

Leeds University Business School – Research and Innovation Podcast

Episode 7: How family members can support each other's entrepreneurial activities

Speakers: Dr Mariana Estrada-Robles and Professor Nick Williams

Nick: Hello, I'm Nick Williams.

Mariana: And I'm Mariana Estrada-Robles. Welcome to Leeds University Business School's Research and Innovation Podcast.

Nick: In this episode of the podcast, Mariana and I are going to be discussing a recent paper that we have published, which is part of a wider body of work that we are currently undertaking on family business, entrepreneurial families and business-related resources as well.

Mariana: Yes, that's right. So we know family businesses are very important for economies in every country and, of course, during this situation, this crisis and pandemic, they have been proving really, really important. But first of all, we would like to clarify, what do we mean by entrepreneurial families? As Nick said, we are focussing on these entrepreneurial families, which are a little bit different to traditional family businesses. So we focus on these families where there is more than one member who is an owner or entrepreneur, and they interact each other... with each other, sorry, as part of the same family.

So, in examining the entrepreneurial family, we focus not only on members that are related by blood ties, but also on members that could just be identifying with each other by being entrepreneurs, part of the same family and working together, sharing a sense of identity, sharing family history. So, we're moving a bit beyond the traditional research in family business, and also beyond the entrepreneurship research where, normally, individuals are taken into consideration now, to families beyond the nuclear families, and even families beyond the single household. So, we might find entrepreneurs as part of the same family who are part of different households as well.

Nick: Thank you Mariana. And I think one of the things that we were trying to do in this paper and in our research was try and look at family businesses in a different way, so not just looking at those traditional nuclear families, but expanding it out to look at different forms. So, when we discuss entrepreneurial families as part of our studies, we're thinking about this concept that we call structural

coupling. So, it's not just the nuclear family being on its own, it's the influence of the family and the multiple businesses coming together and being interdependent at the same time.

So, we have this structural coupling concept, which is all about the influence of the family on the businesses, but also how those businesses influence the family as well. So, it's that two-way dynamic, and I think this is different from traditional family business, as I said, because it looks at family businesses which tend to be sat on their own as a distinct unit, we are looking at multiple versions of entrepreneurial families, and multiple businesses within those entrepreneurial families as well.

Mariana: That's right. And within these interdependencies that you've just mentioned, we find in our entrepreneurial families that there are a lot of values and benefits behind these interrelations and feedback loops, if you like. So, we found that it is very useful for entrepreneurial families to understand how each member is undertaking their entrepreneurial endeavours. So, each member with their own businesses, it's very important for everyone to share their experiences, because we see that different members in the family have different entrepreneurial behaviours.

So, unlike a traditional family business, where you may find that the main objective is to grow the business, for example, we find here that different members have different objectives, say, yes, they may like or may want to join the core family business, so younger generations joining older generations in the same business, but we also find members trying to diversify family business activities. So, opening new businesses could be within the formal or informal economy. So we have found that these entrepreneurial families also support some members by enabling the resources or support, even within the informal economy, or even just supporting other businesses within the entrepreneurial family. So, we find that the members, they take decisions together, as a cohesive unit, either for the benefit of the businesses across the family, or even for the family itself, for the wellbeing of the family and their members.

Nick: Yes, and I think that diversity point is really important because the entrepreneurial family can access resources in a different way than a traditional family business could as well. So, because of that real diversity within these entrepreneurial families, they can access different sources of financial capital, for example, social capital, human capital, that perhaps a traditional family business

would struggle to access, because there's a greater diversity of activity going on, there are multiple businesses happening at the same time, where people can get advice from each other and really work together to improve those business units as well. So, there are lots of benefits of being part of an entrepreneurial family, because they can access those different resources at different times when they need it. Those resources tend to be more highly accessible in these entrepreneurial families than in other family businesses as well. They can be mobilised more easily and can often be combined together, as well, to benefit the entrepreneurial family.

And what we also find is that this can draw benefits to different entrepreneurial families at different times. So, some of these capitals are really important, for example, financial capital maybe at the start of the business in order to get going, but all of the other resources that are available, all of the other capitals then act as a safety net for that business. So, if they've got a gap in terms of social capital or human capital, then there's the compensation of those other entrepreneurial families, the kinds of experience that they've had in different sectors, working on different businesses, adds to the total sum of resources that they can have available.

So, within these families, individual members can be more encouraged to start undertaking entrepreneurial activity, or to develop more entrepreneurial behaviours, because they can see this big pool of resources that are around them. They can access other members of the family that have more experience than them, that have particular challenges of dealing with a particular problem, so, for example at the moment that could be dealing with a crisis situation and how they've overcome that. It could be something simple about, "I need help with my... how to do finances" or whatever, so it could be that all of these resources are combined within the entrepreneurial family that different individuals, different business units, different family members can access at different times to add to what they can do and take their business forward.

Mariana: Yes. And that safety net is very important, that safety net that you just mentioned, because these new entrepreneurs, well basically, members in the family are taught to become entrepreneurs, rather than just taking over the current family business. So, they can do these different... or take these different entrepreneurial behaviours in different ways that are supported by the family. But,

of course, we find that not all entrepreneurial families are able to get these benefits, so what do we mean by this? So, we have found entrepreneurial families which have different members within the family that own or manage a business, but they're not able to share these resources and to get these benefits from the family. So it is a matter of having this effective communication across its members, that people are willing to share. Of course, we need a family with high levels of trust, high levels of cohesion.

So, because we found that entrepreneurial families, they share their experiences, their resources, in a very natural process, so as easy as just discussing things over a family dinner, over, even a family party. So, they have these very easily reached networks, part of the same family, that, of course they come from the internal social capital of the family, but they can draw on the external networks of the family as well, which is very beneficial in terms of suppliers, new customers and so on, and so on. So, this is very beneficial because these resources, these networks, these experiences, they provide advantages to their members which standalone family businesses or which standalone individual entrepreneurs are not able to replicate in such a similar way.

Nick: Yes, and I think what we try and do in our research is obviously to link it to the broader family business research, which has tended to show that family businesses can be quite resilient, especially if we think about times like this where we're in a time of crisis, is how family businesses respond to these kind of challenges. And our research that we did for this particular paper was based on data in Mexico, so Mariana, perhaps you could speak a little bit more about the Mexico context in a moment.

But it's really trying to think about how these kind of family businesses, entrepreneurial families have things in common wherever they are in the world, and they're all trying to come up with ways of trying to overcome challenges, move beyond crises like we're seeing at the moment, and trying to collaborate together, use the resources in a better way so that they can do that. So, what we're trying to do is not just think about entrepreneurial families as a, or as a distinct unit, rather, but we're thinking about these wider implications of it.

Mariana: Yes, of course. Yes, and this research was done mainly in Mexico, as a starting point, where we have more of a collectivistic culture. But I guess what we're trying to highlight is that this cooperation, collaboration, being open, sharing the burden, for

example, in this particular crisis, is beneficial. So, across members in the family business, but also across members in the entrepreneurial family, and we have found that even this particular time of this pandemic, well, these families are able to redefine themselves, to bring more opportunities to the table, to try to be creative, to mobilise and share those resources and combine them. And also, it's a new opportunity for the next generation to be able to be hands-on on different business, right? So, certain projects maybe, or certain areas within certain businesses, that new generations are taking over during this time of crisis, so it's also a new opportunity for other members of the family to join that entrepreneurial behaviour.

Nick: Yes, and I think that it's important to say, obviously, that we're trying to continue with this research, and we're looking at things like the current crisis and how that impacts on entrepreneurial families and we'll continue to do this in collaboration with a number of academics around the world, so if anybody is interested in this research, not just about this particular paper, but the broader aspects of research that we are currently carrying out, please feel free to get in touch. We look forward to hearing from you.

Mariana: And thank you for listening.