Fostering entrepreneurial learning in family business through a community of practice approach - Case study of Romanian family business

I. Fotea  Emanuel University of Oradea
S. Fotea  Emanuel University of Oradea
S. Vaduva  Emanuel University of Oradea
I. Pop  Emanuel University of Oradea

Abstract

Although the subject of entrepreneurship has long been studied and the family business is considered to be the dominant form of organization in the world (Hoy and Sharma, 2012), there have still been calls for more research and studies that connects entrepreneurship and family systems (family and business) (Aldrich and Cliff, 2003). The paper will draw on an empirical study of a Romanian family business through in-depth interviewing. The results will be two folded: a conceptual framework will be developed from a perspective of community of practice (social learning) and one case study of a successful Romanian family business will be presented with potential for further development in this direction.

JEL Classification: L26

Keywords: Entrepreneurial Learning; Social Situated Learning; Family Business; Narrative; Community of Practice.

Affiliations and acknowledgements

Ioan S. Fotea (corresponding author), 87 Nufarului St., 410597, Oradea, Romania, +40-745-238181. E-mail: ioan.fotea@emanuel.ro.

Suggested citation

1 Introduction

In the current economic turmoil when high hopes for economic boosting are placed on entrepreneurship and entrepreneurial spirit, family businesses bring forward two components that are critical: entrepreneurial spirit and working ventures.

The complex social and economic phenomenon of family business is receiving increased recognition among the business researchers mostly due to the scale of such businesses around the world and their impact on entrepreneurship (Aldrich and Cliff, 2003). Family-owned and managed businesses dominate the economies in most countries around the world (Hoy and Sharma, 2012) and are considered to be the oxygen that feeds the fire of entrepreneurship (Rogoff and Heck, 2003).

Although researchers have started to place greater attention on the dynamics within family business systems there is still a need for further studies that connect the family system and entrepreneurial phenomenon (Aldrich and Cliff, 2003). Also, there is a need to understand how family businesses nurture entrepreneurial learning and transmission across generations (Hamilton, 2011).

Entrepreneurial learning itself is still a young and fragmented field of study, with many different perspectives on how this phenomenon takes place.

This paper is an answer to the calls of fellow researchers and it addresses the gap that exists in literature regarding the connection between family and entrepreneurial process (Aldrich and Cliff, 2003; Rogoff and Heck, 2003). This paper explores the entrepreneurial learning process within the family business drawing on the narratives of those involved and activating in the business.

The conceptual premise of this study is that learning in general - and therefore entrepreneurial learning also - is embedded in the social interactions of everyday life (Lave and Wenger, 1991) and that entrepreneurial learning is a process (Rae, 2000), a dynamic form of social and economic behavior (Hamilton, 2006). Also, legitimate peripheral participation in the day-to-day activities of the community of practice learners are placed in an authentic context, which enables genuine learning to take place. Another fundamental premise of this study is that the two core systems which form the family business - the family and the business - are overlapping communities of practice engaged in a “generative process of producing their own future” (Hamilton, 2011).

The study aims to explore and understand how the different generations within the family business learn from each other, what they learn from each other and what are the main factors that allow the learning to take place in the context of family business.

2 Entrepreneurial Learning: answers from the literature

Entrepreneurial learning represents an important subject of research both from a theoretical perspective and also from a practical one, especially due to the contribution it is believed to have in the economic development of nations.

Ever since Schumpeter’s writings, entrepreneurial phenomenon has been placed at the heart of capitalist economic system becoming the quest object of governments and policy makers in their attempt to spur economic development (Erdélyi, 2010). Researchers on the other side make efforts in explaining how this phenomenon takes place and how it can be replicated.

Entrepreneurial learning represents an emerging field of study at the joining points of
entrepreneurship research and organizational learning studies. The learning aspect of entrepreneurship is considered to be of paramount value. Learning is thought to generate knowledge (Harrison and Leitch, 2005) and to result in specialization (Deakins, 1998), which (learning, knowledge and specialization) are labeled as crucial to competitive advantage. In their efforts to gain understanding of this phenomenon, researchers have recently turned to the process of learning in entrepreneurial phenomenon as a new source of insight.

The concern for the process of entrepreneurial learning can be traced back to Deakins (1998) in their work Entrepreneurial learning and the growth process in SMEs but the link between entrepreneurship and learning can be identified in most of the research works which have used Schumpeter’s thinking as their basis (Erdélyi, 2010).

We do not understand how entrepreneurs learn, yet it is accepted that there is a learning experience from merely establishing a new venture . . . Entrepreneurship involves a learning process, an ability to cope with problems and to learn from those problems . . . There is now a need for re-focusing research away from the emphasis on picking successful entrepreneurs or picking winners, to identifying key issues in the learning and developmental process of entrepreneurship (Deakins, 2010).

As an answer to this call, researchers have taken different routes to unfold the “observed and experienced diversity in how people learn” (Cope and Watts, 2000) in general and how people learn entrepreneurship in particular.

Although there is no consensus across the literature on how to define it (Hamilton, 2006) the concept of entrepreneurial learning is broadly understood as how people gain knowledge and develop new behaviors in the process of identifying and capitalizing on opportunities and initiating and managing ventures (Abrar, 2004).

The cognitive theories, which until now have dominated the body of literature on entrepreneurial learning, focus on the individual acquiring and understanding of knowledge but are strongly criticized because of their “schoolish understanding” of the learning (Hamilton, 2006). The cognitive theories study entrepreneurial learning as happening in isolation of external factors, concentrating on the importance of expert knowledge and use of memory (Rae, 2000). The cognitivist theorists define entrepreneurial learning in terms of problem solving through “acquisition, storage and use of entrepreneurial knowledge in long-term memory” (Young and Sexton, 1997) but often without studying and explaining the context in which the learning takes place (Taylor and Thorpe, 2004).

On the other side the experiential theories study entrepreneurial learning as an experiential process arguing that the experience and knowledge gained by entrepreneurs in their prior experiences are transformed in entrepreneurial learning. These theories emphasize the role of experience in the process of entrepreneurial knowledge production (Politis, 2005). The concepts of “continuous process” and “transformation through experience” used by the experiential theorists are drawn from the work of Kolb et al. (2001) who argued that learning is experiential “a process whereby concepts are derived from and continuously modified by experience” (Sullivan, 2000).

Both cognitive and experiential theories propose explanations on how the entrepreneurial learning occurs in the life of the entrepreneur and how the entrepreneur’s mind processes, transforms and uses the information (be it produced through experiences or learned-acquired). Still, neither of these two theories has been able to recognize the shift that has taken place towards a socially constructed worldview (Rae and Carswell, 2000) in which the interactive relationships with others are a major source of learning.
The dynamic and evolutionary theories of learning explain entrepreneurial learning as being cumulative and taking place only during activity (Deakins, 1998). These so-called “learn-by-doing” models, view learning as adaptive and propose the concept of “routines” as the unit where adaptation takes place (Hamilton, 2006). The routines or the collective knowledge of the organization are subject to change, are related to development and learning and are “intimately connected to the social, cultural and economic milieu in which the firm exists” (Costello, 1996).

Critical learning events and performance-error learning are other concepts that researchers use in broadening the understanding on how people learn entrepreneurship. These types of concepts fall under the so called “affective” mode of learning which involves direct experience, immersion in an experience and impact on emotions (Cope, 2005). Critical events have been chosen as instruments in studying entrepreneurial learning because they are seen as a key to the unintentional and accidental process of learning (Cope and Watts, 2000). Although mostly negative in their nature, the critical events or episodes have been recognized as positively impacting the personal development of the entrepreneur (Snell, 1992), instrumental in molding the entrepreneur’s approach to life and work and capable of producing “higher-lever” learning outcomes and double-loop learning (Cope, 2005).

Other insights into the understanding of entrepreneurial learning are brought by the theory of learning through networks (Deakins, 1998), which views networks as a source of entrepreneurial learning due to the interaction and relationships that are fostered by the exchange process which takes place within the network. Yet, this theory focuses on individual rather than collective entrepreneurial learning and a focus on the structure of networks rather than its content (Hamilton, 2006).

Another important concept that contributes to the understanding of entrepreneurial learning is that of “entrepreneurial preparedness”. Cope (2005), whose work is strongly rooted in the study of critical events and episodes, also examines the concept of “entrepreneurial preparedness” as a prior cumulative learning that enables the entrepreneur to be better fit for the trials of the entrepreneurial endeavor. His work identifies typologies of experiences that contribute to the process of learning accumulation. These typologies involve looking outward which allows the entrepreneur to interact with the environment and accumulate prior learning regarding the broad environment and looking forward in order to project the future growth of the business (Cope, 2005). This concept of looking forward proposed by Cope (2005) connects with the position Rae (2000) takes related to entrepreneurial learning. Rae (2000) argues that entrepreneurial learning is not only “retrospective and experience-based” but also “a future-oriented thinking process of creating a prospective reality”. In this sense, learning is “becoming” (Rae, 2000). Rae (2000) also talks about “entrepreneurial effectiveness” as being comprised both of psychological and cognitive elements such as self-belief, confidence, personal motivation, values and known capabilities and socially based elements such as learning through action and through relationships. The concept of entrepreneurial preparedness was taken a step forward in the work of Hamilton (2011). She argued that entrepreneurial preparedness has different cycles and different levels in the context of family business; therefore it needs to be re-conceptualized as cyclical and generational. The concept can be applied both to the founder and to the successors and their preparedness to join the business (Hamilton, 2011).

More recently (Brown and Duguid, 1991), research initiatives (Hamilton, 2006; Cope, 2005; Rae, 2000) have taken entrepreneurial learning into the sphere of social learning building on the “social learning theory” of (Vygotsky, 1978), the “situated learning theory” of Lave (1992) and “the theory of learning as social practice” of Lave and Wenger (1991). These studies examine entrepreneurial learning as embedded in the day-to-day interactions that occur in
communities of practice.

An examination of the relatively new but significant body of literature concerned with the concept of entrepreneurial learning reveals the diversity of approaches that researchers have adopted in their attempt to explain this concept. This variety of approaches has led to a rather fragmented nature of the field and lack of consensus regarding the definition and theorization of the concept. Other characteristics of the entrepreneurial learning body of literature are the dominance of the cognitive paradigm, the focus on individual learning (Hamilton, 2006) and focus on the more intangible aspects of the entrepreneurial learning detrimental to the material aspects of entrepreneurship (Erdélyi, 2010).

Throughout the body of literature on entrepreneurial learning there is a call for further research, especially for insights into the social dimensions of entrepreneurial learning, that is expanding the understanding on how learning takes place within social contexts and through social relationships (Cope, 2005).

3 Entrepreneurial learning embedded in the community of practice of family business

Although a longstanding phenomenon, family business as an economic and social phenomenon has started to receive greater attention and focus from the academic research body, mainly due to the widespread of this type of businesses worldwide and their impact on economy (Vaduva et al., 2011).

The complex phenomenon of family business brings together two other complex systems - family and business - that are both engaged in a “generative process of producing their own future” (Hamilton, 2006). In this rather challenging context of activity, the phenomenon of entrepreneurship and entrepreneurial learning come as a solution for the two systems to achieve this rather daring but compulsory goal of “producing its own future”.

Although the phenomenon of family business has started to receive greater attention from the researchers, there still is a limited understanding concerning the way entrepreneurial learning and acting is acquired, learned and transmitted in the family business (Habbershon and Pistrui, 2002). Aldrich and Cliff (2003) were the first to ignite the interest in studying family, business and entrepreneurship as interrelated concepts with their “family embeddedness perspective”. The results of their research argue that family is the oxygen that feeds the fire of entrepreneurship (Rogoff and Heck, 2003).

On one hand family business own idiosyncratic resources (Habbershon et al., 2003) due to the encounter and interaction of its two major systems - family and business - but on the other hand the family business often falls into path-dependent developments and historical legacies (Habbershon and Pistrui, 2002) which hinder their renewal and their pursuit of entrepreneurial strategies.

Research in this field tends to shift towards a collective understanding and explanation of entrepreneurial learning (Rae, 2006; Politis, 2005) and recognizes the critical impact that members of the owning family have on entrepreneurial actions within the business (Corbetta and a. Salvato, 2004) arguing that the very survival of the family business depends on the capacity of the members to foster a trans-generational entrepreneurial orientation (Hadjielias et al., 2010).

In the context of the current research, understanding and providing solutions to en-
entrepreneurial learning in family business becomes very important and researchers have been called to analyze, test and bring their insights on this matter (Rogoff and Heck, 2003).

This paper argues that social situated learning can be fruitfully used to explore the dynamics of trans-generational entrepreneurial learning in the family business. It draws on the theory of social situated learning developed by Lave (1992) and the concept of communities of practice proposed by Lave and Wenger (1991) in order to suggest that family businesses can foster trans-generational entrepreneurial learning and can “produce their future” when are organized and act as communities of practice.

Lave’s theory of social situated learning argues that knowing and learning is embedded in the activities, interactions and relationships of a community of practice and that the new set of skills that are acquired during this process of learning are part of what the learners will become (Lave, 1992). Therefore, learning is a learning-by-doing type of process, which fully engages the learner and gives meaning to the knowledge and skills acquired. In the same way children in the family business who are placed in an authentic context of learning (real life running and activity of the business) and interact with other people (members of the family and members of the business) acquire and develop the propensity, knowledge and skills to found or run a business (entrepreneurial behavior). For the entrepreneurial learning to take place the family business must become for the children that authentic context which enables learning to take place, in other words the family business must function as a community of practice.

The community of practice (CoP) as developed by Lave and Wenger (1991) represents a group of people who share an interest and collaborate over time to exchange ideas, find solutions and build innovations based on ability not hierarchical positions (Wenger, 1998). Authentic learning occurs in this context. Communities of practice are a very efficient means for developing and maintaining long-term organizational memory (CoP). In this context of learning, through Legitimate Peripheral Participation, beginners gradually acquire knowledge and skills through interaction with the experts or old-timers in the context of everyday activities of the community and move from the periphery of the community of practice to its center, becoming themselves experts or old-timers. Therefore, learning in a community of practice is described in the literature as a process of progressive “engagement” in the practices of that community.

4 Short overview of the Romanian context of family businesses

Romania does not currently have a relevant tradition of family businesses, the oldest ones having no more than 20 years of activity and their activity expectancy is identical to the period of its initiator’s activity. Generally, the young generation is not interested to take over such businesses. The majority of those who run a family business do not have previous experience as business men, but only as employees in state enterprises and their main concerns are to provide the everyday living, and not necessarily to develop themselves in the perspective of the business. Also, Romanian family businesses do not have extensive technical and material endowments, the limited financial resources being the main cause for these situations. The future evolution of the family business sector in Romania depends mainly on the extent to which they manage to overcome competition on the Sole European Market (Hartescu, 2008).
5 The research study: narrative accounts from two generations

Two interviews were undertaken, with two generations in one family business in Romania. The interviews were conducted with the father and son together, which allowed both to answer the questions from their own perspective. Following the methodology proposed by Hamilton (2006) the interviews were taped and transcripts produced from the tapes. The decision regarding the number of interviews was made considering the fact that it is an exploratory study, which is part of a larger initiative of collecting case studies of successful family businesses in the region. The family business was identified through contacts in the central part of Romania.

6 Summary of the family business participating in the study

This summary is provided in order to give the reader the background information for the illustrations, which will be analyzed in the following section.

THE AUTO-DEALERS

The father who had worked in car repairs during the Communist regime and gained a very good reputation as a good car mechanic started his own auto-repair shop immediately after the call of Communism. At the moment of the start-up, the mother had a job in health-care but with a very low wage, which determined her to join the business. Also, the two children of the family were about 8 and 9 years old when their father decided to take the entrepreneurial path. The entire family worked together to build a small auto-repair shop. By a twist of circumstances, the father was approached by an international car producer and offered him the opportunity to become a certified auto dealer for its brands. At that moment, the two sons were majoring in business and customs security and were eager to go abroad to live and work. In a conversation with their father concerning this opportunity, they decided to join the business. Together they grew the business from a small auto-repair shop to a luxurious auto-dealership, which now represents two car manufacturers and several brands for the region of Transylvania, Romania. At this moment the two sons are running the business as General and Executive Directors.

The family business community of practice is comprised of two other core and complex systems, which are the family and the business and impacted by other peripheral communities of practice where the members of the family and business are involved also. This “constellation of interconnected practices” (Gherardi and Nicolini, 2002) shapes the identity and history of the family business where family and business are overlapping communities of practice (Hamilton, 2011). In the family business community of practice, the day-to-day interactions both in family and in business create a sense of identity and a high mutual engagement where the future of the business is critically impacting the future of the family.

(Son) Looking back at our life I cannot remember a period when we were not investing or doing something to grow or grasping a new opportunity. This is how I grew up.
The children of the founder remember his participation in the business from an early age and describes his practice in terms of “learning by doing” and apprenticeship.

(Son) I have very good memories about the business. As an 8 years old kid, I loved to wash the car parts that my dad would use in his work. As I grew older I was involved in distributing car parts to one of our big clients. I used to get up at 5 o’clock in the morning, go to the train station to pick up the parts and then take them to the client. I loved it, and still love it. The next step was to be named responsible for the warehouse and afterwards for the service. I remember I learned accounting so well. I was the best at it.

(Father) It didn’t matter that it was my boy; he had to work as hard as everyone else. We all had to. My wife also grew with the business and now she knows every single aspect of this business.

7 Joining the business and individual identity

When challenged by their father to join him in order to capitalize on the opportunity that emerged, the two sons accepted although they had other plans for their lives.

(Father) I sat down with my two sons and told them about this international car manufacturer that approached me. I told them I wouldn’t take this huge step without them. “With your smartness and my expertize we can do something good.” They accepted and the car manufacturer picked us to represent them mainly because we positioned ourselves as a family business.

(Son) Taking the different roles in the business was kind of a natural selection. I am a more practical person whereas my brother is more of an academic type of personality.

8 Collaborative participation and new resources

When they officially joined the business the two sons talked about changing the name of the business because it wasn’t appealing to their target customers. The father allowed them to do this change even though the name of the business was at that time taken after the name of the family. This represented a vote of confidence.

The sons brought their own experience and network to the business.

(Father) They are smart boys! One graduated Cambridge in Management and the other has a major in customs security. The older one didn’t even want to hear about living and working in Romania. All he wanted was America and he got to see all there is to see in America and Europe. They now have connections with people of their generation all over the world.

9 Communication

One critical success factor for family business to become a community of practice which fosters entrepreneurial learning for the new generation is the presence of a flexible and accessible
structure which allows communication to flow both from parents to children (top-down perspective) and children to parents (bottom-up perspective) (Pop et al., 2010). Fostered by such an accessible and flexible communication structure the learning process takes the form of an inform-action (Pop and Malties, 2011).

From the very beginning, the auto-dealer business as it is now started with an open communication process when the father presented to his two sons the opportunity that lay ahead.

(Son) *For every major decision we made, we first discussed it, argued over it, got to a conclusion and implemented it.*

Another very important factor is the existence of a the symmetry between the children’s participation through apprenticeship and communication and the parents’ authority and collaboration given by their authenticity, integrity and excellence (Pop et al., 2010).

(Father) *When we first started the business my wife was a nurse. But her salary was so small that I decided to ask her to join the business. She started with keeping the books and now she is an expert in financials. She learned everything within the business. Now, no figure can pass without her spotting it.*

### 10 The sense of belonging and ownership

The early participation in the business and the formal joining of the business in a crucial moment fostered a sense of belonging and ownership in the hearts of the children.

(Son) *From outside, the business looks very glamorous but behind it is a lot of work that we’ve done together. As far as I am concerned this business is very close to my heart.*

In this case study, the first generation - the founding generation - brought into the business the **expertise** (the father was a very good car mechanic) the willingness to **collaborate** with the children and openness to **communicate** and foster communication coming from the second generation. The second generation participated in the family business through early apprenticeship; they brought their own new resources (experience outside the family business). Children started at the periphery of the family business community of practice through early legitimate peripheral participation and continued to move towards the core of the community by gaining expertise through day-to-day interactions. The social interactions in the context of day-to-day challenges of the family business enhanced by a flexible and accessible communication and the early and continuous participation had helped the children to develop a sense of belonging and ownership which grew in them responsibility for the business. Also they gained industry specific knowledge and general skills and capabilities to run a business. One can also talk about the entrepreneurial preparedness of the children as a result of participating and interacting in the family business.

The analysis of the case study also reveals that a strong marital coalition enhanced by the parents’ authenticity, excellence and expertise is crucial to healthy family relations both in the home and the family business. Also, in the family business as a community of practice, the family members engage in relationships and interactions without losing their individual identity. These components and the relations among them are depicted in the Figure 1.
11 Conclusions

In the family business as community of practice there is a symmetry between the participation of the two generations. The children participate through apprenticeship, communication and new resources while parents participate through collaboration, expertise and communication.

An effective communication among the two generations plays a critical role in fostering mutual engagement in the family business. This leads to a joint enterprise (shared understanding) and a shared repertoire (production of new resources), which are the main indicators of a community of practice.

Early participation in the day-to-day practice of the business develops a strong identification of children with the business, a sense of ownership and a responsibility for the business preparing them not only to be fit to run a certain type of business but also to be able to identify and capitalize on opportunities (entrepreneurial learning).
References


Promuovere l’apprendimento imprenditoriale nelle imprese familiari attraverso l’approccio della comunità di pratica - Il caso di una impresa familiare in Romania.

I. Fotea, Emanuel University of Oradea  
S. Fotea, Emanuel University of Oradea  
S. Vaduva, Emanuel University of Oradea  
I. Pop, Emanuel University of Oradea

Sommario

BenchÉ il tema dell’imprenditorialità sia stato ampiamente analizzato e le imprese a conduzione familiare siano considerate la forma organizzativa predominante (Hoy and Sharma, 2012), ulteriori indagini sulla relazione esistente tra imprenditorialità e sistemi familiari (Aldrich and Cliff, 2003) appaiono necessarie. L’articolo presenta un modello teorico incentrato sulla comunità di pratiche (social learning) e i risultati di un caso studio relativo ad una impresa a conduzione familiare di successo in Romania, indicando potenziali sviluppi futuri di ricerca.


Parole Chiave: Apprendimento imprenditoriale; Apprendimento sociale; Impresa familiare; Comunità di pratica.