



An Analysis of a Family Business Operation within the Context of Entrepreneurship

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Abstract

This case study addresses the progression of a family business operation which involves with the diversified business activities in the western province of Sri Lanka. The study considered the entrepreneurial process of the business operation, and helped to identify the activities conduct by the family business operators within the context of entrepreneurship to expand their business operation.

The business operation diversified into three different types of business activities other than the lead primary income generation activity. Traders, friends, bankers, experts and societies play a major role in the social network of this business operation. Managerial capabilities, time and market orientation of the family members also play a significant role to carry out the business operation.

Keywords: Family business operation, opportunity identification, Social network

1. Introduction

This family business operation runs in the western province of Sri Lanka. The family consisted with six members including father, mother and their four children. All the members of their family involved to the different kind of business activities run by the family business operation as it is diversified into different business operations. None of them are engaged in any other employments other than the involvement for their own family business operation.

Parents who initiated to start the family business operation had the education up to the ordinary level in Sri Lanka which gives a general knowledge related to the different subject areas. The children who involved to the business activities completed their school education up to the advanced level in Sri Lanka in commerce stream which gives a more knowledge relating to the commercial environment of a business operation in Sri Lanka. Son who is the youngest of the family who completely dedicated to their family business operation stated that *“being an entrepreneur is an interesting thing, but we need to work hard to achieve the desired goals and objects of the business operation”*.

1.1 Nature of business

The parents initiated the business operation with starting a factory which is related to the numerous products of coconuts, and they put the final products to the local market. This business activity generated a huge income for the family with providing the chances to expand their business operation into new market segments. In the next stage, they both diversified their business operation with identifying another business opportunity which is related to the retail sector.

The involvement of their four children also added some advantage to carry out the business operation, and expanded it into another two income generating activities including the transport service and the food and catering service. They bought two buses to run their transport service and started to gain many more food and catering orders.

2. Literature Review

2.1 Entrepreneurial Process

Timmons and Spinelli (2009) stated that the entrepreneurial process starts with opportunity and not with money, strategy, network, team or the business plan, and also stated that the entrepreneurial process is opportunity driven, driven by a lead entrepreneur and an entrepreneurial team, resource cautious and creative, depends on the fit and balance among these, integrated and holistic and sustainable.

The potential role of affect in several key aspects of the entrepreneurial process and the aspects that have been found to strongly influence for the success of new ventures are opportunity recognition, acquisition of essential resources (financial and human), and the capacity to respond quickly and effectively to rapid change in highly dynamic environments (Shane, 2003).

2.2 Opportunity Identification

Chea (2008) defines the opportunity as a perceived means of generating economic value that previously has not been exploited and is not currently being exploited by others. Existing imperfections in the market create numerous opportunities for entrepreneurship connected with sustainable development (Kuckertz and Wagner, 2010).

2.3 Social Network

Moghli and Muala (2012) stated that the entrepreneurial process involves with the gathering of scarce resources from external environment. Entrepreneurs obtain valuable resources from their networks which help them achieve their goals including the start of business (Klyver and Schott, 2011). Entrepreneurs may possess some ideas and skills through the networks approach to entrepreneurship (Moghli and Muala, 2012). Firms with favourable social capital have an enhanced chance of identifying profitable opportunities, and acquiring complementary external resources (Teece, 1987). The external resources obtained by new ventures may enhance their capability (Teece, 1987).

The entrepreneurial network represent the evidence for the relationship with the external environment which built by the entrepreneur (Moghli and Muala, 2012). Network further needs the access of different information, in order to define potential business opportunities, and obtain required resources to start-up and continue their businesses successfully (Moghli and

Muala,2012).Entrepreneurs further need to obtain most resources from outside or his/her external environment through the entrepreneur's networks for the purpose of commence and continuance of a business (Moghli and Muala, 2012).

2.4 Skills

Entrepreneurship also requires the skill and inventiveness to find and control resources which is often owned by others, in order to pursue the opportunity (Timmons and Spinelli, 2009).

3. Methodology

Case study approach considered as the appropriate methodology for this study and studied only one family business operation. Research design is presenting the logic which links the data to be collected to the initial questions of the research study (Yin,2003).Every empirical study has implicit (implied) research design or an explicit (clear) research designand the development of case study designs need to maximise four conditions related to design the quality of the study: (1) construct validity- forming the correct operational measures for the concepts being studied (2)Internal validity -establishing an underlying relationship whereby certain conditions are shown to lead to other conditions by way of distinguished from spurious(false) relationships (3)External validity -establishing an area that the findings of the study can be generalized and (4) reliability - the operations of the study such as the data collection processes can be repeated, with the same results (Yin, 2009).

4. Case Analysis

4.1 Diversified business operations

The family business operation is consisted with diversified business operations which operate in four different sectors which are not related to each other. Diversified business operations are run in the in the different sectors including production, retail, transport andfood and catering. The founders started the business operation with investing some huge amount of money at the period of time they stated the business operation, and they used their ancestral property to establish the business operation and got the financial support from their parents.

Farther who is the initiator of the family business operation stated that *“We entered to this field as a means of survival of our family. But, now I can gain the self-satisfaction. I would like to move to the new business opportunities in the coming future”*.

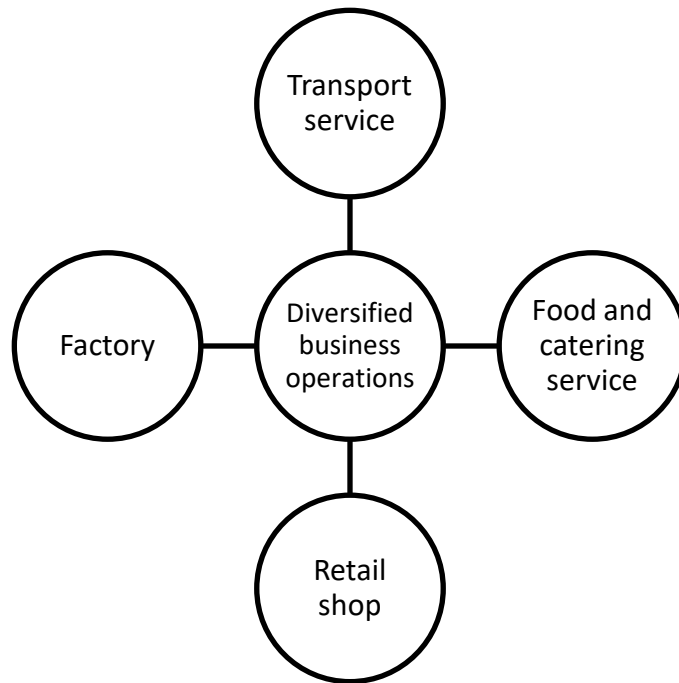


Figure 1: Diversified business operations

4.2 Social network

The family mobilizes the resources through the social networks with using the societies, traders, bankers, experts and friends.

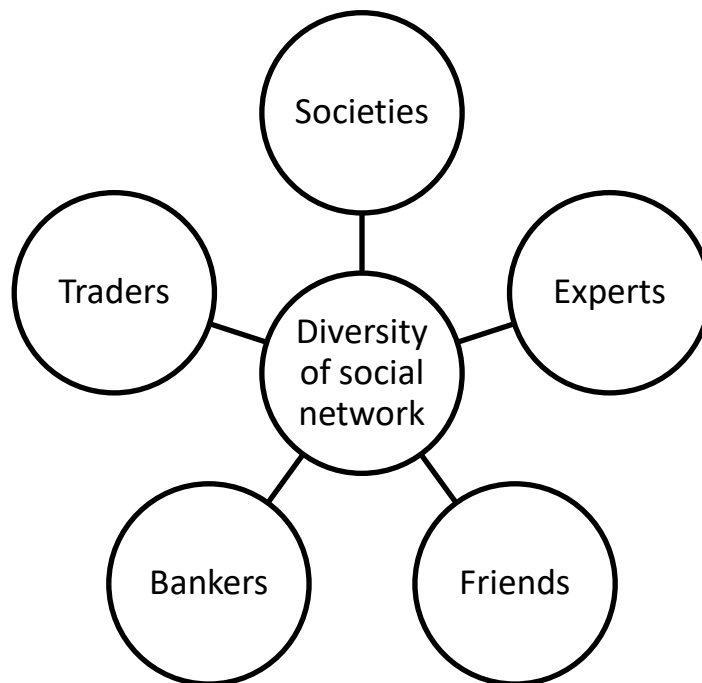


Figure 2: Diversity of social network

They are one of the active members of the society which conduct the operational activities related to the buses. They build the supplier relationships with the traders to buy the ingredients to their factory, shop and catering service on long term credit basis. The members of the family business operation also access the finance through the bank for the purpose of buying the two buses they operate for passenger transport. They still pay the loan repayment, and gain the expert advices from the relevant bodies to run their business operation. Friends always support them with using their contacts, knowledge and actively involve for the business activities.

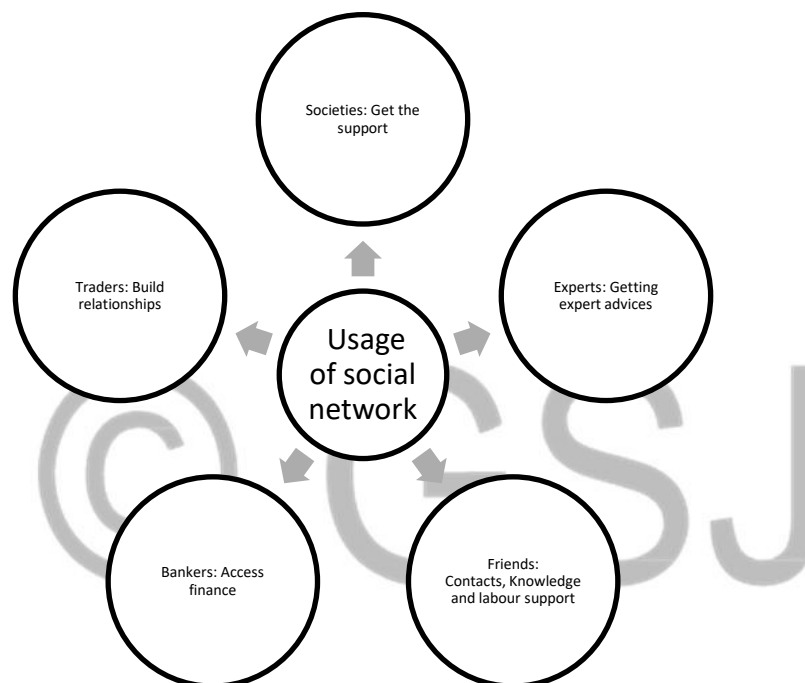


Figure 3: Usage for variety of tasks

4.3 Managerial capabilities, time and market orientation

It was revealed from the findings that efficient and effective allocation of resources in the given environment is also important to run the diversified business operation. Delegation of responsibilities was found to be one of the main personal attributes, which enabled the business operators to manage their time efficiently and effectively. For example, mother engages in preparing the food for the catering service where her daughters also support to carry out the business operation. This clearly indicates the awareness of the opportunity cost of time in this family business operation.

The market orientation of the operators of this family business operation can be clearly demonstrated from the capitalization of seasonal market window for the cakes production which peaks in the festival seasons in their food and catering service. They also maintain strong relationships with some customers who assure them of a constant sale and try to obtain orders in advance to reduce the marketing risk.

5. Conclusion

Case demonstrates the positive attitudes towards the work like willingness to identify more opportunities. The decisions relating to the business operation are taken by the husband of the family who was the initiator of the business operation after having the discussions with their family members.

Findings revealed that the personal qualities like attitudes and values of family members also have a great impact to carry out the business operation. Among these attributes, positive attitude towards work, hardworking, ability to form and sustain trustworthy relationships, delegation of responsibilities and habit of deferred gratification were noted.

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