

Entrepreneurial Orientations and Growth of Moroccan Family Businesses in the Era of Crises

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ABSTRACT: This paper aims to propose, in an original way, a first step which is the use of the social capital theory as an integrative theory of the strategic entrepreneurship specificities of Moroccan family firms. Our study covered a sample of 14 unlisted Moroccan family businesses, 8 of which are SMEs, and 6 are large firms, through qualitative research based on semi-directive interviews with the managers of family firms. Our findings explain the background of strategic entrepreneurship orientations for each of the two categories surveyed. Large family-owned companies are oriented towards diversification and strong involvement in social entrepreneurship, benefiting from a history of entrepreneurial dynamics, succession, family size, and degree of familiarism. Meanwhile, family-owned SMEs move toward strategic refocusing based on a history of stability, social network closure, and social norms. This result is original in that it is the first to explain the relationship between social capital, entrepreneurship strategies, and the size of family firms in the Moroccan context.

KEYWORDS: family business, family SMEs, large family businesses, strategic orientation, entrepreneurial orientation, social capital, entrepreneurship

Introduction

The analysis of enterprise creation, and more generally of economic action, cannot do without the full and effective integration of relational frameworks and institutional structures, without which it could not be deployed (Plociniczak 2004). In the same, social capital is also an important characteristic of firms through their exchange relations with their stakeholders (customers, suppliers, and employees) and can undeniably generate competitive advantages for them. Social relations, therefore, appear to be crucial to the success of the family firm. Therefore, the development of the capital of social relations by business managers could be one of the ways to achieve performance. An approach to management based on the analysis of relations between actors has developed considerably since the last quarter of the 20th century, inherited from the sociology of networks. This approach has now reached a certain maturity in the study of organizational and decision-making phenomena in family businesses (Chauvet and Chollet 2010).

If in management sciences, the literature on the social capital of family businesses has been developed rapidly in recent years, Morocco remains on the bangs of this. Indeed, very few authors have conducted scientific studies such as (Bentebbaa et al. 2014; Elkhalfaoui and Mokhtari 2017), which argue that social capital is the set of close interpersonal relationships between individuals that impact the performance and sustainability of family businesses. This insufficiency of Moroccan research in the presence of a rich cultural context in terms of the cultural origins and traditions of Moroccan families is even more pronounced when it comes to research on the relationship between social capital and entrepreneurship in Moroccan family firms.

Therefore, the objective of this research is to investigate the following question: **How do Moroccan family businesses make their entrepreneurship decisions in relation to their social capital?** This is the issue to which this paper seeks to contribute by using the concept of social capital to show why and how family firms may have distinctive resources and entrepreneurship capabilities.

To answer the question of our research, we conduct our study through a qualitative approach based on semi-directive interviews with 14 Moroccan family businesses, from different sectors, sizes, and origins.

In the first part of this article, we show why social capital theory can shed important light on the management of family firms and how the firm's social capital is related to the social capital of

the owning family. In the second part, we point our qualitative methodology and the sample of our study. And in the third part, we highlight the diversity of Moroccan family firms in terms of their familiarism with each other by identifying some dimensions or events that explain their heterogeneity when making entrepreneurship decisions based on socio-cultural factors. Finally, in conclusion, we determine the managerial consequences of our approach and draw some promising roads of research.

1. Literature review

The concept of social capital makes it possible to characterize these interactions, analyze them, and manage them, unlike the approach of Habbershon and Williams (1999), which remains highly descriptive, not very operational, and vague. While their definition of familiarism proposes a link between competitive advantages and the resources resulting from interactions, the use of the concept of social capital makes it possible to extend and complete this approach by identifying the roots of these competitive advantages. Umrani et al. (2019) and Dubos (2017) show that social capital is a resource (in the sense of the flow of resources), this amounts to presenting the social capital of the family firm as the fundamental resource for this type of firm compared to other types of organizations.

Having presented the concept and the interest of social capital, it is now possible to look at the particular case of the social capital of family firms from the following question: is the family firm able to develop a particular social capital? As has already been pointed out, there is a strong interpenetration between the social world of the family and the economic world of the family firm. For example, this is visible when some of the advantages of family firms are considered: the efficiency of decision making, the reputation of the family and the attention paid to the development of the brand (usually the family name), and the patient capital. Similarly, the notion of familiarism remains to the interactions between the family (the family network) and the firm. Management research has repeatedly shown and insisted on the fact that the roles of the head of the firm and the head of the family are closely linked (Gersick et al. 1997). Kepner (1983) also details the close relationship between the family system and the firm, explaining that they cannot be separated or isolated without risking a fatal rupture to one of the two. In this way, in family dynamics, issues of gender and power, hierarchical structures, and attitudes towards money and work not only have an impact on the life of the family home but are also likely to influence the activity and thinking of family members at the firm.

The concept of social capital allows us to link and understand the relationships between these two eminently interrelated worlds. Indeed, on the one hand, the dimensions highlighted in the notion of familiarism are precisely the existing interactions between family members that potentially have beneficial effects on the firm and constitute or support its competitive advantages. These interactions within the family correspond exactly to the definition of social capital applied to the family network. On the other hand, social capital is also an important characteristic of a firm through its exchange relationships with its stakeholders (customers, suppliers, and employees) and can generate competitive advantages for firms (Adler and Kwon 2002). Consequently, the notion of social capital is applicable to the two coexisting worlds in the family firm: the family and the firm. The family's social capital can thus provide a powerful structure for the firm's social capital (Kepner 1983).

Therefore, we will take the institutional perspective presented above to explain how this family capital influences that of the firm. Many institutions influence the management of the firm (Whitley 1992). Proximity institutions, such as political and financial systems or regulations, exert an essentially coercive influence on managerial practices, in that they define a set of social constraints and opportunities for firms and their managers. Educational institutions, such as the family or school, have a more normative or mimetic influence on organizations and their members because they help structure behavior around concepts such as trust, cooperation, or

identity (Whitley 1992). Whitley has essentially used the institutional perspective to explain national differences in management practices.

Besides, we apply the same type of reasoning to the family business. The family conceived as an institution should affect management practices in the family firm. In describing the social capital of the family, we have pointed out that the family, like other educational institutions, communicates explicit knowledge to all its members so that they acquire knowledge and practices that have led in the past to favorable results. Moreover, the family imbues its members with a collective knowledge that represents the set of social values and behavioral norms carried by the family group. Consequently, family members working in the family business should logically behave and act in a manner consistent with the education they have received within their family.

2. Methodology

2.1. Choice of the method of investigation

Quantitative research on the subject of entrepreneurship by SMEs and large family businesses is mainly carried out by grouping together variables from the literature and by grouping together firm profiles. In fact, this research focuses on traditional financial factors: by grouping entrepreneurship practices and superimposing them on business profiles, this work can demonstrate the impact of certain factors on the entrepreneurship decision of family-owned businesses. This type of research validates the impact of certain factors but neglects others. This advances the question of whether factors not taken into account by researchers are more revealing of the practices of Moroccan family firms than those studied.

Consequently, our research presents a rich global vision that allows us to take the measure of entrepreneurship by SMEs and large family businesses in general. They also confirm the classic observation that two family businesses belonging to the same sector, producing in the same way, having the same size or the same age will never have the same way of investing, since to the number of structural and organizational factors involved in the entrepreneurship choices of the family business, one must add the personality of the manager and, more broadly, all the behavioral factors with a social or cultural basis.

This research provides an interesting and useful highlighting on entrepreneurship, but it is insufficient to identify the complexity of the factors involved in entrepreneurship selection. Most quantitative research appears to be limited by the number of factors to be considered. Thus, we think it is wise to use qualitative methods through semi-structured interviews to unravel the complexity of social factors and identify new avenues not explored by other researches.

2.2. The family-owned businesses studied

To conduct our research, we chose to study 14 family-owned businesses (Table 1) grouped into two subgroups. Some firms are classified as family-owned SMEs and others as large family-owned businesses (GEs). The sectors of activity and cultural origins are different. These firms have both the same and different forms of entrepreneurship. Therefore, it seems interesting to us to deal in this part of the paper with the factors capable of explaining the characteristics of the entrepreneurship orientations in the firms studied.

Table 1: The qualitative study sample for our research

Firm's Code	Type	Year of creation	Age	Number of generations	Branch of activity	Family Origins
FB no. 1	Large	1965	55	2 generations	Manufacturing	Fassis
EB no. 2	Large	1979	41	3 generations	Industry	Casablancais
EB no. 3	Large	1978	42	2 generations	Packaging of medicinal plants	Marrakchis

EB no. 4	Large	1976	44	2 generations	Construction	Marrakchis
EB no. 5	Large	1992	28	2 generations	Making of children's clothing.	Fassis
EB no. 6	Large	1990	30	2 generations	Tourism	Fassis
EB no. 7	SME	1994	26	3 generations	Wholesale	Marrakchis
EB no. 8	SME	1999	21	2 generations	Remediation	Amazigh
EB no. 9	SME	2003	17	2 generations	Building materials	Amazigh
FB no. 10	SME	1994	26	2 generations	Construction	Sahrawis
EB no. 11	SME	1958	62	2 generations	Printing	Marrakchis
FB no. 12	SME	1974	46	2 generations	Private education	Marrakchis
EB no. 13	SME	1970	50	4 generations	CHR distribution	Amazigh
EB no. 14	SME	2012	8	2 generations	CHR distribution	Amazigh

3. Results and discussions

3.1 Diversification and Strong Involvement in Social Entrepreneurship of Large Moroccan Family Businesses

The orientation towards diversification by large family-owned firms is an important step in the business life cycle due to the track record that must take place to maintain continuous growth over time, and at the same time improve the performance of the firm. The first result of our qualitative approach is manifested by the entrepreneurial dynamics of the family business which constitutes the first antecedent of diversification according to the words of the leaders of large Moroccan family businesses. *"The entrepreneurial dynamic must be established within the family business, family members must develop a network of interactions with external actors and, thus, they must strongly shape the structure and value of the family's social capital and the family business to move towards diversification to guarantee the future of the family's next generations."* (CEO of the FB no. 3). Another leader responds to these remarks by confirming that the orientation towards diversification by a large family business is becoming a necessity in today's market: *"Diversification is the key to success for all family businesses, and to achieve this, it is necessary to have a dynamic spirit and to forge strong relationships both internally and externally to the family business."* (CEO of the FB no. 1). These words explain the need to set up a family council to debate important questions about the strategy of a large firm (Arregle et al., 2007). Since the logic of shareholder, employee, and family member do not necessarily converge, decision-making tends to be difficult, especially in the case of a large family business. Arregle et al. (2007) discussed the importance of this process of interactions and dynamics in deciding the strategy of the family business. Besides, family members of the business have the opportunity to meet outside of the workplace as part of family life. Entrepreneurial dynamics, therefore, continue in other spaces, and at other times: the boundaries between work and family are likely to be blurred. The morphology of the social capital of the family firm is thus not undergone or emergent, but it can be, at least in part, designed according to the interests and skills of family members, even in the case of diversification of the family firm's entrepreneurship (CEOs of FBs no. 2, 4, and 5). Finally, the dynamics with clients, bankers, and other external stakeholders can be numerous and intense. For example, family business members tend to have strong interpersonal relationships with their clients (Chua, Chrisman, & Sharma, 1999). Besides, the succession process in family businesses is characterized by the creation and maintenance of these intense relationships with key stakeholders (Drozdow and Carroll, 1997; Arregle et al., 2007). *"These attributes of entrepreneurial dynamics based on social capital and the firm's*

interactions with its external environment allow the large family business to have advantages in the diversification strategy." (CEO of the FB no. 6).

3.2 Refocusing and Moderate Involvement in Social entrepreneurship of Moroccan Family SMEs

In the case of Moroccan family-owned SMEs, refocusing of activity is obvious, according to the managers in our sample. Thus, for them, social entrepreneurship is not a means of reputation, but rather a means of stabilizing the social network. *"The stability that is offered by refocusing to the family firm is necessary for the emergence of strong social relations, potentially creating value within the family SME. Family specificity can play on this stability in two ways: the stability of the education received within the family unit independently of the firm and the maintenance within the family of ownership and often of power."* (CEO of the FB no. 8). The first aspect is the function of the family as an institution, which is to endure through the generations, maintaining very strong social ties (Petite 2016). The norms in use within a family play a strong role and forge recurrent behaviors, generation after generation, behaviors that are fairly stable and expected by family members (Thomas & Peterson 2016). This persistence of attitudes thought patterns and behaviors suggests that the social capital of the family business should remain fairly stable over time since there is a more or less conscious reproduction of family capital (CEOs of FBs no. 9, 12, and 14). According to the second aspect, the family business is characterized by the stability of power and ownership. As another manager attests: *"The future manager of a family SME is likely to be a member of the family. The family, therefore, tends to induce a high degree of stability in the social capital of the firm through the stability of the family's social capital. That said, the reproduction of the same strategic logic of an SME with a strong social capital limits its choices in refocusing its activity to maintain this stability."* (CEO of the FB no. 7).

Another idea shows the moderate involvement of family-owned SMEs in social entrepreneurship alongside the refocusing of activities. *"Members of the founder's family are concerned by the firm because it is part of the collective heritage according to social norms. Moreover, it is often one of the main assets of a family involved in society through values of social mutual support. Therefore, the shareholders work on the valorization of a common social capital with the environment of the family business, but within the limits of their resources."* (CEO of the FB no. 10). In this sense, some need each other in society to make their values, and therefore, social entrepreneurship are not a means of a reputation as in the case of large family businesses, but rather a means of respecting the values of mutual support and social solidarity limited by the resources of the family SME (CEOs of FBs no. 11, and 13).

Conclusion, implications and limits

The ambition of this paper was to reflect on how the particular nature of family businesses could allow them to have original sources of their strategic entrepreneurship orientations. The introduction of the notion of familiarism, based on the family's social capital and in connection with the firm's social capital, opens up an interesting avenue of response. Social capital thus seems to have an important contribution to make to the study of Moroccan family firms. A familiarism-based approach overcomes the limitations inherent in agency theory when applied to family firms: in particular, the basic assumptions about the regulatory roles played by labor and capital markets are no longer sufficient when family firm theory is approached from a social capital perspective.

Moreover, analysis based on the degree of familiarism, driven by the interrelationships between family and firm social capital in both cases of large firms and family SMEs, makes it possible to trace the different social antecedents of entrepreneurship strategies, most often rightly attributed to family firms. Among the directions to be favored for future research, the empirical study of the social capital, competitive advantages, and performance link appear to be of prime importance. Indeed, the interest in the social capital approach would only be reinforced if

researchers identified the contexts and conditions in which the existence of social capital is associated with firm performance. Such research could not overlook the negative aspects of social capital. A comparison of successes and failures would help clarify the role played by social capital and its management.

Finally, it remains to define the types of actions to be taken to support as well as to avoid the pitfalls of the close link between the family's social capital and the firm's social capital, to achieve a diversity of entrepreneurship strategies in relation to the diversity of families. Therefore, it is strategic for family firms to question their particularities, and the approach based on the notion of familiarism is useful in this. Through the determinants of social capital and the factors influencing the evolution of the degree of familiarism, the owners and managers of family firms have an analytical grid enabling them to link the particularities of the family and the firm in terms of social capital with the present or disappeared competitive advantages of their entrepreneurship strategies. They can conduct this analysis statically and descriptively, but also more dynamically by questioning the evolution of the characteristics of the family (structuring, size, definition), of the firm (size, changes in the competitive environment, firm health), generation and succession problems.

However, this managerial approach can only be contingent: depending on the type of business, the nature of the environment and the competition, certain aspects of the family firm's and the family's social capital will be more or less useful. A type of social capital of the family and the firm corresponds to a type of strategy and environment. For example, in a turbulent environment, it will be more important that family social capital does not have an isolating effect with a cognitive dimension that promotes detrimental immobility. Similarly, it will be important that the structure of these networks ensures a good diversity of information gathered and resources available. If the cognitive dimension favors openness, debate, and change, then it will be necessary to preserve it by setting up institutions (family council for example) that ensure its durability in the face of an increase in family size or with the number of generations.

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