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# **A test of the appropriateness of alternative strategic management paradigms in the context of high growth ethnic and non-ethnic family firms**

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Discussions of entrepreneurial family firm strategy are traditionally framed in a classical strategic management framework that does little to acknowledge the growing doubts about the veracity of that literature. Moreover, the family of the firms in question is frequently assumed to be Anglo-Saxon by default, unless family businesses of an ethnic minority are the subject of the research. This paper attempts to balance the debate by testing the affinities of ethnic and non-ethnic family firms to alternative theories of strategic management.

In the study reported, research propositions were generated from the contrasting strategy paradigms of Whittington's (1993) characterisation of the strategy literature. This identifies four schools of thought, defined as: *classical, evolutionary, processual and systemic*. To these four categories was added a fifth: the Resource Based View. The family business literature predominately takes an approach that Whittington recognises as classical, based upon deliberate strategic analysis, planning and implementation to maximise performance.

The study draws upon a sample of 71 fast growing family firms of both Anglo-Saxon and South Asian origin, competing successfully in the food and drink, clothing, and services sectors. All firms are located in Great Britain. A series of statements developed from the central premises of each school of strategy formed the basis of a questionnaire sent to fast growth family firms. Questionnaires were filled in by the CEOs of all the responding firms and in-depth interviews conducted with 40 of them to add richness to the study and aid in the evaluation of the quantitative data.

One way ANOVA was conducted to determine the affinity of family firms to each school of thought, and find differences in affinity between ethnic groups. A hierarchical cluster analysis was used to group the entrepreneurial family firms by particular schools.

The findings suggest that ethnic origins of the family firm have a significant degree of influence in determining the dominance of a particular strategy paradigm in a firm. However, successful, fast growth family firms are not singularly associated with any recognisable strategy school – classical or otherwise. This finding raises concerns about the appropriateness of advice associated with greater use of strategic planning frequently given to SME and family business managers, and the thrust of the dominant stream of research in the SME literature.

## **Introduction**

In recent years, we have seen the increasing co-evolution of family businesses studies within the broader canvas of entrepreneurship research. For some, this has never been an issue since it is argued that the development of a family business originates with an entrepreneur and thus is a natural extension of entrepreneurship (Ucbasaran, Westhead, Wright 2001, Hart 1994). Research in the domain of family businesses has been reported to be in evolutionary phase (Harris, Martinez and Ward 1994), largely because of the exclusion of family firm from mainstream business school research (Litz 1997). Nonetheless, there is a growing interest in the field as is demonstrated by its embodiment within the mainstream entrepreneurship research and the steady increase in number of publications in the mainstream journals (Dyck, Mauws, Starke, Mischke 2002, Tsang 2002, Romano, Tanewski, Smyrniotis 2001, Sharma, Chrisman, Pablo, Chua 2001). This increase is consistent with the number of publications, which rose sharply to 680 during the 14 year period between 1986 to 1995, as compared to 188 between

1971 and 1985 as reported by Sharma, Chrisman and Chua (1996). The inventory of the work done in the area has been published in the form of literature reviews aiming to provide directions for future research addressing specific topics, (e.g. Sharma et al. 1997, 1996, Harris et al. 1994, Wortman 1994). These authors highlight the need to explore family business strategy by developing a robust conceptual framework or ideally by conducting a sound empirical studies based on such a framework. Although, some sound empirical studies have been conducted in recent years taking family firm as a unit of analysis (Tsang 2002, Gomez-Mejia, Nunez-Nickel, Gutierrez 2001, Mishra, McConaughy 1999), there is still a dearth of empirical studies exploring the strategy processes of family firms (Kelly, Athanassiou, Crittenden 2000).

The current research borrows a robust conceptual framework from the field of strategic management and attempts to apply it in the context of family businesses. The recognition of the influence of family concerns and preferences on the strategy content and process also necessitates an assessment of the cultural background of the owning family, which plays an important role in shaping the strategy process. Accordingly, this research adds the dimension of ethnic origin to the proposed research framework by attempting to identify differences relating to strategic management between ethnic (South Asian) and non-ethnic (Anglo-Saxon) family businesses. Clearly, if consistent differences emerge this is strong additional evidence for the basic premise that cultural influences are determinants of strategic management in the target group of high growth family firms, and this opens up the possibility of widening the debate to include discussion of the relative influence of different kinds of family structures.

The paper begins by reviewing the literature on strategy formation in family firms, introduces recent debates concerning the impact of ethnicity. Then recent taxonomies of strategic management and developing the Whittington (1993) framework adopted in the study. This framework is used to generate hypotheses about strategic management in entrepreneurial family businesses and the influence of ethnicity on seven critical dimensions. These hypotheses are then tested, and the results discussed.

### **Definition of entrepreneurial family business**

The entrepreneurial family business is defined in this paper as a business which has:

- a) been started by an individual or individuals belonging to a single family
- b) in which the family has a continuing investment in the expectation of obtaining profit, and
- c) is currently being managed by them.

This definition is influenced by that provided by Drucker, who identified entrepreneurship with management itself. "Central to business enterprise is... the entrepreneurial act, an act of economic risk-taking. And business enterprise is an entrepreneurial institution." (1970, p.10). Associating family business with entrepreneurship is still contentious. However, as the authors follow Hoy and Verser (1994) who have argued that entrepreneurship is not restricted to a single act but is instead, "a label we attach to a multidisciplinary field," one which they state encompasses family business. Hart and Stevenson (1994) argue that the development of a family business originates with an

entrepreneur and is naturally an extension of entrepreneurship. This has affinity with an earlier example of entrepreneurship provided by Poza (1989) as “organisational initiative” in the family firm.

### **The ethnic dimension**

The importance of studying the ethnic dimension in the family firm is of even greater importance in the western world, where ethnic firms operate alongside and in competition with their western counterparts. Studies investigating the term ‘ethnic entrepreneurship’ stress the importance of family as a source from which to gain competitive advantage over the enterprises owned by the host country’s community (Aldrich et al. 1984). The importance of family as a source of capital in influencing ethnic entrepreneurship is also well documented (Ward 1983, Herbert, Kempson 1996). The interest generated as a result of the rapid expansion of the Asian-owned small businesses in Britain has led to a steady output of publications in the field in the last ten years (see: Basu, Goswami 1999, Basu 1998, Crick, Chaudhary 1998, Ram, Deakins 1996, Ram, Hillin 1994, Crick, Chaudhary 1995, Waldinger et al. 1990). Basu (1998) whose research was based on survey of 78 small Asian-owned businesses in south-east Britain, regards the significance of close family and community networks as influencing entrepreneurial success by providing informal sources of cheap finance and market information (cf. Light 1984). Therefore one can suggest that there are strong links existing between investigating family businesses in generic terms and ethnic enterprises (McGoldrick, Troast 1993). Ethnicity can therefore be recognised as a source of competitive advantage or disadvantage and a variable in understanding how strategies are created by firms.

This study distinguishes South Asian family business from the dominant Anglo-Saxon ones. There are two main categories of British South Asians: those who came to Britain from East Africa, and those who came from the Indian sub-continent (Gidoomal 1997, Jones, McEvoy, Barrett 1994). Much of the literature on Britain’s South Asian communities and enterprises further indicates differences between the various sub-groups in terms of religion, language, class and caste (Jones et al. 1994). However, in this research we have discounted these differences and used the term ‘South Asians’ similar to that used by Basu and Bose (1999) and others (Basu 1998, Ram, Hillin 1994, Khan 1988) due to the commonalities they share with respect to their social and value systems governing their economic activities. The word *Anglo-Saxon* has been used to refer to native English speaking, white and notionally Protestant culture of Britain.

### **Strategy and family firms**

Compared with the development of strategic management frameworks, family business strategy research is relatively underdeveloped and few studies have been attempted (Gomez-Mejia et al. 2001, Wortman 1994) to explore its wider dimensions. Increasingly, studies have been conducted to establish the correlation between formal business planning and success amongst the family firms (Upton, Teal, Felan 2001, Aram, Cowen

1990) and potential research suggested in the framework of strategy content and process (Sharma et al. 1997, Harris et al. 1994, Wortman 1994). The current research does not challenge the use of such a framework but proposes to elaborate the debate by the application of a taxonomic framework that has drawn influences from a wider range of strategic paradigms.

Management researchers have also tended to ignore the role of tribal, and more specifically familial, factors that characterise the vast majority of firms (Litz 1997) and influence the way that their strategies are founded, whereas it is a key focus of this study. The significance of *family* influence within the family *firm* necessitates the consideration of ethnicity of members of firm since family values and behaviours are strongly influenced by this variable, which is largely ignored because of the dominance of North American cultural values and assumptions in contemporary management research (Boyacigiller, Adler 1991). However, differences is the way that ethnic firms manage their firms are found frequently (Iyer, Shapiro 1999). In his 1997 paper, Litz reviews Kotkin's (1992) study, which highlights the role of ethnic ties among communities such as Chinese, Japanese and Indians, where 'family is the firm'. The significance of these ties in the form of a clan-based organisational paradigm is evident in one of the Kotkin's interviewees, Indian executive Rakesh Kaul:

In the West we have been living under the technocratic imperative. We have believed in the supremacy of the individual ego. We forget that there are things bigger than the individual-such as the family, the tribe, company-and relationships which extend beyond the contractual to charismatic.

*Kaul, cited by Kotkin 1992, p. 123*

## Developments in taxonomic frameworks in strategic management

In any given area of study, taxonomic attempts are known to demonstrate the progress and order of knowledge that has been generated in a given period of time (Carper, Sneizek 1980). The relative success and salience of any attempt to develop a taxonomic scheme depends largely on the choice of the principles of classification to which the knowledge in a field is subjected, principles that ensure that the resulting categories are mutually exclusive and homogenous (Chrisman, Hofer, Boulton 1988). The field of strategic management has been characterised by a number of attempts to classify the production and understanding of developed in the field.

Rouleau and Seguin (1995) identify three types of classification attempts relating to the development of knowledge in the area of strategy. Firstly, the most commonly used framework is characterised by the distinction drawn between strategy 'content' and 'process', and notable attempts have been made by Schendel and Hofer (1979), Fahey and Christensen (1986) and Huff and Reger (1987) in reviewing research using these distinctions. The second taxonomic approach, according to authors, is based on the elements that are used to define the stages in strategy formation, that is, strategy formulation and implementation. This is represented by the attempts made by Huff and Reger (1987) and Montgomery (1988) in classifying authors according to these elements. The third type of classification attempt is identified by the scholarly work of

writers such as Montgomery (1988), who has aimed to relate authors in the area of strategy to various management theories (e.g. decision theory, game theory) to demonstrate the varied nature of theories used in strategy field. Rouleau and Seguin (1995) contest the credibility of the fundamental bases used for these classification attempts, and argue, for example, that Montgomery (1988) has used theories which are based on the same concept of action, which has its origins in neo-classical liberal economics. This defies the principal of ordering knowledge to address the fundamental theoretical debates relating to the nature of individual and collective action – a key part of the purpose in making a taxonomy. Rouleau and Seguin (1995), however, credit Mintzberg (1990) for his comprehensive classification attempt to integrate strategy literature, which forms part of the corpus of various disciplines in the form of schools of thought in strategy, as exhibited in figure 1. His attempt goes beyond the traditional classification of content/process or formulation/implementation.

Schools of thought	Process of strategy formation
1. Design	Conceptual
2. Planning	Formal
3. Positioning	Analytical
4. Entrepreneurial	Visionary
5. Cognitive	Mental
6. Learning	Emergent
7. Political	Power
8. Cultural	Ideological
9. Environmental	Passive
10. Configurational	Episodic

Source: Mintzberg 1990, p. 108

*Figure 1: Strategy formation according to different schools of thought*

Although, Mintzberg’s classification of the strategy literature into the schools’ framework is plausible, it is not based on fundamentals relative to the idea of strategic choice (Rouleau, Seguin 1995). This drawback has led us to base our work on a development of that of Whittington (1993), who presents a simpler, two by two matrix model to study the prime variables associated with strategic choice, as shown in figure 2.

### **Whittington’s perspective on strategic management and the development of research hypotheses**

Whittington (1993) proposes four generic approaches to understanding strategy by arranging the strategy literature into four different ‘schools’ of management thought differentiated by two variables – strategic goals and strategic processes. These are plotted in the form of orthogonal axes as shown in figure 2. The horizontal axis reflects the debates about characterising the strategy process as either set of deliberate acts, or alternatively, as a process that emerges by chance, irregularity and political machination. The vertical axis measures the intended outcome of the strategy making as either profit maximisation, or a combination of other goals such as market share, competing stakeholder interests, company image and so on.

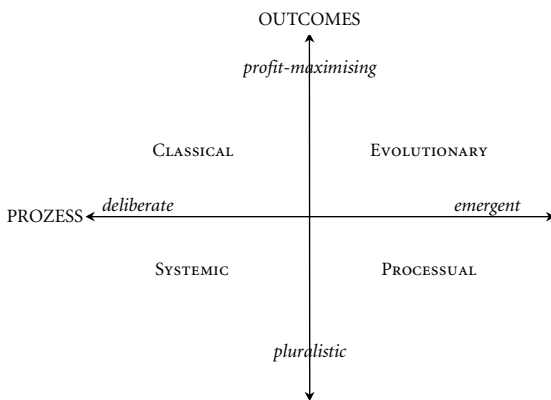


Figure 2: Four different schools of management thought

The strategy literature has been increasingly influenced by the resource based view, which does not comfortably fit into any one of the four schools derived above. Since this approach is also appearing in the family business (Habbershon, Williams 1999, Manikutty 2000) it is treated as a distinct school in this study.

The origins of the ‘Classical’ school can be traced back as far as 500 BC in the writings of China’s oldest military classic – *The Art of War* by Sun Tzu – with its claim that the highest form of leadership is to overcome the enemy by *strategy*. Sun Tzu provides a concise exposition of planning, organisation, tactics and the seizure of opportunities Whittington (1993) credits the work of Chandler (1962), Ansoff (1965), Sloan (1963), and Porter (1980, 1985) with establishing the classical school as the dominant paradigm.

Assuming managerial activity as *rational*, these writers categorised as ‘classicists’ regard profit maximisation as the supreme goal of business, with this to be achieved through *deliberate* planning. The environment surrounding the organisation is believed to be dynamic but essentially predictable and controllable. Creating a perfect environmental fit between opportunities and organisational resources is thus the primary objective of the strategy process. Consequently, the strategic planning process is seen as being based upon setting clear objectives, environmental scanning *via* prescribed tools and matrices, leading ineluctably to the formulation and implementation of superior strategies that are rewarded by above average financial performance. This prescriptive process was developed without any reference to cultural issues surrounding the management, and is believed by most adherents to the school to have universal application. In particular, the classical school predicts that high growth family firms which differ only as regards the ethnicity of the top management should develop and implement strategy in the same way. Limited number of studies, however, have been conducted to investigate the similarities and differences amongst the strategy planning practices of specific immigrant family businesses and other family businesses. In one such study, Nam and Herbert (1999) report differences in strategic planning practices of Korean

family businesses and non-ethnic family businesses. In line with this assumption, Hypotheses one suggests likelihood of differences between ethnic groups:

H1: Anglo-Saxon family firms will have a significantly different affinity to South Asian family firms toward the propositions of the classical school.

The second approach to strategy is termed as '*Evolutionary*'. Whittington (1993) relates the work of prominent writers such as Hall and Hitch (1939), Alchian (1950), Hannan and Freeman (1988), Henderson (1989) and Williamson (1991) to the evolutionary school. Evolutionists believe that environmental changes are too fast to be predicted in advance: thus rational long term planning for an unknown future becomes a futile exercise. A *Darwinian* process of natural selection is the guiding principle and *efficiency* and day-to-day planning regarded as essential ingredients for success. Accordingly, management is characterised by discretionary production, replication, and optimisation of strategic fit with the environment in the short term. The accumulation of these decisions and actions over a period of time would approximate a long term strategy. Since market forces practically eliminate the scope for strategic choice, the effect of ethnicity in family firm strategic decision making should be minimal, leading to the development of the following null hypothesis:

H2: Anglo-Saxon family firms will have not have significantly different affinities to South Asian family firms towards the propositions of the evolutionary school.

The third approach to strategy is described as '*The Processual School*'. According to Whittington (1993) this emerged in 1970s with writers such as Pettigrew (1973, 1985) and Mintzberg (1973, 1987). This school was greatly influenced by the earlier work of Cyert and March (1963) and Simon (1957, 1979). Cyert and March (1963) do not believe in the idea of rational economic man or markets being responsible for profit maximisation: 'satisficing' rather than 'profit-maximisation' is what firms do. These authors argue that strategies and change are greatly influenced by, and are the result of, wide ranging political activities within the organisation. Strategy accordingly may not precede action but may only *emerge* retrospectively. Rejecting the logic of long term planning, Mintzberg (1987) characterises strategy as a *craft*, and argues that strategists need to retain the closeness and the awareness to adapt quickly to the market place. He also avers that, there is no one *best* way to make strategy, claiming: "Effective strategies can show up in the strangest places and develop through the most unexpected means." (Mintzberg, 1987) Consequently, Whittington (1993) argues that according to processualists, "the idea of environmental scanning, portfolio analysis, and other techniques used to arrive at strategic decisions by classical theorists are inappropriate."

The arguments of the processual school rest on the premise that strategy formation is a cognitive process, which takes place in the minds of the various individual actors. The emergent strategy observed is thus the sum of all their individual efforts, both positive and disruptive, since included in the processualists notion of strategy are constituents such as power and politics: these are equally responsible for shaping observed strategic processes inside the organisation and its behaviour in its external environment (Mintzberg, Ahlstrand, Lampel 1998). Studying strategy from a processual perspective

in the context of ethnic family firm managers, one would recognise that there is a higher cultural resistance towards opening up the family firm to outside directors to exercise increased degree of control and power (Ram, Hillin 1994). Dutta (1997) offers this as one of the reasons for Indian family businesses being less active in the globalisation process as compared to their western counterparts. More likely, they are represented by internal family or friends, this being due to their belongingness to the same community, caste and value system as that of the family and its patriarch (Ram 1994). We thus formulate the following hypothesis:

H3: Anglo-Saxon family firms will have significantly different affinities to South Asian family firms towards the propositions of the processual school.

The fourth generic approach to strategy described by Whittington (1993) is 'Systemic'. He describes the 1990s as the key period for the influence of this approach, with the earlier work of Grannovetter (1985) and Marris (1964) being regarded as the key texts. Systemic theorists agree with classicists about the importance of forward planning and working efficiently to achieve results. However, they disagree with classicists that the rationales underlying strategy are same in each and every context. Classicists have not given serious thought to operating in different cultures. According to Whittington (1993), the systemic school conveys the message that managers are not isolated individuals interacting in purely economic dealings, but people rooted deeply in densely *interwoven social systems*. In reality, people's economic behaviour is embedded in a network of social relations that may involve their families, the state, their professional and educational backgrounds – and even their religion and ethnicity (Whittington 1992). Systemic theorists believe that firms differ and perform in line with the social and economic environment which they operate in. Accordingly, strategy formulation is a process of social interaction based on the beliefs and understandings shared by the members of an organisation (Mintzberg et al. 1998), leading us to posit the following hypothesis:

H4: Anglo-Saxon family firms will have significantly different affinities to South Asian family firms towards the propositions of the systemic school.

The quest for competitive advantage has long been a central tenet of the field of strategic management (Porter 1985), and within this field, the Resource Based View (RBV) has emerged as a promising new framework for analysing the sources and sustainability of competitive advantage (Barney 1991, Dierickx, Cool, Barney 1989). This can be classified as a fifth approach in addition to the four posited by Whittington (1993). To summarise Mckeirnon's (1996) views on RBV, the roots to the literature on the "importance of internal resources for a firm" can be traced back to as early as 1937, when Coase's writings on 'The Nature of Firm' were published. Coase raised the important question of: "Why do firms exist?" His argument was that, "by forming an organisation and allowing some authority to direct the resources, certain marketing costs are saved." Other prominent economists such as Penrose (1959) and Williamson (1975) acknowledged the importance of firm-specific resources in their research. The link from economics to strategy was, however, made by Wernerfelt (1984), who could be regarded as



the originator of the RBV in the strategy literature. Utilising Porter's positioning framework to outline the theory, he developed a resource portfolio designed to deliver different options for diversified firms.

Lately, Hamel and Prahalad's (1990) work on 'core competences' and Grant's (1991) contributions on establishing an *integrating* framework regarding RBV have been most influential in the establishment of the school as challenging for the position of the dominant strategy paradigm when discussing large corporations (McKiernon 1996). Grant (1991) believes those capabilities referred as 'core competences' by Hamel and Prahalad (1990) are the main source of competitive advantage. This notion of identifying types of resources and competences that lead to superior profits can provide us with new insights over and above the traditional product perspective to develop a firm's competitiveness (Mintzberg et al. 1998). Links between the core competences and routines that support competitiveness in a ethnic business network were investigated Greene (1997). Similarly the development of informal networks among immigrant East African Asian communities (Basu 1998) in Britain and Hong Kong led them to overcome financial, capital and market entry barriers in the 1970s and 1980s (Gidoomal 1997). Therefore, one can deduce the following hypothesis based on the expectations raised by the resource-based school:

H5: Anglo-Saxon family firms will have significantly different affinities to South Asian family firms towards the propositions of the resource based view.

The five schools described here each contain a set of assumptions that scholars make about how firms should, or do, make their strategies. All are logically consistent, and partially supported by fieldwork. If entrepreneurs hold views about their own strategy processes that are consistent with the views held by scholars, then each entrepreneur should have greater affinity toward the assumptions made by one school above and beyond all others. This observation leads to hypothesis six:

H6: Associated with each of five schools of strategic thought there will be the presence of clearly defined and internally consistent groups of entrepreneurial family firms exhibiting an affinity to one particular school of thought.

The separateness and internal consistency of the groups of firms will be tested over a range of operational variables such as the ethnic origin of the controlling family, the present generation running the firm, industry sector, age, and turnover. Earlier studies have identified differences in strategy orientations on the basis of ethnic origin (Basu, Goswami 1999, Basu 1998, Ram, Hillin 1994, Pardesi 1992) and generation running the family business (Garcia-Alvarez, Lopez-Sintas 2001).

## Methodology

### *Sample*

The unit of analysis for the study was an industry as defined by the four-digit Standard Industrial Classification (SIC) codes. To test the hypotheses, data were collected within three industrial sectors – wholesale Food and Drinks (UK SIC codes 5139, 5134, 5137),

software consultancy and supply (UK SIC code 7220), and outerwear clothing (UK SIC code 1822). These sectors were chosen because both Anglo-Saxon and South Asian family firms are well represented, (Basu 1998, Metcalf, Madood, Virdee 1996); and the sectors are relatively mature, providing a stable setting for analysis. The fast growth family firms were initially identified using three growth measures – sales turnover, return on capital, and total number of employees (Birley, Westhead 1990). For this study, fast growth family firms were considered those having achieved a continuous sales growth and return on capital employed growth of twenty five percent over the last three years. Given that they were operating in mature industries, the implication is that all firms included in the sample were successful ones. Other measures, such as number of employees were not used in the final selection of the sample since sales and RCI growth could equally be a result of increased efficiency in the use of labour (Hoy, McGougall, Dsouza 1992).

### *Data collection*

Using the FAME (Financial Analysis Made Easy)<sup>1</sup> database and regional directories maintained by local Training and Enterprise Councils<sup>2</sup>, a final list of 301 fast growth family firms was compiled from three geographic regions in UK – West Midlands, London, and the South East. A four-step approach was used to solicit responses. First, all 301 firms were sent an initial letter introducing the study, its potential value, and the importance of the firm's participation. Ten days later, these firms were contacted through telephone in an attempt to convince them to fill out the initial questionnaire and provide an interview. 95 of the companies agreed to participate, and were thus sent a questionnaire with another covering letter and a prepaid envelope. Two weeks later, a further copy questionnaire and cover letter was sent to the non-respondents. In all four steps, the participating firms were assured of strict confidentiality. A total of 76 questionnaires were returned, of which 71 were usable, leading to a response rate of 25.2%. The first wave yielded 62 questionnaires (81.5%); the second wave yielded 14. Finally, these firms were contacted by telephone to set a time for an interview. Over a period of 8 weeks, 40 firm CEOs were interviewed.

### *Instrument*

A research instrument was developed to serve as the basis for the data-gathering phase of the study. A search of the strategic management, family business and ethnic enterprise literature revealed a number of dimensions that can be used to measure the typological orientation of family firms. In relation to ethnic firms, three dimensions were found to be particularly interesting: *the role of women*, *the role of networks* and *religious affiliations* with respect to decision making. The literature review also indicated a need to develop new items and scales for the specific domain of this exploratory study. The

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1 FAME is a national database containing the information on approximately 270 000 major public and private British companies. It contains descriptive information and up to 5 years of financial information.

2 Training and Enterprise Councils (TEC) are regional bodies promoted by British government to assist local businesses and communities in the form of providing advice and work-based training.

content validity of individual scales across seven dimensions (considered to measure typological orientation) for this research was initially evaluated by reviewing the wording and content of statements in a focus group discussion comprising 7 managing directors of family firms, and correspondence with 6 leading academics in the field. Pre-tests were also conducted to identify any residual problems with scales and the data collection procedure, which led to some changes in the questions to make them more specific prior to their inclusion in the final instrument. Statements generated from the central ideas of each school were applied to each of the seven dimensions. Respondents indicated their affinity to each statement by indicating a score on a Likert type scale. Below we show the three of the seven dimensions.

- *Attitudes towards growth*, which are considered as (1) expansion and diversifying into areas providing maximum return as *per* classical school; (2) survival and growth by keeping costs under control as *per* evolutionists; (3) satisficing the shareholders and expanding in small steps, *vide* processualists; (4) developing competencies for long term growth rather than short-term profit maximisation as *per* resource based school; (5) and expansion or diversification as dependent on luck and God's will.
- *The role of formal planning in the business*, considered to be: (1) a necessity by classicists; (2) as *per* evolutionists, it is market forces not formal planning which determine success; day-to-day planning, however, does have a role to play; (3) processualists trust experimenting with alternatives before coming up with a decision; strategy to them is emergent and not planned; (4) resourcists highlight the importance of long-term vision and preparing the business slowly by developing strengths; the role of formal planning is considered to be vague and ill-defined; (5) systemicists place their faith in decisions based more on intuition and luck than formal planning.
- *The role of family in decision making process*, regarded as: (1) for classicists, family and business are two separate entities and decisions should be taken in a purely professional manner; (2) evolutionists are clearly inclined towards the dominance of market forces as opposed to family's involvement; (3) processualists place trust in exercising power and control by employing family members; (4) resourcists consider the family as a source of knowledge gained and nurtured over long period of time; and, (5) finally, systemicists believe in the family as a source of trust, and adhering to the underlying family values of one's culture.
- Similarly, statements were developed for 4 other dimensions: role of *religious affiliations* in the business, the appointment of *non family directors*, the role of *women* in the family business (Salganicoff 1990), the role played by *ethnic networks and alliances*.

Table 1 shows the results of coefficient alpha and standardised Cronbach alpha, which were computed to test the reliability and internal consistency of the scales developed across the five schools of strategy thought. It can be seen from the table that there is little difference between alpha and the standardised alpha (which compensates for the effects of the number of scale items), thus lending credence to reliability of constructs. The scores for four schools of thought are within the acceptable range and greater than the suggested cut-off level of 0.60 (Churchill 1979). The exception is the evolutionary school, which has low alpha, although further tests show that it contains one item, which if removed, would enhance the overall reliability by 3.57%.

<i>Variables</i>	<i>Number of items</i>	<i>Cronbach alpha</i>	<i>Standardised Cronbach alpha</i>
Classicists	7	0.617	0.623
Evolutionists	7	0.583	0.590
Processualists	7	0.624	0.602
Resourcists	7	0.589	0.597
Systemicists	8	0.724	0.708

*Table 1: Reliability Analysis-Results of Cronbach Alpha*

Other variables were used for gathering information about the respondent: Ethnic origin identified by country of birth and origin; Age of respondent, measured in number of years; Age of family firm, measured in number of years; Level of education attained; Family stake in the business, measured as percentage; Occupation before entering family business; Generation running the business at present; Reasons for entering family business.

Thus the Likert type scale allows a numerical estimate of each respondent's affinity towards each school on the seven dimensions selected in the study. The relative affinities toward each school of Anglo-Saxons and South Asians towards each school can be estimated by comparing the mean scores of the two samples.

### Data analysis

To determine the extent of the differences between Anglo-Saxons and South Asians across the five schools of thought (hypotheses 1–5) a one-way ANOVA test was conducted. Interviews were also conducted to address the issue of triangulation and gather as much rich information as resources permitted during the study period. As the returned questionnaires were received before conducting each interview, responses were analysed in advance. These responses were found to be consistent with the discussion in the later personal interviews.

Hypothesis six was tested by conducting Ward's minimum-variance clustering procedure, subjecting underlying strategic variables to identify groups of family firms. Cluster analysis has been identified as more useful than other multivariate techniques in developing empirical taxonomies and as an appropriate technique for classifying businesses by strategy (Lassar, Kerr 1996, Robinson, Pearce 1988, Harrigan 1985). The major advantage of cluster analysis is its ability to treat strategy as a holistic construct (Lassar, Kerr 1996, Davis, Schul 1993). The use of Ward's method has been considered as the best of the hierarchical cluster routines for uncovering group structures in data sets (Punj, Stewart 1983). Based on the standardised five strategy variables, Ward's method calculated the Euclidean distance measures and minimised the multivariate, within sum of squares. Secondly, analysis of variance was used to identify significant differences between the clusters across the five variables. To evaluate significant differences between pairs of clusters, a *post hoc* procedure (Duncan's multi-range test) was applied, which has been considered as an appropriate tool by strategy researchers for similar purposes (Taggart 1998).

One must not overstate the benefits of using cluster analysis, as it also has certain drawbacks. The main problem according to Ketchen and Shook (1996), is cluster analysis' reliance on the researchers' judgement in setting the clusters. The pursuit of between and within-methods of triangulation; i.e., the application of multiple techniques to a single research problem can surmount this problem, according to authors.

Therefore, this research established the validity of results by using a between-linkage method to cluster cases apart from Ward's method, thus establishing between-methods triangulation. Within-method triangulation, which argues for examination of a single research issue using multiple approaches, was established by conducting ANOVA (Anderberg 1973) to test hypotheses one to five.

The research method and the responses limit the study in three ways. First, in order to achieve a clear test of the influence of ethnic origin on strategic choices of family firms, the sample was limited to fast growth firms in four industrial sectors, where South Asian firms were actively concentrated. It is possible that characteristics of this industry limit its generalisability to other settings. Secondly, the sample size was only 71 family firms (South Asians n=39, Anglo-Saxons n=32). If the response rate had been above the achieved level, higher alphas could have been obtained, and the number of firms in clusters three and four expanded.

Thirdly, questionnaires and in-depth interviews were used for the data collection process. Longitudinal research in studying the strategic choice process of a selected number of family firms would complement the current study based on quantitative results gathered from postal questionnaires, and the results so far obtained would seem to justify the expenditure of more research effort in this area.

## Findings

Hypotheses H1 to H5 aimed to explore the differences between Anglo-Saxons and South Asians in relation to five schools of strategy. They were tested using one way.

	Mean Squares				Ethnic Origin			
	Df	Sum of Squares	Between	Within	F-Value	1-2	1-3	2-3
Classical School	70	1408.65	386.93		3.64*	n.s.	n.s. (0.09)	n.s.
Evolutionary School	70	68.36	219.73		0.31	n.s.	n.s.	n.s.
Processualist School	70	711.54	126.48		5.62**	n.s.	*	*
Systemic School	70	1681.51	172.03		9.77**	n.s.	**	**
Resource Based School	70	1235.23	155.03		7.94**	n.s.	*	**

n. s.: not significant; \* p < 0.05; \*\* p < 0.005; \*\*\* p < 0.001, Ethnic Origin: 1 = Indian (Hindus, Sikhs), 2 = Muslim, 3 = Anglo-Saxon

*Table 2: Analysis of Variance (ANOVA) between Ethnic Origin of family members and Schools of thought on strategy*

Table 2 displays the results of ANOVA, which was conducted to test hypotheses 1 to 5. Hypothesis one posits that family firms controlled by Anglo-Saxons are more likely to a

have different affinity to the propositions of the classical school to those managed by South Asians. The ANOVA statistics provide support for this hypotheses ( $F=3.64$ ,  $p<0.05$ ), as significant differences were established amongst the two groups using the significance level of 0.05.

Hypothesis two, posits that family firms controlled by Anglo-Saxons and South Asians are not likely to have a different affinity to the propositions of the evolutionary school to those managed by South Asians. This hypotheses is accepted ( $F=0.31$ ,  $p>0.05$ ), as no significant differences were found between the two groups.

Hypothesis three posits that family firms controlled by Anglo-Saxons are likely to have a different affinity to the propositions of the processual school to those managed by South Asians. This hypothesis is accepted ( $F=5.62$ ,  $p<0.05$ ), as significant differences between South Asians and Anglo-Saxons ( $p<0.05$ ) were found.

Hypothesis four posits that family firms controlled by Anglo-Saxons are more likely to have a different affinity to the propositions of the systemic school to those managed by South Asians. This hypothesis is supported ( $F=9.77$ ,  $p<0.05$ ) as the ANOVA test indicated significant difference amongst South Asians and Anglo-Saxons.

Hypothesis five posits that family firms controlled by Anglo-Saxons are more likely to have a different affinity to the propositions of the resource based view to those managed by South Asians. This hypothesis is supported ( $F=7.94$ ,  $p<0.05$ ) indicating significant differences amongst South Asians and Anglo-Saxons.

In general, the results of these analyses suggest significant differences between the affinities of South Asians and Anglo-Saxons for particular ways of thinking about strategic management.

The main research proposition of hypotheses six is that the presence of groups of family firms characterised by the dominance of behaviours associated with a particular 'school' of strategic thought, and it is important to review the results of cluster analysis carefully to avoid wish-fulfilment (Taggart 1998). Accordingly, as mentioned earlier, *two* methods of clustering (Ward's and between-linkages) were used. Inspection of the dendrogram in both methods suggested a three cluster solution, which was subjected to further ANOVA and Duncan multiple-range tests across the five strategic schools to ensure the validity of these results. Table 3 reports the profile of the three clusters derived from cluster analysis of family firms on these five strategy variables.

Results show that the cluster means are significantly different from the total sample means. Support for hypothesis six is based on the interpretation of the pattern of scores for each cluster. Cluster one consists of 41 family firms; the score pattern suggests that their orientation is to adhere to the resource based school of strategy, although subscription to the classical school is also strong. Cluster two consists 19 firms and demonstrates the orientation of firms towards processual school along with resource based view and systemic school. Cluster three consists of 11 family firms that clearly have an affinity to the classical school of strategy, although the resource based view also shows a clear, if secondary, presence. ANOVA, which was used to determine the adequacy of the clustering results, tests the between-group variability for each of the strategic variables separately. Results indicated distinct strategic groups. The Duncan multiple range tests also supported the categorisation. Clusters differed significantly from each other

in terms of the schools of strategy. The evolutionary school proved non-significant in distinguishing three clusters and the resource based view was not a distinguishing factor for clusters one and three.

Strategy variable	Duncan's Multiple-Range test ANOVA						F-value
	Cluster 1	Cluster 2	Cluster 3	1-2	1-3	2-3	
Classical School	113.82	91.95	131.80	**	**	**	23.73**
Evolutionary School	86.01	86.30	81.21	n. s.	n. s.	n. s.	0.51
Processualist School	97.50	110.36	88.27	**	**	**	20.69**
Systemic School	81.59	101.54	70.51	**	**	**	38.29**
RBV School	120.77	109.97	128.18	**	n. s.	**	8.48**
Observations	41	19	11				
<i>Composition of Clusters</i>							
South Asians	17	19	3				
Anglo-Saxon	24	0	8				
<i>Business Generation</i>							
First		29	18	8			
Second		8	1	2			
Third or higher	4	0	1				
<i>Sales and Age of Firms</i>							
<i>Means</i>							
Sales Turnover (in £m)	10.75	9.06	15.13				
Age of Business (yrs)	21.32	17.16	26.00				

\*p < 0.05, \*\*p < 0.001, n. s. not significant. Sample means are standardised for the purpose of testing

Table 3: Cluster analysis: Means of three-cluster solution

The analysis up to this point has defined three well-defined groups of firms that show significant differences in terms of the five schools of strategy. While this matches the part of the requirement of H6 for the groups of firms to be clearly defined, the result also means that this hypothesis cannot be accepted because no one school was responsible for this distinction amongst the three clusters. For example, the resource-based school was strongly accepted in all three clusters.

## Discussion and implications

Results of hypotheses one to five suggested that family firms controlled by Anglo-Saxons and South Asians differ with respect to their orientation towards four out of five schools of strategy, which can also be related to the way cluster memberships were formed. In general, these findings suggest that strategic choice (Child 1972) is determined to some extent by ethnic origin, and may provide a useful basis for understanding important aspects of strategic concepts with respect to varied cultural dimensions.

Hypothesis six proposes that groups of firms can be clustered together, exhibiting dominance of one out of five schools in the thinking of entrepreneurs. However, the results demonstrate affinities to two or three schools can be held by the CEO of a family firm at the same time. This constitutes a rejection of H6, but the result is interesting

and worthy of further interpretation. A group of firms is located in each of the three clusters. No one school dominates any cluster, thus overruling the need for naming them. The score patterns as displayed in table 2 suggest that every firm can relate to the way in which the RBV theorises its behaviour, but the same cannot be said of the evolutionary school, where firms related to the implications of the theories with less affinity. By implication, it would seem that the firms, being family controlled, are more likely to take account of the opportunities afforded by their resources and internal capabilities, than those implied by the market, irrespective of the ethnic origin.

Evidence from tables 2 and 3, support distinctions between Anglo-Saxons and South Asians. This is apparent from the existence of significant differences among cluster 2, which constitutes 19 South-Asian firms and the other two clusters, where there is a mixture of firms controlled by the two ethnic groups. This finding also supports hypothesis five that predicted these differences.

The score pattern in cluster 2 suggests that South Asian firms are respond more favourably to descriptions of their behaviours rooted in the processual and systemic schools, than descriptions from the classical school compared to the firms in other two clusters. Therefore these firms are more likely to follow the process of experimentation and learning, than planning. In addition, they are likely to interpret managerial actions less as the product of deliberate human actions, and more as the result of God, fate, luck or history (cf. Boyacigiller, Adler 1991). These firms are also likely to discount the principles of managerial rationality and profit maximisation. Firms in this cluster are also likely to be first generation family businesses, and as evident from table 2, have smaller turnovers and are younger relative to the firms in the other two clusters. Conversely, firms in cluster three, seventy two percent of which are controlled by Anglo-Saxon families, are more likely to demonstrate their orientation towards the classical school, thus exhibiting their preference towards the explicit and deliberate conception of long-term goals, and the logical cascading of actions and resources from original objectives in the classical school. These firms are likely to be older and have higher turnovers as compared to firms in the rest of the two clusters. Adherence to the tenets of the classical school may in this sense be seen as a tendency to identify increasingly with the values, and adopt the behaviours, of diversified-ownership joint-stock corporations over time. This seems to lend some support to the view that management becomes more 'professionalised' over time, perhaps as older managers and inheriting generations interact more with the management education industry and take on board the models which are 'sold' to them.

The above results have three implications. Firstly, taxonomic models explaining strategy processes such as that of Whittington (1993), which identifies four different variables exploring strategic choices, are not acknowledged by practising managers *per se*. The notion of imposing an orderly logic, developed from theory, on the managerial typological perceptions therefore does not stand. The dominance of a particular school depends upon a number of unexplained factors including family situations and time, where there is may be a shift from one school to the another.

Secondly, the direct relationship between the application of the classical strategy school and the resulting increase in performance (Bracker, Pearson 1986) is problem-



atic. The current research, which examines successful fast growth family firms solely, exhibits no clear dominance of the classical principles of strategy as real family members go about the process of developing and implementing strategy (or not...). One can argue that this is because of the very nature of family firms, where family interests and values over-ride rational decision making and profit maximisation principles. However, with the possible exception of the cluster of older, Anglo-Saxon run firms noted above, no one alternative conceptualisation of the strategic management process available in the general strategy literature appears to properly represent the reported affinities. Our findings thus demonstrate that the special effects of family connections and their influence on family firms present a particular challenge to the strategic management fraternity, since none of the leading theories appears wholly consistent with the results obtained.

Thirdly, within the specific context of fast growth family firms, managers' typological orientations towards making strategic choices vary to a certain degree according to their ethnicity. One might have expected these differences to fade away with the arrival of second generation South Asians in family firms, or with the closer integration of immigrant and host communities. Contrary to this, family structures in South Asians' firms still remain intact, leading to both competitive advantage and disadvantage according to circumstance. But again, no single conceptualisation of the strategic management process adequately captures the variations implied by the empirical data. Thus it is not *just* that family firms construe strategy in ways which are different to non-family businesses, and that current theory is inadequate; we also have to deal with the issue of *different* family structures influencing strategy formulation and implementation in even the more entrepreneurial, growth oriented of family firms. In just the same way that it is wrong to indiscriminately lump together family and non-family firms rather than seeking out and theorising the differences, it seems that more attention should be paid to the nature of the specific 'family' itself in family business research than is typically the case.

## Bibliography

The bibliography of this paper can be found on the Internet:  
[http://www.igw.unisg.ch/rencontres/watkins\\_bibliography\\_2002.html](http://www.igw.unisg.ch/rencontres/watkins_bibliography_2002.html)