

# Chapter 5

## Entrepreneurial Orientation of Family Business: A Case Study From Turkey

**Emel Faiz**  
Duzce University, Turkey

**Gamze Uludag**  
Duzce University, Turkey

### ABSTRACT

*Family businesses are considered as an important source of economic development and growth in that they create added value by providing new products, processes and technologies. Family businesses, where family values and perspectives dominate, have begun to experience problems in adapting to such a structure in the global economy, where the rate of change has increased, and the competition is intense. In the process of restructuring, entrepreneurial orientation is vital for these businesses. From this point of view, the aim of this chapter is to define family business, to explain their characteristics and to show the two perspectives on the entrepreneurial orientation of family businesses. The concept of “family entrepreneurship” and “transgenerational entrepreneurship” is also mentioned in the chapter. In relation to what is told in the chapter, how a conservative structure has been opened to the market by its third generation, a family business in Turkey that is going through its third generation and the innovations brought about by the new generation compose the case study.*

### INTRODUCTION

Family businesses form about 85% of all businesses worldwide (Chirico et al., 2011: 307). In parallel with this rate, family businesses make an important contribution to the creation of new employment opportunities, improvement of the quality of life of the people and the development of innovation processes in the country or region where they are located, (Mullens, 2018: 161). Family businesses are considered as one of the important sources of economic development and growth as they create added value to the economy by providing new goods, services and processes (Short et al., 2009: 9). The components of

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family businesses; multi-generation participation, long-term strategic management, strong collective identity, extraordinary commitment to sustainability, and the valuation of both economic and socio-emotional results are better understood through many researches on family businesses which have been carried out as a result of these important contributions (Chirico et al., 2011: 307).

From the perspective of the family business, “growth” is seen as an important source of success, continuity and the transfer of family heritage for generations. However, growth is affected by dynamism, uncertainty and unpredictable variables in the market. In order to maintain sustainability in the competitive environment, family businesses need to align their behaviours and strategies with the uncertain and complex environments in which they operate. The first rule of family businesses to ensure this compatibility with the environment is the adoption of an “entrepreneurial mentality” (Stenholm et al., 2016: 697).

Family businesses emerge as a result of the entrepreneurial behaviour of one or more founders who discover and use an opportunity. However, in order to grow and survive, they have to maintain and increase their original entrepreneurial orientation for generations (Casillas et al., 2010: 27). It is of utmost importance that they develop an entrepreneurial mentality which allows them to define opportunities in the environment to ensure the continuity of family businesses for generations, as the competitive environment has become increasingly dynamic and uncertain (Kellermanns and Eddleston, 2006: 809).

Researchers have two explanatory perspectives on the entrepreneurial orientation of long-standing family businesses. The first point of view suggests that, beyond the founding generation (the first generation), families exhibited a conservative and less innovative attitude towards reversing risks and pursuing entrepreneurial strategies. In this case, family members, who have control, make an effort to protect their assets (Cherchem, 2017:87). As a result of the family’s desire to preserve the expectations for the transfer of its wealth and heritage to future generations, family businesses avoid risks and monitor more conservative strategies for delaying or preventing the changes taking place inside and outside the enterprise (Chirico et al., 2011: 308). The second point of view implies that family businesses have offered an extremely favorable and unique environment to develop entrepreneurship within the organization for generations (Cherchem, 2017: 87). This point of view suggests that family property and management are like “oxygen” that feeds entrepreneurship. In other words, the long-term nature of family businesses through the transfer of property for generations encourages entrepreneurship by enabling businesses to distinguish the resources needed for “innovation and risk taking” (Chirico et al., 2011: 308).

The factors such as family businesses realize technological opportunities on time, desire for change, and the new generations, who participate in the management, analyse the changing conditions better will increase the tendency of the enterprise to entrepreneurship. In addition, owners in family businesses also believe that sustaining the existence of the enterprises depends on their ability to enter new markets and to revive their current activities to create new businesses (Zahra et.al., 2004).

The decision to invest in entrepreneurship activities is not always easy for family businesses. The risks and changes related to the entrepreneurial activities to be exhibited may limit the investment of a family enterprise in internal entrepreneurship because of the idea of preserving and maintaining family wealth (Carney, 2005). On the other hand, the decision to invest in entrepreneurship is seen as a situation specific to family businesses, since the interests and values of the family are an integral part of the goals and strategies of a family business (Agca and Kandemir, 2008).

The problematic of the continuation of the entrepreneurial spirit and the continuity of the family business has been researched and discussed in the literature by researchers for many years. Within the scope of this section, the conceptual definition of family businesses, their characteristics and the two perspectives of entrepreneurship activities of family businesses have been discussed in detail. The first

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