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The Methodological Challenges of Researching Family-Owned Business Groups

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This is a Final draft version of a publication

published by Palgrave Macmillan, Cham

in The Family Business Group Phenomenon

DOI: 10.1007/978-3-319-98542-8_3

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Please cite the publication as follows:

Rosa P., Rautiainen M., Pihkala T. (2019) The Methodological Challenges of Researching Family-Owned Business Groups. In: Rautiainen M., Rosa P., Pihkala T., Parada M., Cruz A. (eds) The Family Business Group Phenomenon. Palgrave Macmillan, Cham

This is a parallel published version of an original publication. This version can differ from the original published article.

The methodological challenges of researching family-owned business groups

Peter Rosa, Marita Rautiainen and Timo Pihkala

Introduction

Researchers, during a century of investigation into business practice, have adopted a large diversity of research approaches and methods. A majority of business researchers have chosen positivist research designs, requiring tight definitions, random samples, valid and reliable measures, and sophisticated statistical analyses. A minority have chosen to follow interpretivist designs with a stress on the collection and analysis of qualitative data, ranging from semi-structured interviews, based on cases, to the observation and ethnography of organizational systems.

In the main, interpretivist approaches have been preferred in four contexts:

1. Where little is known about a particular business phenomenon and more empirical understanding is needed before theory can be developed and tested
2. Where the concepts to be tested in a theoretical model are already known and clear to researchers, but where the variables or constructs are complex and multidimensional, and need to be unpacked and empirically explored further
3. Where the collection of the random data essential for generalising statistical analyses is too difficult, complex, time-consuming or expensive to obtain
4. Where researchers feel, from a philosophical standpoint, that the study context is such that researchers cannot meet the basic requirements or assumptions of rigorous natural scientific inquiry; for example, they may feel that definitions are too complex and multidimensional to be meaningful, that the processes and complexities of the business world cannot be reduced into rigid 'objective' constructs, that (as the business world is socially constructed and constantly changing) the replication of results becomes impossible and that the central

technique of rigorously testing hypotheses in the natural sciences (that of conducting experiments) is ethically unacceptable in most social and business contexts and cannot be applied to human beings

The above-mentioned diversity of methods and approaches are available to researchers of family business groups and portfolios too, but the study context throws up special challenges and difficulties. These tend to favour interpretivist, rather than positivist, research designs and approaches:

1. The study of family business groups is in its early stages, and theoretical development is more pioneering than it is established. Key research questions and concepts need to be refined and theorized.
2. There are difficult definitional complexities in integrating complex concepts, such as *business groups, ownership, family* and *entrepreneurship*.
3. Accessing and constructing quantitative databases suitable for the statistical analysis of family business groups is difficult, time-consuming and expensive. Unlike researching single businesses or firms, there are no national or other large-scale databases where the unit of analysis is the business group rather than the single firm. Nor is it easy to identify firms owned or managed by families from non-family firms or to gain any systematic centralized data on the detailed ownership of individual firms. Using secondary sources to try and obtain proxy measures is fraught with problems.
4. As the development and dynamics of family business groups can span over several generations, problems emerge on how to best collect historical family data and assess its reliability when confronted with imperfect memory and an absence of external data sources in order to triangulate family information on historical business structures and dynamics. Hence gathering data is most meaningful and efficient on a case-by-case basis, allowing for in-depth investigations into a family's business and family history.
5. Where a family business group is large and diverse in terms of the number and types of businesses and owners, where it operates businesses in a diversity of sectors and global markets, and where it is influenced by a diversity of governance challenges and regulations (which differ

between countries) – how best to collect, map, present and analyse these data is a pioneering challenge which has yet to be addressed.

This chapter, therefore, discusses these challenges in more detail and, where relevant, outlines approaches to overcoming them.

METHODOLOGICAL CHALLENGE 1: Identifying and refining key research questions and theories

The introductory Chapter 1 has discussed at some length the theoretical and contextual issues that underpin researching family business groups and portfolios. In discussing this, we argued that there was a diversity of important questions to be addressed in researching family business groups, and each question and research context needs to develop its own particular theories in seeking answers and explanations to these questions. For example, the kinds of theories needed to explain why a business group structure confers advantages in various regional and industrial contexts requires different hypotheses and theories than those of researching how business groups develop historically, how business groups' dynamics are affected by ownership issues or how transgenerational family entrepreneurship contributes to the dynamics of business group formation and management.

The current state of research into family business groups is one where important research issues and questions are still being identified, discussed and refined. This means that constructing elaborate explanatory models is premature, as we lack the basic empirical grounding to underpin their construction. Hence, the challenge that faces researchers is to be able to conduct meaningful and informative empirical studies mapping out the nature and complexity of family business groups and portfolios as a base for improving theory.

METHODOLOGICAL CHALLENGE 2: Definitional challenges

Many social and economic phenomena and concepts in the social sciences are complex, multidimensional and defy attempts to provide universally accepted definitions. Being multidimensional means that the nature of the phenomenon or concepts changes according to the research context. For example, entrepreneurship can be defined as the process of starting a new business

venture. This is a perfectly adequate definition for economic studies on rates of entrepreneurial activity in a region or country, but quite inadequate for researching whether people possess special psychological qualities that enable them to spot new business opportunities. In this case a more appropriate definition would be that entrepreneurship is the ability to identify and pursue new business opportunities. There are many other definitions of entrepreneurship that are suggested in the literature, all of which are valid in one context, but not necessarily in others. By selecting one definition over others, a researcher is in effect narrowing the scope of the research to one dimension. It is thus more profitable to unpack the multidimensional nature of complex concepts than seek simple definitions.

In considering family-owned business portfolios or business groups and family portfolio entrepreneurship, a number of key concepts need to be integrated, all of which are similarly multidimensional. These are *family business, business group, portfolio entrepreneurship* and *ownership.* Each of these is a complex concept, open to different interpretations and definitions, whose relevance depends on context.

Unpacking the definitional complexities of business groups and family business groups

Granovetter (2010) has provided the seminal definition of a business group as a collection of legally independent entities that are bound by formal and informal ties. There is a wide consensus that this definition provides a sound and useful starting point for researching business groups.

This is a broad definition, but it masks a large diversity of different types of legal entities that could be part of a business group. These include subsidiaries, affiliates, joint ventures, branch plants, production units, franchise units, spin off ventures and off-shore companies. The umbrella definition also does not take into account the existence of many different types of business groups and diversified organisational forms. Business groups can vary in typical form from one sector to another; between large companies and smaller ones; between franchised groups and non-franchised groups; between tightly organized, vertical hierarchical groups and loosely organized horizontal ones; from pyramid groups to non-pyramid groups; and from conglomerates with unrelated diversification that produce several distinct lines of business to business groups concentrated on core activities with a focus on

related diversification. Particularly relevant to this book is how business groups differ between family business groups and non-family business groups. Defining all the above types of business groups has not been attempted fully, and researchers have tended to adopt working definitions to best fit the context of their studies.

However, even trying to provide a working definition of a family business group is not straightforward, as what constitutes a family business is in itself controversial (Astrachan et al., 2002). Family business researchers broadly agree that a family business is one where the business is owned and controlled by a family, but debates surround how much ownership and control there must be before it can be considered a family business. There are some businesses where family ownership can be as little as five per cent, yet they still manage to control the business by being the largest single shareholders and having a family presence on the executive management boards. In this case, family ownership is at a low scale, but the family retains management control. There are other cases where the family owns a majority of the shares, but the shares are managed by non-family professional managers. For example, the Heineken Group is one of the world's largest listed family business groups, and it still retains 50% family share ownership, but it is run as a corporate company by an executive team with no family members; it is a family business group in terms of the ownership criterion, but the family does not directly control the group.

These problems of partial ownership and control are especially prominent in defining large listed family businesses. In most family businesses the family owns and controls most of the shares in its group businesses, and what is a family business group is not controversial. The main complications arise when different family members have different ownership stakes in each company, but no single member has ownership in all. Groups which have dispersed family ownership may be family owned overall, but differ as types from businesses where the family members have shares in all the businesses in the group. Similarly, in terms of control, in the case of large family business groups with many family members, only a small number may actively manage and control the group, with most family members being passive shareholders. This differs from groups where all the family members have roles in the management of the businesses.

Another area of definitional controversy surrounds whether a business founded and managed by a single entrepreneur can be considered a family business. Many entrepreneur-founded businesses may be totally owned by the entrepreneur. In a business where the entrepreneur is not married and has little contact with his or her siblings, parents, grandparents or wider kin, then is he or she running a family business? In many cases the entrepreneur may have full ownership, but his or her family may help manage or work in the business (doing paid or unpaid work) and the entrepreneur may gain unofficial advice from her or his family at home. In this case it is entrepreneur owned, but family managed. In other cases the share of ownership may be formally in the hands of a single entrepreneur, but his or her spouse may still claim joint ownership under the marriage laws of some countries.

As the entrepreneur ages, his or her children will also have a claim on the business, even if they have not been allocated shares and are not formally paid for helping out or managing the business. Finally, there are some families whose members share the same household and have different businesses, but the businesses are not formally connected with each other. For example, one of our cases is a Ugandan family who owns a large bakery. One of the founder's daughters has full ownership rights and an important role in the management of the business. She married a non-Ugandan, and to prevent him having a significant ownership stake in the family business, he was given the option of starting his own business, supplying flour and other materials for the bakery business. Should this be considered a case of two legally independent, family-related businesses or a case of a single family business?

Whether *family business* is synonymous with '*business family'* is another definitional challenge. One of our cases in Uganda consists of a man who had eight wives in the 1950s, each of which had many children (including an average of seven boys). These in turn also married several wives, and had many children. The grandfather had over 300 grandchildren, and the total number of business enterprises in that family was over two hundred. They could be considered a business family, yet none of the ventures had much contact with one another in terms of formal management links or co-ownership, though informal links were present. How far they could also be considered a family business group is thus debateable.

Unpacking the complexities of legal entities and affiliates

Logically a business group is a group of businesses, so why did Granovetter (2010) and many of those that have followed him, use the term 'entity' or 'affiliate' rather than the word *business* in defining a business group? This implies that not all 'legally independent entities' are businesses. The term *business,* in a commercial context, is a general term referring to an organization, such as a corporation, limited liability company or partnership, that sells goods or services for profit. Thus, the non-commercial activities of a not-for-profit organization fall outside of this commercial definition of business. However, if the social enterprise is registered as a legally trading company or as a trust, it is a business, even if it is not motivated by profit. The legal nature of a company varies according to the laws of each country. Trusts, charities, foundations and non-trading companies (where, for example, the owner wishes to protect the company name but not trade from it) are all organizations which do not trade for profit or do not trade at all. They are entities but not businesses. Hence, can a business group containing such entities be defined and compared in the same way as a group which consists purely of for-profit businesses? Larger family business groups are more likely to contain non-trading or not-for-profit entities than non-family-owned business groups, as family members are more prone to indulge in 'hobby' businesses, family trusts and philanthropy.

The use of the word *entity* or *affiliate* rather than *business* symbolically reinforces the perception of the business group as a single firm. One of the reasons that there has been so little research on family business groups (as groups) is that family business researchers have viewed family businesses as single firms for the purposes of analysis. Some may be diversified, but the diversifications are regarded as entities or affiliates, sub-parts of the main management organization. This has led to an underestimation of the complexity and importance of the role that portfolio entrepreneurship and ownership play in the development and growth of family businesses.

Another issue concerns the weight placed on the word *legal* when defining a business group as a collection of legal entities. When large business groups are being researched, it is explicit in definitions that an entity has to be a legally registered company or firm (either a limited company or partnership). In a small firm context, however, the formal registration of a business can be avoided in

many countries. This is particularly pertinent in developing countries, which are characterized by a large informal business sector. In such circumstances, if a person or family starts and manages several unregistered 'businesses', they cannot strictly be classed as a *business group* under conventional definitions, as they are not legal entities. These informal entities are not usually referred to as *businesses* by development economists and sociologists, but as *enterprises*; but there has been no formally defined distinction in the literature between an *enterprise* and a *business*. We suggest that there may be advantages in making a distinction between a *business* (understood as a legally registered business) and an *enterprise* (understood as a business entity that is not registered).

One solution to the problem that a group of informal enterprises technically cannot be considered a business group, as they have no legal status, is to relax the condition that a business group has to consist of solely of legally registered entities. Unfortunately, this introduces new complications when researching family business groups in developing countries. Micro-enterprises manifest differing degrees of informality and scale. Informal enterprises are not centrally registered as businesses by central government departments that formally register companies and partnerships or as organizations registered as taxable units. Despite this, many informal businesses still need to obtain local authority local licenses to operate (for example, obtaining a licence to trade on the streets or to operate a motorcycle taxi). In that sense, they could be interpreted as legally registered, but not in the same way as more formal, centrally registered businesses.

In terms of scale, there is also a problem of how small an enterprise needs to be before it ceases to be admissible as an informal business group entity. The poorest people in developing countries scratch a living by engaging in a diversity of part-time and casual trading, subsistence agriculture or employment, which – when the income of all these activities is combined – is just about sufficient to make a living. This has been termed 'pluriactivity' in development literature. In the sense that it consists of a group of business activities, it could be interpreted as a business group, but it is far removed from the definition of a 'business group' in the sense that Granovetter (2010) meant it. Where the boundary lies between a minimal business group and casual pluriactivity is an interesting issue when researching the nature of family business multiple enterprises in developing countries.

Defining Portfolio Entrepreneurship

In the popular media, when an entrepreneur has started or owns more than one business, he or she is usually referred to as a 'serial entrepreneur'. Hence, *serial entrepreneurship,* in the popular sense, is the process of creating multiple businesses. There are, however, different forms of serial entrepreneurship which need to be separated out for research purposes (Ucsbasaran et al., 2008). Birley and Westhead (1993) suggested using the term 'habitual entrepreneurs' as the generic term for anyone who starts more than one business and make a distinction between a serial entrepreneur (one who starts one business at a time and who closes each one before opening another) and a 'portfolio entrepreneur' (one who starts multiple businesses, without divesting one at a time, hence forming a business group). They contrasted habitual entrepreneurs with 'novice entrepreneurs', those starting a business for the first time and only managing one business. (They did not volunteer a term for an entrepreneur who starts only a single business and develops it over a period of years.)

Birley and Westhead's definition has been widely adopted by researchers on portfolio entrepreneurship, but there are others. Carter and Ram (2003, p. 374), for example, state that 'the core activity of portfolio entrepreneurship is an individual simultaneously owning and engaging in a portfolio of business interests'. The word 'interests' suggests that not all business activities are legal firms, as required by the Birley and Westhead definition. Adopting this definition broadens the scope to include business diversifications which are not organized as separate businesses. This is especially useful when researching multiple enterprises in developing economies which are often not formally registered as businesses.

Broadening the definition, however, introduces problems when trying to define what is a separate business interest in more sophisticated firms where they are diversified, but the diversifications are contained within a single registered firm (Wiklund and Shepherd, 2008). For example, a family mixed farm may have many diversifications in terms of crops and livestock, but should these be classified as separate business interests?

The term *entrepreneur* presents challenges as it is used (as demonstrated earlier in this sub-section) in several different senses. If an entrepreneur is defined purely as someone who starts a new

business (a definition independent of motives), then a portfolio entrepreneur has to be someone with two or more businesses. Diversifications within a business do not count when assessing a portfolio. However, if motives are taken into account, an entrepreneur is a person who starts a new business interest in the pursuit of a business opportunity. An entrepreneur splitting an existing business into two new ones merely to create owner-management roles for his sons, for example, would not count as portfolio entrepreneurship under this definition.

When Wiklund and Shepherd (2008) define portfolio entrepreneurship as 'the discovery and exploitation of two or more business opportunities', this means that the number of businesses started by a portfolio entrepreneur would need to be discounted. Rosa (1998) demonstrated that while the pursuit of opportunity was an important motive for adding a business, it was not the only one. He also highlighted the distinction between new businesses started out of positive opportunism and those where the entrepreneur has been forced by necessity to diversify. These are different forms of opportunity-based portfolio entrepreneurship.

If one accepts that portfolio entrepreneurship is the pursuit of multiple opportunities by an entrepreneur or entrepreneurial team (such as a family), this implies that the entrepreneurial process is separate from the process of managing the development of the opportunity. When a new business opportunity is pursued, the entrepreneur has a choice of either developing it within an existing firm or ring-fencing it as a separate business. Iacobucci and Rosa (2010) demonstrate that there can be distinct advantages in ring-fencing the development of a new venture in a separate business. It allows resources to be concentrated on its development without risking the credibility and viability of the main business, and crucially, it allows ownership to be shared with outsiders, without sharing or compromising ownership in the main businesses. The management of the business opportunity is independent of the entrepreneurial motive for engaging in the opportunity. It is for this reason that Scott and Rosa (1996), Rosa (1998) and Rosa and Scott (1999) preferred the neutral term 'multiple business owners' to 'portfolio entrepreneurship', as it carries no presumption that all businesses are created through the pursuit of opportunity. Of the definitions presented for the term *portfolio entrepreneurship*, Birley and Westhead's (1993) definition remains the most neutral.

The different definitions just discussed are entrepreneur based, but they can be broadened to include the family as the unit of analysis. With more family members, the complexity of the development of business portfolios is considerably greater, but the difficulties and problems just outlined in the case of single entrepreneurs equally apply. There has been no attempt yet at systematically assessing differences in definitional complexities between entrepreneur and family-based portfolio entrepreneurship.

The relationship between portfolio entrepreneurship and a business group needs further clarification. No matter what the motivation, starting a succession of businesses leads to the formation of a business group. The main difference is the unit of analysis. A portfolio entrepreneur or family takes the unit of analysis to be the family or entrepreneur, not the firm. A business group implies that it is a business with sub-units. Is it a family business group or a business family?

METHODOLOGICAL CHALLENGE 3: Family business databases amenable to rigorous statistical analysis are difficult to find and access

Researchers seeking to understand and explain the performance and contributions of larger businesses in a given economy, or in the global economy, have relied mainly on existing databases of business statistics. Every country operating in an open capitalist economy has government departments which record and archive detailed information on company registrations and company financial returns (this is usually required by law), on the tax returns of individual companies and the self-employed, and on the issuing of operating licenses and permits to local businesses. How far this information is freely accessible to researchers varies from one country to another and is subject to data protection and privacy restrictions, but the information is there. Every country with a stock exchange lists companies who individually produce annual reports, including full performance statements. There is a whole industry of financial firms and websites with their own databases of information on listed companies for the benefit of investors. Although much basic information is free to users, accessing more detailed data is usually charged for.

None of these data sources, however, provides detailed, specific information on business groups in general and on family business groups in particular. In most cases a whole business group is treated

as a single firm entry. For example, when the share price and financial data are presented for the UK FTSE 100 listed Burberry Group or The Royal Bank of Scotland Group on websites such as Yahoo Finance, none of the individual firms in the groups are listed individually. Moreover, such databases based on stock exchange listings do not include the majority of firms, which are not listed on the world's stock exchanges. These then exclude all small firms and partnerships, and many large private family companies and partnerships.

Even private companies have to be registered by law in a central company registration office such as Companies House in the UK. Even small companies, whether listed or not, have to provide data by law. This information is not designed to benefit researchers and requires considerable effort and expense to convert it into useable forms. Data from central company registration databases have to be extracted for one firm at a time, and there is usually a fee for doing this. Thus, compiling aggregate data on companies in government registration databases is expensive and time-consuming. At the same time, if a researcher wishes to discover what individual companies are owned by a particular company, no databases actually list these routinely. A researcher has to dig the information out from the reports provided by individual companies. This is also time-consuming and is limited in scope, as only listed firms usually publish detailed company reports that are available to the public.

Company data are not comprehensive either, as sole traders and partnerships do not have to register as a company in many countries. In the UK, for example, the only information recorded on sole traders is tax data (VAT or personal tax returns). These are not available on an individual basis for researchers to analyse.

Unlike integrated corporate groups, many business groups are not organized centrally as a named group under a central holding company which issues financial and performance statements for the group as a whole. The majority are owned and managed by an entrepreneur or a family. In many cases it is the individual companies within the group that are registered, not the group as a whole. In such circumstances, it is very difficult for researchers to even identify the firms in the group, never mind provide aggregate data for analysis. Scott and Rosa (1999) attempted to do so by exploiting the fact that in the UK's Companies House register, all the firms that a person holds a directorship in are listed under his or her name. This method was broadly successful, but where a director had a common

name, it was difficult to separate them from others with the same name. (For example, there may be scores of John Smiths independently occurring as Directors in different companies.) This would tend to overemphasize the incidence and sizes of groups.

More difficulties occur when using names to identify whether a company is family owned. For example, a company with four directors called Jack Brown, Henry Brown, Julia Brown and Peter Garret could be reasonably assumed to be a family business with one non-family member on the board. A business with a board consisting of Jack Brown, Henry Jones, Julia Wright and Peter Garret could be assumed to be a non-family business (no one appears to be related and sharing a common surname). Yet Henry Jones could be Jack Brown's cousin (the son of his father's sister, married to a Jones), and Julia Wright could be Jack Brown's wife (retaining her maiden name for business purposes). The fact it is that a family business can be undetectable. This can lead to an underestimation or overestimation of family business groups. Finally, not all businesses owned by a family member may be included under centralized company registration. In the UK, for example, if a company is registered abroad, it is not included in the Companies House database. Nor is a business that is a partnership and not a limited company. These difficulties can be illustrated in more detail by the following hypothetical example from the UK:

The Smith Family Group (10 businesses)

Business 1: Founded by Jack Smith and registered as a limited company on the Companies House register

Business 2: Owned by Jack Smith and his wife, registered with Companies House under his name and his wife's maiden name (Jane Johnson)

Business 3: Separately registered with Companies House under the names Jane Johnson and Peter Smith (her son)

Business 4: A joint venture with United Trading Services PTY, Botswana, registered in Botswana

Businesses 5–8: Similar joint ventures in India, Kenya, Uganda and Thailand, none of them registered in the UK

Business 9: A consultancy partnership between Peter Smith, his half-sister Caroline Jones and Jack Smith (not registered with Companies House)

Business 10: A family trust, registered in a tax haven

The group as a whole is not registered. Only three of the ten constituent businesses appear on the Companies House register. Seven are registered abroad and do not appear in the UK databases. All the businesses are owned by the same family, but the founder, Jack, does not appear as a registered owner in all of the businesses. Some of the family members are not called 'Smith'. His wife chose to retain her maiden name, and Jack's stepdaughter retained her father's name and did not take Jack's. This kind of complexity makes it very difficult to produce large databases of family business groups. The group has to be researched one case at a time. The difficulties and expense of constructing a meaningful database of family business groups is illustrated in the research of Masulis et al. (2011) that used a database of 3,007 family group firms drawn from a samples of 28,635 firms in 45 countries. Their study is by far the most rigorous and systematic attempt to use national secondary data to analyse family business groups, but to achieve a useable database they had to painstakingly extract and integrate data from a large variety of sources (Masulis et al., 2011, p. 3562 ff.). Even then, the scope had to be limited to one year (2002 data) and collected only for listed family business groups. The large majority of unlisted family business groups were unrepresented.

These difficulties could be mitigated by constructing primary databases using customized survey questionnaires to obtain data from company respondents. The problem of identifying a firm as a family firm could be resolved, for example, by just asking the respondent "Is this a family business?' Unfortunately, not all family-owned firms see themselves as a family firm. Similarly, whether the firm is a business group could be established by asking the respondent how many businesses the family is operating and asking him or her to list them. However this can result in a selective listings of businesses, with key businesses excluded either deliberately or because the respondent does not regard them as a relevant business. In one interview of a portfolio entrepreneur in Scott and Rosa's (1999) Scottish study, the entrepreneur volunteered the names of seven companies he owned and managed, and part of his group. The researchers, however, knew of the existence of an eighth company from a search in Companies House of the director's companies, which the entrepreneur had not divulged. When asked

about this business, the entrepreneur exclaimed angrily 'How did you know about that one?' He regarded it as a very private business which he had assumed was well hidden.

Even when a respondent is not seeking to mislead, the failure to view some businesses as proper businesses is a common phenomenon. In researching Ugandan portfolio entrepreneurs (Rosa et al., 2006), for example, the study's authors encountered respondents who owned a farm, but did not regard this as a business and excluded it from their list of businesses. Real estate is a particularly grey area, with respondents often failing to divulge rented properties as a separate business.

A primary survey produces two further challenges. Firstly, when a business group and the number of family members owning shares is large, a questionnaire rapidly becomes unwieldy, as data is asked for one business at a time. Secondly, there is a problem of obtaining a random sample. Given the diversity of family business groups in terms of size, ownership and sector, how can a satisfactory random sample be designed? As a result of these difficulties, it is not surprising that the number of detailed surveys of family business groups has been limited.

METHODOLOGICAL CHALLENGE 4: The phenomenon is a difficult process to research rigorously over time

The greatest challenge of any longitudinal research design is to obtain accurate data over time. The longer the time span, the more difficult this becomes. In medical or clinical research a standard method of assessing long-term causal trends is to obtain data from a cohort of people in one snapshot of time, and to follow up and retest respondents over a period of years. For example in 1960, 600 nine-year-old children, representing ten per cent of all schoolchildren aged between five and ten years old in the UK county of Buckinghamshire, were surveyed for patterns of behaviour at home and school. Seventeen years later they were traced and followed up to assess how far childhood behaviours and experiences in childhood correlate with behavioural outcomes in adult life (Mitchell, 1987) This was an expensive study, and the aims and objectives, and measurement standards, needed to be consistent between the two phases of the study. Such tightly designed longitudinal studies are rare in business and management research. More common is a panel in which a cohort of people is sampled and surveyed one year and another cohort in subsequent years, using the same questionnaire, but not following up

individuals. An example of this is the Global Entrepreneurship Monitor, where in each participating country researchers repeat the same core questionnaire every year on a sample drawn from a defined regional population (www.gemconsortium.org). Where secondary data exists on a yearly basis, business economists favour time series analyses of changes in trends over a period of years.

Firm growth and development is a process that occurs over time (Penrose, 1959) and taking a longitudinal perspective creates problems for understanding performance (Colli, 2012). An understanding of family business groups requires the analysis of years-long processes. Family businesses, however, are especially problematic to research longitudinally. The obvious approach is to engage in a classic longitudinal follow-up study of selected individuals and families, and follow them up periodically over a period of years. In following them up, changes in family membership, ownership and the dynamics of business group emergence and development could be systematically recorded and analysed. Such studies have begun to emerge on a short time scale. For example, in 2009 Malfense Fierro embarked on an ongoing study of family portfolio entrepreneurship in Malawi, which has now a decade of cumulative data (Malfense-Fierro and Kiviluoto, 2010; Malfense-Fierro, 2012). Rautiainen (2012) has similarly begun to follow up the development of Finnish family business groups on a regular basis (Rautiainen et al., 2010). It is difficult, however, to obtain funds to continue such research for a period that may cover a long-term family business's transgenerational life cycle. Nor is it guaranteed that the issues that motivated embarking on the research will still be relevant or valued in ten, twenty or more years' time.

At the same time, the data requirements for engaging in quantitative panel and time series studies are fraught with the problems of obtaining rigorous and consistent quantitative data from family businesses over time. As just explained in the previous subsection, Masulis et al. (2011) encountered many obstacles in obtaining rigorous secondary data on just a subset of family businesses and over just one year!

Most research on the development of business portfolios over time is thus forced to take a retrospective approach. Accurately establishing the number of businesses started, rationalized and closed and obtaining the details of changes in ownership and of changes in family membership over a generation and longer have to rely primarily on the memories of family members or staff who have

worked for the family over a long period of time. These tend to be selective and they are often incomplete and even contradictory. Internal triangulation by interviewing a number of family members and non-family employees can go some way to resolving these difficulties. Even better is having access to family documents and records. However, separating family myths from reality over a century or more of complex business venturing can feel like looking through smoked glass. Many families also soon tire of the constant attention of researchers prying into their past.

The best form of triangulation is external, where records on the family business history may exist in newspapers, books and government business records (Rautiainen, 2012), but such records are only available for a limited number of large families and are absent in many parts of the world. Thus, refining and developing further effective techniques to research long-term processes in family firms is a real challenge.

METHODOLOGICAL CHALLENGE 5: Researchers of family business groups and portfolios encounter the challenges of mapping, recording and analysing complexity

In the previous sections we have discussed the methodological problems of accessing accurate data from family business groups, particularly when they are large, comprise many family members with differing ownership in different businesses and have been operating for many years. In this sub-section, we move on to describe the challenges of recording and presenting this data for analysis.

When presented with a corporate non-family business group, the researcher has obtained the identity of the businesses within the group. These can be listed in a table, or they can be shown diagrammatically as a business genogram, especially if the company is structured hierarchically. Thus Business Group X, for example, may have five divisions, and within those divisions a number of companies that belong to it. Additional data on the number of employees and financial information on each company could be added to the tables or diagrams. Complications may occur if Business Group X has been restructured, in which case it may be necessary to add the details of divested companies or those merged during restructuring.

In considering a family business group, however, this complexity is multiplied by several factors:

1. The number and types of businesses in a family portfolio are more diverse than a listed corporate business and may include non-profit–related forms – such as trusts, charities, hobby businesses and phantom companies – whose name is preserved but the businesses are not operating (Rosa, 1998). This diversity increases as a portfolio grows (Rosa et al., 2014). In general, the size and complexity of a portfolio is greater where the unit of analysis is a business family rather than a family business. Business families are more prone to establish loose, uncoordinated business groups which have no holding company to provide focus and unity (Rosa et al., 2014).
2. If there is a family controlling the business whose membership is changing in terms of demographic lifecycles and whose management roles are also fluctuating over time, this could be accommodated by constructing a family genogram or profiles for each family member. In a transgenerational family business with over fifty family members, this could prove a formidable undertaking.
3. Family ownership is complex and may involve different family members with differing shares of ownership, which change over time. There can also be different forms of ownership in terms of differing share types, issues and voting rights. More complex still is opening up ownership to include less tangible forms, such as identity, and perceived rights to eventual ownership through inheritance or socio-emotional involvement. In many family business groups ownership is shared with minority non-family owners, entrepreneurs with whom they have set up joint ventures or even employees who have been offered a small ownership stake to incentivize them.
4. Unlike non-family corporate companies, family businesses have to operate a parallel system of family governance and business governance. There is considerable variation in families regarding the extent to which business and family governance systems are developed and implemented.
5. Next-generation family members often have differing agendas and cultures from their parents and need special attention when researching family business group dynamics (Handler, 1989; Astrachan et al., 2002). When a family business moves through generations

from the second to the third, fourth etc. and seeks to maintain shared family control of its often highly diversified financial and business assets, there are many complex structures, agreements, councils and forms to manage the wealth and business (Jaffe and Lane, 2004). While research on business groups and their strategic role has been conducted (see for example, Khanna and Yafeh, 2007), these studies have not taken the individual entrepreneurial focus into account nor really appreciated the complexity that can result.

Identifying, describing and mapping complex family business groups

When family business groups or portfolios are small (two or three businesses) and first generation (developed over a few years of the lifetime of the family founder), it is simple enough to describe them quickly and easily. As the group expands, both in space and time, family business groups can become extremely complicated and the wealth of information that needs to be mapped and integrated can be overpowering. Accurately describing these groups and conveying a diversity of information in a systematic manner is a real challenge. The mapping process needs to consider the following:

1) ***Constructing a timeline of the group and the individual businesses***. At the most basic level of description, the businesses could be listed, but this soon becomes indigestible as the number of businesses grows. To aid analysis, the businesses are best described diagrammatically in a time line.
2) ***Differentiating between independent companies***. Family business groups can consist of different kinds of companies, distinguishable by the legal status of the business as a formal independently registered company, partnership or joint venture. This could be done by denoting different symbols for different types of businesses in the mapping. The problem is forming a standardized typology of symbols and getting them accepted by the wider community of business groups researchers.
3) ***Differentiating the current role and specialization of the businesses.*** Is the business a holding company, a production company, a family trust, a franchise’s subsidiary or a non-

trading company protecting a brand name? Businesses can fulfil different roles in the organization that can also be allowed for in terms of using different shapes or line patterns in the mapping in order to signal the role of the businesses. In that sense, the description benefits from identification of the 'main business' and the related businesses. The more specific role of the individual businesses can be added to the case analysis in writing.

4) ***Differentiating between personal businesses and group businesses***. One of the key issues in analysing the family business portfolio is to manage the balance between the businesses owned by the family collective and the individually owned businesses, and between businesses exclusively family owned and businesses containing joint share ownership with non-family members. It is necessary to include the independently owned companies within the analysis for three reasons: they provide a part of the operational context for the main businesses; in ownership changes among the family the independent companies may be used as currency in exchange with other companies; and those independent companies play the role of keeping the family members involved in entrepreneurship, even if they are not active within the family business.

5) ***Differentiating the relationship (ownership, other connections) between businesses.*** This may be best achieved by differentiating two major relationships in the analysis: total or partial ownership and a co-operation relationship. A set of arrows could be used in the mapping to describe the direction of the relationship.

6) ***Differentiating the origins of the businesses,*** such as mergers, acquisitions, joint ventures and divestments. It is desirable to keep these dynamics rather simple, and due to this, gradual changes (for example, an increase or decrease in the ownership shares of joint ventures or the acquisition of a co-operation partner) are too complex developments to describe by symbols only.

Rautiainen (2012), in particular, recognized the need to produce a systematic methodology for mapping and consistently depicting and presenting family business group information. In her study of the Finnish 'Nurminen Family', whose family business originated in the 1870s and has developed over 150 companies since that time. She uses a pioneering method of depiction and analysis through

constructing business group genograms (analogous to family genealogical genograms). This has involved finding preliminary solutions to meet all six of the above considerations. The figure below illustrates the business genogram she has developed for the Nurminen family, which contains symbols for different kinds of businesses and relationships. This is just an excerpt for the years 1990–2003. The full genogram spans over six pages and has yet to integrate information on family dynamics and ownership.

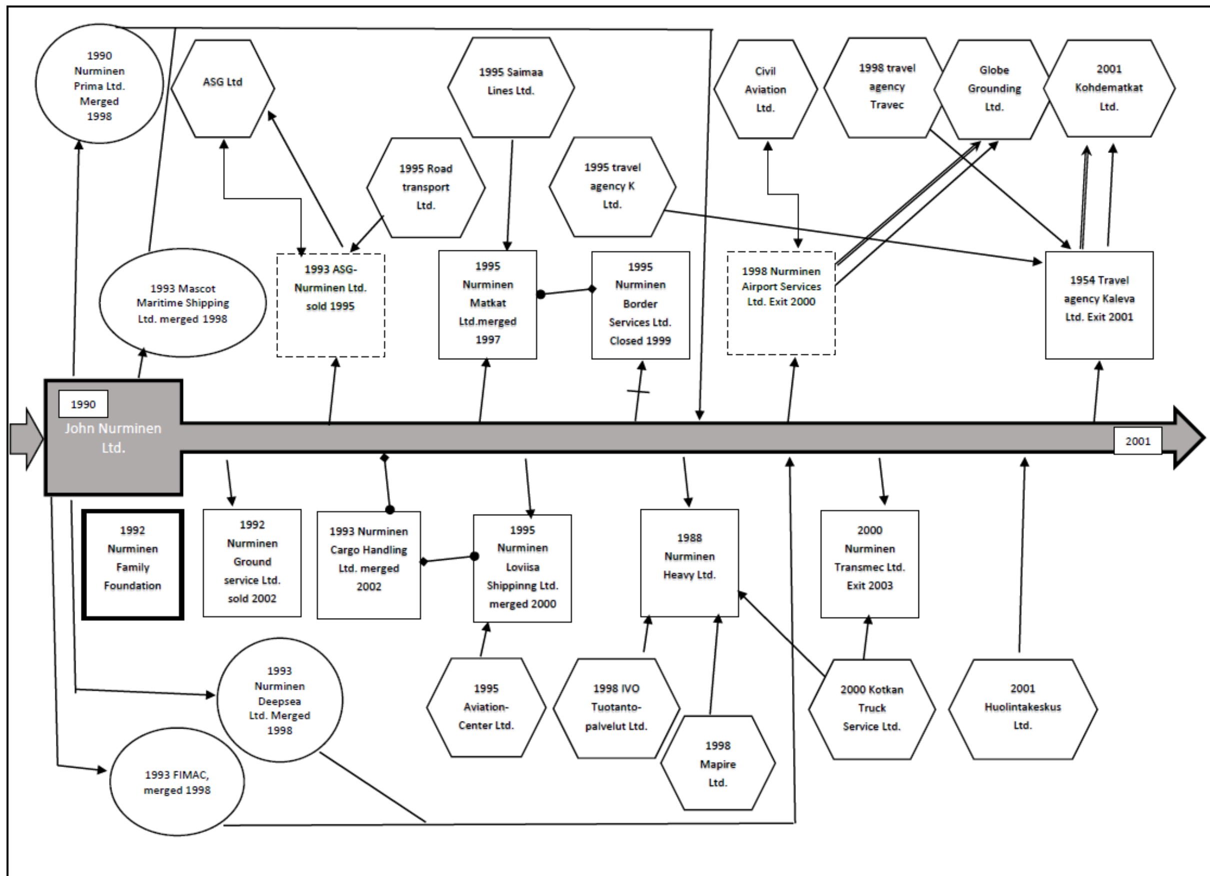

Figure 2.1 Part of the Nurminen family business portfolio genogram covering 1990–2003

In developing this method, Marita Rautiainen has found that there are separate challenges, depending on whether the genogram is used for analysis or for reporting and publishing findings. For analysis, the genogram can be colour-coded and scrolled in its entirety in order to enhance its information and impact. Periods of business group diversification and activity, or growth spurts, become much more visible in this diagrammatic way than they are when just describing or listing companies.

Unfortunately, such a complex, colour-coded genogram is too lengthy and expensive to publish, and how best to summarize it for publication needs to be developed.

Conclusion

This chapter has identified that researching family business groups presents many methodological difficulties. The field is still developing relevant research questions, and until these are clarified further, the field lacks an agreed theoretical framework or agenda to guide empirical research. Thus, it may be more appropriate at this stage to concentrate more on inductive and interpretivist research approaches, based on discovery-led empirical research, rather than on positivist deductive approaches which emphasize the testing of specific hypotheses and models. The unpacking of complex concepts – such as family ownership, business groups and portfolio entrepreneurship – and unravelling the full complexity of family business group processes and dynamics are a priority before better theories can be constructed and explored.

The chapter has also highlighted many of the difficulties of undertaking empirical research on family business groups. The absence of suitable secondary databases that identify and differentiate families and business groups, and the expense and complexities of constructing customized primary survey instruments and of conducting primary longitudinal research have proved to be (and remain) real handicaps. Family business researchers have long struggled both with the problems of gaining access to families on a long-term basis and with developing methods of triangulation to overcome the limitations of imperfect family historical memory. This is compounded for a family business group researcher where the business group is large and has developed over generations. Additionally, we have demonstrated how techniques are needed to improve the recording and analysis of complex data. The development of family business group genograms is especially promising.

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