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SPECIAL ISSUE ON SOCIAL CAPITAL

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EDITOR'S NOTE

This issue of the Electronic Journal of Family Business Studies deals with Social Capital. It can be seen as a key resource. Social Capital also makes it possible to develop other forms of capital, such as Human, Financial, Physical, Symbolic, Cultural, and Emotional. Social capital is embedded in the relationships between people or organizations in a social network. This edition includes five papers. The first one by Dhaliwari et al. asks "Help or Hindrance?". The empirical data come from originally South Asian families who are now residents in the United Kingdom, and whose businesses have now their headquarters in the UK. The nature of their paper is exploratory.

The second one by Kontinen and Ojala discusses about the Bridging Social Capital in the Foreign Market Entry, and Entry Mode Change of Family Firms. Adler & Kwon (2002) have suggested in the prior literature two forms of Social Capital: internally focused bonding and externally focused bridging. Both the initial entry and the entry mode change are studied by the two Finnish writers.

The third paper is authored by Kaija Arhio whose contribution is "Learning Social Networks Producing Creative Quality and Value Innovations." Arhio uses the concept of network as a unit of analysis. Creative quality and value innovations can be achieved in a network structure by a so-called triple-loop learning. She illustrates that creative quality and value innovations can be valued with the framework of "the five S's". Her empirical data are from Finland.

Cisneros and Genin present a Tridimensional Model for the analysis of the management styles of small family business founders. The management styles have been illustrated with a cubic model, where the dimensions are Pater Familias, Homo Oeconomicus, and Homo Politicus. The challenges of managing the complexity of a family business system have formed the starting point for their analysis where the approach is conceptual.

Finally, in the fifth paper Bartoli et al. focus on the Farm Family Business in the Italian agriculture. They pay attention to the regional rural development policies. Socio-demographic factors are discussed in order to identify and verify the existence of a so-called district effect.

To conclude, it is my great pleasure as an invited editor to thank all these authors for their contributions and patience in improving the texts. Furthermore, a special thank goes also to the anonymous reviewers whose comments and suggestions have been really of vital importance. Finally, I want to thank my co-editor Linda Murphy for her contribution in the proofreading and editing.

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HELP OR HINDRANCE? SOUTH ASIAN WOMEN IN THE FAMILY FIRM

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Abstract

This paper focuses upon the often neglected issue of the contribution of South Asian women to both entrepreneurship and the management of family businesses. We conceptualise the family as a highly gendered institution.

Two in-depth case studies, as illustrative typological exemplars, were undertaken with Asian women entrepreneurs who share both ownership and management of larger businesses which are household names, yet represent a tiny fraction of the Asian women in business. Respondents were interviewed by telephone and we applied our conceptual model of the family firm as an analytical framework.

A clearer picture emerges of the roles, responsibilities and relationships of the relatively few Asian women who are entrepreneurs in their own right, and the many more who physically and strategically help sustain many successful Asian enterprises. Methodologically, the paper is novel in so far as one of the authors (an Asian female from a "typical" family business background) has taken care to observe the cultural norms and proprieties within this particular group. Hence, the data are arguably more authentic than previous studies undertaken by "distant" researchers.

While policy makers are increasingly being reminded to appreciate the needs and the diversity of ethnic minorities in business, the findings of this paper reinforce this message by highlighting the distinctive experiences of Asian women in their own and family businesses.

This is one of few studies to explore the role of South Asian women in family firms, and adopts institutional theory as an analytical framework.

Key words: Women, family firms, South Asian, ethnicity, families, business ownership.

INTRODUCTION

In this case-based paper, we seek to explore the contribution of Asian women to both entrepreneurship and the management of family businesses. In so doing, we conceptualise the South Asian family as an institution and, therefore, this paper builds theory by considering family firms as operating in that context and in a gendered manner. Hence, this paper seeks to explore the following research question: “*How and why do South Asian women contribute to entrepreneurship and family firm management?*”. We, therefore, seek to utilise two cases to answer these ‘why’ and ‘how’ questions, bearing in mind the classical definition of a case study as, “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003: 13). Whilst the family is seen as a source of strength for Asian men, in the sense that it provides emotional, financial and labour-related support, is it a help or hindrance for South Asian females? And how and why?

Ahl (2004: 161-163) highlights four assumptions that ‘scientifically reproduce’ gender inequality: first, that ‘entrepreneurship is a good thing’; second, that ‘men and women are different’; third, that there is ‘a divide between public and private life’, as within many families (as institutions) women are expected to adopt caring roles; and, fourth, that entrepreneurship is all about ‘individualism’. These assumptions by Ahl (2004) are particularly important to South Asian families in which the ‘divide between public and private life’ is much less clear, and indeed the whole notion of individualism is moot, where familialism (and, indeed, paternalism, itself a gendered term) is much more relevant. Others have questioned assumptions in policy and research:

‘Women ... need to be ‘fixed’ through appropriate policy, support and advice initiatives to encourage and enable them to adapt their behaviours to meet the standards established with a masculinised normative model of enterprise. However, this deficiency analysis is not suggesting that women lack the abilities and/or talent to be successful entrepreneurs. Rather, they need specific help to overcome constraints associated with their femininity which restricts entry to self employment and is detrimental to the accrual of entrepreneurial capital essential for business growth’ (Marlow et al, 2008b, p. 2).

UK women’s enterprise research and policy have notably been focused on start up to the detriment of growing firms (Añón Higón et al, 2008), as well as benchmarking UK and US levels of entrepreneurship despite major differences in the benefits system in both countries (Marlow et al, 2008a). Reviews of research in the field have highlighted shortcomings and pointed out various future avenues for research (Carter et al, 2001; Carter and Shaw, 2006; de Bruin et al, 2006, 2007). As the above quote from Marlow et al (2008b) highlights, women’s business ownership and entrepreneurship is too often undervalued since it is compared to that of men (Ahl, 2006). Therefore, we seek, first, to move away from the stereotypical image of women entrepreneurs; and, secondly, to highlight the role of *entrepreneurial* South Asian women in the growth strategies of family firms. We hope to make a major contribution to the debate on gender, ethnicity and family firms.

The remainder of the paper is structured as follows. In section two, we explore gender, ethnicity and the family business, and then conceptualise the family as an institution. Section three is the methodology of the paper, section four presents two case studies of South Asian women in family firms, and section five includes a discussion of the key issues in the cases and some conclusions.

ETHNICITY, GENDER, AND FAMILY BUSINESS

South Asian family firms as gendered institutions

The dated view of Asian business is one of 'taxis and curry houses' and this stereotype is reinforced to some extent by established research (Ram and Jones, 2006). Many of these businesses and business families have developed over time, especially the second generation 'New Asian Entrepreneurs' (Hussain and Martin, 2005). Dhaliwal and Adcroft (2005) observed that ethnic minorities were entering non-traditional sectors, such as information technology and pharmaceuticals, and, indeed, these were amongst some of the fastest-growing and most highly capitalised ethnic minority businesses. Other research confirms a shift away from traditional sectors amongst the younger, more educated South Asian entrepreneurs (Jones and Ram, 2003; McEvoy and Hafeez, 2006). Indeed, Mason *et al.* (2006) also described graduate entrepreneurs' sectors to be office-based, such as business services, as opposed to non-graduates being 'located in a factory, workshop or business unit.' The UK Annual Small Business Survey ethnic booster study identified that 90.4% of ethnic minority businesses, compared to 69.9% of non-ethnic minority businesses, were in service industries (Whitehead *et al.*, 2006). Finally, in a study based on Global Entrepreneurship Monitor (GEM) data, Levie *et al.* (2007) found that 15.6% of Asian and 29.5% of black owner-managers of new and established businesses were in the business services sector. Of Asian nascent entrepreneurs, 19.2% were in business services (and 12.7% in computer-related services), while 27% of black nascent entrepreneurs were in this sector, although there is still evidence of start-ups in retail and restaurants (Levie *et al.*, 2007). However, much of the analysis of South Asian family firms, as with family firms in general, is predominantly ungendered.

One issue of particular relevance to women in family firms is succession within the institution (e.g. Birley, 2001; Dunemann and Barrett, 2004; Malinen, 2001, 2004; Martin *et al.*, 2002; Miller *et al.*, 2003; Mustafa and Chen, 2008; Pardo-del-Val, 2009; Shepherd and Zacharakis, 2000). This process is complicated for ethnic minority family firms, which tend to have been started by first generation immigrants in traditional, declining, and low-profit sectors. Such sectors are often unappealing for the second generation, UK-born children of ethnic minority family firms, which have become better educated and have, therefore, in many cases either avoided starting a business or have moved into higher value, high technology sectors (Jones and Ram, 2003; Hussain and Martin, 2005; McEvoy and Hafeez, 2006) – as Dhaliwal and Kangis (2006, p. 105) aptly describe: 'entry into business by the second generation is a positive choice and not the last resort.' However, breakout from 'inadequate' markets is an important and yet under-researched area (Ram *et al.*, 2003; Ram and Jones, 2008, p. 366). Graduate ethnic minority entrepreneurs have been shown to be important to economic development, particularly in local economies in UK cities (Hussain *et al.*, 2007, 2008). And yet the unspoken role of women in the gendered institution that is the family firm is deafening in its silence, and yet is clearly important (Ram, 2009).

Bachkaniwala *et al.* (2001) identified the important role of education, job opportunities to the future performance of the family firm and the possibility of selling the business as one of the key determinants of whether these potential successors actually did succeed; in their study, they also profiled five cases in which only one child was 'expected' to succeed the founder – for the others, jobs elsewhere were an acceptable option (Bachkaniwala *et al.*, 2001) but to what extent this is the case with all minority ethnic groups remains untested. Other studies have examined strategies for succession planning in South Asian firms, including the idea of a 'good conversation' between generations in order to achieve effective business succession (Janjuha-Jivraj and Woods, 2002a, 2002b). Furthermore, it is critical to highlight the role of women – given that they are 'silent contributors' within many BME owned family firms (Dhaliwal, 2000) and also since they are often not considered by founders (i.e. their fathers) to be appropriate successors more generally across the business population (Martin, 2001). It is, therefore, notable that Janjuha-Jivraj (2004) found that mothers in South Asian family firms were a 'critical buffer between the generations' in the succession process. Several other authors have investigated the ethnic minority family business; e.g. Basu (2004, p. 31) notes that 'some family business owners have non-economic aspirations of ensuring family succession in the business or of enjoying a comfortable lifestyle by achieving a satisfactory level of income.'

Basu and Altinay (2002) explored the relationship between ethnicity and culture which influences, for example, many Muslim women who work with their husbands in the family business. Bhalla *et al.* (2006) profiled an Asian family firm, a food and drink wholesaler, in which a member of the second generation made changes vital for the future success of the firm. The dichotomy between 'continuity', or maintaining the status quo, and 'change' between generations of BME is especially pertinent (Mascarenhas-Keyes, 2007). And yet where are the women in these analyses? We explore their role below.

Gender, ethnicity, and entrepreneurship

While male entrepreneurs have been eulogised by the popular press keen to promote free enterprise heroes, scant attention has been paid to Asian women who have become entrepreneurs in their own right or have energised family enterprises. Meanwhile, more detached academic commentary has sought to identify the key success factors for this entrepreneurial minority. Much less conspicuous has been the role of female Asian entrepreneurs and Asian women working in 'family' businesses.

Recently, Marlow *et al.* (2008) have drawn the conclusion that many women are rational in adopting a less risky development strategy. Their analysis assumes women to be the lead entrepreneur in a business – but it is perfectly conceivable that women within family firms could be responsible for moderating the perhaps high risk activities of men. This does not imply that such firms will not grow, but rather that their growth is sustainable and they may, therefore, avoid failure. Heilbrunn (2004) found that women believed that they had deficiencies in human capital, whilst Manolova *et al.* (2006) concluded that social network diversity, used more effectively by men, makes entrepreneurs more likely to obtain external finance. While differentials in levels of education between women and men can impact upon the ability to obtain different types of external capital, and it has been observed that men have more social net-

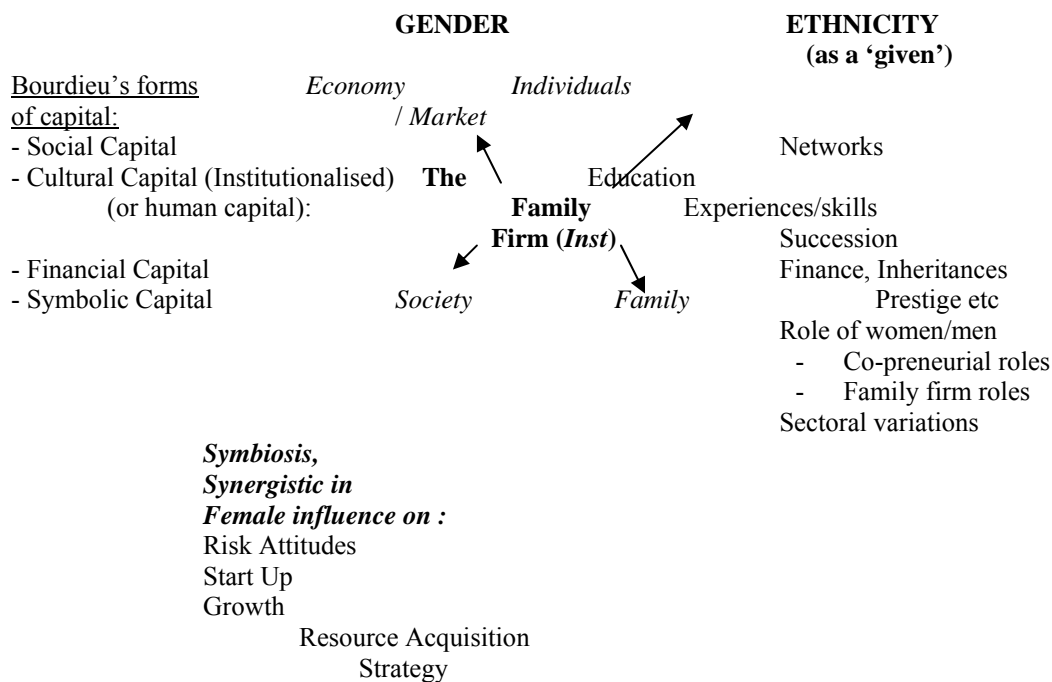
works than many women do, both social capital and human capital shortfalls can be disadvantageous to women, particularly in terms of accessing finance (Carter, *et al* 2003; Carter and Shaw, 2006; Manolova *et al*, 2006; Heilbrunn, 2004); and yet family firms often do not suffer from such constraints because they pool the members' skills and deficiencies. As teams, they overcome such deficiencies and build on their collective skills and competences.

Smith-Hunter (2006) identified a 'double disadvantage' for ethnic minority women (in her case, African-Americans) involved in business, i.e. because of discrimination or disadvantage because of both their ethnicity and their gender. Other studies have explored more specifically issues related to minority women starting a small business (Dawe and Fielden, 2005; Inman and Grant, 2005).

Meanwhile, a significant part of the women's business ownership literature focuses upon the differences between men's and women's motivations to choose self-employment as a career choice (e.g. Clain, 2000; Buttner and Moore, 2001; Burke *et al*, 2002; Georgellis and Wall, 2005; Leung, 2006), while there are many unanswered questions about the experiences of South Asian women in family firms. We discuss this research gap below, but first we elaborate upon our conceptual model (Figure 1), which serves as the basis for the analysis in this paper. The model assumes that family firms are gendered institutions, which connect the family firm to four 'realms': the economy/market, individuals (family members), the family, and society. Ethnicity we consider to be 'a given' in South Asian family firms (hence "racialised" processes are only relevant in terms of the relationships of the institution and its members with non co-ethnics: customers and other stakeholders): conversely, there can be no doubt that the family firm is a highly gendered institution in which gender relationships and interactions play significant roles but the generalised view is that males are the dominant gender, specifically in making financial and strategic decisions. In the business world, there may be assumptions about what are 'appropriate' male or female industry sectors.

Meanwhile, in family firms, there are gendered issues of succession (which may be, in some cases, male only, i.e. primogeniture), the perceived "role" of women / mother / daughters in the business, and in the family itself (as distinct from the firm), in terms of work-life balance issues, such as childcare/domestic work. Whilst many of these issues are faced by women entrepreneurs, they do tend to be intensified, we argue, in the family. On the other hand, adopting a Bourdieuan approach to understanding the forms of capital possessed by the individuals – and, hence, by implication, by the family firm – social capital (networks), cultural capital (whether institutionalised – education – or not), financial capital (finance/inheritances), and symbolic capital (prestige etc) are all of critical importance, particularly since Bourdieu conceptualised the nexus between individuals and society [and, implicitly, families and familial institutions such as firms], which explains much about the resources available to the institution (Bourdieu, 1986; Elam, 2000). And, finally, the model posits two scenarios, a potentially "worst case" future where a family firm adopts an "entrepreneurial" type (Chell *et al*, 1991), over-risky, male-oriented, potentially failure-inducing growth strategy or an "optimal" scenario where a business survives by a "caretaker" type (*ibid*) but a less risky, female-influenced strategy (cf Marlow *et al*, 2008). However, a 'middle ground' could exist where more realistic, carefully-planned strategies, fusing the risk-oriented, profit-maximising "entrepreneurialism" of the males with the more

“caretaker”, family-finance-protecting, cautious approach of females could lead to a successful entrepreneurial venture. We use this paper as an opportunity to illustrate our thesis using two cases, while also providing answers for ‘why’ and ‘how’ questions.



Institutional Impact of Gender: Two hypothetical scenarios – Optimal & Worst case

<i>STRATEGIC APPROACHES TO GROWTH ORIENTATION</i>	
<i>FEMALE INFL: RISK MEDIATED</i>	<i>MALE DOMINATED: OVERLY RISKY</i>
<p>Influence of impact on <u>family</u> <i>Growth Constrained?</i> <i>Risk Averse</i> <i>“Caretaker” Type*</i> <i>Possible Contraction</i> = Possible Failure (W) <i>Or Possible Survival</i> = Possible Success (O)</p>	<p>Influenced by <u>individual profit goals</u> <i>Growth Oriented?</i> <i>Risk-Taking</i> <i>“Entrepreneurial” Type*</i> <i>Possible Expansion</i> = Possible Over-Expansion =Possible Failure (W) <i>or Possible High Growth Success (O)</i></p>

▼
Therefore, optimal Male & Female collaborative scenario:

Somewhere between extreme “Caretaker” & extreme “Entrepreneur”
Realistic Strategies for Growth
Sensible expansionary activities:
 = maximising growth and profit-seeking
 = while avoiding over-expansive, overly risky strategy
Outcome: Medium-to high-growth, New Market Development,
Innovation (New Products/Services etc), etc → Growth & Survival (u-O)**

* Cf Chell, E. et al (1991) ‘The Entrepreneurial Personality – Concepts, Causes and Strategies’, Routledge, London.
 ** “uber-Optimal”

Source: Developed by Authors

Figure 1. The Family Firm as a Gendered Institution – A Conceptualisation.

The research gap

The ethnic minority business literature remains rather male-centric and ungendered (or under-gendered) in the way that it treats entrepreneurship, business ownership, and family firms – chiming with some of Ahl's (2004) findings. Similarly, the women's entrepreneurship and business ownership literatures tend to be largely un- or under-racialised in their analyses, although Carter and Shaw (2006: 26, 50) note that:

‘there has been surprisingly little analysis of ethnic minority women's enterprise in the UK ... [but] ethnicity and gender interact to ensure that many ethnic minority women entrepreneurs have a distinctive experience of self-employment and business ownership. There is evidence that the economic, structural and cultural barriers faced by women may be exacerbated for women from minority groups. In addition to gender-related barriers, BAME women face the additional hurdles posed by the potentially racialised structures of work and society.’

Whilst many of the studies identified above are highly insightful, as are many of the other studies on women entrepreneurs, they do tend to focus on the ‘solo entrepreneur’. As a result, there is clearly a need, as we discuss below, for more in-depth studies into the experiences of women who are not ‘individualist’ and who are a key part of a familial business unit (Ahl, 2004) or, as our model implies, a highly gendered institution, the South Asian family firm. Thus, though there have been many studies on (a) ethnic minority businesses, (b) family firms (some overlap with (a)) and (c) gender, and (d) the family in business, there is still a major research gap relating to female entrepreneurs. Studies such as Dhaliwal (2000) have made contributions to ethnic minority women entrepreneurs and Hussain et al (2009) consider gender bias in access to finance for ethnic female entrepreneurs, but there is still a major knowledge gap. Therefore, we build theory and illustrate our embryonic conceptual model, based upon the research question identified in our introduction.

METHODOLOGY

The data are based on the Asian Wealth Index (Eastern Eye 1998 – 2008), which one of the authors has compiled for the past six years. The published Rich List profiles Asian entrepreneurs and their business developments and indicates their wealth. Its depth and authenticity has revealed not only changing sectoral patterns, but also how the family and community structures within the Asian community have made it more resilient to economic instability. The target population for the research comprised the richest cohort of Asians and their families who were resident in the UK, whose business headquarters were located in the UK, and whose main business activities were in the UK. Given the exploratory nature of our research, and the need to provide in-depth case studies as illustrative exemplars of women's role in both entrepreneurial and managerial activities within the highly gendered institutions that are South Asian family firms, we chose to focus upon two detailed and in-depth “best case” examples.

Hence, a limitation of this approach is that we do not provide sufficient numbers of cases that would be ‘generalisable’ or ‘representative’ of the population. Moreover, even the use of a single case is valid in testing and developing theory, but at least two cases are preferable to one, to improve analysis, insight, comparison and ‘replication’

(Yin, 2003: 40-47). These cases represent two sectors which are pertinent to the Asian success story (food and clothing, which are stereotypical “female” industry sectors, and yet these are illustrations of high-growth, “optimal” orientation where the ‘male’ inclination towards high-risk, potentially business-destroying strategy has been mediated by the influence of women). As a result, the data provides both richness and an in-depth perspective which enables powerful and insightful analysis based on the conceptual model previously presented and described. Therefore, developing a typology and theory-building becomes more achievable. The respondents agreed to be interviewed having known one of the authors for several years and, although convenience sampling is positive in terms of accessing interviewees, it is also a limitation since it is not representative or truly random. As a research method, the interview is a favoured approach where there is a need to obtain highly personalized data, and where there are opportunities required for supplementary, probing questions (Gray, 2004), an approach extensively used in the qualitative literature over the last few decades – and essential for building high quality case studies. The interviews were conducted via the telephone using a semi-structured questionnaire. Telephone interviews are becoming one of the most widely used of all research methods, partly because of the spread of telephone ownership, but also because most people are willing to be interviewed by telephone (Gray, 2004) once the contact is made. In contrast to postal surveys, it becomes possible for interviewers to convince respondents about the significance of the research and develop a rapport that enables the respondent to yield confidence and dispense with more information.

In this case, the respondents were familiar with the researcher and, before each interview, respondents were reassured about the confidential nature of the data, particularly since they would be used as the basis for writing case studies. It was felt more appropriate to conduct this pre-interview protocol via telephone as the respondents might construe formal letters as a bureaucratic intrusion, something that is often avoided by Asian business owners. This deliberate, personal, attempt to build rapport and trust can be important for strengthening the validity of the research (Arksey and Knight, 1999).

Interviews lasted about one hour on average where both closed and open-ended questions were asked. Firstly, the respondents were asked structured questions such as their age, education, family background. Earlier, the business-related information and background was researched using the internet to minimise duplication of questions being asked, an approach that has been embraced by researchers. Once the demographics and background were established and the owner was more comfortable with the interviewer, the interview progressed to more open-ended, semi-structured questions which explored respondents’ motives for business entry; the role of their families, both at the start-up stage and subsequent management of the business and the factors which facilitated or inhibited their business. The respondents were able to elaborate on these questions and also discuss their current business challenges and their hopes for the future.

The interview questions revolved around identifying the nature of the respondents’ business; the sector the business was located in; the business’ location/base; the number of employees (other than family members); the background of the entrepreneur and her family and how the business emerged and developed were probed. The respondents were able to elaborate on their business and themselves as entrepreneurs.

We found that once the trust deficit was overcome, respondents volunteered information that was not even asked for. All questions, particularly those concerned with descriptive responses connected with recent and future performance of the company were supplemented where necessary using additional probing questions. Finally, the data were written up in the form of case studies, which are presented in Section 4 below and discussed and analysed in Section 5.

CASE STUDIES

Case A: Clothing and Music

Case A is the eldest of five children. She was born in Karachi (a mega city) and came to England at the age of one and a half years, where she grew up in a former mill town in Lancashire.

In 1966, her father set up a market stall selling socks and ladies stockings. Her parents juggled the responsibilities of raising a young family with working long hours in a strenuous business; all the children were encouraged to help out. Case A had to shoulder responsibility from an early age. She is the eldest daughter and as far back as she can remember she was helping with the business. At the age of six years, she recalls, "*I was packing tights in boxes so my father could sell them*".

The unusual feature in her family is that they do not value formal education, preferring the 'hands on' approach instead. Whilst most Asian parents stress the need to study further, and make many sacrifices for their children to gain academic qualifications, the family firmly believes in practical experience. The business always came first, education was not important and this was the case for the boys as well as the girls. The lack of academic training has not held them back in any way and this family illustrates the Asian success story where the first generation parents initiated the business and the second generation made the move from small time enterprise to the multimillion pound empire. The children were keen to move the business forward and the parents had faith in their children to take the risks to grow and innovate.

The comfortable lifestyle that she is now so accustomed to was not in sight in her early years where she attended state schools and her contempt for academia is plainly revealed by her remark, '*I was crap at school and I don't care who knows it*'. Since she was not academically inclined, she left school at the first available opportunity and joined the business full-time.

This was a strategically important event for the family as it enabled her father to be free to launch a new venture. He was considering venturing into the wholesale business in Manchester, and could concentrate on this now that she was involved full time. The move from retail into wholesale was instigated by her younger siblings, but she and her brother were the real driving force behind this move. The family took the risk and challenge of setting up a cash and carry.

She credits her formative years of 'training', where she was given a lot of responsibility, as the basis of her success today. In A's case family served the mentoring function. Despite her parents' beliefs in her abilities, she still had to prove her credibility to others. Being Asian, female and Muslim was interesting and, in addition, she was still only 15

years old when she was given the job of making purchases for the retail shops. Trying to negotiate and haggle, she had to overcome the patronising attitudes of men who wished to deal with her father. Today respect is automatic due to the phenomenal success of their businesses. She is now one of the most senior people heading the company as the Marketing Director and thrives on the fast pace of the industry and loves making decisions, wheeling and dealing and being involved in every aspect of the fashion business. Her philosophy is, *“to see your goals and then go for them, do what it takes to achieve them.”*

Her father has now passed away and she felt acutely the devastation of the loss of a man who had been a tower of strength and source of advice all her life. The shock of the loss left the whole family so shattered that they feared that they were incapable of carrying on without him. Her father, however, had left a legacy of strength and the family is ultimately survivors and managed to endure the desolation of the following months to rebuild a stronger and more powerful empire. Her mother, the silent contributor, is credited with originating the business and, despite her modest profile, is a shrewd businesswoman. Like many Asian women, she is pivotal to the success of the business, and yet remains in the background as ‘a silent majority’. According to her, *‘My mother is generous, sensitive to plight, charitable, honest and direct,’* and clearly directness is a characteristic that has been inherited by her children.

In recent years, the fashion end of the business has been solidified and internationalized; the company now employs more than 2,000 people across the world. The next step is to take the brands online and to grow that way. Their Stores are due to open in Dubai, South Africa, India and across the Middle East. These openings were through business links and not through family or community connections. Their brand was sold by a major customer, which moved to Dubai and the Middle East and they were approached by people out there. They now sell online too. The management values in the organization to date have been largely Asian values of family unity and, even after the death of the founder, his wife has resided over the empire commanding the same respect. The second generation has brought in much of the Western business practices and ideologies, but has remained faithful to their roots.

Case B: Food

Case B was born and brought up in the province of Bihar in Northern India. Her father was an engineer and his work meant that the family was constantly moving around the country. This early influence gave her ‘a capacity to adapt’. She grew up in a large family of three brothers and one sister and had servants. From the age of 4, she undertook little tasks such as folding the samosas and kneading chapatti dough. Although she did not grow up in an entrepreneurial family, she credits her family for her inspiration and for enabling her passion for food to flourish. *‘From childhood I had seen the importance of food, of having fresh ingredients and creating fantastic flavours.’* She adds, *‘I got it from my grandmother and my mother.’* She grew up in a family that in some ways respected traditional ways whilst encouraging mould breaking.

Her passion for food developed alongside her entrepreneurial skills and visions. As early as her teens she dreamt of running a school. She spent hours planning her ideal school, trying to improve on her existing experiences. *‘As a young woman, I always had aspirations and a desire to achieve something on my own,’* she recalls. The school was not

to be. Her life took a new turn when at the age of 17 she accepted a traditional, arranged match. In 1975 they migrated to Britain, lived first in Wales and then Yorkshire, before finally settling in a major city in the East Midlands.

In 1986, with the complete support of her family and friends, she decided to create a business using her own recipes. She had been increasingly dissatisfied with the quality of Indian products already on the market. She started off with a tiny cottage industry which was later to grow into a major enterprise. Her first step was to produce finger food in her own kitchen for a local Greek restaurant. She was soon in great demand and began to market herself more effectively and the orders poured in. *'From day one, my aim was to have products on supermarket shelves nationally,'* she says.

She extended her kitchen and began to employ a number of women. Most of these women were of Indian descent and many of them did not speak English.

'As a woman, you wear two hats. My family and husband have been very supportive. He was always there to help me in any way that he could. My customers have been very understanding, for example, in the early days, I knew little about food hygiene, quality control, product launches and quality systems. We worked together and I learnt a lot in the early days from them.'

Determination and ambition played an important role and she approached several major supermarkets with her products. After six months, a major supermarket finally gave her an opportunity. She won her first major contract to supply chilled and frozen Indian dishes to the supermarket. This success, however, presented her with a problem. She realised that larger premises were needed to accommodate the growing business. She needed to expand rapidly in order to meet the orders and access to finance was proving to be difficult. Financiers were cautious and were looking for at least a three year track record. Her few months of experience in her own kitchen did not leave them feeling comfortable about the venture. After some deliberation, she joined forces with a local company, in order to generate funds to build a factory. A purpose built factory was designed specifically to produce chilled Indian ready meals. By 1989 the first foods factory was built in her home town in the East Midlands, creating over 100 jobs.

Further contracts to supply major supermarkets were signed and her business grew, and established itself in an industrial unit. This success enabled her husband to quit his profession and join her full-time.

Success continued and the business flourished. She introduced a greater variety of dishes, as well as innovations in packaging. Three years later the family had to fight to regain control after the local company went into receivership and after a long drawn battle, she and her husband completed a management buy-out in November 1991 with the backing of venture capitalists. This was a very difficult period not only because of the legal troubles. The company also faced stiff competition. Many food manufacturers were competing for a share of the lucrative ready meal business. She began diversifying into Thai, Malaysian, Chinese and American food to keep ahead of the game. She plans to *'keep the business in the family'* rather than float on the stock market.

In 1996, with continuing success and need for expansion, an £8 million new bespoke factory was built next to the original site. Since then the business has continued to

prosper so that it now employs over 600 people. This has enabled the company to strengthen its position in the UK and overseas markets and to meet growing demands for supermarket own-label meals as well as its own range of branded products. The company has ventured into France, Holland and Denmark as part of a concerted export initiative.

In May 2004, she regained 100 per cent ownership of the business with the acquisition of the shareholding of venture capitalists. She believes in developing a strong 'family' culture amongst employees who are encouraged to challenge their personal and professional boundaries and strive for excellence.

She is an example of the very essence of the dynamic entrepreneurial female and she has exploited the food revolution to overcome barriers that would, and have, deterred many others. She is no stereotypical silent entrepreneur. Yet she is still from the mould where her family have supported her and continue to play a pivotal role in her business. She herself states that without the support of her husband and family this level of success would not have been possible.

There are no moans or whines about being a woman or of being Asian - both are pluses as far as she is concerned, *'I have not experienced anything negative in my career as a business woman.'* She continues, *'I am me, I am who I am. I have confidence in myself. I have knowledge, I have the expertise. My gender is irrelevant.'*

Her passion for her business and its success together with her sensitivity in dealing with people and situations have held her in good stead. She has a high self esteem and a lot of inner confidence. *'I love challenges, I thrive on them'* she explains enthusiastically.

Her son and her husband are in the business too. Her Indian heritage and its value system are very important to her, *'My family is of the utmost importance to me.'* She appreciates the importance of support, *'Women generally support their husbands, I was lucky mine supported me. I could not have done this without the support of my husband. He used to help me in the factory, even after a long day in surgery.'* They have both worked so hard, particularly in the early days when she had two infant sons to look after and her husband was a full time working doctor in a busy practice, *'the early days were not easy. I was juggling everything.'* It was a difficult period for her, *'I was in anguish because I was not willing to compromise anything. My family were important and my sons so young they needed their mother and yet I could not give up on the business, it was my passion and I was determined to see it through.'* She credits her family, friends and the people around her for seeing her through.

Her next goal is to expand into more international markets.

DISCUSSION AND CONCLUSIONS

Our contribution to the literature is, firstly, that we seek to defeat the notion – which ignores the fact that large numbers of self-employed men are subcontractors in the construction and other masculine-dominated industries – that there really is an 'enterprise gap' between women and men. Whilst Marlow et al (2008a) have already gone a long way to doing so, we demonstrate that there are different typologies of women

entrepreneurs because the role of women in family firms is often invisible, i.e. they are ‘silent contributors’ (Dhaliwal, 2008). In effect, the institutional impact of the family, which seeks to act as one coherent whole when it is involved in running a business, leads to *indirect* rather than *direct* entrepreneurship for many women. Our case studies demonstrate the different experiences of South Asian women entrepreneurs within family firms.

Such women clearly make major contributions to the entrepreneurial strategy of the firm – they are not merely ‘passengers’ – it is clear that they are drivers and have a significant strategic role, as our conceptual model demonstrates in terms of the fusion of forms of capital as familial capital reserves, and the risk-mediating role of women. Yet they are often hidden in enterprise statistics.

During the interviews, the women elaborated on their role and contribution to the management of the business. Issues covered included their ‘official’ and ‘unofficial’ position within the firm; the balance between domestic and business responsibilities and the influences, if any, of cultural factors in the nature of their presence within the enterprise. There is variation, for example, between Case A’s early family business experience and Case B’s lack of such a background (but vocational cooking experience as a child, potentially more useful); and the respective non-traditional (i.e. not valuing education) or much more orthodox traditional viewpoints of the families. Discursively, these South Asian women do not divide the “individual” from the “familial” as they are clearly symbiotic. This symbiosis, and indeed synergy, of the familial firm institution (an ideal “entrepreneurial team”, and one which is more closely wedded – literally – than unrelated individuals fusing together a new venture), as much an economic unit as a social unit, was critical to the establishment of the firm. For both, the family institution supported the start-up (i.e. being in agreement and having commitment to this decision), but the family also provided monetary and other forms of support – essentially, taking the risk – to enable the business to start and grow. These cases confirm, and illustrate, many of the assumptions in our model.

However, in terms of a typology of South Asian women entrepreneurs in family firms (an objective of future research following on from this exploratory exercise), these two cases present quite contrasting examples. Case A is clearly strategically important (‘pivotal’ as she described herself) to the family firm, and yet so too are her siblings, and the death of her father created a succession scenario in which she chose not to take a lead role but to remain in the background. Conceptually, she is and was as much involved in the entrepreneurial start-up of the business (and its subsequent entrepreneurial growth), particularly since she is the Marketing Director, and yet ‘statistically’ she would be regarded as a mere ‘director’ of a company. Clearly, common assumptions about what makes an entrepreneur are based upon social constructions that are both culturally-/racially-insensitive and male-centric and so South Asian women entrepreneurs such as Case A remain hidden and unidentified. Case B, however, is much more of an ‘overt’ entrepreneur in that she is identifiable as a more classic example of an entrepreneur who started and leads the business, and yet the family support has clearly been important in the success and growth of the business.

This paper sheds light on a number of neglected issues within the increasingly important area of Asian entrepreneurship. First, a clearer picture has emerged of the roles, responsibilities and relationships of both entrepreneurial and managerial South Asian.

Second, we have observed the cultural proprieties within this particular group and thus the data are arguably more authentic than previous studies undertaken by 'distant' researchers. Finally, policy makers are increasingly being reminded to appreciate the needs and the diversity of ethnic minorities in business. The findings reinforce this message by highlighting the distinctive experiences of South Asian women in business.

Far from being 'silent contributors' (Dhaliwal, 1998), these cases demonstrate that these South Asian women are leading the business strategically and playing a pivotal role in the family firm. They are supported and given the freedom to grow and gain experience with the enterprise. Whilst these are just a small sample of Asian women in enterprise and we have concentrated on the more successful players, they do serve to illustrate the trajectory of family firms within this community. Future research efforts ought to concentrate on developing a typology and the conceptual model, in order to understand the relationships and interactions between individuals, families, society, and the economy – and the forms of capital (Bourdieu, 1986; Elam, 2008), whether individualistic or familial – and, therefore, the role of South Asian women in the gendered institution that is family firm, in particular in relation to risk mediation, growth-orientation and entrepreneurial strategy. Such research should capture a wider perspective by testing these conceptual innovations on a much larger, more representative sample and by adopting a longitudinal perspective to track temporal change in a group of South Asian family firms, whether they help or hinder women.

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BRIDGING SOCIAL CAPITAL IN THE FOREIGN MARKET ENTRY AND ENTRY MODE CHANGE OF FAMILY SMES

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Abstract

Family business studies have focused on the importance of bonding social capital whereas, despite its importance, bridging social capital has not been the focus of much research to date. In the internationalization process of a firm, it has been argued that bridging social capital plays an important role. The purpose of this article is to examine the role of bridging social capital in the initial entry and operation mode change of eight family SMEs. We found that in foreign market entry social capital had generally the serendipity role based on weak and intermediary relationships. In the entry mode change, the role of strong and formal ties was obvious and the roles of social capital were most generally the efficacy and liability roles. Thus, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. However, when they start to internationalize their operations, they have to find new networks to gain bridging social capital which enable foreign operations. It seems that a limited amount of international ties drives family SMEs to search for relevant contacts from international exhibitions and trade shows.

Key words: family SMEs, social capital, bridging social capital, foreign market entry, entry mode.

INTRODUCTION

Social capital has been proposed to be especially strong amongst family-owned businesses, because of the unification of ownership and management (Salvato & Melin 2008). A family business is an embodiment of the aspirations and capabilities of family members and has a strong social element affecting the decisions that determine its strategy, operations, and administrative structure (Chrisman, Chua & Steier 2005). This bonding social capital of family firms, also called family capital, is a well researched topic (e.g. Arregle, Hitt, Sirmon & Very 2007; Salvato & Melin 2008). Bridging social capital is also important for family firms (Arregle et al. 2007), especially in the context of their internationalization. However, this bridging social capital remains an under-researched topic in the context of family firms (Graves & Thomas 2004). Coviello (2006) argues that there might be a difference between the network formation of rapidly internationalizing new ventures and family businesses. Hence, a need exists to study the bridging social capital of family businesses.

In this paper, we discuss the phenomenon of social capital both from structural (strong/weak, formal/informal/intermediated) and economic (efficacy/serendipity/liability) dimensions. We contribute to the field of family business (FB) studies by addressing a gap in the literature and investigating bridging social capital of family firms. Secondly, this study contributes to the research of social capital in the context of internationalization by investigating family-owned SMEs, also regarded as the missing perspective in organizational research (Dyer 2003) and by investigating social capital in the context of a foreign market entry (hereafter FME) and entry mode change in a certain target country. This approach supports and expands on studies by Chetty and Agndal (2007) and Agndal, Chetty and Wilson (2008) who studied social capital in the general pattern of internationalization of SMEs. We respond to the call by Pedersen, Petersen and Benito (2002) who consider the current literature on foreign operation modes to be static, as researchers have paid very limited attention to changes in foreign operation modes after the initial entry mode.

The objective of this paper is to answer the following research questions: 1) What types of social capital do family SMEs utilize in their FME and operation mode change? 2) What kind of role does social capital have in these contexts? This paper is organized as follows: we begin by discussing the concept of social capital, and more specifically, its types and roles in the FME and entry mode change. Secondly, the methodological issues of the paper are elaborated. Thereafter, the findings of the study are presented and discussed. To conclude, the contributions and limitations of this study are debated.

SOCIAL CAPITAL

Resources available to actors in a network of relationships can be called social capital (e.g. Adler & Kwon 2002). This means that social ties between individuals can be used for different purposes that may result in benefits for actors within the network (Adler & Kwon 2002; Nahapiet & Ghoshal 1998). Burt (1992) claims that social capital, rather than financial or human capital, is the most significant factor contributing to competitive success in all types of firms. Nahapiet and Ghoshal (1998, 243) define social capital as “the sum of the actual and potential resources embedded within,

available through, and derived from the network of relationships possessed by an individual or social unit”.

Social capital differs from other types of capitals, such as financial, physic, and human capital. It is a form of capital that is not located within a certain place; instead it is embedded in relationships between actors in a social network (Adler & Kwon 2002; Coleman 1988; Nahapiet & Ghoshal 1998). Adler and Kwon (2002) also argue that social capital is a long-lived asset that can be used for different purposes and it can compensate for a lack of other types of capitals. However, social capital also requires maintenance. It has to be regularly renewed and reconfirmed to keep its efficacy (Adler & Kwon 2002).

Social capital is not static, but dynamic as it changes over time (e.g. Larson & Starr 1993). It might increase or decrease as firms deepen existing relationships, establish new ones and end problematic ones (Rauch 2001). However, social capital is not a ”universally beneficial resource” (Nahapiet & Ghoshal 1998, 245). For instance a closed network can limit the group’s access to new information and new ways of doing things, which can reduce the performance of the firm. The less social capital a firm has, the more it is exposed to opportunistic behavior, and building long-term relationships becomes difficult (Walker, Kogut & Shan 1997).

The *structural*, or architectural, dimension of social capital refers to the pattern of connections between actors and the *relational* dimension to resources attainable through the structural dimension, such as trust and trustworthiness (Granovetter 1992). In the study of *external* relations, in other words *bridging* social capital, the focus is on the relations an actor maintains with actors outside his or her network (Adler & Kwon 2002). In the study of ties among actors within a collectivity, the question is about *internal* or *bonding* social capital (Adler & Kwon 2002; Yli-Renko, Autio & Tontti 2002).

Types of social capital

To possess social capital, a person must have relationships with others (Portes 1998) and access to resources embedded into these relationships (Sobel 2002). Thus, it is important to study how these ties are developed and structured. Social capital ties can be regarded *strong or weak*. Strong ties are associated to relationships that are developed in interaction over the time, have emotional intensity, intimacy, and reciprocal services (Granovetter 1973). These relationships can be, for instance, between family members and/or close friends. An individual can have only a certain amount of strong ties because of the maintenance costs associated with more intimate relationships (Singh 2000). On the contrary, the number of weak ties can be high. These weak ties do not require high maintenance, but can significantly help the entrepreneur in accessing information. Granovetter (1973) argues that weak ties act as bridges to sources of information not necessarily contained with an entrepreneur’s immediate (strong-tie) network: because entrepreneurs interact with weak ties only occasionally, it is likely that they provide more unique information than strong ties. This is also in accordance with the findings of Burt (2004) that new ideas tend to emerge through weak ties between separate social clusters. However, Granovetter (1985) argues that strong ties are more trustful as they consist of emotional bonds. This increases the willingness to offer advice and provide valuable information (Singh 2000). In their empirical study,

Agndal et al. (2008) found that both direct (c.f. strong ties) and indirect (c.f. weak ties) ties were important to all the case firms in their FME. Their findings also reveal that direct relationships were important in the early phase of FME whereas indirect relationships had a more dominant role in later entries.

In addition to strong and weak ties, the structure of network ties can be divided into *formal ties*, *informal ties*, and *intermediary ties* (Ojala 2009). The formal tie refers to the relationship with other firms and is based on business or market relationships (Adler & Kwon 2002; Coviello & Munro 1997). For instance, Adler and Kwon (2002) explain that in market or business relationships, products or services are exchanged by using money or barter. However, it can be argued that these relationships are also embedded into social ties and are essentially social (Adler & Kwon 2002; Granovetter 1985). Informal ties, on the other hand, are related to relationships with friends and family members (Coviello 2006; Krackhardt & Hanson 1993; Larson & Starr 1993). However, the boundary between the formal and informal ties is not always clear. As Larson and Starr (1993) note, informal ties might become formal and vice versa. In the intermediary tie, there is no direct contact between the seller and the buyer. However, there is a third party, such as an export promotion organization or an organizer of exhibition that facilitates the establishment of the network tie between the buyer and the seller. In contrast to formal ties, there are no business transactions between the buyer and the intermediary or between the seller and the intermediary. These intermediary ties can provide links between actors in different markets and, consequently, initiate international business activities between the seller and the buyer (Oviatt & McDougall 2005). In his study, Ojala (2009) found that intermediate ties played a central role when Finnish software SMEs entered into a psychically distant market.

Larson and Starr (1993) argue that network ties of a firm evolve from informal ties to more formal ties during the organization formation. However, recent studies related to rapidly internationalizing firms contradict this assumption (Chetty & Wilson 2003; Coviello 2006). For instance, Chetty and Wilson (2003) found also that early internationalizing firms focus on formal networks whereas less international firms rely more on informal networks.

Roles of social capital

The internationalization process of firms can be viewed as a process of developing and accessing social capital, because firms initiate, establish, and deepen ties during internationalization (Johanson & Vahlne 2006). The *efficacy role* refers to the usefulness of firm's social capital and how it enables market entry or a mode change (Agndal et al. 2008). For instance, interaction between firms increases their knowledge about each other and enables each firm to access a partner's knowledge (Yli-Renko et al. 2002). Consequently, this helps with acquiring knowledge of new market opportunities and increases the efficacy of a firm's social capital. Chetty and Agndal (2007) found that the efficacy role of social capital was evident in the cases where the need for information changes and a close interaction with partners were important. This triggered a mode change from low-control mode to high-control mode. Agndal et al. (2008) argue that especially in the initial FMEs, the efficacy role of social capital has an important role.

The question is about the *serendipity role* of social capital, when the opportunity of FME or entry mode change is triggered by an external party (Chetty & Agndal 2007). Hence, these unexpected events are not initiated by the firm itself but by serendipity and the implementation of changes is dependent on a firm's responses to new opportunities that emerge from networks (Crick & Spence 2005; Ellis 2000). In their study, Chetty and Agndal (2007) found that serendipity plays an important role when firms established joint ventures or subsidiaries from the initiative of partners or forthcoming employees. These unexpected opportunities were triggered by firms' weak ties, highlighting the important role of weak ties in serendipitous events. The findings of Agndal et al. (2008) indicate that in FMEs, the serendipity role of social capital becomes more influential when a firm is entering a geographically or psychologically distant market. This also indicates that serendipity has a more dominant role in later FMEs. However, Crick and Spence (2005) found that serendipity has an important role both in the initial and later FMEs but is highly dependent on managers' capability to react and implement these new opportunities.

The *liability role* of social capital refers to problems caused by social capital (Chetty & Agndal 2007). It refers to a change in social capital that "occurs as a result of the high costs and amount of time required to monitor and sustain social capital and poorly performing partnerships that do not accomplish the expected sales" (Chetty & Agndal 2007, 12). This is based on the argument by Nahapiet and Ghoshal (1998) that social capital might also limit the openness and access to new information. The liability role of social capital can lead to mode change as a firm has to answer for negative situation in the market (Chetty & Agndal 2007). Chetty and Agndal (2007) found the liability role of social capital was the most influential factor for entry mode change of their case firms. This was due to the inactivity of business partners, high maintenance cost with customers or distributors, failure with a joint venture partner, retirement of a partner, etc.

Chetty and Agndal (2007) and Agndal et al. (2008) found that in the FME of SMEs, social capital had the efficacy and serendipity roles, whereas in the context of the entry mode change also the role of liability was encountered. Efficacious and direct social capital was attached to early FMEs and serendipitous and indirect social capital was associated with later FMEs. Hence, the role of social capital changed with and was dependent on FMEs. However, these three roles are not mutually exclusive, because a specific mode change can be initiated by single or multiple roles of social capital (Chetty & Agndal 2007).

METHODOLOGY

Given the limited understanding we have of bridging social capital in the context of family SMEs, a qualitative research method was regarded to be the most appropriate for this study. The method utilized is a multiple case study method similar to approaches introduced by Eisenhardt (1989) and Yin (1994). The case study method enables an in-depth investigation and the explanation of cause-and-effect relationships as well as the usage of replication logic of a certain phenomenon, enabling researchers to identify the subtle similarities and differences within a collection of cases (Eisenhardt 1989; Yin 1994). The case study method is also relevant in a situation in which

the study covers a real-life environment where the action, as a FME, takes place (Yin 1994).

The research setting is eight family firms operating in the French market with different operation modes. This allows us to study a foreign market entry in a context that is similar to all the case firms. The number of cases corresponds to recommendations made by Eisenhardt (1989) who recommends using four to ten cases. Family firm was defined as one that controls the largest block of shares or votes, has one or more of its members in key management positions, and members of more than one generation are actively involved within the business. This definition is based on the two criteria of ownership and management presented for instance by Graves and Thomas (2008), and the continuity view (see for instance Zahra 2003). Firm size was specified, as well: All the case firms had less than 250 employees at the time of the entry to France. Thus, they fulfilled the Finnish government's and EU's criteria for SMEs having 250 or less employees (OECD 2003). We also specified the industry: all the case firms were from the manufacturing sector. Suitable case firms were sought for in different databases, including Finnish export statistics, the French-Finnish Chamber of Commerce, and Finpro Paris. We identified six SMEs that had direct operations in France, five of which are included in this study. The remaining three cases are family SMEs that have indirect operations in France.

As advised in the study of Eisenhardt (1989), the case firms were selected for theoretical reasons instead of random sampling, fulfilling the objectives of this study. We selected the market entry to the French market as the context of the FME. This allows the investigation of FME in a certain context that is similar for all firms, because laws, regulations, and customs might vary in different markets (Shrader, Oviatt & McDougall 2000). In addition, it seems that France is a somewhat difficult market for Finnish family SMEs to enter despite its market potential (Finpro 2008) indicating the importance of social capital in this context. The social capital in the FME is studied in the context of SMEs, because the determinants of social capital are more transparent in them. Hence, we follow Yin (1994) by selecting cases in which the studied phenomenon is transparently observable. The dimension of family-ownership allows us to recognize how lifestyle firms with limited resources utilize social capital.

For anonymity's sake, the real names of these firms are not disclosed. Table 1 summarizes the key information on the case firms. Firms were established between 1876 and 1988. The number of personnel varies from 18 to 249 employees, the average being 106 employees. France was generally entered later in the internationalization pathways of the case firms.

Multiple sources of information were used to gather data from each case firm. The main form of data collection were in-depth interviews conducted with the owner-managers and persons in charge of international affairs. Altogether 16 semi-structured open-ended interviews were conducted with two informants in each firm. The questions were designed to be broad and open-ended, to gauge individual opinions. The interviews lasted from 60 to 90 minutes and were realized in 2004 and in 2008-2009. In the first round, realized in 2004, the case firms A, B, C, and D were studied by conducting face-to-face interviews with one informant per firm. Within the second round, executed in 2008-2009, one new informant from firms A, B, C, and D and two informants from Firms E, F, G, and F were interviewed. The interviews were held in

four different cities in Finland. Questions were formulated to understand the business, their motivations to start and carry out the internationalization in general and in particular to France, and their background prior to the internationalization and the business start-up.

All the interviews were digitally recorded and transcribed verbatim with the help of a word processor. During the second listening, the correspondence between the recorded and the transcribed data was ensured. The complete case reports were sent back to interviewees, and any inaccuracies they noticed were corrected based on their comments. In addition, e-mail communication was used to collect further information and to clarify inconsistent issues from the interviewees if needed. The respondents

Table 1. Information about the case firms.

	Number of employees	Year of establishment	Beginning of internationalization	Number of countries entered before France	Operation modes in France
Firm A	249	1876	1970s	5	1982 export 1985 subsidiary
Firm B	18	1923	1929	7	1968 export
Firm C	200	1967	1980s	4	1997 subsidiary
Firm D	20	1973	1990s	2	1998 export 2002 representative
Firm E	140	1972	1980s	>10	1989 export 2006 subsidiary
Firm F	40	1988	1991	0	1991 subsidiary
Firm G	30	1978	1980	4	1990 import 1991 export
Firm H	150	1955	1990s	10	1993 export

interviewed were personally involved in FME process, except for Firm D in which the person responsible for entry to the French market had passed away and the interviewees were the current person in charge of the international affairs and the present owner-manager. However, the internationalization history of Firm D was well documented. In addition, many types of secondary information (websites and annual reports, etc.) were collected and analyzed. By comparing the interview data with other documents of the case firms, we carried out a triangulation of information (Miles & Huberman 1994). This also increased the validity of the interview data and enabled us to form further questions to clarify incoherent information (Yin 1994).

In the data-ordering phase, a detailed case history of each firm was formed, based on interviews and written documents. Pettigrew (1990) suggests that organizing incoher-

ent aspects in a chronological manner is an important step in understanding the causal links between events. In the data analysis phase, cross-case pattern searching was utilized. The unique patterns of each case were identified and similar patterns were categorized under themes based on the research questions in this study. Also checklists and event listings were used to identify critical factors related to determinants explaining social capital (Miles & Huberman 1994). To conclude, the emergent data was compared with previous studies, both with conflicting and similar findings.

FINDINGS AND DISCUSSION

In this section, the findings of the study are presented and discussed based on the type and role of social capital in the case firms' market entry to France. The type of social capital is investigated based on strength of the tie (*strong or weak*) and the structure of the relationship (*formal, informal, or intermediary*). The role of social capital is analyzed by dividing those into *efficacy, serendipity, and liability role* encountered in the FME and entry mode choice. Figure 1 summarizes the types and roles of social capital in the FME and the entry mode change of the case firms.

	INITIAL ENTRY:				OPERATION MODE CHANGE:			
	Year	Type	Role	Mode	Year	Type	Role	Mode
Firm A (1876) →	1982	weak, intermediary	serendipity	export	1985	strong, formal	efficacy	subsidiary
Firm B (1923) →	1968	weak, intermediary	serendipity	export				
Firm C (1967) ↗ ↘	1997	a) strong, formal b) weak, intermediary	efficacy; serendipity	subsidiary	2007	strong, formal	liability	ended
Firm D (1973) →	1998	weak, Informal	serendipity	export	2002	strong, formal	efficacy & liability	representative office
Firm E (1972) →	1989	weak, intermediary	serendipity	export	2006	weak, intermediary	serendipity	joint venture
Firm F (1988) →	1989	strong, informal	efficacy	subsidiary				
Firm G (1978) →	1991	strong, formal	efficacy	export				
Firm H (1955) →	1993	weak, intermediary	serendipity	export				

Figure 1. Type and role of social capital in the FME and entry mode change of eight family SMEs.

Type and role of social capital in the FME

In most case firms (A, B, C, D, E, and H), social ties in their FME could be considered *weak*. This indicates the importance of weak ties for family SMEs in seeking business opportunities in foreign markets. It also supports the ideas of Burt (1992, 2004) and Granovetter (1973) that unique information emerges through weak ties. It is also consistent with the findings of Agndal et al. (2008) that indirect ties play a more important role in later market entries. In all these six cases with weak ties (firms A, B, C, D, E, and H) the role of social capital has the *serendipity* role. This is in line with Chetty and Agndal's finding (2007) that unexpected events are commonly triggered by weak ties. It also gives support to the findings of Agndal et al. (2008) that the serendipity role is more dominant in later market entries and if a firm is entering psychically distant markets.¹ In addition, the strong role of serendipity in FMEs indicates good managerial capabilities in the case firms to execute these new opportunities (c.f. Crick & Spence 2005). Five out of these six case firms with weak ties used *intermediary* relationships for their market entry (firms A, B, C, E, and H) and one (firm D) *informal* relationship. Hence, FME was generally triggered by a third party not previously known by the case firm. This is in line with Ojala (2009), who found that intermediary relationships are important if a firm does not have existing relationships to utilize for the FME. In Firms A, B, E, and H, this intermediary contact was met at international exhibitions indicating the importance of exhibitions in their search for suitable partners. One of the informants in Firm A describes it this way:

Recently, I have been thinking of our international co-operators, and, indeed, most of them, we have found them in the international exhibitions. There people see that, okay, also this kind of a product exists, and they come and ask if we already have representatives. [...] This is how it went with the French, as well.

In Firm C, the weak and intermediary tie was found via Finpro (Finnish Export Promoting Organization). Firm C contacted Finpro Paris to find out if they had any potential candidates to market and sell their product in France. A Finnish woman living permanently in France, who had also worked for the Finpro Paris office, was found through this search. She was one of two important persons enabling the entry of Firm C to France, the other one being a strong and formal tie, a Finnish entrepreneur who also facilitated their entry (this will be discussed in more detail later in this section). Also in the case of Firm D, the central tie was weak, but informal as opposed to intermediary, as the person initiating their French FME was met by coincidence. This French enterpriser living in Finland met the representative of Firm D in one of its villas (that is the product of Firm D exported to France). This French enterpriser insisted on exporting the villas to France, because he saw that the French market had potential for this kind of a product.

Only in Firms F and G, the FME to France was based solely on *strong* ties, in other words ties developed in interactions over the time. In addition, one of the two ties es-

¹ There are several cultural and linguistic differences between France and Finland, see e.g. Irrmann, 2006; Trompenaars & Hampden-Turner, 1997. In their study, Johanson and Wiedersheim-Paul (1975, 308) define psychic distance as "...factors preventing or disturbing the flow of information between firm and market".

essential in the FME of Firm C was strong, whereas in the others discussed above one was weak and intermediary. All of these three strong ties were based on an originally business-based relationship. However, in Firm F, this tie had developed to an informal one, as the entrepreneur in Firm F had become a good friend of the subsidiary manager of their French subsidiary. Hence, it is classified as an *informal* tie. This demonstrates the dynamic nature of social capital as the nature of ties might change over time (c.f. Larson & Starr 1993). In Firms C and G, the strong tie was obviously *formal*. In Firm C, it was based on a Finnish entrepreneur, who agreed on starting to utilize the forest machine in France to promote it there simultaneously.

Well, we found a young and eager entrepreneur in Finland who took two friends with him and starting working there [in France] with our machine. We sold him the machine at a reasonable price. [...] Then he found some work there and starting to earn, actually better than in Finland.

In the case of Firm G, the initiator of the foreign market entry was their formal contact, French supplier who imported their products. The owner-manager of the firm commented on this as follows:

They wanted us to provide them with some of our products they did not produce there in France. That is how we started to export to France.

In all of these case firms with strong ties, social capital played the *efficacy* role. Hence, the FME was based on the proactive exploiting of the strong social capital ties where information about business opportunities in France came through well known partners. For Firm F, France was the first country which it entered, demonstrating the efficacy role of social capital in the initial market entries (see Agndal et al. 2008).

Type and role of social capital in the entry mode change

In Firms A, C, D, and E, an entry mode change occurred after the initial entry to the French market. In three out of four cases, (Firms A, C, and D) the entry mode change was based on *strong* and *formal* social ties with the *efficacy* and/or *liability* roles of social capital. Firm A established a French subsidiary, because their French partners were good and trustworthy, indicating the efficacy role of social capital. One of the informants in Firm A describes it in the following way:

We ended up setting up a subsidiary after two-three years of exporting, because they were doing so well and we wanted them to concentrate only on our products. The manager of this subsidiary was a very good type and we trusted that it was worth investing money on this firm. And everything has been going extremely well ever since.

This supports the findings of Chetty and Agndal (2007) that increasing social capital between partners triggers entry mode change from a low-control mode to a high-control mode.

In Firm D, both the efficacy and liability roles of social capital were present when a representative office was set up. The efficacy role refers to the French enterpriser that initiated the whole French entry and was a trustworthy person to set up a representa-

tive office. However, also the liability role of social capital was centrally present in this context: Firm D initially wanted to form an extensive network of French retailers to represent their products. They tried dozens of retailers, but failed to achieve cooperation. Based on these difficulties, they needed to take care of the French trade themselves, and they ended up establishing a representative office. This demonstrates that the differing roles of social capital might be overlapping and exist simultaneously.

Similarly to Firm D, Firm C did not have a strategy or suitable networks to sell their forest machine in France or any other countries with success. Hence, they closed their subsidiary and the role of social capital in this case is regarded as one of a liability role. This is based on several problems encountered in the French market. One of the informants in Firm C saw this more as a strategic problem: Firm C was not able to sell forest machines globally with financial profitability. On the contrary, the French subsidiary manager of Firm C saw this more as a communication problem and lack of cooperation between the headquarters and the subsidiary.

Firm E is the only enterprise in which the ties initiating the entry mode change were weak and intermediary and social capital played the serendipity role. The French export operations encouraged the owner-manager of Firm E to look for new possibilities in France. However, they did not find any of the existing agents in France to have the potential to set up a subsidiary. Finally, their joint venture partner was found through a French organization “Invest in France”. Furthermore, the establishment of the production joint venture in France was a strategic choice:

It is natural that if you are abroad and you just sell, you often do not sell that much, because you have also other products to sell. When you set up a production subsidiary, the nature of selling changes totally – you need to sell all you produce. It is totally different from the situation of selling how much you like. [...] We were lucky to find this Invest in France organization that helped us so much in finding a good partner in France. We had a couple of alternatives, and ended in one of them. We knew we needed to be in France and Invest in France made it possible to find an excellent partner to establish the joint venture with.

This is in line with Chetty and Agndal’s study (2007) indicating that weak ties have a central role in serendipitous events. However, this finding also reveals the intermediary role of export/import promotion organizations in the entry mode change and serendipity events.

CONCLUSIONS

This study makes several contributions in the field of FB. Firstly, this study investigates bridging social capital that is, despite its importance, an under-researched topic in FB studies. Our findings also validate studies by Chetty and Agndal (2007) and Agndal et al. (2008) who demonstrated how roles and types of social capital affect FME and entry mode change in the context of family SMEs. In addition, this paper responds to the call by Pedersen et al. (2002) to investigate entry mode change after the initial FME.

In the FME of these eight family SMEs, social capital had generally the serendipity role based on weak and intermediary relationships. The intermediary ties were most often met at international exhibitions. However, three out of eight case firms were able to utilize their existing, strong relationships for the FME, the role of social capital being the efficacy role. Nonetheless, most family SMEs do not have international ties, and they need to develop them for the FME.

In the entry mode change, the role of strong and formal ties was obvious and the roles of social capital were most generally the efficacy and liability roles. Only in one of the four entry mode changes encountered, weak and intermediary ties were utilized, and the role was the serendipity role. Hence, most often, family SMEs seem to concentrate on developing trustworthy relationships: if they succeed in it, they might change their operation mode from indirect to direct. Indeed, family SMEs do not seem to concentrate on finding new international ties once they have acquired the necessary contact to operate there.

All in all, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. When going international, they generally need to find new networks to collect some bridging social capital to make the FME possible. It is a resource they do not usually have from the beginning. Hence, there is an obvious need for more research concerning the bridging social capital of family SMEs to enhance the understanding of the social capital in their FME among others. In further studies, it is also important to study how bridging social capital affects firms' growth, customer relationship management, and on brand awareness.

Managerial implications

It seems that family firm managers can well compensate their limited international networks by attending international exhibitions. It also suits the general strategy of family businesses rather well: they rarely want to proceed in their international operations very quickly. In many of the case firms, the originally weak and intermediary ties became strong and trusted, enabling the establishment of a subsidiary and, simultaneously, the usage of their existing social capital. However, the presence in the international markets also facilitates the search for new potential partners.

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LEARNING NETWORKS PRODUCING CREATIVE QUALITY AND VALUE INNOVATIONS - CASE STUDY IN FINNISH FAMILY BUSINESS CONTEXT

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Abstract

The goal of this research paper is to illustrate the role of social capital in SME's network when developing innovations. Nowadays everybody seems to agree that innovations are important as a major factor in creating competitive advantage both in nations and in SME's.

New product development processes are often multifaceted issues demanding specialized knowledge of different materials, production methods, design etc. By combining knowledge of separate companies the network is able to produce creative quality and value innovations through learning. Complementary resources available through co-operation increase opportunities to develop new innovations. Also networking companies have more business and social connections, which mean they have interfaces that stimulate innovations. Social capital embedded in the companies and network is one of the most essential factors in this innovation development process.

Even though social capital has been studied in various contexts and also connected to SMEs, it is still important to pay more attention to this complex phenomenon. In this paper practical examples of value innovations will be described and social capital behind the development processes of these innovations will be analysed.

Key words: social capital, innovation, network, organisational learning.

INTRODUCTION AND RESEARCH MOTIVE

This article is based on research that has been published as a dissertation (Arhio 2007). In this research paper the focus will be on the role of the network's social capital in the development processes of these value innovations and how to manage this process. Even though social capital has been studied in various contexts within SMEs, it is still important to introduce practical examples also in the context of family business. In this research social capital of network includes trust, communication and personal relationships.

The focus of empirical research was on the wood processing industry. Because of the researcher's own interest in small enterprises in the wood industry and their problems, the wood processing business was chosen to be the focus of this study. Small and medium-sized wood working enterprises have also been considered to play an important role in creating employment, especially in rural areas and much of the regional development resources have been used to promote this. The majority of Finnish wood working companies are small, as are the ones in the European Union, in which about 90% of wood working companies have less than 20 employees. Also SME's in wood industries are typically family businesses. The wood product industry has a strong effect on regional development in Finland. It has been calculated that one job in the wood industry has a multiplicative effect of a total 2.5 jobs (Nousiainen et al 2002).

AIMS AND RESEARCH QUESTION

The aim of this research was to understand how value innovations have been built and what the effect on company business success is. This research paper focuses on the role of the network's social capital in the development processes of these value innovations and how to manage this process. The main research question was: How do networking companies in the wood industry create quality that generates value innovations? From a methodological point of view this study is of a qualitative nature, adopting the use of the case study. According to the hermeneutical approach, case study research emphasizes interpretation, meaning and understanding of phenomenon. (Denzin and Lincoln 2000).

THEORETICAL BACKGROUND

The main theoretical concepts behind the study include networking, quality and organisational learning. Closely related were also knowledge management and innovations. Innovations are especially seen as a crucial factor when developing sustainable competitive advantage nowadays (Himanen & Castells 2004; Meso & Smith 2000). When thinking about quality management in practice, the point of view is often how to manage quality and continuous improvement in different supply chains and in cooperation. Small and medium-sized enterprises are able to benefit when developing innovations in cooperation. Only seldom those companies have economical and human resources enough to spend on effective actions in R&D. Development process of innovation in cooperation is a learning process, too (McGovern 2006) and learning networks can be seen as a source of industrial development (Morris, Bessant & Barnes 2006).

Networking can be described in many ways. In this research networking refers to voluntary cooperation between companies to achieve a certain goal or a shared purpose. Quality in the context of cooperation means shared (common) understanding of quality, which contains both quality of product and quality of action (Savolainen 1999). Learning in this research extends to more than learning in traditional educational contexts. Organisational learning with all the knowledge behind the actions leads to continuous improvement. (Argyris and Schön 1978; Ruohotie 1996). Creative quality is even more than traditional total quality management with continuous improvement. In wood industries creative quality is expressed in the form of solving customers problems in co-operation and in appearance of new innovations (Arhio 2007,14). Those innovations are called value innovations with characteristics of five S's (Wang & Ahmed 2002).

Figure 1 illustrates the theoretical framework of the research consisting of quality, organisational learning and network. Combining these different theoretical aspects is challenging but arguable when presuming how value innovations appear in the shared core of these. Around the circles there are some related items and among them one of the most important is the social capital.

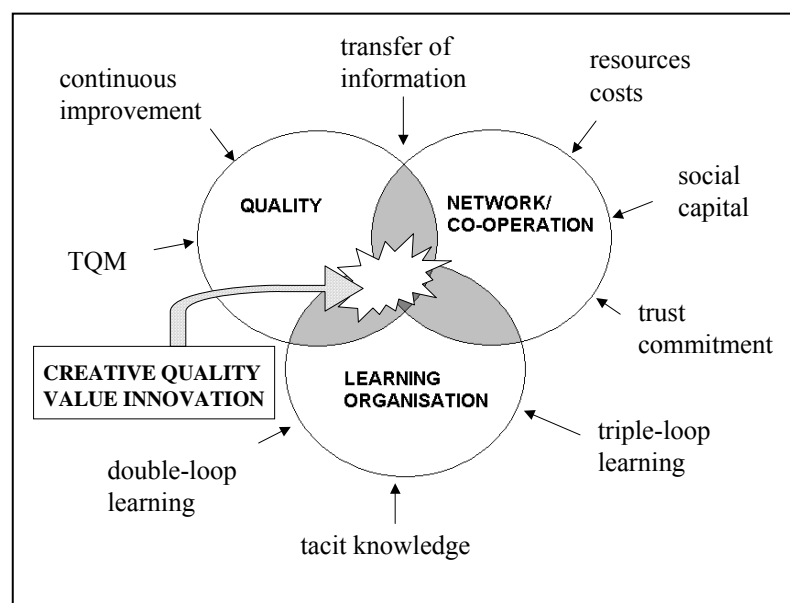


Figure 1. Aspects of the theoretical framework of the study.

The idea of value innovation has been absorbed from Wang and Ahmed (2002). Value innovations have been discussed also by Kim and Mauborgne (1997; 1999). Kim and Mauborgne also connected value innovation with strategic regeneration of a firm (Kim & Mauborgne 1999). In spite of these basic research works, the concept of value innovation has quite seldom been chosen to be the focus of research in the field of SMEs.

According to Argyris and Schön (1978) different stages of learning can be characterised as single-loop, double-loop and deuterio-learning (triple-loop). Fiol and Lyles (1985) discuss the same concept with the terms of lower and higher levels of learning. Lower levels of learning are routines within the organisation's rules and structures.

Higher level learning occurs in ambiguous contexts and includes also changes, even in organisation's basic assumptions. (Argyris & Schön 1978; Fiol & Lyles 1985) In the organisational context triple-loop learning involves knowledge creation, and the role of tacit knowledge and the interaction between tacit and explicit knowledge is critical in the triple-loop learning process. (Nonaka & Takeuchi 1995; Lam 2000)

Coupled with organisational creativity triple-loop learning indicates creative quality leading to value innovation. Creative quality and value innovation can be characterised with the five "S's":

- S1: Satisfying customer needs
- S2: Surprising customers with additional value
- S3: Superposing organisational competency
- S4: Surpassing competitors' products and services and
- S5: Stimulating new market demand. (Wang & Ahmed 2002)

In creative quality the customer will be delighted when getting actually more than expected. This 5-S model requires triple-loop learning which sometimes means unlearning organisation's traditional ways of action. The organisations with creative quality actions are able to solve customer's problems. According to Wang and Ahmed (2002) this higher stage of learning, quality and value innovation can be seen as a platform to organisations' business success. As in quality concepts in general, customer satisfaction is a basic element in creative quality, too. However, in addition to conventional quality concepts, creative quality also includes surprising the customer with a new product or service. In creative quality the organisation's competence increases when focusing on the end-customer and linking innovation with buyer value. These companies are able to stimulate new demand and economic growth. An innovative wood-working company with creative quality tries to solve customers' problems and offers new innovations. Creative quality and value innovations due to triple-loop learning grow up through new knowledge creation. Also in wood industries this higher stage of learning and quality might be a platform of future business success.

So, organisational learning affects the company's or network's quality performance and innovativeness. Organisational learning, with different learning mechanisms like experience accumulation and knowledge sharing, is one of the key elements in evolution of dynamic capabilities. Dynamic capabilities are organisational and strategic routines that rely on existing knowledge and the creation of new knowledge. (Eisenhardt and Martin 2000; Zollo and Winter 2002). Teece et al (1997:516) define dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments". Ability to renew existing resources, routines and capabilities in order to achieve competitive advantage in changing business environment means organisational learning.

SOCIAL CAPITAL

The concept of social capital is concerned with the significance of relationships as a resource for social action (Coleman 1988). According to Putnam (1995) social capital is not a one-dimensional concept and different authors have focused on different dimensions of social capital. Nahapiet and Ghoshal (1998) discussed about interrelationships between social capital and intellectual capital.

Originally the term “social capital” appeared in community studies highlighting the importance of personal relationships. These relationships develop over time providing the basis for cooperation and trust. Since its early use the concept has been adapted to a wide range of social phenomena. In addition to influences on the development of human capital, the social capital plays an important role in the economic performance of firms as well as geographic regions and nations. (Coleman 1988; Putnam 1993, 1995)

The theory of social capital emphasizes the value of networks of relationships as a “collectively owned capital”. Much of this capital is embedded within mutual contacts and recognition. Resources for social capital are available also through the connections the network brings; including also the “weak ties” (Granovetter 1973). As a set of resources rooted in relationships social capital has many different attributes. Nahapiet and Ghoshal (1998) separate the structural (connections), the relational (personal relationships developed over time through interactions) and the cognitive dimensions of social capital. These dimensions are highly related. The cognitive dimension of social capital refers to resources providing shared representations, interpretations and systems of meaning among parties. Social capital in the relations between and among persons is owned jointly by the parties and because of that issues like friendships cannot be passed easily from one person to another.

The social capital of network seems to be a crucial factor in developing innovations in cooperation. In a successful development process of value innovation presented in this research the influence of different social capital dimensions has become evident.

DATA AND METHODOLOGY

The case company is a medium-size manufacturer of wooden windows with its networking companies. During this study the company was owned by the entrepreneur’s family and the second generation was in charge. The company is well-known for the excellent quality of the products and also actions, so it was an obvious choice to be the focus of this study. The co-operative companies included in this research are manufacturers of doors, wooden components, insulation glazing elements, seals, aluminium parts, integrated blinds and wooden battens and laths. Basic facts about the companies can be seen in table 1.

These are private owned companies and most of the partner companies can also be characterised as family businesses. From the customer’s point of view the window is one solid product with the case company’s brand. Although the different components are produced separately, the installation is finished by the case company. Also the doors are sold in the name of the case company. This kind of cooperation could also be called as extended enterprise (from the customer point of view).

Table 1. Basic facts about the companies included in this research.

Company (establ.)	Products	Turnover (in Millions)	Personel
Case company (1977)	windows and doors, including installation services	47	200
Partner A (1978/2005)	doors	3.5	17
Partner B (1980)	insulation glazing elements	3.7	19
Partner C (1995)	plastic parts: air inlet window system, integrated blind mechanism	0.5	5
Partner D (1937)	aluminium parts	40.7	145
Partner E (2003)	wooden battens and laths	1	6
Partner F (2005)	seals	1.2	7
Partner G (1993)	seals	8	47
Partner H (1996)	blinds	0.7	9
Partner I (1996)	wooden components	6	21

Table 2. Semi-structured interview themes.

Basic characteristics of the company year of establishment, owners of the company turnover, personel business concept and values customers, competitors quality system (if there is one)
Cooperation (customer relationship) with the case company the beginning of the relationship: when? how? the importance of the case company among customers? who (persons) are involved? communication in practice? goals in developing the cooperation?
Actions in value added chain (case company - co-operative partner) processes of order and delivery materials flow information flow feedback how are the possible claims handled?
Quality and improvement of the quality (in co-operation) quality agreements and standards common understanding of quality problems/ developments of the quality continuous improvement of quality
Development projects and new innovations starting point description of the process innovation's usefulness, new value

The research data was collected through personal interviews and secondary sources such as company presentations and web sites, written form of company values, quality standards and instructions. Using multiple sources in research data collection improves constructing validity of the research. A total of thirteen persons in the case company and its partners were interviewed during the winter of 2006-2007. As the goal was to find examples of development processes of new innovations, informants for the interviews at the case company were personal in charge of continuous improvement and new product development. Informants for the interviews at the partner companies were those who had been in close contacts with the case company. In small family businesses these people were mainly entrepreneurs themselves. Semi-structured interviews (table 2) in the cooperative companies were taped and transcribed. By interviewing both case-company and its co-operative partners the present situation of cooperation, quality management and methods of continuous improvement, transfer of information (knowledge) and developed innovations were clarified.

Analysis of research materials was carried out by listening the interviews and reading the written (and transcribed) materials. In the background of the analysis there is the researcher's pre-understanding of the phenomenon. Also themes of interviews were chosen on the grounds of these pre-understanding and theoretical issues.

RESULTS

The objective of the study was to find out, how networking promotes creative quality and value innovations. A total of four different value innovations were investigated (Arhio 2007). An interesting example of value innovation is the supply air window; its development process has been carried out in cooperation. Another example is the integrated shade system where the control of venetian blind is located at the bottom of the frame so it is always easy to reach. Integrated blinds are already installed in the factory in the space between the glazing elements. Innovation is that all functions are controlled with one knob and the system works without surface-mounted strings and levers.

Analysing the information collected by the interviews showed interesting points concerning organisational learning in a network, information transfer and continuous improvement. Learning in inter-organisational cooperation is a process, where knowledge work takes place between the partners. Knowing the partner is the precondition for knowledge transfer and learning. Many relationships have been long-lasting, 10-20 years. *"co-operations has developed during these years and people have learned to know each other"* (sales manager of aluminium parts manufacturing company). Knowing the partner leads to the next step, where trust and commitment increase little by little. This learning process is sometimes a forced activity to maintain and develop the business relationship. *"..has really forced us to learn the acceptable quality (which is high) and also the assurance of delivery."* (manager of the insulation glazing elements manufacturing company).

The national standards can be seen in the background of quality requirements for windows, but the case company's quality requirements are higher. This culture can also be seen in the company's five values: satisfied customer, open cooperation, comple-

tion of affairs, continuous improvement and quality and reliability. Open cooperation as a company value means honest and responsible behaviour through the whole supply-chain. In open cooperation the feed-back is based on facts. Completion of affairs is target-oriented, effective operation to achieve good results. Continuous improvement consists of activities based on knowing and foreseeing customer needs and market stresses.

Quality and reliability grow from fulfilling the agreements and high quality of action and end products. In addition to well-known standards, learning the quality and common understanding of quality develops through contacts and discussions. During that process the common quality culture develops, too. *“quality culture develops when we have permanent staff”*. Several persons from different network companies pointed out the importance of regular contacts (both formal chief level meetings and more informal contacts between the workers). *“at least every week we have telephone contacts and regular visits.. and e-mail”* (manager of battens and laths manufacturing company). As quality also means the quality of action, the importance of knowledge transfer is emphasized in the changing environment. A remarkable part of the quality culture is embedded in the tacit knowledge of employees.

Results indicate that networking companies are able to develop value innovations with creative quality more effectively than individual companies. Some innovations developed in case network can be characterized as value innovations with creative quality. Those innovations fit in with the five “S” model framework: satisfying, surprising, superposing, surpassing and stimulating (Wang and Ahmed 2002). The essence of creative quality, as of conventional quality, is to satisfy customer needs. In addition to conventional quality with customer satisfaction, creative quality generates new products or services that surprise and delight customers, like integrated blind with easy to use and clean characteristics.

Superposing means that value innovating companies surpass the traditional with the innovative by superposing organisational competency and building up new layers of capacity. In the case of developing supply air window the company and its partners have learned much about air conditioning and also developed production systems and materials of the product; so the companies have achieved new levels of capabilities. Traditional competitive advantage aims at doing (or manufacturing) better and cheaper than competitors. Value innovators place emphasis on customers rather than on competition itself. (Kim and Mauborgne 1999) By doing so value innovators are able to surpass competitive offering and premises. With integrated blind system the company has surpassed competitors’ with protection of design and has had a head start over others. The integrated blind as a value innovation has also stimulated increased demand for windows.

According to Wand and Ahmed (2002) creative quality and value innovation originates from constant questioning of existing markets, industries and competitors – so these companies explore many strategic alternatives to creativity and innovations. Achieving this level of creative quality and value innovations requires triple-loop learning. Developing value innovations has been a learning process to the companies. Continuous improvement means continuous learning.

Extensive learning has taken place during the development processes of studied value innovations. The companies have also learned through problems they have encountered in product development. At the early stage of the innovation process of integrated blind the cogwheel problems nearly stopped the project. Some people in the case company wanted to interrupt the development and forget the idea. This means, that in a process like that also some persistency is needed. Only very seldom new development will succeed at the first tryout. Finally the companies were able to solve the problems in cooperation. Problems compelled companies to search for new production technologies, knowledge from different materials and innovative constructions.

The case company is a learning organisation and the network can be characterised as a learning network. Characteristics of a learning organisation are e.g. systematic problem solving, learning from own history and experiences, learning from other companies' experiences and best practices, testing new methods and effective transfer of knowledge through the whole organisation. (Pedler et al 1996; Nevis et al 1995) Organisational learning in the network also means diffusion of tacit knowledge in the network. In this case the networking companies have been successful in utilizing tacit knowledge in value innovation development processes.

DISCUSSION

Combining organisational learning, quality and networking to explain innovation process was the theoretical contribution of this research. Value innovation is also a quite new concept that was in this research studied in a context of SMEs. This case study will also carry a way of benchmarking and learning for both entrepreneurs and practioners as for policy makers. However, value innovations should be studied closely also among different enterprise sectors to clarify the network learning processes embedded in value innovations development.

The results indicate that as a result from complementary resources and social capital the networking companies are able to develop value innovations more effectively than individual companies alone. Complementary resources available through cooperation increase opportunities to build up new value innovations. As a result from deeper business and social connections the networking companies have interfaces which can stimulate innovations. During value innovation development process the network is learning through experience accumulation and knowledge sharing.

The most interesting issue is the concept of social capital that is central to the understanding of network learning and continued innovation. Learning through communication also promotes network's social capital when developing value innovations. During the development processes of value innovations the partners have learned to know each other and also the level of trust is increasing. The practical contribution of this research to wood processing SMEs is that they are able to benefit from developing value innovations in cooperation. In the future an organisations success depends more and more on the whole network's success and the companies that are able to manage their network will succeed. In wood industries this kind of network learning with increased level of social capital might be a platform for future business success.

The concept of social capital is central to the understanding of continuous innovation (continued improvement). Social capital is defined as the network of relationships possessed by an individual or social unit, and the sum of actual and potential resources embedded within, available through, and derived from such a network (Nahapiet and Ghoshal 1998:243). Social capital has been linked to the creation of both human capital and intellectual capital and it is a necessary condition for the existence of dynamic capabilities (Blyler and Coff 2003). Dynamic capabilities development in networks result from knowledge sharing, collective learning, experience accumulation and transfer through social interactions. The importance of experience accumulation and knowledge sharing (also tacit knowledge) cannot be undervalued in the processes of continuous improvement.

So, social capital is a very effective factor in developing value innovations in the network of small family businesses. In the future the importance of network's social capital should be studied more thoroughly in different networks and also in the contexts of other industrial branches and services.

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A TRIDIMENSIONAL MODEL TO ANALYZE MANAGEMENT STYLE OF SMALL FAMILY BUSINESS FOUNDERS

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Abstract

The purpose of this article is to highlight the complexity of the management style of family business leaders. The relevant literature was reviewed to construct a theoretical model integrating the particularities of small family businesses. We propose a tri-dimensional model for analyzing small family business founders, based on three logics of action (economic, family and power), while keeping in mind the fact that these three logics of action are opposed and complementary. This model therefore aims at introducing additional dimensions in the analysis of small family business leaders since the latter evolve in as complex an environment as big companies. The newly developed conceptual model is original and adapted to the specificities of small family businesses.

Key words: Small family business; leadership; tridimensional model; logic of action; contradictions.

INTRODUCTION

Family businesses account for more than two thirds of all businesses in the occidental world (Cromie, Stephenson, & Monteith, 1995). Moreover, in comparison to publicly-quoted companies, family firms are less vulnerable to the scrutiny of the stock market and their stakeholders, contributing to a long-term orientation of the business (Kets de Vries et al 2007); most of them are small and medium-sized businesses (Ward 1990; Donckels & Fröhlich, 1991). They provide extensive contributions to employment, gross national product and wealth creation (Shepherd, & Zacharakis, 2000; Feltham et al, 2005).

Despite the prevalence and economic importance of family firms, social scientists have largely neglected the study of family-owned and family-operated enterprises (Dyer 1986; Daily and Dollinger 1993), and small family businesses (SFBs) in particular (Mouline, 2000). Research on small family businesses (SFBs) is as yet not structured within a common paradigm. Some authors (Allouche and Amann, 2000; Zahra and Sharma, 2004) argued it is currently in a pre-paradigmatic state; there is no commonly accepted definition either for “family business” or for “small business” (Cisneros, 2005). Indeed, definitions of family businesses focus on a variety of different organizational attributes, including ownership, management, and intergenerational continuity, to name but three (Litz, 2008).

Many authors view private family firms as a homogeneous group (Westhead and Howorth, 2006). However, SFBs exhibit a variety of motivations, more or less complex management and ownership structures (Smyrniotis and Romano, 1994). Bauer (1993) explains that the supposedly “unique” way to analyze small businesses has led to a conceptual unity on which is based a unified representation of “business” (Bauer, 1995). But today, a new consensus has emerged to reaffirm the special character of SFBs. More and more economists and sociologists believe that company size is not the only determinant of complexity: a reduced size does not necessarily imply simplicity (Bauer, 1993). Nevertheless, there is still limited understanding of how, why, or the extent to which private family firms differ (Westhead and Howorth, 2006).

Moreover, all of the pre-cited authors insist on the need for more studies to explore family business behaviours. In addition, the distinction between family and nonfamily business may be attributable to the differing management styles and motivations of founders versus professional managers (Dyer, 1986; Daily and Dalton, 1992; Daily and Dollinger 1993). When we look at a family firm, we are looking at the interaction of three systems: ownership, family and management (Tagiuri & Davis, 1996). So the leader is, consciously or unconsciously, influenced by these systems. Tagiuri & Davis (1996) show that the system boundaries overlap and are not always symmetric; and the interaction of these three systems have varying degrees of overlap.

This has led us to consider SFBs as complex organizations, since several logics of action (from different systems) may interfere in SFBs. Moreover, unlike nonfamily firms, the “family” logic is an additional dimension to the complexity of SFBs (Tagiuri & Davis, 1996), which may conflict with other logics of action (Bauer, 1993). In order to bridge some of the gaps in the research on SFBs, this article highlights the importance of contradictions in the management style of SFB leaders. This

conceptual article focuses on the different management style of SFB leaders. We propose a tridimensional model for analyzing SFB leaders, based on three logics (economic, family and power), while keeping in mind the fact that these three logics are complementary and opposed. This model therefore aims at introducing additional dimensions in the analysis of SFB leaders since the latter evolve in as complex an environment as big companies. Our model includes three different opposed and complementary logics to examine management styles in SFBs.

LEADERSHIP IN A SFB

The variety and fragmentation of definitions of small business and family business have led us to adopt an extended definition in this research. We consider SFBs as family-owned and operated businesses with fewer than 250 employees, and with members of the family working in the company with the intention to keep it in the family (Cisneros, 2005). Moreover, many authors (Danco, 1977, Donckels & Fröhlich, 1991; Feltham et al, 2005) stated that the destiny of a SFB is tightly linked to the destiny of its founder and to the way s/he leads her/his management team. For this reason, it appears particularly important to enrich and develop tools to analyze SFB leaders.

Nicholson and Björnberg (2006) note that leadership topics are neglected in the field of family business. However, different studies have focused on leaders of family firms, including legitimate leadership, performance, principal-agent theory and governance structures (Astrachan et al, 2006). Nevertheless, leadership in a family business is complicated by the interaction of family, ownership and business status (how to be a good team leader and a good father at the same time?). Moreover leadership is particularly important in small businesses since business success or failure may be attributable to the character of the leader (Nicholson and Björnberg, 2006). But Cabrera Suarez (2005) suggests that the general literature on leadership development may not be suitable or complete enough in the case of family firms.

Leadership has been defined by Wilson (1975) as “initiating and sustaining of group movement.” This definition applies to leadership in all social species (Wilson, 1975). For Baker and Wiseman (1998), this means that leaders of family businesses are those who are able to initiate new ideas and propose new directions for the business, while energizing others to participate effectively in those new ideas and directions, and improving family wealth. In family firms, leaders make decisions in relative isolation (Nicholson and Björnberg, 2006). The literature highlights that personality effects, represented as leadership style consequences, are contingent on the factors of the context (Conger, 2005).

Finally, there is evidence that the linkage between the role of the leader and firm performance is more easily observed in smaller firms (Alcorn, 1982; Daily and Dalton, 1992). In addition, the founder leadership’s print will have an influence in the future of the firm (Le breton & Miller, 2008). Indeed, the founder’s role and influence can be seen in a family firm whether she or he is still active in the firm, retired or deceased (Le breton & Miller, 2008). In spite of the importance of leadership in SFBs, to our knowledge, few researchers have developed tools or models specially designed to fit leaders of SFBs.

FROM THREE CIRCLES TO THREE LOGICS OF ACTION

Tagiuri and Davis (1996, p. 200) argue that a “family company has several unique, inherent attributes, and each of these key attributes is a source of benefits and disadvantages for owning families, nonfamily employees, and family employees”. These authors developed a three-circle model (see Fig. 1) to represent the interactions that occur within family businesses. This model describes the family business system as three interdependent and overlapping subsystems: company, ownership and family. They affirm that the overlap of these systems generates the many distinguishing features of family companies. Any individual in a family firm can be positioned in one of the seven fields that are created by the overlapping of the subsystems.

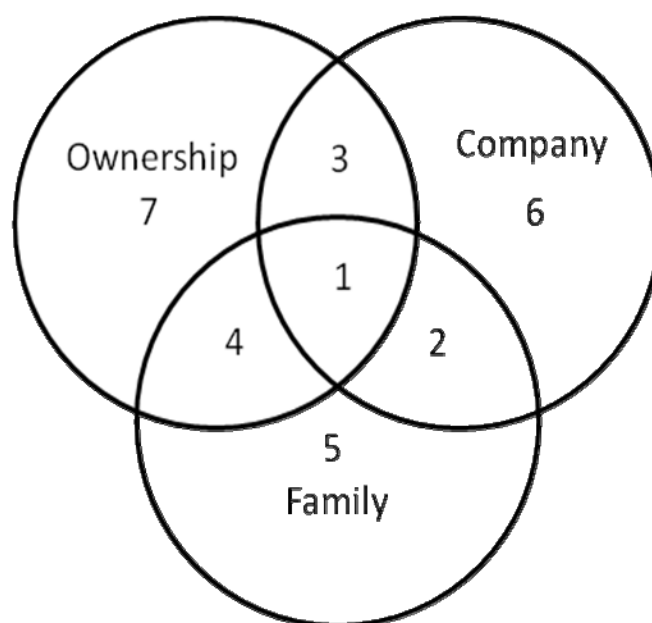


Figure 1. Adapted from Tagiuri and Davis (1996).

These three perspectives of subsystems are taken into account to explain how individuals in the field number 1, in this case the founder of the company (manager, father, owner), make decisions or behave inside and outside the company. This model shows that SFB leaders may have to cope with these three subsystems simultaneously.

Because of these overlapping systems, founders have simultaneous obligations to the employees, family members and shareholders. For instance, during the succession process, an owner-manager-father can retreat into his role as father and he will leave the control and the ownership to his son (daughter). As a manager, he will keep the control and reinvest to grow. Finally, as owner, he will sell the company and invest elsewhere. Founders have simultaneous roles, so they think using simultaneous logics. That means they have three simultaneous and opposing logics: manager, father and owner. The Father is interested in the unity and welfare of the family. The Owner is interested in return on investment and viability of the firm. The Manager is interested in the firm’s operational effectiveness, development and growth.

Tagiuri and Davis (1996) argue that goals, norms and behaviours of each system are, in general, opposed. They affirm that the owner-manager-father² periodically “suffer(s) from the anxiety” that results from these oppositions. According to them, the features of family businesses account for both their strengths and their weakness: “(It is not possible for management to eliminate these features and the challenge is to manage them to maximize their positive, and minimize their negative consequences” (Tagiuri & Davis, 1996, p. 206). In spite of the great value of this model, it does not offer a theoretical framework to understand how leaders cope with these contradictions nor how to compare two SFBs leaders. That is the reason why, in this article, we propose a tool to better understand the contradiction.

SFB leaders do not form a homogeneous group (Cisneros, 2005) and many authors have tried to classify entrepreneurs’ heterogeneity by typologies. This section thus presents a typology of the logics of actions which can influence SFB leaders. Several authors (Bernoux 1985; Amblard et al, 1996; Bernoux and Herreros, 1993) define logic of action as a set of representations, values, norms and attitudes; with interrelationships amongst them (Bernoux and Herreros, 1993) which influence an action in a given context (Bernoux, 1985). Types of logic of action, thus, are the reasons why individuals take the actions they do; they are related to a given context, which is why individuals have various perspectives in similar situations. In this paper, we define complex situations as situations in which more than one logic of action determines the behaviour of a SFB leader.

According to Bauer (1993), the SFB leader is a “three-headed man”, i.e., he is guided not only by economic rationality, but in fact follows a triple rationality: economic rationality, political rationality and family rationality. Thus he can act according to these three types of logic of action, which are sometimes opposed but can coexist:

- The Homo Economicus (moved by an economic logic of action)
- The Homo Politicus (moved by a power logic of action)
- The Pater Familias (moved by a family logic of action)

The Homo Economicus

The economic logic is probably the most studied in management. It considers entrepreneurs as economic agents, who are only interested in the economic profit of their businesses. The literature on entrepreneurship argues that the main priority of an entrepreneur is to create and grow her or his own business (Casson, 1991; Baumol, 1968). Entrepreneurs take calculated risks and innovate to satisfy customers’ needs (Schumpeter, 1934). Consistent with economic motives, Cassar (2007) found that entrepreneurs place financial success as a key determinant to explain career choices. As well as in other firms, SFB leaders pursue growth strategies and performance (Miller et al. 2008).

Consequently, a major role of SFB leaders is to control and regulate activities carefully. From this bureaucratic perspective, family businesses should include only family members who help to maximize organizational performance. Moreover, business and family should be kept separate, and the treatment of family members working in the business should be identical to the treatment of other employees (Poza, 2009).

² or an owner-manager-mother

Family members should be hired, promoted and rewarded based on qualifications (Sorenson, 2000). They should be monitored, and if they do not perform to set standards, then they should, like other employees, be reprimanded or fired. Moreover, in the economic logic, employees are supposed to be motivated by money only. Controls are important since employees are liable to “cheat.” As a result, the Homo Economicus is interested by the economic and financial results of his company and the income it releases.

The Homo Politicus

Power is a central notion in the *logic of action based on politics*. Power in organizations has been studied by sociologists such as Crozier and Friedberg (1977). According to them, individuals seek to reach their goals through the power they are able to acquire in the organization. Consequently, power is the most important source of action in organizations.

Power is most often defined as the capacity to overcome opposition (Niemelä, 2004). According to Weber (1947), power is “*the probability that one actor in a social relationship will be in a position to carry out his (own) will despite resistance...*” (p. 152). However, Dahl (1957) defines power in a simple way: the ability to get others to do something they otherwise would not; this author describes power like this “*A has power over B to the extent that he can get B to do something that B would not otherwise do*” (p. 202).

In research on entrepreneurship and family business, power has been studied as a motivation for entrepreneurship, for example, many entrepreneurs start a business in order to be their own boss (Filion, 1991). Consequently, the *logic of action based on politics* is focused on making decisions and keeping power in one’s own hands. Everything is done with this purpose in mind, including the determination of corporate policies.

According to Klein, Astrachan and Smyrnios (2005), in family businesses, power refers to dominance exercised through financing the business (e.g., shares held by the family) and through leading and/or controlling the business through management and/or governance participation by the family. Moreover, the exercise of power may differ in SFBs. Founder-run organizations are generally characterized by centralized decision-making processes (Dyer 1986; Daily and Dollinger 1993). It is not likely that the founder would invite dissension and autonomy among the managerial ranks due to the possibility of a loss of control within the firm (Daily and Dollinger 1993). In the same vein, the CEO of a SFB has been described as the most powerful, representing the ultimate decision-maker and the person with absolute authority (Garcia Alvarez & Lopez Sintas, 2006).

Consequently, the Homo Politicus seeks to consolidate his power in the company, or at least preserve it.

The Pater Familias

The *Pater Familias* refers to the *logic of action based on family interests*, that is to say, this logic of action is focused on the interest and well-being of the family. Not only is the SFB leader concerned for the interest and well-being of his own family

members, but he also considers the employees of the company to be a kind of extended family.

Logic of action based on family interests refers to a system, principle or practice of managing or governing individuals or a business in the manner of a father dealing both benevolently and authoritatively with his children. In management, this definition becomes "... a system or a practice of managing individuals that combines control, authority, and decision-making power with benevolence, caring, and affect; it seeks to promote the good or to benefit another as a means of achieving the goals of the enterprise" (Martinez, 1999). Furthermore, family logic of action is generally personalized and contextual. As a result, it is linked to a minute knowledge of the people of the company. The *Pater Familias logic of action* reflects a certain conception of power, a way of using it, and a type of relationship between the owner and the employees (Pinçon, 1990) in which the owner exchanges protection for loyalty.

The most prominent type of family business culture is paternalistic (Dyer, 1986; Sorenson, 2000). Kets de Vries (2007, p. 55) argues that "*although less common now in Europe and North America, the paternalistic model is still the organizational structure of choice for family business in many regions.*" In a paternalistic culture, relationships are arranged hierarchically. Family leaders retain all key information and decision-making authority, and managers closely supervise employees, giving subordinates little discretionary leadership (Sorenson, 2000). According to Sorenson (2000), autocratic leadership best describes the management behaviour in this type of organization.

In addition, the *Pater Familias* logic will often lead the SFB leader to devote more resources to family members, and even less talented and ambitious family members are favoured over outsiders when distributing resources (Sorenson, 2000). A boss, therefore, is not simply a boss, but also a father; a daughter is not simply a daughter, but also an employee (Litz, 2008).

In general, authors see only the negative aspects of paternalism (Lewin, 1948; Likert, 1967, Martinez, 1999), but it is extremely difficult to ignore it or to minimize its impact in SFBs (Fiol and Sole, 2001). In this perspective, we propose to analyze paternalism not as a style of leadership, which is often the case in the literature (Likert, 1967), but rather as a feature of the SFB leader personality.

Logics of action of the SFB leader

Bauer (1993) considers that the size of each "head" – or logic of action – and the conflicts and contradictions that exist amongst them can characterize the behaviour of the SFB leader: the decisions of a SFB leader express a negotiated combination of the projects inspired by each of his three heads. If those are too divergent, the leader, torn between contradictory desires, prefers to wait; his non-decisions also often result from tensions and conflicts amongst his three heads. These three types of logic of action can be understood or experienced by the leader as opposites (Bauer, 1995). For example, if a family member achieves very poor results, laying him off would be contradictory to the *logic of action based on family interests*, but in agreement with *logic of action based on economics*. In short, family businesses have both economic and non-economic priorities (Le breton & Miller, 2008). Finally, it is important to make clear

that the leader should not be regarded as a separable entity from the group (Kets de Vries, 2002; Motta, 1993). Thus, the leader has to be situated in his organizational and cultural context.

Leach (1993) described the paternalist paradox: like a father with his children, the paternalist leader would like his subordinates to "grow" to replace him but he never feels ready to leave. He wants to keep the power and enters a vicious circle then. Consequently, contradictions amongst these three types of logic of action are a very important element that could explain the behaviours and actions of SFB leaders. That is why it appears relevant to explore more in depth the concept of contradiction in management. This concept is especially pertinent in research into family business.

CONTRADICTIONS IN LOGICS OF ACTION

In our occidental way of thinking, it is difficult to imagine contradictions that are not antithesis (Tarde, 1897; Lukasiewicz, 2000, Bachelard, 2002). For example, reason is opposed to feelings, the body to the spirit, the unconscious to the conscious, etc. As a result, two opposite items cannot coexist. This way of thinking, deriving from Greek philosophy, polarizes contradictory logics in an effort to determine which position is correct (Peng and Nisbett, 1996; Lukasiewicz, 2000, Bachelard, 2002). On the other hand, oriental ways of thinking may deal with contradictions in an ambivalent perspective: opposing logics can coexist and they are in constant change (Loy, 2000).

Management, generally speaking, is seen as the product of the occidental culture (De Geuser, Pequeux and Pham, 2003). Consequently, we use non-contradictory reasoning in management to understand and analyze complexity in organizations which habitually implies a simplification of this complexity. Nevertheless, it is often forgotten that this simplification is necessary but can lead to the reduction of reflection (Fiol and De Geuser, 2003): the map is not the territory (Korzybski, 1998). Many models of the hierarchical relationship are designed in two axes; this bipolar vision is pedagogical but does not allow the organization to be perceived according to other dimensions. Each way of seeing is also a way of not seeing (Morgan, 1986).

Traditional models of contingent leadership are an illustration of dual thought in management. Tannenbaum and Schmidt (1958) were the first to study the influencing-leadership process, following non-contradictory reasoning. According to them, the leader is either task-oriented or people-oriented, but can't be both. Their followers (Blake and Mouton, 1964; McGregor, 1960; House and Mitchell, 1974; Zalesnick, 1977; Bass, 1990; Yukl, 1994; Goleman, et al., 2002) considered that these two logics can coexist, but still proposed models based on two axes.

Therefore, the majority of theories on leadership have been based on two-dimensional models. These models are generally composed of two axes, one representing the orientation, "tasks" (economic rationality), and the other, "people" (emotional or social rationality). The model of contingent leadership postulates that the performance of a group depends on the interaction between the style of leadership of the leader and the situation. For Fiedler (1972), two styles of leadership are possible: task-oriented leadership and relationship-oriented leadership. According to him, task-oriented leadership fits individuals centered on the achievement of tasks. On the other hand, relationship-oriented leadership fits individuals who are more interested in maintaining cor-

dial relationships and support with others. Fiedler carried out studies (Fieldler, 1972; Fieldler and Chemers, 1974) showing that an individual cannot develop these two styles of leadership. Therefore, according to this author, it is important to know the style with which the leader feels comfortable (according to his personality) and how the situation can be adjusted with his style of leadership.

Contrary to many authors, Fiedler thinks the subordinates have to adapt to the leader and not the reverse. He affirms that instead of trying to change the style of leadership of leaders, organizations should concentrate on situations and subordinates so that they correspond to the style of leadership of the leader.

Fiedler's model has been highly criticized, basically because, apart from Fiedler and his/her collaborators, the results obtained with his methodology remain poor (Graen et al., 1971). The reliability and the validity of measurement scales are quite low. In addition, the author does not give counterexamples (Schriesheim, Tepper and Terrault, 1994). Moreover, we can add that this approach does not take into account the contradictory and complementary character of the two styles of leadership. In fact, the author follows the logic of non-contradiction, i.e., he denies contradiction; according to him the leader cannot be task-oriented and relationship-oriented at the same time. Furthermore, a task-oriented leader cannot become a relationship-oriented leader. This approach remains a negation of contradictions because the authors never mention that the leader can be task-oriented and relationship-oriented at the same time.

The situational leadership theory borrows the two styles of leadership from its predecessor: task-oriented and relationship-oriented leadership. But this approach analyzes these two styles following two axes. The result is a matrix model in four boxes: direction, drive, participation and delegation. Hersey, Blanchard and Johnson (1998) affirm that the most important factor to take into account in the selection of the style of the leadership is the level of development of subordinates. The leader must know in an intuitive way the level of maturity of his collaborators and adapt his style of leadership to their level.

Hersey et al. (1998) have been criticized because of the difficulty of knowing whether the leader should adapt his style according to the level of each person, the level of the group or both (Gibson et al., 2001). Nothing actually demonstrates the ability of the leader to switch from one style of leadership to another (Norris and Vecchio, 1992).

Kerr and Jermier (1978) show that a welded and experienced group does not need a particular style of the leadership such as those presented by Hersey et al. In addition, even if a subordinate has a high level of development, it is impossible to delegate everything, because he is then liable to feel abandoned. Finally, subordinates need autonomy but also need "to be sense-making oriented" (Cisneros, Fiol and Fronda, 2003).

In conclusion, these approaches neither speak about contradictions nor about complementarities. They postulate that the leader acts according to two logics and no more. They seem to be locked up in standard ideals, certainly useful but reducing. Additionally, none of them took into account that the leader could also be the company owner or work with his family. Thus, the leader is isolated from the organizational/family context; he cannot cope with two opposing logics. Consequently, none of them take into account the paternalist behaviour of the leader or even his political

behaviour. In this article, we go further than these traditions of leadership – based on these two axes – and introduce a model that can manage contradiction as part of the function of SFBs. To try to fill the gaps of traditional models, we propose a three-dimensional model to analyze the style of management of SFB leaders. We identified three logics that can guide the leader's actions (the Pater Familias logic, the economic logic and the political logic). All the same, our model is a simplification of a complex reality; nevertheless this approach seems to be less simplistic than bipolar models.

A TRIDIMENSIONAL MODEL

Taking as a starting point Bernabé and Dupont (2001), we propose in this section a model that includes some specificities of SFBs. Not being able to isolate a Pater Familias logic from other logics, we will use the Bauer theory of the "three heads of the leader" which seems relevant to understand the SFB leader. Then, we will show how these logics can be complementary, even if they are sometimes opposed. Finally, we will present a three-dimensional representation of ideal-types, which could characterize each facet of the SFB leader.

From cursor to stretch reasoning

We postulate that two opposite logics can coexist in a diachronic way (Korzybski, 1998; Cisneros & Mejia, 2003). Fiol (2003) explains why an opposition between two attitudes or logics of action can be apprehended in two ways. The first, called cursor reasoning, considers that the two logics of action constitute the ends of a continuum between which it is possible to move a cursor. Following this reasoning, the more a leader is Homo Economicus, the less he is Pater Familias. Consequently, one logic of action is left behind to the profit of the other; in such reasoning, the coexistence of two opposite logics of action is impossible. The cursor reasoning corresponds to the OR reasoning: one OR the other of the two logics concerned (see Fig. 2).

On the other hand, the "stretch reasoning" postulates that one logic of action does not necessarily exclude the other. Both can be reinforced mutually and guarantee the suitable development of each one according to the situation considered. This is possible thanks to a diachronic coexistence: the stretch reasoning substitutes the dialectical AND to the reasoning in OR. If we consider again the example of the employee giving poor results, the leader can decide to send him for training in order to improve his results (Homo Economicus) while securing his honesty (Pater Familias). The following diagrams present the chart of the two reasonings – cursor and stretch – suggested by Fiol (2003).

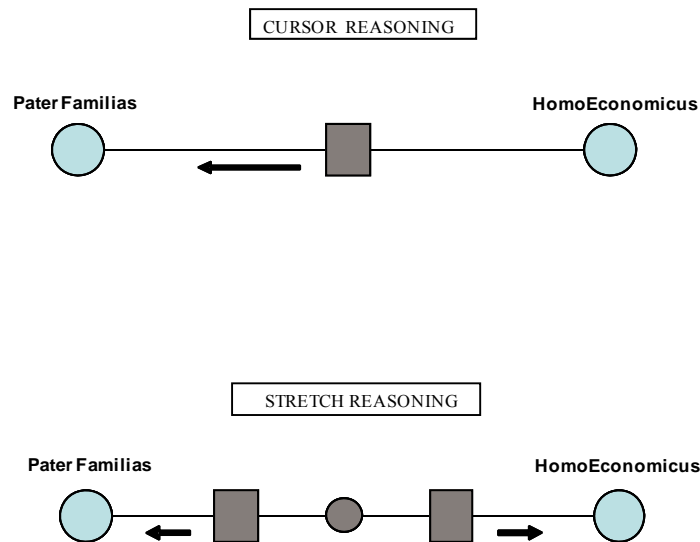


Figure 2. Cursor reasoning versus stretch reasoning (Adapted from Fiol, 2003).

Passing from the cursor reasoning to stretch reasoning is also possible in a multidimensional space. We are accustomed to oppose one idea to its opposite, even in a situation where several heterogeneous logics of action are at stake (Watzlawick, 1995). Consequently, we can integrate the three logics of the SBF leader (Bauer, 1993) in a stretch diagram; this representation diverges from the traditional bivalent models (see Fig. 3).

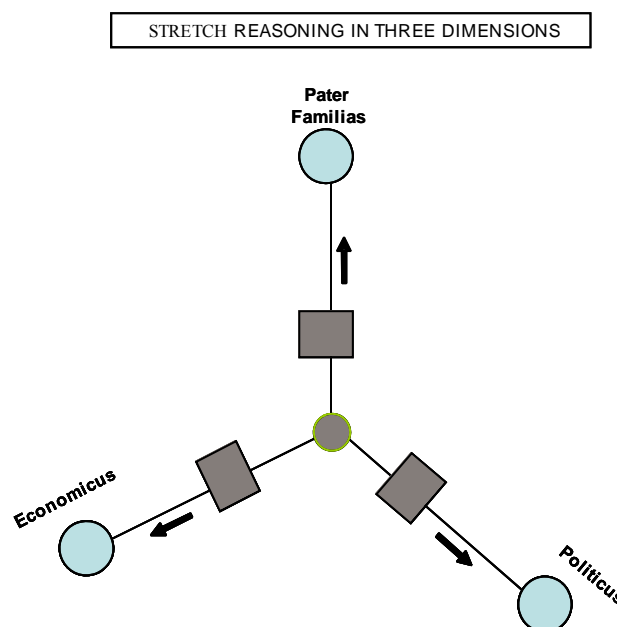


Figure 3. Stretch reasoning in three dimensions.

According to Bauer (1993), the three logics of action are always present even if one or two of them are reduced. He argues the SFB leader can be more or less Homo Economicus, more or less Homo Politicus and more or less Pater Familias.

Cube of management styles

We distinguish three logics of action, located on three axes: Pater Familias (PF), Homo Economicus (HE) and Homo Politicus (HP). These logics are more or less expressed in the leader's behaviour (+ or - noted on the figures). In this three-dimensional space, we can see eight types of SFB leader's behaviours. They are ideal-types, and our goal is to show that the SFB leader can be more or less oriented on each one of these three poles (see Fig. 4).

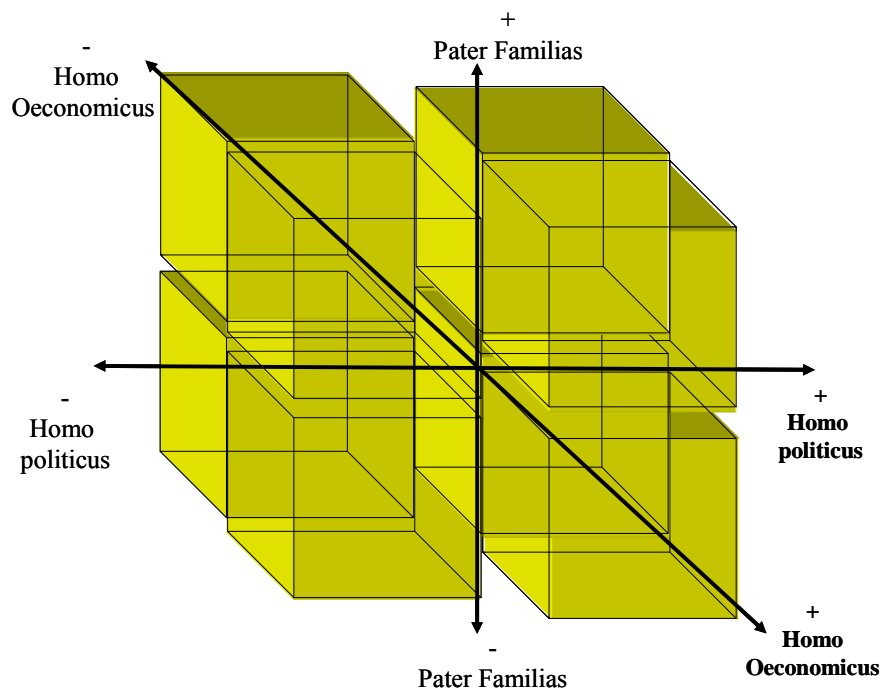


Figure 4. Cube of management style.

The cube of management style permits us to illustrate some of the management styles of SFB leaders, derived from the work of Bauer. We define a management style as a combination of three logics of action (PF, HE, HP).

The three logics change and evolve over time. For Bauer (1995), even if SFB leaders perceive these logics as being contradictory, they are not and they coexist. Even more, the force of one logic of action can compensate for the weakness of the other (see table 1).

Table 1. Examples of advantages and disadvantages of the three logics of action (not exhaustive).

	Some advantages	Some disadvantages
Homo Economicus	Performance-oriented Pragmatic Task-oriented	Cold/Distant Miserly Insensitive
Homo Politicus	Mastermind Good negotiator Problem-oriented	Machiavellian Hypocritical Dictatorial
Pater Familias	People-oriented Generous Loyal	Nepotistic Emotional Paternalistic

Economic rationality is not the only type of logic guiding the leader's actions; it can coexist with others (Tagiuri & Davis, 1996). However, Bauer (1985) affirms that hypertrophies of one head of the leader are possible. The following figures (see Fig.5, 6 and 7) give examples of possible hypertrophies.

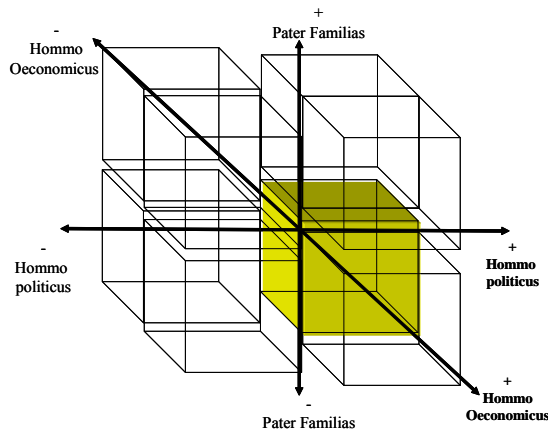


Figure 5.
Pure Homo Politicus (PF-, HE-, HP+).

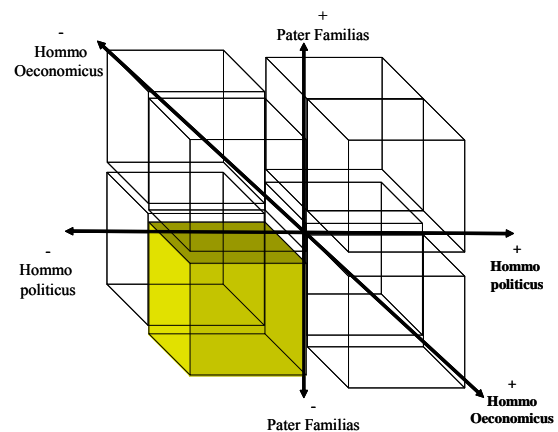


Figure 6.
Pure Homo Economicus (PF+, HE-, HP+).

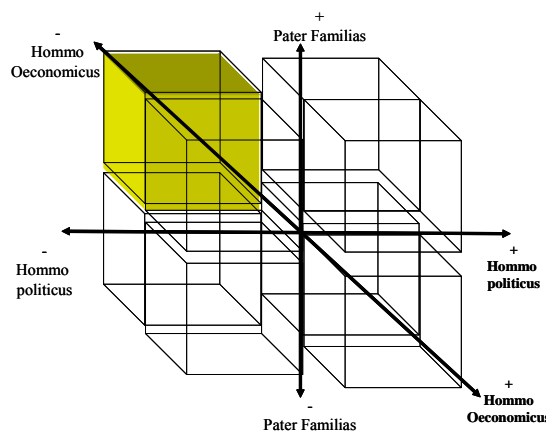


Figure 7. Pure Pater Familias (PF+, HE-, HP-).

Hypertrophies occur when a SFB leader is confronted with complex situations in which two or three logics of action are conflicting. Instead of seeing these logics of action as contradictory and complementary, SFB leaders often use cursor reasoning. Consequently, their perception of the situation is based only on one of the logics. However, by using cursor reasoning they cannot benefit from the advantages of the other logics of action. For example, in a succession, if a SFB leader only follows the Homo Politicus logic of action, he will keep the power in his hands but maybe he will lose the opportunity to legate the company to his family. Due to his age, he also might be less productive and lose money.

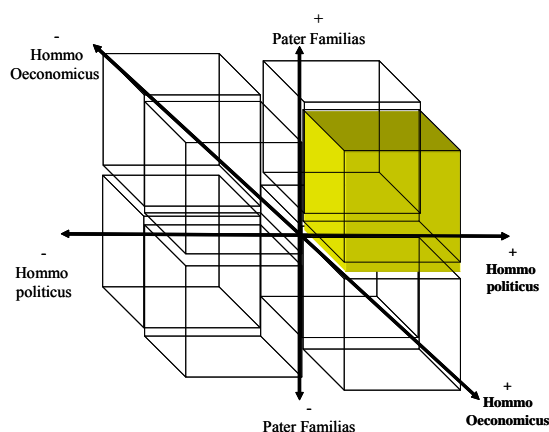


Figure 8. Three heads reconciled (PF+, HE+, HP+).

The cube of management style should make it possible to accept the idea of a leader who is at the same time *Pater Familias*, *Homo Economicus*, and *Homo Politicus* (see Fig. 8). Of course, each logic of action has strengths and weaknesses; a real optimum does not exist. Moreover, the strengths and weaknesses of each logic of action are more or less powerful according to the situation. Harmonizing the three types of logics of action is then an important challenge for SFB leaders.

Finally, the management style of SFB leaders is a combination of these three logics of action: a management style is seen as a unity containing all three logics of action (each logic can be prevalent in varying degrees in the management style of SFB leaders). Each management style has its advantages and disadvantages. There is no absolute optimum; all the styles presented have two faces, which depend on the ethics and morals of the leader.

To conclude, Bauer (1995) explains why there is an implicit rule in companies, which consists in speaking openly only according to the economic logic. The only form of legitimate rationality is economic rationality. Consequently, having a behaviour too obviously *Pater Familias* – or *Homo Politicus* – is taboo. Thus, there is a shift, often considerable, between speech and reality, between legitimate logic and existing logics. The cube of logics of actions then aims to introduce two “hidden” logics of actions and to shed light on the contradictions that can occur between them.

DISCUSSION AND IMPLICATIONS

One of the main propositions of this article is that management is the product of an occidental culture, based on non-contradictory thinking. Consequently, the bipolar or bi-dimensional models of leadership tend to reduce and simplify complexity in organizational functioning. On the contrary, we think that the three logics of action (Economicus, Pater Familias and Politicus) are important to understand the complexity of leadership in SFBs.

In this paper, our intention is to introduce a theoretical framework specially designed to analyze leadership in SFBs. The cube we propose tries to cope with the Pater Familias and Homo Politicus logics, as well as the economic logic, which are characteristic features in SFBs. Moreover, this tridimensional model can be useful to better understand leaders in family businesses in general. Indeed, it goes further than the two-axes models or the non-contradiction paradigm. The three-logic matrix is an innovation compared to the traditional models. In addition, we postulate that these logics of action are contradictory and complementary. The management style of the SFB leader is actually a combination of these three logics. Our framework is thus particularly relevant to family businesses.

Reconciling the three logics is an important matter for SFB leaders. As its name indicates, the leader with "three reconciled heads" succeeds in harmonizing the three logics, which can seem contradictory whereas these logics are reconcilable in practice. This view makes it possible to accept the idea of a leader who is at the same time Pater Familias, Homo Economicus and Homo Politicus. The economic rationality is not the only logic guiding the leader's actions; it can coexist with other logics of action. Bauer (1995) affirms that hypertrophies of one or two heads of the leader, are possible, but we find more coherent to try to harmonize the three rather than deny their coexistence.

If the SFB leader is aware of the coexistence of these three logics of action, he will be able to find creative solutions to complex situations based on them. Eventually, he will be able to go beyond the apparent contradictions of these logics.

Considering the three logics, we can design ideal-types of SFB leaders and make a synthesis of their advantages and disadvantages. This study can be useful for research or consulting in SFBs. Our model can help SFB leaders or consultants to identify their style of management. With a better understanding of the management style of SFB leaders, managers and consultants should be able to orientate their strategy and their needs in terms of training. For example, a paternalist leader should be encouraged to develop his economic and political "heads." So our model provides an original tool to identify styles of management and is especially adapted to small family businesses. To our knowledge, few such tools have been developed in previous research.

The model suggested can be used in the diagnostics and the follow-up of an organization. As in the Hersey, Blanchard and Johnson (1998) analysis, we think there is no ideal style of management. The SFB leader has to adapt his style of management to the situation, but the SFB leader has to be aware that he always copes with three different logics of action. The context (structure of the organization, culture of the company, economic environment, etc.) should indicate to the SFB leader which behaviour

of the cube is suitable. Economic logic is particularly useful in a changing economic context or a sudden increase of competition. The Homo Politicus logic seems adapted to manage internal conflicts or the arrival of a new leader, a succession, for example. Finally the Pater Familias logic allows for conciliation between the need for security by the employees and the need for loyalty by the leader. This is a way of developing staff loyalty.

Lastly, it appeared important to us to point out certain positive aspects of the Pater Familias and Homo Politicus logics. This article can seem to simplify things, but it offers a theoretical framework to analyze how SFB leaders behave. It calls for empirical developments, for example, which could investigate the role of the "Pater Familias" factor in the management of SFBs.

In conclusion, we hope that our model will be considered in future theoretical frameworks and that empirical work will result. It is also our hope to enhance the status of the "hidden" logics of action.

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FARM FAMILY BUSINESS: THE RELEVANCE OF DISTRICT-CONTEXTS IN THE CONSUMPTION OF RURAL DEVELOPMENT POLICIES*

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Abstract

Farm family business is the most relevant of the Italian agriculture. Recent rural development policies of the European Union aim at improving competitiveness of family farms and diversification of their economic activity in rural areas, by offering a set of financial opportunities. These opportunities are not always well exploited by family farms.

The purpose of this article is to verify the existence of a "district effect" in the consumption of rural development policies. To this end, the authors analyse demand and funding obtained by fruit and vegetable farms within an Italian region, distinguishing between district and off-district areas. A deepening of farms' socio-demographic characteristics is proposed, to emphasize the district dimension in the access to rural development policies. The results confirm the existence of the district effect and call for a strengthening of relational asset within territories to improve policy access.

Key words: family farm business, agri-food districts, demand and consumption of rural development policies.

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INTRODUCTION

In many European countries, agricultural sector is largely organised on family farms. With the expression of “farm family business”, Errington and Gasson (1993) underline the close interdependence between the family and the farm. This link, more intense with respect to other family businesses, stems from the strong overlapping between the productive and the reproductive spheres³.

The debate on the persistence of family farms operating within local systems of production⁴ is still current, as these systems show a high ability to compete in an increasingly global scenario. This is true even in the agro-food sector and in rural areas characterised by the presence of small companies territorially organized into agri-food districts (Iacoponi, 2002; Brunori, 2003; Fourcade, 2006).

In agri-food districts the presence of family farms is relevant: they show high capabilities of persistence, due to a set of relational assets, to the presence of social capital and a climate of trust that permit to reduce the limits of their structural dimension and generate a sensible reduction in transaction costs. A copious literature explained the persistence of local systems with weather the action of “atmospheric”, marshallian-like, phenomena, or the flexible organisation of production (Pyke and Sengenberger, 1992), or the presence of untraded interdependencies (Storper, 1997) and, consequently, with the significant reduction in transaction costs (Becker, 1981; Pollack, 1985; Ben-Porath, 1982).

Recent proposals of political economy for rural areas have stressed territorial dimension: rural development policies, in fact, propose ascending and bottom-up approaches, where the responsibility of territorial development is carried out by local actors, in a framework aimed at promoting endogenous development models. This policy ensures availability of resources that, if well exploited, can generate high opportunities for family farms and for local development. Rural development policy of the European Union is an example of this type of approach: the available resources intervene on two essential dimensions of rural development: by supporting the competitiveness of agricultural sector and through the promotion of an integrated and sustainable model of endogenous development (Shortall and Shucksmith, 1998; Van der Ploeg and Van Dijk, 1995). The full access to these opportunities requires the presence of “virtuous” family farms with presence of human and social capital to take advantage from all available options.

The access to economic policies for local development is a particularly interesting theme of analysis, which has not always been given the needed attention. Ex post analysis of the territorial impact of rural development policies seems more treated in recent literature (among others, see Shucksmith *et al.*, 2005), while less attention was paid to the mechanisms governing the decision to apply for economic policies from the family farms. A number of variables and binding factors, sometimes result of “po-

³ (...) *any boundary between productive and reproductive work in the farm household is artificial* (Errington, Gasson, 1993)

⁴ A local system of production is a territorially-based, endogenous model of development, where small family firms obtain adequate economic performance, due to the availability of tangible and, above all, intangible assets, which produce particular model of organisation, commonly called “districts” (Becattini, 2004).

litical markets” (Becker, 1983), or of bureaucracy (Ray, 2000) may often condition the possibility to exploit these opportunities. In this context the following question becomes relevant: family farm structure and territorially-based factors could influence (positively or negatively) both demand and consumption of rural development policies?

The aim of our paper is to answer this question: more precisely, the scope is to determine whether the presence of district-context produces territorial differences in the consumption of economic policies among the farms. Our hypothesis is that the geographical location in a district fosters a more intense consume of policy, through a series of factors, qualifying the district itself. This hypothesis finds its explanation in the theories of industrial districts and in the benefits firms found in district-like contexts: cooperation, trust among firms, strong support of locals institutions and high circulation of information generate a competitive advantage for local firms.

This competitive advantage stems from the presence of external economies, which are rooted in local institutions of base (Becattini, 2004), as school, family, etc. The presence of *embeddedness* (Granovetter, 1985) and of local networks (Murdoch, 2000) among family farms facilitates exchange of knowledge and learning processes that release social proximity and trust (Boschma, 2004; Chirico, 2007), so increasing social capital (Lee *et al.*, 2005).

This makes it necessary to investigate socioeconomic characteristics of family farms involved in policy-demand processes. The focus on family farms is due to the high importance this type of farm has in the Italian agriculture: more than 90% of Italian farms are family-type; the analysis of the access to policy on behalf of family farms evident in fostering their persistency.

In our opinion the paper contributes to literature on family farms under two different points of view: firstly, by showing the influence of territories with district characteristics in performing the farm’s activity; secondly, literature on family farms has generally given little importance to the mechanisms governing the decision by companies to apply for policies; in our opinion, the propensity to consume policy highly depends on farms’ socio-structural characteristics and on territorial contexts. Then, some data on the access to policies, classified by on the basis of characteristics and "virtues" of family farm businesses will be analysed.

To this end extend, after a brief methodological note, the work continues proposing the differences in demand of rural development policies, articulated on the family structure and relational asset. Some synthetic conclusions will end the paper.

METHODOLOGY

The analysis is proposed for the fruit and vegetable sector of the Lazio region. This region presents inside a fruit and vegetable district in the province of Latina, already identified in other studies and officially recognized by the Region.

Given the regional context of the rural development plans, the reference to rural development policies makes it necessary to compare intraregional areas (Terluin and Vanema, 2003).

To compare the access to rural policies, the following three municipal clusters will be considered:

- √ A: district area (specialized by definition);
- √ B: not district but specialized area;
- √ C: other areas, but with the presence of some fruit and vegetables crops.

Figure 1 shows the district area⁵.

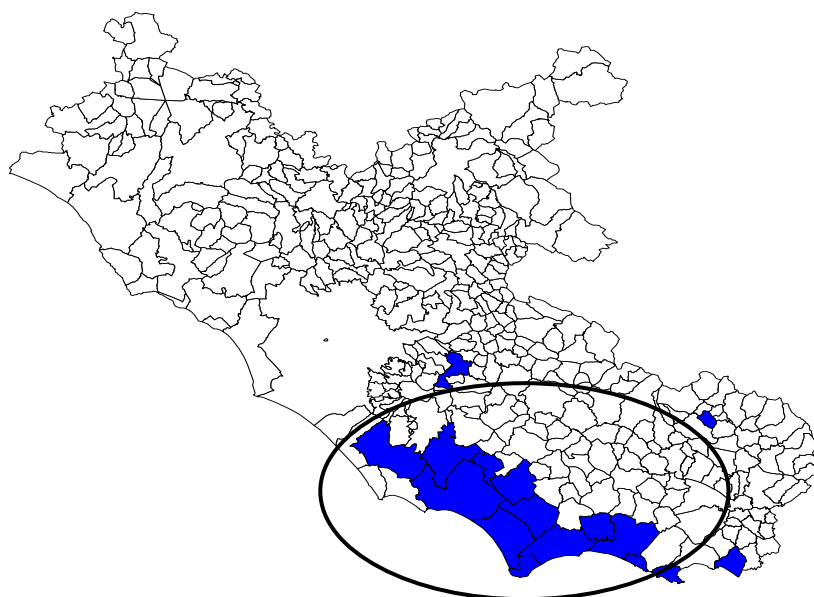


Figure 1. District area.

The programming for the period 2000-06 in Lazio region (recently concluded) will be taken as a reference. In particular, measures of the first and second axis are taken into account, specifically involving the farms themselves (table 1):

⁵ Specialised areas have been identified by calculating a coefficient of localisation, which measures the relative incidence of fruit and vegetable sector in every municipalities of Lazio region.

Table 1. Measures considered for analysing consume of rural development policy.

<i>Axis I</i>	<i>Axis II</i>
Modernisation of farms (A)	Economic diversification of farm (P)
Intergenerational exchange (B)	
Processing and distribution of agricultural products (G)	

For each type of funding policy application, only the family farms with conditions and eligibility requirements for access have been extracted from the regional database⁶.

It has been possible to identify the sample's structural characteristics from the 2000 Italian Census of Agriculture, in particular the socio-economic structure of the family and the equipment of relational assets.

The socioeconomic structure of the family farms has been derived from a recent study by Bartoli and Palombo (Bartoli and Palombo, 2006), which define these types through a multivariate analysis. The extracted and used typologies are following:

1. single-active couples families (old couples without children, full-time employed) – COMO;
2. mature in transition families (numerous on average families, in the mature life cycle-phase, children with off-farm job) – MATR;
3. nuclear professional families (generally couples with children, or extended families, with possibility of generational turnover and good economic performances) – NUPR;
4. narrow pluriactive families – (couples without sons and single-personal families, with part-time farming) NAPL;
5. single exclusive families (old families, with a full-time job in the farm) - MOES
6. young dynamic families (young families, with children and possibility to integrate farm income with off-farm job) – YODY.

Each family type defines farms family business with different strategic perspectives, affected by the household composition, the presence of possible successors in the farm and the positioning along the life cycle of the family.

The relational asset takes into account two aspects defining the so-called “farm virtues” (individual and social virtues), whose importance has been underlined in recent studies about the impact of cultural factors in economic development (Marini, 2000).

Individual virtues refer to the concept of “efficiency push” (McClelland, 1961) and consider the entrepreneurial stimulus to improve farm performance. In this context, the measurement of this variable is made by reference both to the farmer's cultural and professional training and his computer equipment. Social virtues (Inglehart, 1977) are translated here as entrepreneurial skills to enable or take part to territorial network. Participation to associations or cooperatives, presence of technical and management

⁶ The first ones concern the age of the conductor, that have not to be higher than 65 years; the requisites make reference to the profitability (RN) for work units (ULU). In the farms with almost one ULU, the share RN/ULU cannot be less than the 50% of the income of reference (income of reference = € 19.657,38 for 1999) as annually determined by the ISTAT. If the firm does not absorb as a minimum one ULU, RN cannot be less than € 6.713,94.

assistance, valorisation of agricultural products in the territory are here used as synthetic variables of those virtues.

By considering the two virtues, four types of relational assets originate:

- √ absence of relational goods (NoV)
- √ endowment of just individual virtues (IV)
- √ endowment of just social virtues (SV)
- √ full endowment of relational goods (SV + IV)

On the basis of family and relational dimensions, performance in market policies will be analysed. Finally, the benefits of localisation in the district area will be estimated through logistic regression aimed at testing the statistical probability of consuming rural development policies.

RESULTS

Data processed show a very high share of funds that fall in the specialised territories (district and extra-district): 84,7% of the funding allocated to regional fruit and vegetable farms lies in the municipalities defined as specialised. The percentage is the result of an average between the various measures analysed, with similar percentages for the first axis measures, and much lower rates for measures of economic diversification, included in the II axis.

To get an homogeneous comparison, the following analysis will focus only on specialised municipalities, differentiating those falling in the fruit and vegetable district (13 municipalities, with 2789 farms) from all other specialised municipalities (57 municipalities, with 3815 farms).

A first interesting information can be drawn by comparing percentages of fruit and vegetables farms falling in the district and not-district areas, with those of funded farms and the average value of the contribution obtained in the two territorial contexts. The result is shown in table 2.

Table 2. Consumption of rural development policies.

	district	off-district
Farms	42,2	57,8
Funded farms	58,2	41,8
Contribution	68,2	31,8

Source: Region Lazio

Specialised farms falling in the district represent 42.2% of the total, compared to a percentage of 57.8% held by specialized companies that operate outside the district. However, observing the percentage of funded farms and the total contribution, a dramatic change emerges: 58.2% of funded farms fall in the district, where under 42% is located outside. If the expenditure data paid for projects funding are considered, difference between the two territories is even more marked; the share in favour of district farms rises to 68.2%, while outside the district absorbs a residual share of 31.8%. The

difference between the average value of funds received inside and outside districts areas is also statistically tested through a T-test on the difference between means. The result of the t-test confirms the statistically significance of the difference between the mean value of the amount of funds received by the firms localized inside, from that of the farms localized outside the district context. The test results are the following (table 3):

Table 3. T-Test on the difference between mean values.

Statistics	district	off-district	difference
Mean	29507	18840	-19599
Std. Dev.	47810	28297	41607
Std. Err.	2814.5	1990.1	3724.7
Pr > t	0.0004		

Source: Region Lazio

As the first result of the T-test is the rejection of the null hypothesis of equal variances, according to the Satterthwaite’s (1946) T-test calculation, also the null hypothesis of equal means is rejected. In other words, the two average values of the funds received by the farms of the studied groups are statistically different.

As confirmed by the test, a significant minority of farms operating in a fruit and vegetables district can therefore have a relatively greater access, in terms of number of funded farms and obtained contribution. This “district effect” is graphically presented in Figure 2.

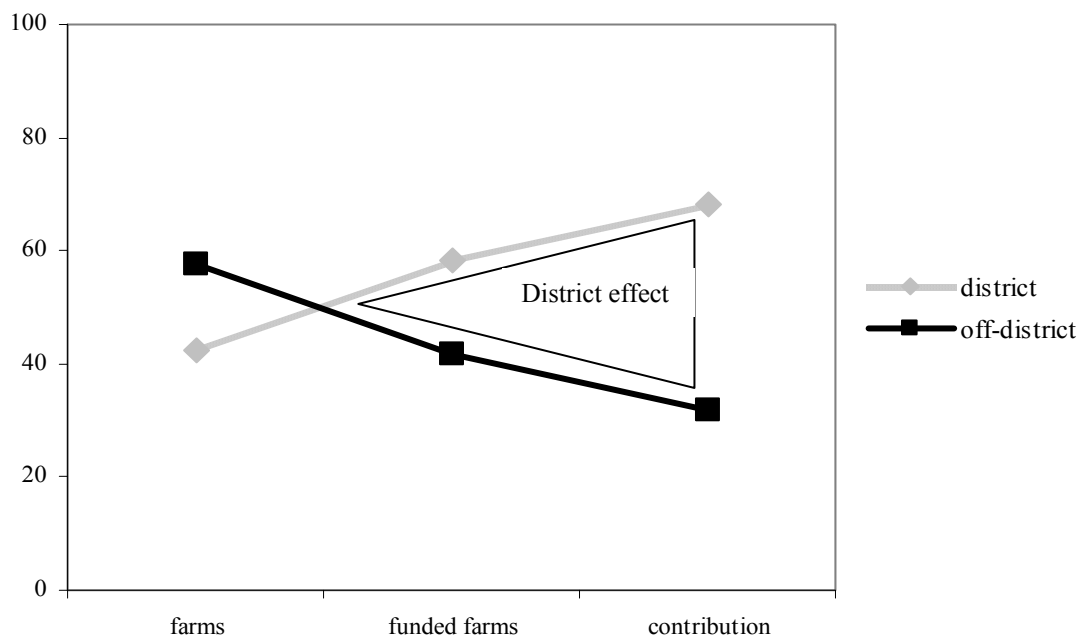


Figure 2. District effect (%).

As mentioned in the methodological note, an articulation of access to policy based on farms’ socioeconomic characteristics will be proposed, to deepen some district-effect

aspects.

FARM CHARACTERISTICS AND POLICIES APPLICATION

Composition of the family farm and access to policies

Family farms cover a percentage equal to about 98% of total fruit and vegetable regional companies. These are distributed in the regional territory as set out in table 4.

Table 4. Fruit and vegetable family farms composition.

	NUPR	COMO	MOES	NAPL	MATR	YODY	TOTAL
District	14,3	13,9	6,3	6,5	26,2	32,7	100,0
Off-district	3,9	13,8	7,8	15,4	25,9	33,2	100,0
Total	8,3	13,9	7,2	11,7	26,0	33,0	100,0

Source: Region Lazio and Istat

The types are equally distributed in the two areas, with the relevant exception of nuclear professional and restricted pluriactive. Farms with high professionalism and economic performance, which account for reduced quotas on family farm businesses, fall for a higher percentage in the district, with a share of 14.3%, compared to 4% outside the district. As a result, a greater ability of family farms persistence in the district comes out. Then the eventual higher propensity to demand and policy consumption in the district area has been measured within the same typology of family farms. Figure 3 summarizes the results of this effort, supporting the impression that the district family farms, not only show a greater degree of professionalism but on equal type, show greater performance in consumption of rural development policies.

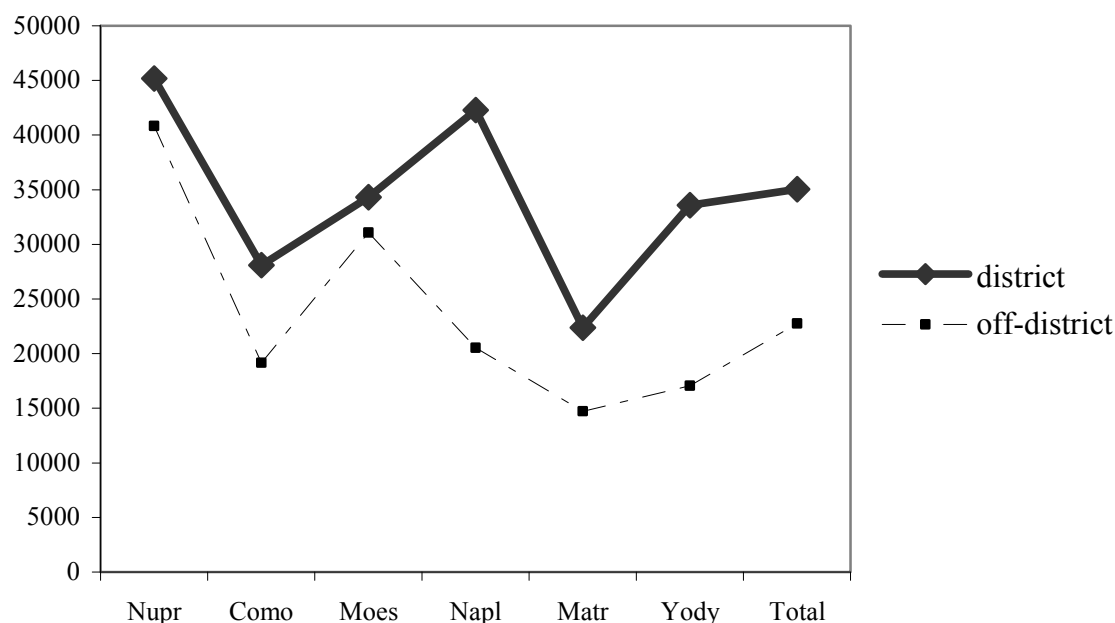


Figure 3. Average contribution for families farms (€).

In this context the average contribution received by district farms is much higher than other outside, which confirms the improved capabilities and willingness to access policies.

Relational equipment and access to policy

Table 5 shows the data expressed as a cumulated percentage relating to the consumption of rural development policies based on relational endowment. Some considerations emerge: a marginal percentage of farms holds a full relational equipment, with district area slightly predominant with respect to off-district area (respectively, 18.4% and 16.9%). However, looking at the data in terms of funded farms and contribution, the percentages rise respectively:

- 44% and 56.7% in the district
- 42.9% and 44.8% off district.

Table 5. Access to RDP on the basis of relational assets (cumulated %).

	<i>DISTRICT</i>			<i>OFF-DISTRICT</i>		
	farms	funded farms	contributions	farms	funded farms	contributions
SV+IV	18,4	44,0	56,7	16,9	42,9	44,8
IV	35,4	62,6	74,2	35,3	61,7	66,0
SV	60,2	82,0	86,9	66,0	85,4	83,7
NoV	100,0	100,0	100,0	100,0	100,0	100,0

Source: Region Lazio and Istat

As clear from the graph, a relational density supports a greater possibility of funding. Moreover, the relational asset appears much more productive and effective in the district than outside. In fact, each typology of relational asset generates higher levels of funding for district farms. Participation in regional and institutional territorial networks engenders a flow of information, skills and entrepreneurship and a climate of knowledge able to increase social capital and to foster a greater ability to enter policy markets. Besides, data on the contribution allowed also stresses the district farms capabilities, whose projects receive much higher funding. Essentially, the same relational asset translates into an higher ability to get access from district farms, as it emerges from the values for the average contribution (fig. 4).

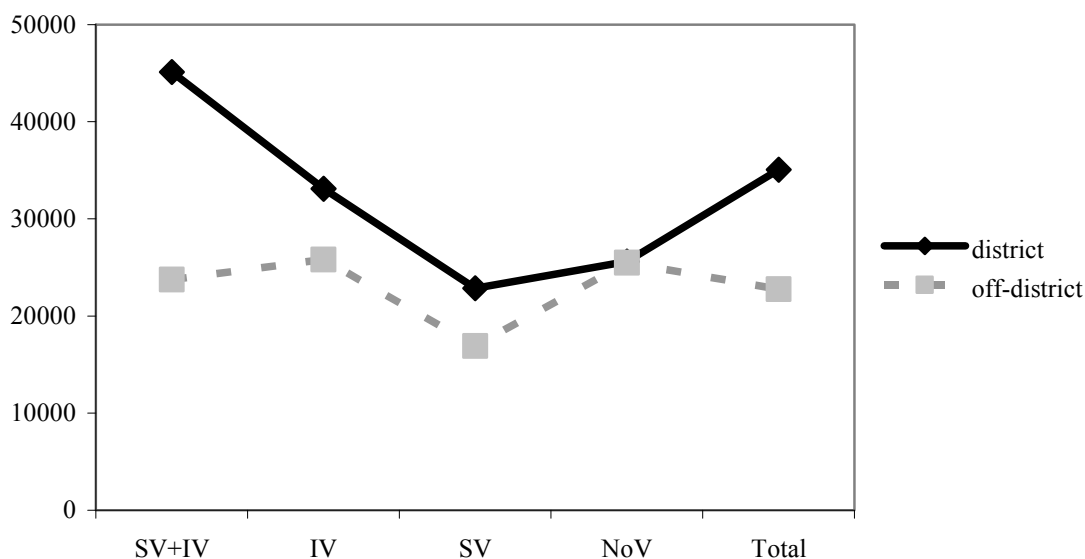


Figure 4. Relational assets and average contribution (€).

With the exception of no “equipped” farms, all other types of farms operating in the district get access to a greater funding level. In a district context the relational endowment quality is more performing with respect to not district areas.

The probability of access to policies

On the basis of the above considerations it seems useful to empirically test the higher probability to gain access to rural development policy on the basis of localisation inside or outside the district area. To this end, a binomial logistic regression with polychotomic explanatory variables has been applied (Knoke and Burke, 1980). This methodology is based on the assumption that the probability for the dependent variable Y to be equal to 1 is a function of the considered explanatory variables⁷. The explanatory variable is categorical and it expresses the farm’s localization in one of the three territorial contexts previously identified (A, B, C). Since these variables are polychotomous (belonging to one of the types of that particular issue), they are treated as if each mode is in turn an explanatory dichotomous variable that helps to increase or decrease the success probability of the dependent variable. The function studied by the model is the following:

$$Y = \log it(x) = \ln [odds(x)] = \beta_0 + \beta_1 x_1 + \dots + \beta_k x_k .$$

Where: Y is the dichotomous dependent variable “application for policies” that holds 1 for companies that have applied for funding and 0 for those that have not submitted any fund request. The estimation function measures the success probability related to each modality of the independent variable ranging from 1 to 3 compared to the last one. In other words, for each modality, the probability to apply for fund request is estimated with respect to the C modality.

⁷ The value is equal to 1 for farms that get access to funds and 0 for farms that do not.

The model is based on the concept that the odd logarithm (logit) is a linear function of each regressor's parameters.

Table 6 shows the results obtained from the model, comparing the likelihood of access among district and not district areas.

Table 6. Logistic regression results.

Area	Beta	P-value	Odd ratios estimates
District (A)	0,9078	<.0001	2.479
Off-district (B)	0,4587	0.0001	1.582
Others (C)	0		

The regression coefficient is positive for both A and B areas, but, as hypothesised, the probability of consumption is much higher in the district than outside.

CONCLUDING REMARKS

The analysis has focused on a subject of particular importance for the sustainability of family farms operating within local agri-food systems, linked to the exploitation of funding opportunities for farms operating in the agricultural and rural world.

Our paper is to be considered as a starting point: it is then necessary deepening in further research the eventual policy effect on farms, in terms of higher capability of sales, competitiveness, under the same hypothesis of different territorial contexts. That means not only district contexts foster access to policy, but also produce high efficacy and efficiency in terms of expenditures on rural development.

In the present work, the ability to access policy has been analysed differentiating access to market opportunities in district and not-district contexts. The information acquired permit to validate the hypothesis of existence of a "district-effect", which promotes access to the regional policies for rural development. This effect is justified in the light of the characteristics of a local system, as cognitive laboratory for family business, in which tacit and codified knowledge merge and are revised to promote new innovative solutions to experiment, select and accumulate (Becattini and Rullani, 1993; Chirico, 2007). The new solutions find financial support in policies for rural development. Therefore, the intensity of different consumption policies can be explained according to district literature, focusing attention on one of the functional areas of the firm activity, the space of socialization, which entails the external economies typical of the district (Bramanti and Senn, 1997). In this space, specific resources (Colletis-Wahl and Pecqueur, 2001) act to stimulate policy access. These act along three guidelines:

1. the first concerns the information market: the provision of economic policies is not always known and informative barriers often prevent entrepreneurs from accumulating knowledge about working opportunities. On the other hand, in district-like territorial systems, the flow of information appears smooth, thanks to the presence of untraded interdependencies (Storper, 1997); then, the access cost to market information

is relatively small. For family farms, the communicative competence, resulting from favourable preconditions to local information exchange, thus generates a greater propensity to consume policy.

2. the second refers to entrepreneurship and relational dimension of business. From this perspective, entrepreneurial networking in district areas appears more profitable and virtuous in two visual angles: firstly, information networks (Johannisson *et al.*, 1994) bring out the district entrepreneur in relatively favourable conditions. At the same time, the entrepreneurial alertness (Kirzner, 1973) is higher and places local farmer in a useful position to exploit the opportunities offered by the rural development plans. It follows an ability to learn how to learn (Hudson, 1999) even in the policy markets for spatial development. Secondly, with an equal access aptitude among different territories, district areas show higher project capabilities and get access to relatively higher funds. This makes district entrepreneur more prepared to evolve and to adapt (Amin and Hausner, 1997);

3. the third guideline concerns institutional dimension, related to the presence of efficient institutions which link the productive apparatus and the district community (Beccattini, 2000; 2004; Fanfani, 1994). Recent studies have underlined the necessity for institutional innovation to really accomplish rural development policies (Dwyer *et al.*, 2007; Douglas, 2005). As a consequence, access to policy encounters few bureaucratic and administrative obstacles. As know from literature, these obstacles often take the form of improper charges and hidden fees to entrepreneurs who, although willing, waive to demand policy to avoid such obstacles (conscious not-consumption). In this way, the formal institutional support completes a virtuous scenario that encourages demand in districts and supply to come across and maximizes the consumption of rural development policies.

The contemplation in the analysis of family farms' characteristics has permitted to draw a large articulation of the access to policies not only on at territorial level (in-district/off-district), but also between different family farms. From this point of view, the work highlights the need to consider the socio-demographic characteristics of the family, which may influence their strategic behaviour. However, not always the offer of economic policies for agriculture and rural development takes into account the differences between family types, designing intervention policies aimed almost solely to the production and structural dimension.

The analysis confirms the goodness and timeliness of the district approach to explain the persistence of family farms. That calls for a strengthening of the district elements within agro-food territorial systems. The empirical investigation in Lazio region has showed large differences within the same region but between different territorial contexts with different relational density: that's why a relational planning should become a relevant tool to stimulate territorial development (Camagni, 2001). It is not a case if the new EU programming for rural development in the period 2007-2013 aims at upgrading local capabilities in terms of human capital, strategic planning and partnership.

This springs some final recommendations related to the need to maintain the high level of entrepreneurial ability and propensity to activate networking processes on behalf of the farmer, but above all, to maintain a positive differential in terms of collec-

tive intelligence rooted on the territory (Rullani, 2003). The relevance of the processes of political market's social construction underlines the urgent need for policies to connect and to promote the mobilisation and effective cooperation between local actors.

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