

**The socialization of ownership practices:
A study of the next generation in the family business**

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Abstract:

Still little is known of how strategists are created and where they come from, same holds of the mystery of where ability to create long-term wealth in the family business has its source. Finding the practices an ethnographic study of a case, a family business in the fifth generation, will be used by an engaged, curious and eager to learn northern with a belief that this is created in the interplay between family, business and ownership. Contribution to strategy as practice, family business, ownership, governance, innovation and entrepreneurship is target.

Keywords: Family business, entrepreneurship, ownership, innovation, sociology, case study, ethnography, next generation, strategy as practice.

I have always been interested in; how, as we grow up, develops an attitude towards life, that later guide us through the opportunities, but also the challenges that cross our life path. Somebody said: “*you never get a harder challenge than you can handle given to you in life*”. For some it is it is to take over the family business and other it is the journey of doing a PhD. Another person told me: “*your life task, or life responsibility is to find your area to re- spond to*”. This means to find what ones true talent or interest, are, and develop these abilities in life, since it’s our responsibility to *respond* to the world in the very best way we can in fulfilling this quest.

Looking back, socialized into doing, as I grow up, having an interest for entrepreneurship and being curious, with the aim to inspire, it makes sense for me to be, the one, studying *the development of abilities and practices among members in the next generation of a family business*.

But then; Why? -should I study the next generation in the family business? What *value* can be generated to theories, practitioners and the general society?

Central to the survival of a company is the organizational dynamic capabilities to continuously innovate internal resources in relation to both evolutionary and revolutionary changes in the environment (Teece, Pisano & Shuen, 1997). Where does this ability come from? Who is creating this ability? Can it be nurtured? Can it be related to a firm’s governance structure and the owners? In the strategy-as-practice field Whittington, (2006) are calling for more research to understand where the strategists comes from, who they are and how they are formed. We know that there are family businesses that survive over several generations, despite dynasties being associated with conflicts and jealous rooted in power and money, creating turbulence in the family dimension (Landes, 2006). But the questions remains how do these companies survive over generations and also, at times, create stories of success? Research has shown that success in the family have a positive impact on business success, but that the reverse relationship is not true (Masuo, Fong, Yanagida & Cabal, 2001). For the success in business the family plays an important role, thus studying the relationship between these two dimension are important to find how the

ownership practices¹ are created and developed within and in-between the generations but also in the interplay of the business and the family.

In, 2009, a search was done by me in following journal: *family business review*, *entrepreneurship theory and practice*, *journal of business venturing*, *small business economics* and *journal of business research* using the keywords of family business or family firm and searching on the years from 2001 until 2009. Few studies were found concerning the next generation. The ones found were on the post succession process, when the next generation had entered the family business and already made a decision to enter (Mazzola, Marchisio & Astrachan, 2008; Haberman & Danes, 2007; Lambrecht, 2005; Lee, 2006; Litz & Kleysen, 2001 and De Massis, Chua & Chrisman, 2008). Nicholson and Björnberg, (2008) have discussed emotional ownership in relation to the next generation studying eight family businesses. They draw upon social psychology in relation to emotional ownership and family psychology to explore identity formation, roles and relationships in early adulthood. They argue for that these take place within as well as in-between generations. Thus few studies were found using a case study approach of the next generation members and the time before they have decided to work for the family business or not. This study will be on the next generation and include children, teenagers, young adults and adults. Since human socialization process starts when children grow up and in the family business the upbringing is crucial for the children's career in the family business and the children learn, values, the history, the culture and problem solving while growing up. The attitude towards the family business depends on the examples given by parents and siblings to the child (Gallo, 2002). It is in the social interaction that learning behavior and attitudes are created and where the identity is created as by Mead (1969 cited in Månson, 1989) called 'roletransition'. "*A human becomes a action person through others reaction on herself* (p. 159 Månson, 1989). The overall purpose is to study the socialization of the ownership practices in using a case study

¹ The agreed definition of practices in S-A-P is: "*practices involve the various routines, discourses, concepts and technologies through which this strategy labor is made possible – not just obvious ones such as strategy reviews and off-sites, but also those embedded in academic and consulting tools (porterian analysis, hypothesis testing tec.) and in more material technologies and artefacts (powerPoints, flip-charts etc.)*" (Jarzabkowski and Whittington 2008:101 cited in Jarzabkowski, 2009:82)

and in particular the next generation's actions and behaviors in this process. Thus my tentative research questions are: ***Does growing up in a family business influence a person's ability to 1.) meet challenges in life by being reactive and proactive? 2) be creative in finding new solution? 3) Are the abilities socialized between and within the generations?***

The common characteristic of the family business is the business being owned and controlled by a family or a group of families. In this research proposal the family business is defined as being controlled and managed by one family, thus owing at least 50% of the firm, at least one family member should be involved in the management team and the intention should be to shape and pursue the vision of the business in a manner that is potentially sustainable across generations (Chua, Chrisman and Sharma, 1999). However using the view of the ownership as being created in the relationship of the owner (subject) and the business (object). Where the owner is the social group of the owning family, that through their being and social interaction construct the family together, that is often –family- is used as a single metaphor to describe the social group (Habbershon, Williams, & MacMillan, 2003). Since also in-laws also have an important impact of how the individual of the next generation develops the norms, values and shared goals of the family business (Brännback and Carsrud, 2008), and that social ownership can be present without the individual having financial ownership, the boundaries of the family will be set by how the family defines themselves.

In the family business field several different social views of ownership exist ie social, psychological and responsible ownership, in relation to this study the emotional ownership will be used since it has been used on studies of the next generation. Nicholson and Björnberg (2008) draws on social psychology and its implication on organization behavior in defining: *Emotional ownership as a cognitive and affective state of association that describe a (young) family member's attachment to and identification with their family business* (Nicholson and Björnberg, 2008:32).

The level of analysis will be on the three levels of the strategic, operation and the individual level, since one of the characteristics of a family business ownership is the role of influence of all these three levels of the business. However contribution of this study could be on the individual level, since several family business researchers have

argued for the importance to study the individual family members (Dyer, 2003; Kets de Vries, Carlock and Florent-Treacy, 2007). Often studies on organizations in the business administration and also in family business, a rational actor approach is taken with structures and systems in focus rather than focus of the human dynamics. When people *are* taken into consideration, theories of motivation, decision-making and group behavior tend to be oversimplified and have a nature of being static and one-dimensional. “*Usually, differences in personality are ignored, and very little attention is given to the unique aspects of an individual character: specific motives, needs, defenses, fantasies, symptoms, fears, and anxieties*” (Kets de Vries, et al 2007 p.19). Dyer, (2003) argues that the family’s influence on the individual behavior is completely absent in the family business literature.

In having the value approach I see research as a highly collective achievement and a social process, where I am informed by interpretations by, scholars, practitioners and students, in the research steps of: problem formulation, problem solving, research design and theory building (Van de Ven, 2007). I see my role as the curious and eager to learn northerner². In drawing up Morgan and Smirich (1980) six ontological views, whit the subjective perspective in one side and the objective approach on the opposite side, my ontological view have similarities with the open system theory, social action theory, cybernetics and phenomenology and the social construction view, I wish I only would have been able to relate to one, however it is not always that easy. However the study will be strongly guided by a social construction view, since the both the definitions of the ownership and the family is created in the social interaction between and within the generations, and the abilities to guide the family business with the intention of sustainable wealth creation is socially accomplished.

Case study: To answer this research questions a case study will be done, where the socialization of the next generation will be captured by ethnography study, using following techniques; interviews, diaries and shadowing (Brundin, 2007; Czarniawska, 2007; Wigren, 2007).

² The word, northerner, it stands for a practical view of life, that is simple, secure and grounded in a philosophy that if you don’t strive forward, and do the best of what you have at your hands nobody else will do it for you and eventually you will not survive in the environmental conditions of the north. Similar to the concept of *bricolage* (Baker and Nelson, 2005, cited in Archer, Baker & Mauer, 2009).

The case is unique, the fourth and the fifth generations are working in the family business, there is a succession process going on. One side of the family is working in the family business and the other side is active owners. This makes it possible to do comparisons. The fifth generations consist of two age groups: 15-25 and 35-45. Five interviews have been made with the members of the next generation and there is a relationship between the family and the doctoral student.

Expected contributions: are theory *to* the field of family business and the study could bring contribution *to* the field of strategy as practice, socialization, innovation, corporate entrepreneurship and governance.

Questions that I would like to discuss are:

1. *What other robust theoretical perspective could I use as I guidance in my study or should I use more of a grounded theory approach, driven by structured S-as-P approach a la Jarzabkowski?*
2. *What are the boundaries of an organization? In analyzing theories that are developed in an organization and also often generated in relation to outcomes such as financial measurements and in an quantitative setting- How do I deal with this in writing up my RP and when comparing empirical phenomena's to the current theories? Is a possible path to review all articles that are dealing with family business and entrepreneurship and defined what the methodological assumptions are and then only use the once that have been generated with a qualitative approach? I have already done such a database from 2001 until 2008 but not analyzed it from this perspective.*
3. *What are outcomes? If the dominant view of entrepreneurship (and many other theories in the strategic management field) is that of an individual creating an economic value, or a financial outcome. How can I apply this concept in the setting in a family business that are characterized by multiple outcomes, where one might be that the family will not sell the business, although this might limited the growth of the company? In comparing theories/ concept to empirical findings: how to one discuss aspect that might not be directly relate to concrete outcomes?*

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