Enterprising Families Domain: Family-Influenced Ownership Groups in Pursuit of Transgenerational Wealth

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The field of family business studies has not explicitly identified the entrepreneurial potential of the family ownership group or adequately delineated the strategic requirements for sustaining wealth creation across generations. To address such issues, this paper presents the parameters for family-influenced transgenerational wealth creation. It identifies the family ownership group as the appropriate unit of entrepreneurial analysis and delineates the entrepreneurial strategy methods and family-as-investor mind-set that create the enterprising families domain. In so doing, the paper creates a true nexus between the fields of entrepreneurial strategy and family business studies.

Introduction

The critical role of the family unit in social and economic wealth creation is asserted in a variety of ways. The family is said to be the predominant controller of businesses and contributor to job creation (Shanker & Astrachan, 1996), the most significant pool of philanthropic capital (Boris & Wolpert, 2001), the largest single source of start-up capital (Steier, 2001), and the most enduring institution for entrepreneurial activity in emergent economies (Pistrui, Welsch, & Roberts, 1997).

The field of family business studies has developed as a separate academic and practice arena that focuses on assessing the role of the family in business entities and the impact family ownership and involvement has on firm outcomes. The field has been instrumental in establishing organizational models for business continuation and for strengthening the family's tie to the business.

However, we assert that the field has not explicitly identified the entrepreneurial potential of the family ownership group or adequately delineated the strategic requirements for families to create wealth across generations. This paper, therefore, attempts to fill the void by asserting that the family ownership group is an appropriate unit of entrepreneurial analysis and by establishing a framework that delineates the mind-set and methods for the enterprising families domain. The goal of the paper is to ensure that families understand the requirements for what we refer to as *transgenerational wealth*.

By definition, transgenerational wealth—a continuous stream of wealth that spans generations—requires a family ownership group to achieve at least market-based returns on their assets over generations. Our definition of *transgenerational wealth* presents two important boundary conditions for this paper. First, our thinking applies only to family ownership groups or family businesses that have wealth creation as one of their performance outcome goals. We explicitly distinguish this goal from the broader

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array of value-creation outcomes that families in business determine to be worthy of their endeavors—jobs, community leadership, family involvement, lifestyle, current income, etc. (Habbershon, Williams, & MacMillan, 2003).

Second, we focus on the family as the owner of assets in lieu of a particular operating asset or business entity per se. We are interested in assets for their wealth-producing potential regardless of their classification at a particular point in time. In other words, we intend to "follow the money" controlled by a family ownership group over time. Hall (1988) points out that the perpetuation of a fortune and the perpetuation of the ties of a family to a business are overlapping but distinct issues. We use the phrase *family-influenced wealth creation* to encompass both the traditional family-business relationship as well as the condition in which a family has diversified its interests beyond a particular entity but for whom the strategic intent/vision of the family coalition unifies and drives its wealth-creation activities (Chua, Chrisman, & Sharma, 1999). Our particular interest is to identify the family ownership group's distinctive role as part of the resource and capability pool—a critical consideration for determining where a family has a wealth-creation advantage or constraint.

Families committed to transgenerational wealth must understand that markets inevitably change and that all asset-dependent advantages erode over time. Aronoff (1998) states that the environmental conditions for families in business are different today due to the speed of socioeconomic transformation. He suggests that continuous innovation and improvement are the norm and that families with traditions of entrepreneurship may have an advantage in transitioning through time. Transgenerational wealth, therefore, embodies an implicit assumption that the family ownership group will develop entrepreneurial change capabilities in line with the inevitable need to shed or redeploy assets once its value-creating properties approach exhaustion.

In families, however, the path-dependent traditions and resources that were once the source of advantage and wealth creation often war against the new, more proactive entrepreneurial strategies associated with changing competitive advantages and new wealth-creating activities. Further complicating the strategic decision making in the family-influenced ownership model is the prevailing stereotype where more divergent considerations, such as diversifying assets through a sale (even at a premium) or utilizing traditional growth strategies—going public, forming a strategic alliance, merging, leveraging the company—can be viewed as a failure rather than a step toward continued wealth creation.

To generate a discussion around the concepts of transgenerational wealth, the enterprising families domain, and the family as a unit for entrepreneurial analysis, we raise four questions for the field of family business studies and present six propositions for future consideration.

Questions for the Field of Family Business Studies

Question 1: Does the field lock families into a theoretical projectory that may not allow them to be enterprising?

The most concerning constraint to enterprising may be the phrase *family business*, which has become theoretically associated with concepts such as small business (Gumpert & Boyd, 1984), stagnant (Daily & Dollinger, 1992), nepotism (Vinton, 1998), conflict resolution (Prince, 1990), succession planning (Handler, 1992; 1994; Chrisman, Chua, & Sharma, 1998), and family management (Lyman, 1991). Noticeably absent from the family business literature are wealth-creation topics such as entrepreneurial orientation and performance, high-growth companies, the dynamic marketplace, opportunistic risk taking, strategic experimentation, and finding supernormal returns. Paradoxically, although the Academy of Management places family business within the entrepreneurship division, the literature and practice do not reflect the entrepreneurial perspective. Dyer and Handler (1994) characterize family business and

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entrepreneurship as two parallel streams of theory and practice that lack integration.

In some regards, the problem with the phrase *family business* lies in the early theory development of the field. Davis and Stern's (1981) insistence that family businesses are not an inherently flawed species is one of the first positive blows for family businesses against the rational linear business perspective. But, their "intersystems boundary" approach of managing the boundaries between the family and business placed the field on a dualistic path that it follows to this day. The dualism became embodied in the overlapping-circles models (family and business) that described the competing needs and interests of the family and business.

Whiteside and Brown (1991) rightly point out that the dual-systems approach easily shifted into good vs. bad, and functional vs. nonfunctional dichotomies. These dichotomies are now firmly embedded in the theory and practice of the field, and family businesses are often viewed as warring entities rather than as potential high-performance enterprising systems.

Further constraining the theoretical association of the family business with wealth-creation outcomes is the field's reliance on operational definitions—observable characteristics such as ownership, management, family involvement, number of generations, etc.—of family business, rather than on a theoretical understanding of the family's influence on the material outcomes of the business (Chua, Chrisman, & Sharma, 1999). These definitions implicitly tie the family to the asset and lead to *family business success* being defined as perpetuating a given operational condition, i.e., an ownership group passing a particular business entity on to the next generation (Sorenson, 2000). This approach to defining successful outcomes is in contrast to more objective wealth-creation standards normally associated with enterprising behavior found in economics or strategic management literature.

Question 2: Does the field allow families to embrace performance strategies and standards that are not enterprising?

An examination of the family business literature shows that there is not a stream of change literature in the strategic management, entrepreneurial strategy, or finance vein that describes how families can reinvent themselves as organizations to pursue wealth-acceleration outcomes. Some articles consider growth (Ward, 1997), entrepreneurship and family (Dyer & Handler, 1994; Hoy & Vesper, 1994), cultural change (Dyer, 1988; Hall, Melin, & Nordqvist, 2000), managing transitions (Gersick, Davis, McCollom Hampton, & Lansberg, 1997), international competitiveness (Davis & Harveston, 2000), global family businesses (Lee & Tan, 2001; Ward, 2000; Manikutty, 2000), and competitive advantages (Aronoff & Ward, 1995).

The family business change literature primarily focuses on transitioning, sustaining, or improving the corporate control systems (for ownership and operations) that enable families to pass on or do "better" what they are currently doing. *Better* is not necessarily defined as "better financial performance," as in finding a higher return in the market. *Better* generally means creating greater clarity, unity, and efficiency in the organizational performance of the family business system (Tagiuri & Davis, 1992). Although this outcome is a positive one, it is generally not linked to financial performance outcomes (Sharma, Chrisman, & Chua, 1997).

Teece, Pisano, and Shuen (1997) point out that performance advantages are not just a function of how one plays the game, but also of the assets one has to play with and how these assets can be deployed and redeployed in changing markets. Performance discussions in the field of family business predominately focus on how one plays the game. There is very little emphasis on performance outcomes related to shareholder return and asset allocation, generally found in corporate or financial strategy.

The performance emphasis in the family business field has not embraced the resource-based performance models of strategic management. In the current business environment, resources and advantage erode in value or even become obsolete quickly if they are not continu-

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ously upgraded (Bettis & Hitt, 1995). Foster and Kaplan (2001) point out that to assess one's current advantage in the market, it is often necessary to distinguish between asset strategy and operating strategy. Hitt and Reed (2000) state that assets must be managed in loosely coupled bundles so that they can be aggregated, disaggregated, or reconfigured quickly as markets change. Sirmon and Hitt (2001) describe how families struggle with resource or asset shedding and redeployment due to the ties between the family and assets.

Zahra (1999) challenges owners and managers to recognize the upper limits of organizational evolutions and to learn the skill of dissolving organizations and redeploying assets. This skill implies that the family business field must better accommodate the concept of firm failure. According to Shepherd, Douglas, and Shanley (2000), firm disappearance is only a "failure" when a firm disappears due to financial exigency. Firm "disappearances" that are not failures include harvesting a business for financial gain and selling a business because it did not meet the reservation price of the owner (reservation price is the lowest level of income derived from the business over which the individual will continue to operate). Performance strategies and standards must, therefore, be tied to market-based realities for families to assess their current resources and capabilities better and then realign them accordingly to meet their goals for transgenerational wealth.

Question 3: Does the field use linear planning methods that do not lead families to be enterprising?

The planning models in the field of family business studies can be described as linear because the planning outcomes are predominately tied to the evolutionary life cycle of the family as it overlaps with the business. The two dominant models—the life-cycle transition model (Gersick et al., 1997) and the parallel planning model (Carlock & Ward, 2001)—use life-cycle stages or forces to drive and structure the planning processes. Gersick, Davis, McCollom Hampton, & Lansberg (1997), for example, describe how the "energy for the change comes from the accumulated developmental pressures in the system" (p. 291) that "trigger" strategy development. They acknowledge that there can be environmental triggers as well, but as Eisenhardt, Brown, and Neck (2000) note, "event pacing" in which internal or external events trigger activity is a reactive rather than proactive strategy.

In the planning models, the life stage—founder, owner-manager, siblings, cousins, family syndicate—also dictates de facto governance structures that then inform many of the planning or transition decisions and outcomes. This normative structure-strategy sequence is the exact opposite of an entrepreneurial-strategy approach in which firms are driven by and remain adaptive and responsive to strategic opportunities (Eisenhardt, Brown, & Neck, 2000).

The implication of the life-cycle planning models is that once the planning is complete, the firm enters into a protracted state of equilibrium until the next developmental or environmental trigger occurs. Ironically, the longer the period of equilibrium, the more successful the planning is deemed to be. Again, the opposite assumption is true in entrepreneurial-strategy models (Bettis & Prahalad, 1995; Crossan, White, Lane, & Klus, 1996; Eisenhardt, Brown, & Neck, 2000). Traditional long-range planning models sought long periods of equilibrium that would create a sustainable competitive advantage.

Entrepreneurial strategy suggests that planning should be a continuous process that seeks to create a series of advantages (D'Aveni & Gunther, 1994) that are rooted in idiosyncratic organizational resources, capabilities, and competencies (Hitt & Reed, 2000) Bettis and Prahalad (1995) note that complex systems near equilibrium tend to perform in a repetitive fashion while they become much more creative and responsive to opportunity as they move out of equilibrium.

Because the life-cycle planning models are based on the dualistic assumptions embodied in the two (family and business) and three (family, ownership, management) overlapping circles, the planning process becomes bounded by the competing interests of the family and business. Hoy

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and Vesper (1994) further tie family business planning to the overlapping circles when they assert that the relevant strategic issues to be addressed in long-range planning are found in the nexus of the intertwined areas of the circles.

Although the planning models in the field of family business studies address external and environmental conditions, they are predominately driven by the intent to "balance" the needs and perspective of the family and the business (Carlock & Ward, 2001). The planning approach can thus be described as a satisficing model driven by linear life-cycle outcome goals. Although the literature associates satisficing models with adaptive organizational change (Winter, 2000), we assert that the satisficing decision calculus in the life-cycle planning models predisposes the planning process to a linear outcome based on the a priori dualistic life-cycle assumptions embedded in the model.

Question 4: Does the field rely too heavily on organizational development and family therapy professionals who do not (and we would add, should not be expected to) have it as their priority to make families enterprising?

In this fourth question, we are not challenging the immense contribution the professionals in these fields of family therapy and organizational development have made to understanding family businesses. In fact, we would say that the most important contribution resulting from the emergence of the field may be the focus on family relationship and organizational health—not necessarily for the business' sake as much as for the family's.

But (without in any way diminishing their contributions) the extent of the reliance on these professionals and their disciplines has skewed the balance of the field. First, the field and family businesses have confused family harmony and family business health with family business success. From a wealth-creation perspective, harmony and health must be viewed as antecedents to success not the criteria for success of the enterprising entity.

Second, using descriptive organizational development and organizational behavior models as the predominant approach leads the field to overlook strategic management models, with their emphasis on business performance outcomes (Sharma, Chrisman, & Chua, 1997). Strategic management performance models challenge business leaders and organizations to consider their performance relative to the external market rather than to focus more exclusively on internal organizational development and behavior.

Third, the field has become characterized as having a "soft-side" focus. Although we believe that anything that impacts the bottom line is a "hard" issue, the field has not done an adequate job of using performance language or of relating the relationship and organizational issues to strategic outcomes. Perhaps more troubling is the fact that these omissions have allowed the mainstream business and management disciplines to dismiss the field as irrelevant to business performance.

To move the field beyond these normative constraints, the descriptive organizational and relational characteristics must be placed into the performance model. The resources-based view provides a framework to account for the process side of organizational life and its relation to performance outcomes.

Habbershon, Williams, and MacMillan (2003) have created a performance model for family-influenced wealth creation. In the model, the influences resulting from the systems interactions of the family, business, and individual family members are captured in the resources and capabilities. These resources and capabilities take on an "f" factor and are then linked to the outcomes as antecedents to performance. The bundle of distinctive resources$_f$ and capabilities$_f$ are referred to as the "familiness" of the firm. This resource-based familiness approach allows for a continued emphasis on organizational and relational issues, but precisely for the purpose of moving families and their wealth-creation entities into a high-performance position.

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Propositions for the Field of Family Business Studies

As a step toward addressing the above questions, we propose a series of propositions around the concept of enterprising and the enterprising families domain. We use the concept of enterprising in the Penrosian sense to refer to the "psychological predisposition" of individuals or organizations to take a chance and allocate resources in the hope of finding gain (Penrose, 1959). The "spirit of enterprising" favors growth and leads organizations to investigate opportunity when expansion is neither pressing nor particularly obvious (Penrose, 1959). The enterprising decision to search for opportunities precedes the economic decision to capture the opportunity. Consequently, an enterprising predisposition is a necessary antecedent to those entrepreneurial actions "essential" to survival and growth (Lyon, Lumpkin, & Dess, 2000).

Penrose's concept of enterprising and her accompanying discussion of entrepreneurial services (1959, p. 35) were precursors to the current entrepreneurial orientation (EO) stream of literature. The EO literature focuses on the process of entrepreneurship built around Miller's (1983) original three dimensions of innovativeness, proactiveness, and risk-taking behavior. Lumpkin and Dess (1996) expand upon Miller's constructs, adding autonomy and competitiveness. The process emphasis addresses a firm's willingness or predisposition to engage in entrepreneurial behavior (Brown, 1996).

Building on Miller's work, Covin and Slevin (1989) use the phrase *strategic posture* to describe a firm's overall competitive orientation and, in a later study (1990), the phrase *entrepreneurial posture*. Covin and Slevin (1990) also concur with Miller that organizations, not only individuals, could behave entrepreneurially, surpassing the contributions of a single actor. Many studies have linked the positive influences of EO to firm performance (Brown, 1996; Wiklund, 1998; 1999; Zahra & Covin, 1995; Covin & Slevin, 1989). Wiklund (1999) also finds that EO is not a "quick fix," but that the positive relationship between EO and performance increases with time.

In keeping with the EO literature, we broadly define the concept of enterprising in the EO vein as the mind-set and methods that lead an organization toward a proactive and continuous search for opportunistic growth. Specifically, we attempt to address the ownership mind-set and strategic methods that compel family groups to discover and exploit profitable opportunities (Shane, 2000). Enterprising families, therefore, are not simply families in business or enterprise. An enterprising family is a particular type of family—a family who is "enterprising." Enterprising families have a family-as-investor mind-set and entrepreneurial-strategy methods (see Figure 1).

For both start-up ventures and existing firms, entrepreneurship is said to be an essential feature of high performance and wealth creation (Lumpkin & Dess, 1996). By *wealth acceleration* we mean "the ability to generate growing, sustainable income streams" that lead to expanding wealth as a result of capital invested by a family shareholder group (Shane, 2000). As noted above, EO has specifically been linked to positive performance outcomes. It is appropriate, therefore, to link our concept of enterprising families (as the EO of family) propositionally to wealth acceleration outcomes.

According to Davidsson and Wiklund (2000), firm growth—and, we would add, the broader concept of wealth creation—is a process and must by definition be studied over time. They go on to note that when growth is studied longitudinally, the conceptionalization of the methods of analysis are essential, contingent on the fundamental question of why we want to study growth.

If the goal is to study transgenerational wealth, then the unit of analysis must be the family who owns the assets. Following Hall's (1988) distinction between perpetuating a fortune and perpetuating a family's ties to a particular business entity, we believe that studying family-influenced transgenerational wealth requires us to follow the fortune. This is not to say that we should discount the study of a particular firm or business holding as the mechanism of family-in-

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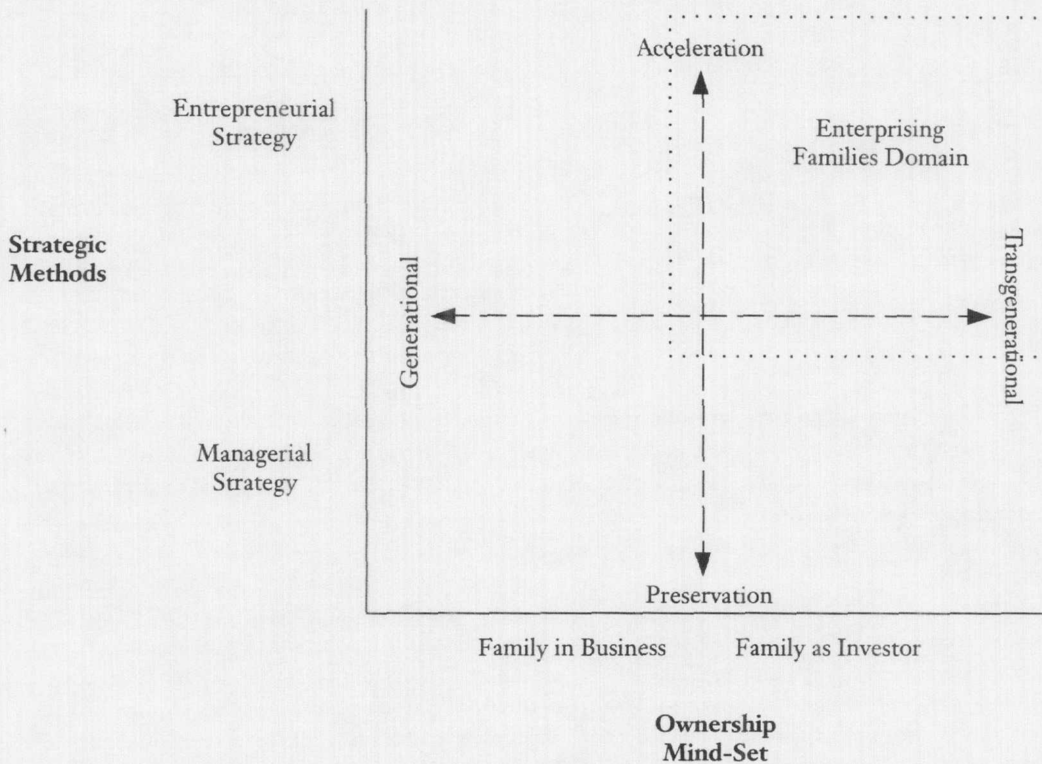
Figure 1. Enterprising Families Domain



fluenced wealth creation, but simply to point out that when a family business is the exclusive focus of investigation, that investigation ends when the family's ties to the business end.

Hall (1988) points out that in rapidly changing and competitive environments, retaining family ties to a single productive activity becomes even more difficult. Unless the family ownership group is the unit of analysis for understanding family-influenced wealth creation, the role of families in today's dynamic marketplace will be diminished and their entrepreneurial contribution to ongoing wealth creation overlooked.

Davidsson and Wiklund (2000) present three methods of analysis that provide us with criteria for considering how the family could be a distinct unit of analysis: (a) Follow the individual or group of individuals over time without regard to the types and number of activities and governance structures; (b) identify a particular business activity or set of unrelated activities that may over time be controlled by different individuals, groups, or governance structures; or (c) identify a governance structure or decision-making unit coherently administered and legally controlled over time that may or may not be connected to a particular group or include particular entities.

If we define the family unit as the dominant coalition of family members from a given family line who control the strategic focus of the family's joint economic interests (Chua, Chrisman, & Sharma, 1999), then we have identified a theoretical unit of analysis. With Davidsson and Wiklund (2000), the family can be viewed as a group of individuals from a common lineage who are connected through

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time by a legal governance structure. We thus assert that to gain a transgenerational perspective of family-influenced wealth creation, the family ownership group is the necessary unit of analysis. Stated in proposition form:

Proposition 1: Family-influenced, trans generational wealth creation (longitudinal performance) is more accurately assessed when the family ownership group (defined as the continuing dominant coalition of a family line) is the unit of analysis rather than a particular business entity.

The legal governance structures connecting the family through time are those identified with shares and shareholder groups. To identify the family ownership group as a unit of analysis, we must, therefore, explore the role and responsibilities of shareholders.

Within the family business literature, the corporate governance and finance concepts surrounding shareholders are not fully developed. The literature addresses the advantages to shareholders of being a private or closely held company (Mishra & McConaughy, 1999; McConaughy, 2000); the agency relationship of ownership and management in public companies and long-run performance (Jensen & Meckling, 1976; Pollak, 1985); the agency efficiency in family firms due to the overlap of ownership and management (Daily & Dollinger, 1992); and the organizational development and governance recommendations for how to organize family shareholders (Martin, 2001; Steier, 2001).

Agency theory assumes that agents and principals are motivated by the opportunity for personal gain. On the one hand, principals invest their wealth in companies and then protect their interests with governance systems intended to maximize utility. On the other hand, agents accept responsibility for managing a principal's investment (wealth) due to the perception of more utility offered vs. other opportunities. The central concern in agency theory is that managers may act in ways that benefit management, employees, or other stakeholders at the expense of shareholder returns (Eisenhardt, 1989).

In the family-influenced ownership model, the role of family shareholder owner as risk-bearing specialist (principal) has been largely folded into the role of family manager (agent) as decision maker. Emphasis on the tie of the family to the business and the ensuing agency efficiency of the owner-manager overlap has brought about a virtual collapse of the functional distinctions between owner and manager. The results can be that organizations either lose sight of their true economic utility, are consumed by a managerial agenda, or become constrained by the upper limits of the abilities of its owners to manage. Regardless, the effect is that the ownership group has forfeited the capitalist function that is necessary for them to align their risk and return expectations properly (Hitt, Ireland, & Hoskisson, 2001).

A possible explanation for the lack of distinctive agency function is the relational contract between family member owner-managers that defaults to emotional rather than rational contractual decision making (Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001). Emotional and personal biases may lead an owner-manager to be consumed by his or her business success and control at the management level rather than to look at the larger interests of the shareholders.

Davidsson and Wiklund (2000) make a critical strategic management distinction between the "totality" and the "particulars" of business activities. From an owner's point of view, the totality of all business activities is the main interest. Within that totality, which particular activities grow, or not, is also relevant. Owners, therefore, focus on growth and asset allocation as it relates to growing their wealth. The manager, on the other hand, is focused on the particular business activities under his or her control—that is to say, the cause and consequences of growth. The growth of the entire business is of secondary interest for managers. It is this distinction between totality and particulars that is lost when the functional distinctions between owner and manager collapse into one another.

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We assert that to fulfill the criteria for transgenerational wealth creation, family member shareholders must be given the opportunity to look at the totality of their business activities to ensure that they are receiving a market-based return that matches their risk profile. Correspondingly, managers must fulfill their decision-making function in a way that ensures that the resources of the family are being appropriately deployed to ensure market-based returns that meet the shareholders' risk profile. When these distinctive functions of owner and manager are lost or diminished, there is an inefficiency in the agent relationship, and the potential positive effect of the family's influence in the owner-manager overlap is abated.

This leads us to assert that family influence creates an agency efficiency for transgenerational wealth creation when the owner-principal and manager-agent fulfill their distinctive functions. Specifically, the capitalist function of the owner-shareholder is to demand market returns and the decision-making function of the manager-agent is to employ resources efficiently to deliver market returns. Stated in proposition form:

> *Proposition 2: In family-influenced entities, transgenerational wealth-creation outcomes (performance) are enhanced when the owner-principal and manager-agent fulfill their distinctive functions.*

The family-influenced ownership model implicitly embodies familial considerations about the legacy of the family assets, the risk and return profiles of fellow family shareholders, and the family's operational relationship to the assets. These considerations can hinder family member owners from distinguishing between strategic decision making at the business-operating level and asset allocation decisions at the shareholder-investor level. Figure 1 indicates that for families to generate transgenerational wealth, they must have a family-as-investor mind-set.

The family-as-investor mind-set institutionalizes the distinctive function of the owner shareholder in the culture and practices of the ownership group. It is in contrast to the "family-in-business" mind-set, which collapses the ownership function into the operational business decision making. Rather than a transgenerational outcome, the family-in-business mind-set institutionalizes a "generational" orientation in which perpetuating the family's tie to the business from one generation to the next, or guaranteeing multigenerational involvement in a particular business, is the outcome goal. A generational perspective leads to statistical generalizations, such as two-thirds of family firms fail to make the transition to the second generation (Ward, 1987), or anecdotal caricatures that it is not "from rags to riches" but "to rags in three generations" (Gersick et al., 1997).

The mind-set continuum moves from a personalized perspective of the assets (the assets are mine) to a performance perspective (the assets produce for shareholders). The family-in-business mind-set leads a family to think of itself as a particular type of family (a "brewery family" or a "manufacturing family"), which in turn locks it into path-dependent corporate strategies and family traditions that dictate its capital asset strategies.

By family-as-investor mind-set, we do not mean it to be viewed exclusively from a corporate finance perspective. Certainly, the family-as-investor mind-set has a distinct emphasis on managing and measuring performance against the risk/return profile of owners. There is an a priori commitment or vision to wealth creation that drives them to pursue capital allocation strategies and structures that are responsive to the market and, therefore, lead to enduring returns. However, from a strategic management perspective, the family-as-investor mind-set includes managing the resources and capabilities pool of the family ownership group. It means investing in resources and capabilities—resource picking and capabilities building (Makadok, 2001)—to ensure that the family sustains or recreates its basis for a long-run, wealth-creation advantage. A family-as-investor mind-set leads family members to be stewards of their resources and capabilities and not necessarily of a particular business entity or legacy asset.

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This is not to say that an a priori commitment to a family-as-investor mind-set or sustainable wealth creation comes naturally to families. It takes a continuous effort to generate it and sustain it. But the family-as-investor dialogue must include questions such as: What does it mean to be a shareholder? What is the risk profile of the shareholder group? What asset strategies are required to meet the return expectations of the shareholders? What resources and capabilities do we have as a family ownership group for sustaining wealth creation? What resource picking and capability building do we need to do for long-run wealth creation? Is our business model in line with our resources and capabilities—which needs to change?

Institutionalizing the family-as-investor mind-set changes the performance and planning paradigms in the field of family business studies. Rather than being linear and normative processes, they become iterative, market-driven analyses of how to establish family-influenced, wealth-creation advantages continuously in the marketplace. We, therefore, assert that for an ownership group to realize transgenerational wealth, it must adopt a family-as-investor mind-set that cultivates, captures, and deploys its resources and capabilities for market-based returns. Stated in proposition form:

> *Proposition 3: Family ownership groups (defined as the continuing dominant coalition of a family line) that evidence the family-as-investor characteristics will perform better over the long run, thereby maintaining family-influenced wealth creation across generations (transgenerational wealth).*

Continuing with Figure 1, we consider the methods of enterprising families. The vertical-methods continuum explains the type of strategies employed, moving from managerial strategy to entrepreneurial strategy. Managerial strategies emphasize management decision making, efficiency, cause and effect relationships, and internal continuity. The outcome goal of managerial strategies is business unit preservation. In contrast, the outcome goal of entrepreneurial strategies is acceleration. Schumpeter (1949) states that the "distinctive function" of entrepreneurship is a creative (rather than adaptive) response that "falls outside of the pale of routine" and that the "distinctive return" on the exercise of this function is supernormal rents (p.68). Entrepreneurial strategies, therefore, reflect a preference for opportunistic, Schumpeterian rents, as opposed to more internally focused strategies that lead to Ricardian rents.

An entrepreneurial approach makes strategy much more emergent as opposed to the traditional notions of strategy as planning based on hindsight (Mintzberg, 1990). It is a way of thinking about achieving a competitive advantage at a broad level in which trying the new, the innovative, and the adaptive becomes part of the organizational processes (Miles, Heppard, Miles, & Snow, 2000). McGrath and MacMillan (2000) state that entrepreneurial strategy is when strategy as discovery is embedded in the climate-setting practices of an organization.

Another component of an entrepreneurial approach is the focus on the dynamic capabilities of an organization. Teece, Pisano, and Shuen, (1997) state that the term *dynamic* refers to the capacity to renew the organization so as to achieve congruency with the changing environment. *Dynamic capabilities*, therefore, refers to the organizationally specific capabilities that can be a source of advantage and how new combinations of competencies and resources can be developed and deployed.

Eisenhardt and Martin (2000) remind us that it is not the dynamic capabilities themselves that create wealth, but the advantages they enable an organization to secure. A dynamic capabilities approach to entrepreneurial strategy allows organizations to create a series of "temporary advantages" (D'Aveni & Gunther, 1994) that enables them to achieve advantage-based wealth acceleration. We conclude by asserting that for an ownership group to accelerate its wealth creation, it must adopt entrepreneurial strategies that enable it to generate superior returns. Stated in proposition form:

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Proposition 4: Family ownership groups (defined as the continuing dominant coalition of a family line) that evidence the entrepreneurial strategies characteristics will perform better over the long run, thereby maintaining family-influenced wealth creation across generations (transgenerational wealth).

We now combine propositions 3 and 4, which distinguish the mind-set and methods of enterprising families, and assert the "enterprising families domain" as a true nexus of the entrepreneurial strategy and family wealth-creation arenas. Hoy and Vesper (1994) describe the fields of family business and entrepreneurship as independent but overlapping domains. They note, however, that the streams of literature are very different. Whereas entrepreneurship emphasizes concepts such as opportunity seeking, risk taking, innovation, and feasibility analysis, the family business arena addresses issues such as succession planning, tax efficiency, owner-manager life cycles, and business continuity.

We believe that the identification of the enterprising families domain—where (a) the family ownership group is a distinct unit of entrepreneurial analysis, (b) there is a distinguishable mind-set and methods continuum of family-influenced entrepreneurship, and (c) the outcomes goal of transgenerational wealth acceleration fulfill the requirement for entrepreneurial rents over generations—extends both the fields of family business studies and entrepreneurial strategy while better defining the overlap that Hoy and Vesper suggest.

Thus, in Figure 1 the enterprising families domain is characterized by a family-as-investor mind-set and entrepreneurial strategy methods. The model shows how families may pursue the investor mind-set and entrepreneurial methods independent of one another: Although neither is an independently sufficient condition, both are necessary for becoming an enterprising family. Our summary assertion is, therefore, that to be considered an enterprising family, the ownership group must adopt a family-as-investor mind-set and entrepreneurial strategy methods. Stated in proposition form:

Proposition 5: Enterprising families behavior (defined as family-as-investor mind-set and entrepreneurial strategy methods) will lead to superior returns over the long run, thereby generating transgenerational wealth.

The mind-set and methods framework that defines the enterprising families domain provides the field of family business studies with the requisite underlying principles to address the wealth-creation challenges families face in today's marketplace. Moreover, this new framework is consistent with trends in the field of strategic management, where many of the theories and models for sustaining and safeguarding extant competitive advantages are being replaced with more dynamic models that address the issue of building a competitive advantage for wealth creation in regimes of rapid change (Teece, Pisano, & Shuen, 1997). The basic premise for creating these new entrepreneurial models is the search for supernormal rents available in discontinuous market environments (Meyer & Heppard, 2000).

Teece, Pisano, and Shuen (1997) describe the market as "a Schumpeterian world of innovation-based competition, price/performance rivalry, increasing returns, and the creative destruction of existing competences" (p. 509). Schumpeter's (1934) theory that "waves of creative destruction" create continuous states of disequilibrium is currently in the mainstream of strategic management theory and research (Meyer & Heppard, 2000; McGrath & MacMillan, 2000; Ireland & Hitt, 1999; Venkataraman, 1997).

Many practicing managers and academic researchers assert that organizational success and survival in the current hypercompetitive environment (D'Aveni & Gunther, 1994) are dependent on an organization's entrepreneurial capabilities and practices (Meyer & Heppard, 2000). When disequilibrium is the norm rather than a rare occurrence, entrepreneurial leaders can gain strategic advantage by developing strategies that proactively manage change (Eisenhardt, Brown, & Neck, 2000) and recognize the importance of innovation, quickness, and agility for superior

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performance (Meyer & Heppard, 2000).

We believe that the specific mind-set and methods of the enterprising families domain create the flexibility, agility, quickness, innovativeness, proactiveness, and risk taking (Miller, 1983; D'Aveni & Gunther, 1994; Bettis & Hitt, 1995) that are required for superior performance in dynamic markets. We thus assert that family ownership groups that embrace the mind-set and methods of the enterprising families domain are better suited for transgenerational wealth creation in dynamic market conditions. Stated in proposition form:

> *Proposition 6: The impact of enterprising families behavior on performance outcomes and transgenerational wealth creation is related to the level of dynamism in the market.*

Conclusions

There is a noticeable absence of literature in the field of family business studies that provides families with a distinctive entrepreneurial strategy perspective for assessing resources and capabilities, creating new advantages, or seeking supernormal rents, particularly in dynamic markets. Paradoxically, even as the family business literature has acknowledged the increasing pace of change and competitive pressures families face in the market (Carlock & Ward, 2001) and has explicitly called for the incorporation of strategic management thinking in the field of family business (Aronoff, 1998), to date, it has not introduced entrepreneurial strategy into its theory and practice models. Consequently, this paper puts forth the enterprising families domain as an attempt to fill that void in the field of family business studies.

One of the overarching contributions this paper seeks to make to the literature is to identify explicitly the family ownership group as the appropriate unit of analysis for a longitudinal—or transgenerational—perspective of family-influenced wealth creation. This perspective allows the field of family business studies to distinguish more clearly between firm "failure," harvest, and strategic asset redeployment. The new lens of family-influenced wealth creation should encourage both the field and other disciplinary scholars to revisit some of the most ingrained stereotypes about the sustainability and competitiveness of family firms.

Likewise, family members should be encouraged to liberate their thinking about legacy assets and to begin considering the full range of strategic options available through other ownership models to pursue sustained wealth creation. Additionally, a heightened focus on the capitalist function of owner-shareholder should provoke scholars to reconsider the nature of the owner-manager agency relationships among family members as well as serve as a call to family members themselves to consider their distinct functions of ownership and management.

A second contribution of this paper is to establish the enterprising families domain. This framework attempts to fill gaps in the current thinking about family businesses and is intended to challenge the family in business and managerial strategies thinking that characterize the field of family business studies. This paper asserts that when the family-as-investor mind-set and entrepreneurial strategy methods become the "psychological predisposition" (Penrose, 1959) of a family ownership group, families are better able to fulfill their commitment to transgenerational wealth and wealth acceleration, especially if they find themselves in more dynamic markets.

A family-as-investor mind-set, for example, clarifies the family shareholder risk profile, empowers shareholders to seek market returns, expands the ownership options continuum for finding a return on assets, enables owners to shed or redeploy unproductive assets, and leads them to professionalize their financial analysis and decision making. Similarly, entrepreneurial strategy methods lead owners to cultivate a sense of urgency throughout the family and organization; be in a proactive and continuous search for opportunity; move to an empowering, participatory leadership model; assess and develop their dynamic capabilities for the group:

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and institutionalize entrepreneurial climate-setting practices.

A third contribution is to put forth a framework with two continuous variables—ownership mind-set and strategic methods—that can be operationalized and tested empirically. Specifically, there is a well-established stream of research in the entrepreneurship/strategy field surrounding the EO construct. Efforts to adapt this construct to the family ownership context could serve as a tool for linking a range of strategic orientations to performance outcomes in the family business context.

Furthermore, the nature of the family's influence on the EO of the group could be examined using the "familiness" approach (Habbershon, Williams, & MacMillan, 2003) rooted in the resource-based view of the firm. Likewise, the ownership mind-set continuum could be operationalized to examine empirically the impact it has on transgenerational performance outcomes. Collectively, empirical analyses of the two constructs would serve to inform family ownership groups on how to navigate the transitions required to ensure their commitment to transgenerational wealth.

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