

# **In Search of the Business Family**

## **Exploring Rural Transgenerational Portfolio Entrepreneurship**

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# Scottish Family Businesses

- SMEs account for 99% private sector businesses in Scotland making up 95% private sector employment and 38% private sector turnover (Scottish Government, 2014)
- 65-80% private sector businesses are owned by families
- 56% of businesses in Scotland are home based, accounting for 17% private sector employment and 10% private sector turnover (FSB 2015)





So:

# WHY DO RURAL FAMILY BUSINESSES MATTER?



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# BUSINESS FAMILIES



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# Transgenerational Entrepreneurship

- Avoids one risk – that an absence of family-succession represents ‘failure’
- Allows a deeper understanding of the way in which families in business add value
- Allows a deeper understanding of the contribution of familial entrepreneurial orientation (Zellweger et al, 2012)



# Portfolio Entrepreneurship

- Clear evidence this is important in rural areas (Carter, 2001)
- Clear empirical evidence of the importance in farming (Carter 1998)
- Attempts to distinguish between novice , habitual and portfolio entrepreneurship (Wiklund and Shepherd, 2008)



# Aim

To explore transgenerational portfolio entrepreneurship in a rural setting and to consider the role of business families in rural areas



# Definitions

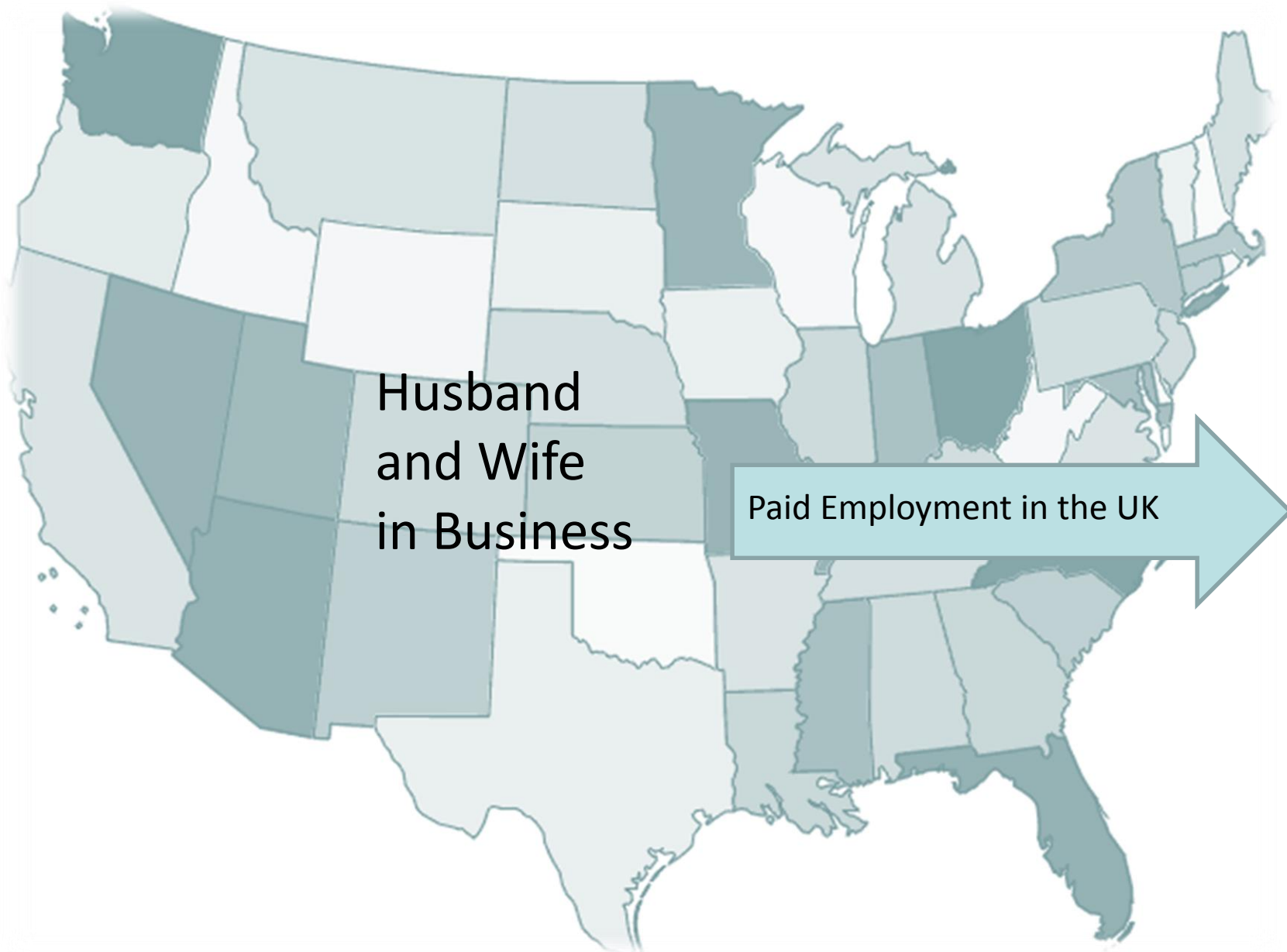
- Family business is taken to be a business in family ownership whose owners want it to be retained within the family
- Business family implies a family with a track record in business (transgenerational entrepreneurs) and (usually) a portfolio of businesses





*One family, portfolio strategy*  
**CASE STUDY**





Husband  
and Wife  
in Business

Paid Employment in the UK





# Reasons and Rationales

- Attractive job
- Wish to return 'home'
- Growing family
  
- BUT the company called in the receivers



# Reactions

- First reaction was to gamble!
- Formally employed individual took over the contract from his erstwhile employer
- Overnight transfer to self-employment – building on the entrepreneurial heritage of the USA
- UK provided a very different environment



# Results

- Initial success
- Business growth
- Solid base in East Lothian
- BUT .....
- Need for substantial further investment
- Search for capital
- Investment by a firm of venture capitalists



# Venture Capital, Culture and Capitalists

- Search for funds was successful – if approached from a purely business perspective
- Substantial inward investment
- But .....
  - Different cultures
  - Different approaches



# Quotes .....

‘Q. So there was this tension between the commercial reality as they saw it and what you and your husband saw ..... and the culture and familyness of the business: was there conflict between those two dimensions?’

A. Yes, and another strange conflict ..... if there isn't any money, you don't take any and if there is you look at everything twice ..... but when the million pound investment came in, there were all these salesmen on fat salaries .... they just sign an expense receipt .... I resented that....’

**Wife**

And later .....

‘They [the venture capitalists] seem to think that if you have a paper qualification they can manage, the fact that you have sort of grown into it, I had no management training, you sort of grow into it, that's how it is in a family business .....

**Wife**





# Did This Create a Sustainable Business?

- From a business perspective:
  - Yes – sort of .....
  - Inward investment
  - Fast Business Growth
  - Business sale
  - Loss of business from the local area
- From a family perspective
  - No – not really ....
  - Inward investment accompanied by a clash of cultures
  - Loss of business to the local area



# What Next?

- Importantly, staying in business was not a fait accompli .....

BUT

‘ ..... and you can’t, when you’ve been running your own business, people won’t employ you. They just think you’re some kind of leper or some kind of maverick maniac who is going to come and take over the business or something ....and you can get very paranoid about that .....

Husband



# Developing Sustainable 'Family' Businesses

- Purchase of one existing business locally
- Created 3 'shell' companies
- No clear purpose to the companies at first
- No 'real' borrowing
- No bankers!
- Sole aim: A sustainable business portfolio

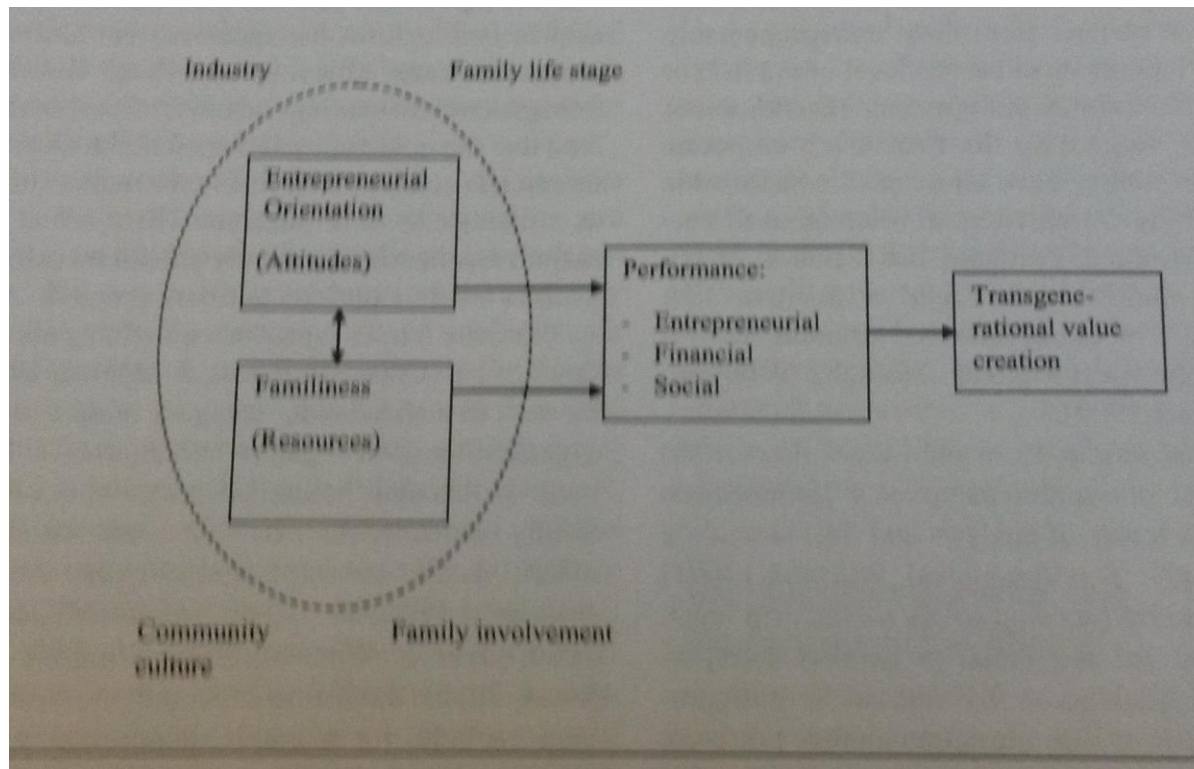


# Initial Findings

- Evidence to support the existence of business families
- Business families facilitate the business development
- Business start-up in rural communities; extending portfolio entrepreneurship



# Transgenerational Entrepreneurship (Zellweger et al, 2012)



# Implications

- Future research
- Families in Business
- Advisors
- Business Support Agencies
- Policy



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