



Temporality and the role of shocks in explaining changes in socioemotional wealth and entrepreneurial orientation of small and medium family enterprises

Orlando Llanos-Contreras¹  · Muayyad Jabri² · Pramodita Sharma³

Published online: 3 July 2019

© Springer Science+Business Media, LLC, part of Springer Nature 2019

Abstract

This paper explores the relationship between the nature of shocks (family vs. business related), the relative importance of socioemotional wealth importance (SEWi) dimensions (family prominence, enrichment and continuity), and the entrepreneurial orientation (EO) of family firms over time. An exploratory multiple case research based on critical realism was conducted to theorize on how shocks define socially constructed time, which in turn explains the social dynamic behind family firms' priorities and routines exposing EO. By integrating socioemotional wealth (SEW) framework to time and routine framework from organizations studies, it is proposed that shocks determine the formation and speed of evolution of estuaries of time in family firms. This also explains which are the priorities driving decisions of change or stability within these firms as well as the social and emotional dynamic between the family and the businesses explaining changes in EO.

Keywords Time in family firms · Temporal estuaries · SEWi · EO · Entrepreneurial families · Case based research

✉ Orlando Llanos-Contreras
ollanos@ucsc.cl

Muayyad Jabri
mjabri@une.edu.au

Pramodita Sharma
pramodita.sharma@uvm.edu

¹ Universidad Católica de la Sma. Concepción, Concepción, Chile

² University of New England, Armidale, Australia

³ Grossman School of Business, University of Vermont, Burlington, VT, USA

Introduction

Time is embedded in organizational processes and how such processes evolve or are conceived in time - for example differentiating between ‘clock time’ vis-à-vis ‘process time’ (Jabri 2005; Reinecke and Ansari 2015) – becomes central in determining social structures behind routines explaining the firms’ evolution and stability (Feldman and Pentland 2003; Nelson and Winter 1982). The temporal view is deemed useful for understanding enterprises’ entrepreneurial orientation (EO) as it is also connected to the firms’ ability to anticipate the future and to co-create readiness (Jabri 2015; Xie and Lv 2018; Rita et al. 2018). The introduction of the socioemotional wealth (SEW) framework in the study of family firms reinforces this idea, as it suggests that family routines evolve steadily or change dramatically depending on what for family firms is the better fit to preserve SEW (Gómez-Mejía et al. 2007). Preserving SEW is observed to be a dynamic social process of family firms’ adaptation to changes. Accordingly, understanding its social dynamic seems to be critical to explain these firms EO.

Research based on SEW indicates that family firms’ EO changes depending on the evolution of specific family priorities and contextual conditions they face (Cruz et al. 2014; Goldsby et al. 2018). Family priorities in the business have been assessed through the importance given by the family owners to family prominence, family enrichment and family continuity (socioemotional wealth importance-SEWi) (Debicki et al. 2016). Recent research has informed that these family firms’ priorities are influenced by family and firms’ context which evolve through time (Kotlar et al. 2018; Alonso-Dos-Santos and Llanos-Contreras 2018). This research also provides evidence that external shocks threatening the firms’ continuity are a central aspect in defining which priority is more or less important, and also indicate that they influence the firm’s ability to adapt their routines in order to respond to external threats. Because of the interaction between family and business systems (Llanos-Contreras and Jabri 2019), it is expected that the nature of shocks (family vs. business related) would influence the relative importance of SEWi dimensions (prominence, enrichment and continuity), and thus explain changes in family firm EO. However, the social dynamic behind this is not yet clear, and accordingly it is not yet clear how shocks to the family and business influences SEWi dimensions and the EO of family firms over time.

To close this gap, an exploratory multiple case research based on critical realism is developed (Bhaskar 1975). By integrating time and routine framework from organizations studies to the SEW framework from family businesses literature, this research proposes that shocks determine the formation and speed of evolution of estuaries of time in family firms. It explains what the priorities driving decisions of change or stability are and also the social dynamic between the family and the businesses explaining changes in EO. Based on Bluedorn (2002) and Sharma et al. (2014), a temporal estuary was defined as an equilibrium socio-temporal space which defines when it is time to be focussed on the business and when it is time to focus on the family, as well as when it is time to be more or less entrepreneurially oriented. Changes in the contextual conditions (shaped by external shocks) under which family firms make decisions are seen as changes in the temporal estuary within which they perform their routines. The shape of this estuary explains the structure and dynamics of social and organizational life (Zerubavel 1981). Accordingly, it explains the relative importance of SEWi dimension and how it interacts with firms’ routines shaping strategic choices and EO.