrepreneurship. In Pietro, M. & Kellermanns, F. W. (Eds.) 2010. *Handbook of research on strategy process*. Edward Elgar Pub, 326-338.

- Miller, D. & Friesen, P. 1978. Archetypes of strategy formulation. *Management Science*, 24(9), 921-933.
- Miller, D. & Friesen, P. H. 1983. Strategy-making and environment: the third link. *Strategic Management Journal*, 4(3), 221-235.
- Miller, D. 1983. The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-791.
- Minniti, M., Habbershon, T. G., Rice, M. P., Spinelli Jr. S. & Zacharakis, A. (Eds.) 2007. *Entrepreneurship: the engine of growth*, vol. 1. Westport, Conn.: Praeger.
- Morris, M. H., Kuratko, D. F. & Covin, J. G. 2011. *Corporate entrepreneurship and innovation: entrepreneurial development within organization*. 3<sup>rd</sup> ed. Mason, OH: South-Western College Pub, 75.
- Mosebach, J. 2007. *Founding family firms: effective tax rates, and dividend payout policies*. University of Arkansas.
- Muntean, S. C. 2008, Analyzing the dearth in family enterprise research. In Phan, P. H. & Butler, J. F. (Eds.) 2008. *Theoretical developments in future research in family business*. Charlotte: IAP, 13.
- Naldi, L., Nordqvist, M., Sjoberg, K. & Wiklund. 2007. Entrepreneurial orientation, risk taking, and performance in family firms. *Family Business Review*, 20(1), 33-47.
- Neubauer, F. & Lank, A. 1998. *The family business: its governance for sustainability*. New York: MacMillan Press Ltd.
- Nordqvist, M. & Melin, L. 2010. Entrepreneurial families and family firms. *Entrepreneurship & Regional Development*, 22(3&4), 216-219.
- Nordqvist, M., Habbershon, T. G., & Melin, L. 2008. Transgenerational entrepreneurship: exploring entrepreneurial orientation in family firms. In Landsrom, H., Smallbone, D., Crigns, H. & Laveren, E. 2008. *Entrepreneurship, sustainable growth and performance: frontiers in European entrepreneurship research*. Cheltenham: Edward Elgar, 93-116.
- Okhomina, D. 2010. Entrepreneurial orientation and psychological traits: the moderating influence of supportive environment. *Journal of Behavioral Studies in Business*, 2, 1-16.
- Patton M. Q. 1990. *Qualitative evaluation and research methods*. Sage Publications, Newbury Park.
- Potter, J. W. 2008. Defining and measuring key content variables. In Jordan, A. B., Kunkel, D., Manganello, J. & Fishbein, M. 2008. *Media Messages and Public Health: a Decisions Approach to Content Analysis*. New York: Routledge, 35-52.
- Poza, E., 2010. *Family business*. 3rd ed. Mason, Ohio: South-Western College Pub, vii-xiii, 5-6.
- Reginald A. Litz, R. A. 1995. The family business: toward definitional clarity. *Family Business Review*, 8(2), 71-81.
- Renko, M., Carsrud, A. & Brannbak, M. 2009. The effect of a market orientation, entrepreneurial orientation, and technological capability on innovativeness:



- a study of young biotechnology venture in the United States and in Scandinavia. *Journal of Small Business Management*, 47(3), 331-369.
- Roberts, B. & Berg, N. 2012. *Walmart: Key insights and practical lessons from the world's largest retailer*. London: Kogan.
- Schuman, A., Stutz, S. & Ward, J. 2010. *Family business as paradox*. New York, NY: Palgrave Macmillan. 42-45, 46.
- Shane, S. & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 219.
- Shapira, Z. 1995. *Risk taking: a managerial perspective*. New York: Russell Sage Foundation, 17.
- Sharma, P., Chrisman, J. & Chua, J. 1996. *A review and annotated bibliography of family business studies*. Boston: Springer.
- Short, C. J., Payne, G. T., Brigham, H. K., Lumpkin, G. T. & Broberg, J. C. 2009. Family firms and entrepreneurial orientation in publicly traded firms: a comparative analysis of the S&P 500. *Family Business Review*, 22(1), 9-24.
- Short, J. C., Brogerg, J. C., Cogliser, C. C. & Brigham, K. H. 2010. Construct validation using computer-aided text analysis (CATA): an illustration using entrepreneurial orientation. *Organizational Research Methods*, 13(2), 320-347.
- Soderquist, D. 2005. *The Wal-Mart way: the inside story of the success of the world's largest company*. Nashville: Thomas Nelson.
- Stam, W. & Elfring, T. 2008. Entrepreneurial orientation and new venture performance: the moderating role of intra-and extraindustry social capital. *Academy of Management Journal*, 51(1), 97-111.
- Stemler, S. 2001. An overview of content analysis. *Practical Assessment, Research & Evaluation*, 7(17). Retrieved July 25, 2012 from <http://pareonline.net/getvn.asp?v=7&n=17>
- Sun, Tzu. *The Art of War*. London: Oxford University Press, 1971.
- Swartz, S. 1989. The challenges of multidisciplinary consulting to family-owned businesses. *Family Business Review*, 2(4), 329-331.
- Tagiuri, R. & Davis, J. 1996. Bivalent attributes of the family firm. *Family Business Review*, 199-208.
- Tagiuri, R. & Davis, J.A. 1982. Bivalent attributes of the family firm. Working Paper, Harvard Business School, Cambridge, Massachusetts. Reprinted 1996, *Family Business Review* IX 2,199-208.
- The challenges and opportunities of family business during economic crisis. 2009. *Family Firm Institute*, 1(1).
- Timmons, J. A. 1995. *New venture creation: entrepreneurship in the 21<sup>st</sup> Century*. 4 Revised edition. McGraw-Hill College.
- Tran, V. H. (Ed.) 2002. *Economic crisis management: policy, practice, outcomes, and prospects*. Nprthampton, MA: Edward Elgar Pub.
- Trevino, L. K. & Nelson, K. A. 2011. *Managing business ethics: straight talk about how to do it right*. 5<sup>th</sup> ed. New York: Wiley, 84.
- Ulwick, A. W. 2002. Turn customer input into innovation. *Harvard Business Review*, 80(1), 5-12.

- Vasudev, P. M. & Watson, S. (Eds.) 2012. *Corporate governance after the financial crisis*. Northampton, MA: Edward Elgar Pub.
- Wal-Mart in Context. 2001. *Wal-Mart A Strategic Review*, IGD, 24.
- Waltz, C. F., Strickland, O. L. & Lenz, E. R. 2010. Content analysis. In Waltz, C.F., Strickland, O.L. & Lenz, E. R. (Eds.) 2010. *Measuring in Nursing and Health Research*. 4<sup>th</sup> ed. New York, NY.: Springer Publishing Company, 279-286.
- Wang, C. L. 2008. Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship Theory and Practice*, 32(4), 637.
- Ward, J. 2004. *Perpetuating the family business: 50 lessons learned from long-lasting, successful families in business*. New York: Palgrave Macmillan. 21.
- Wiklund, J. & Shepherd, D. 2003. Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24(13), 1309.
- Wiklund, J. 1999. The sustainability of the entrepreneurial orientation-performance relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-48.
- Winston, C. E. 2012. Biography and life story research. In Lapan, S. D., Quartaroli, M. T. & Riemer, F. J. (Eds.) 2012. *Qualitative Research: an Introduction to Methods and Designs*. San Francisco: Jossey-Bass, 107-136.
- Wiseman, R. M. & Catanach, A. H. 1997. A longitudinal disaggregation of operational risk under changing regulatory conditions: evidence from the savings and loan industry. *Academy of Management Journal*, 49(4), 799-830.
- Yan, B. & Arlin, P. 1999. Dialectical thinking: implications for creative thinking. In Runco, M. A. & Pritzker, S. R. (Eds.) 1999. *Encyclopedia of creativity*. Vol. 1 A-H. San Diego, CA: Academic Press, 547-552.
- Zahra, S. A. 2005. Entrepreneurial risk taking in family firms. *Family Business Review*, 18(1), 23-40.
- Zellweger, T., Sieger, P. & Muhlebach, C. 2010. How much and what kind of entrepreneurial orientation is needed for family business continuity? In Nordqvist, M. & Zellweger, T. (Eds.) 2010. *Transgenerational entrepreneurship: exploring growth and performance in family firms across generations*. Cheltenham: Edward Elgar, 70-97.

## Internet sources

- Ahlstrom Annual Report. 2008.  
[http://www.ahlstrom.com/en/investors/reportsAndPresentations/Documents/2008/2008\\_Annual\\_report.pdf](http://www.ahlstrom.com/en/investors/reportsAndPresentations/Documents/2008/2008_Annual_report.pdf) Retrieved September 1, 2012.
- Ahlstrom Annual Report. 2009.  
<http://www.ahlstrom.com/en/investors/reportsAndPresentations/Documents/2009/Annual%20report%202009.pdf> Retrieved September 1, 2012.
- Ahlstrom Annual Report. 2010.  
[http://www.ahlstrom.com/en/investors/reportsAndPresentations/2010/Documents/AnnualReport\\_2010.pdf](http://www.ahlstrom.com/en/investors/reportsAndPresentations/2010/Documents/AnnualReport_2010.pdf) Retrieved September 2, 2012.

- Ahlstrom Annual Report. 2011. <http://www.ahlstrom.com/en/Documents/FrontpageDocuments/Annual%20Report%202011%20pdf.pdf> Retrieved September 2, 2012.
- Ahlstrom Official Website. <http://www.ahlstrom.com> Retrieved September 10, 2012.
- Chrysler Official Website. <http://www.chryslergroupllc.com/> Retrieved September 9, 2012.
- Fiat Annual Report. 2008. [http://www.fiatspa.com/en-US/investor\\_relations/financial\\_reports/FiatDocuments/Bilanci/2008/Bilancio\\_Consolidato\\_UK\\_ott.pdf](http://www.fiatspa.com/en-US/investor_relations/financial_reports/FiatDocuments/Bilanci/2008/Bilancio_Consolidato_UK_ott.pdf) Retrieved August 30, 2012.
- Fiat Annual Report. 2009. [http://www.fiatspa.com/en-US/investor\\_relations/financial\\_reports/FiatDocuments/Bilanci/2009/Annual\\_report\\_totUK\\_2009.pdf](http://www.fiatspa.com/en-US/investor_relations/financial_reports/FiatDocuments/Bilanci/2009/Annual_report_totUK_2009.pdf) Retrieved August 30, 2012.
- Fiat Annual Report. 2010. [http://www.fiatspa.com/en-US/investor\\_relations/financial\\_reports/FiatDocuments/Bilanci/2010/Relazione\\_Finanziaria\\_UK.pdf](http://www.fiatspa.com/en-US/investor_relations/financial_reports/FiatDocuments/Bilanci/2010/Relazione_Finanziaria_UK.pdf) Retrieved August 31, 2012.
- Fiat Annual Report. 2011. [http://www.fiatspa.com/en-US/investor\\_relations/financial\\_reports/FiatDocuments/Bilanci/2011/Fiat\\_AnnualReport\\_2011\\_ENG.pdf](http://www.fiatspa.com/en-US/investor_relations/financial_reports/FiatDocuments/Bilanci/2011/Fiat_AnnualReport_2011_ENG.pdf) Retrieved August 31, 2012.
- FIAT S. p. A. Official Website. <http://www.fiatspa.com> Retrieved September 9, 2012.
- Fiat Risk Management. 2011. [http://www.fiatspa.com/en-us/sustainability/corporate\\_responsibility/gestione\\_rischi/overview/Pages/overview.aspx](http://www.fiatspa.com/en-us/sustainability/corporate_responsibility/gestione_rischi/overview/Pages/overview.aspx) Retrieved July 9, 2012.
- PwC. 2010. How do your plans, problems, and prospects compare with those of your counterparts overseas? <http://www.pwc.com/gx/en/pwc-family-business-survey/country-comparisons.jhtml> Retrieved June 29, 2012.
- Samsung Official Website. <http://www.samsung.com> Retrieved September 6, 2012.
- Samsung Annual Report. 2008. [http://www.samsung.com/us/aboutsamsung/corporateprofile/download/SE2008\\_eng\\_final.pdf](http://www.samsung.com/us/aboutsamsung/corporateprofile/download/SE2008_eng_final.pdf) Retrieved September 3, 2012.
- Samsung Annual Report. 2009. [http://www.samsung.com/us/aboutsamsung/corporateprofile/download/2009\\_annual\\_rpt.pdf](http://www.samsung.com/us/aboutsamsung/corporateprofile/download/2009_annual_rpt.pdf) Retrieved September 3, 2012.
- Samsung Annual Report. 2010. [http://www.samsung.com/us/aboutsamsung/ir/financialinformation/annualreport/downloads/2010/SECAR2010\\_Eng\\_Final.pdf](http://www.samsung.com/us/aboutsamsung/ir/financialinformation/annualreport/downloads/2010/SECAR2010_Eng_Final.pdf) Retrieved September 4, 2012.
- Samsung Profile. 2011. [http://www.samsung.com/us/aboutsamsung/corporateprofile/download/Samsung\\_Profile\\_2011-EN-final-revise.pdf](http://www.samsung.com/us/aboutsamsung/corporateprofile/download/Samsung_Profile_2011-EN-final-revise.pdf) Retrieved September 6, 2012.
- The Financial Times. 2012. <http://www.ft.com/indepth/family-companies> Retrieved July 2, 2012.

Walmart Annual Report. 2008.

[http://www.walmartstores.com/sites/AnnualReport/2008/docs/wal\\_mart\\_annual\\_report\\_2008.pdf](http://www.walmartstores.com/sites/AnnualReport/2008/docs/wal_mart_annual_report_2008.pdf) Retrieved August 16, 2012.

Walmart Annual Report. 2009. [http://media.corporate-](http://media.corporate-ir.net/media_files/irol/11/112761/ARs/2009_Annual_Report.pdf)

[ir.net/media\\_files/irol/11/112761/ARs/2009\\_Annual\\_Report.pdf](http://media.corporate-ir.net/media_files/irol/11/112761/ARs/2009_Annual_Report.pdf)

Retrieved August 28, 2012.

Walmart Annual Report. 2010.

[http://cdn.walmartstores.com/sites/AnnualReport/2010/PDF/WMT\\_2010AR\\_FINAL.pdf](http://cdn.walmartstores.com/sites/AnnualReport/2010/PDF/WMT_2010AR_FINAL.pdf) Retrieved August 16, 2012.

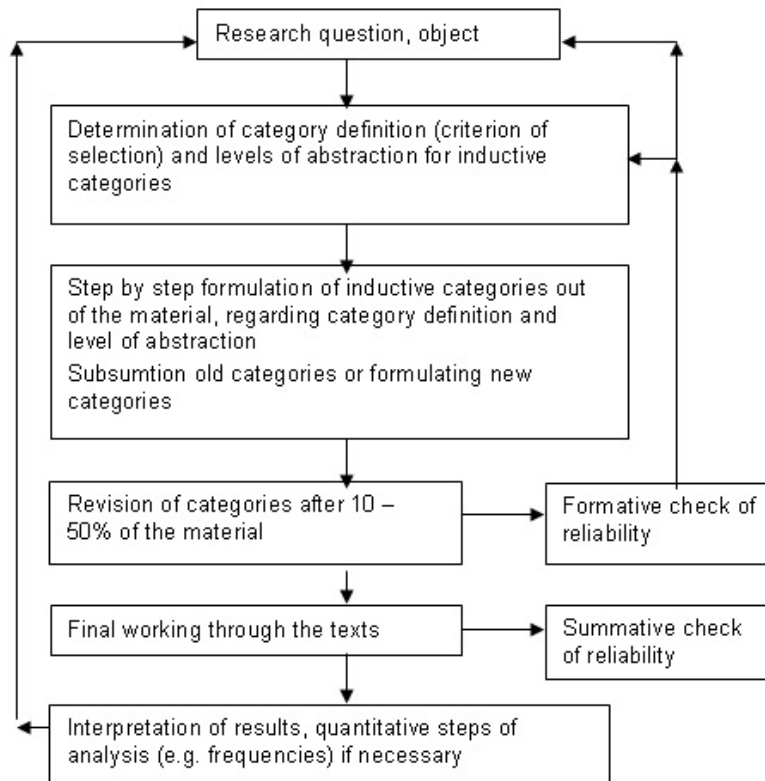
Walmart Annual Report. 2011.

[http://www.walmartstores.com/sites/annualreport/2011/financials/Walmart\\_2011\\_Annual\\_Report.pdf](http://www.walmartstores.com/sites/annualreport/2011/financials/Walmart_2011_Annual_Report.pdf) Retrieved August 29, 2012.

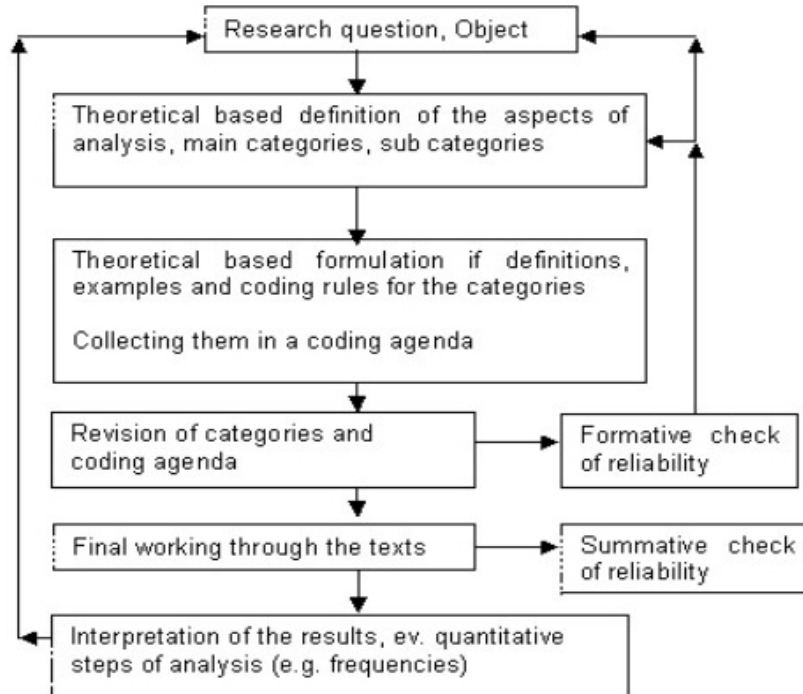
Wal-Mart Stores, Inc. Official Website. [www.walmartstores.com](http://www.walmartstores.com) Retrieved August 16, 2012.

## APPENDIX

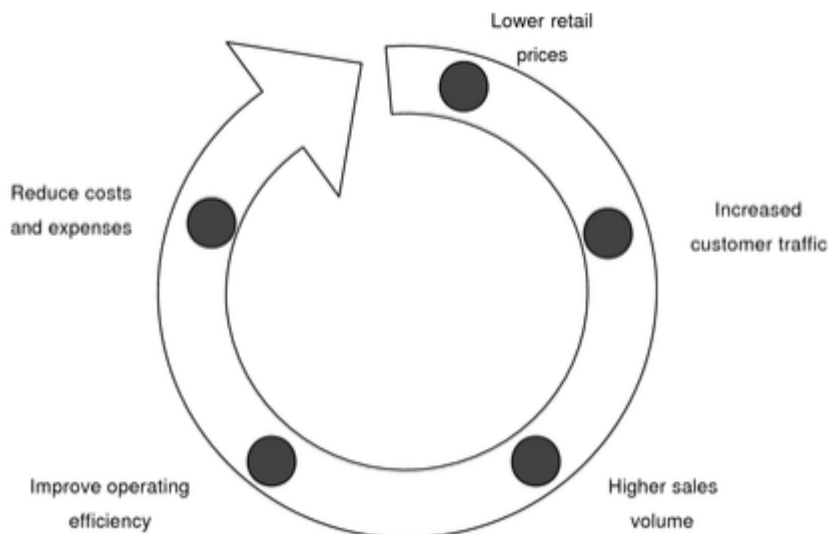
### APPENDIX 1 Step model of inductive category development (Maring, 2000)



## APPENDIX 2 Step model of deductive category application (Mayring, 2000)



## APPENDIX 3 Walmart low price productivity loop (Wal-Mart in Context 2001, 24)



**APPENDIX 4 Ahlstrom three categories of risks and opportunities affecting its operations (Ahlstrom Annual Report, 2008)**

