From entrepreneurial organizations to dynastic enterprises. An investigation into the transformation of family businesses in Australia.

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ABSTRACT

This paper will examine how family businesses evolve, from their initial entrepreneurial activity into multigenerational family dynastic enterprises. A historical, longitudinal approach will help to contextualise the family firm’s transformation across three generations. The paper will focus on the origins of the family business, considering the entrepreneurial role of the first generation. It will then examine the attitudes and contributions of the second and third generations who work in their family business. Using case studies of three-generational Italian-Australian business families in Australia, and drawing on extracts from interviews with family members, the paper will throw light on the continuing legacy of the first generational heritage to the family and business dynasty that they have created.

Keywords: Family Business; Entrepreneurship; Succession.

INTRODUCTION

Family firms have a historical perspective that does not exist in other types of business firms. Their particular structure and nature, shaped by complex and mutually interdependent interrelations between family and business dimensions, are unique and complicated (Kepner 1991). Understanding the creation, evolution, and survival of family businesses, with their unique characteristics and dynamics, is an area of research that has attracted much attention and that is advancing rapidly (Zahra, Klein & Astrachan 2006), although it remains fragmented and lacking a strong theoretical framework (Chrisman, Chua & Sharma 2005; Lubatkin, Schulze, Ling & Dino 2005). Research in how multigenerational family firms successfully survive, some into thriving family dynasties, continues to remain embryonic (Jaffe & Lane 2004; Sonfield & Lussier 2004; Sten 2001). Overall, academic research in this area has considered issues related to multigenerational family firms only as a peripheral part of other more prevalent family business issues.

In this paper, we focus on three generational Italian-Australian family businesses, some of which are today large international dynastic corporations, but continue proudly to classify themselves as ‘a fully owned and operated family business’ (Costa Group). These enterprises were founded by Italian migrants who arrived in Australia between the 1920s and 1950s, as part of the largest sustained migration in its history. By offering some reflections on the early experiences of the first generation (G1) we suggest that their migratory entrepreneurial journey led to the creation of family businesses.
The continuing involvement of the second (G2) and third generations (G3) in their family business reflects how the achievements, the family culture and the values of the founder and the founding family perpetuate across generations (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida 2001; Denison, Lief & Ward 2004; Handler 1994; Morris, Williams, Allen & Avila 1997; Ward 2005, 2008). A better understanding of the centrality of the family, both nuclear and extended, is fundamental when studying multigenerational family businesses (Sanders & Nee 1996). Through interviews with members of the three generations, two major aspects emerged: the necessity of keeping the family together, and the importance of strong intergenerational ties and commitments. Our research shows that the founder’s family culture and values are inextricably linked to the success and continuity of the family business in following generations, eventually becoming a family dynasty. By family dynasty we refer to a family business that continues for more than three generations, which represents ‘a complex structure with several branches’ (Jaffe & Lane 2004: 85).

DEFINING FAMILY BUSINESS

Family business is defined by Davis as ‘the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness’ (1983: 47). The overlap of these two complex and interconnected social systems can bring about disagreement and tension as ‘the nature of business often seems to contradict the nature of the family. Families tend to be emotional; businesses are objective. Families are protective of their member; businesses much less so. Families grant acceptance unconditionally, whereas businesses’ grant is according to one’s contribution’ (Ward 1987: 54).

In multigenerational family businesses, the complexity of the overlapping systems and the potential for conflict increase as the number of family members and generations involved in the business extends (Kellermanns & Eddleston 2004, 2008; Lambrecht & Donckles 2006; Owens, Crasky & Dolan 1993). Sustaining a family business across a number of generations is difficult. According to Gersick, Davis, McCollom and Lansberg (1997: 31) a family entrepreneurial activity can evolve over two or more
generations into a diversified set of business and financial entities, owned by several family branches of ‘siblings’ and ‘cousins’. When the business continues to grow, the value of its businesses and investments increases, and remains within the family for over three-four generations, it is often termed a ‘dynasty’. A business dynasty generally refers to ‘a network of families who are joined as an economic unit, enjoying and multiplying the fruits of the wealth generated long ago by a family entrepreneur’ (Jaffe & Lane 2004). But it is also a term that we will use in this paper to imply that, in addition to its financial wealth, a ‘dynasty’ has not only a business context, but a strong family context, dominated by relationships, underpinned by the emotional centrality of the family, and a set of deep, distinct personal and family values, shared with both the family and business entities across generations (Arregle, Hitt, Sirmon & Very 2007; Hall, Melin & Norqist 2001; Klein 2008; Lansberg 1983, 1999; Lee 2006; Ling, Zhao & Baron 2007; Tápies & Ward 2008; Ward 2008). The intimate interaction between individual family members, the family unit and the business, termed ‘familiness’ (Habbershon, Williams & MacMillan 2003) creates distinctive synergies that leverage its unique resources and family culture in pursuit of common economic and non-economic goals (Chrisman, Chua & Litz 2003; Sharma 2008). Interlinked with the prevailing family culture, family norms and values guide behavioural expectations of family members and determine their intergenerational relationships, commitments and obligations to both the family and business enterprise (Gersick et al. 1997; Sharma & Manikutty 2005; Ward 2008).

Business literature recognizes that leaders and founders establish codes of behaviour by acting as role models and transmit their values to the following generations, as well as into the organizational culture (Aronoff & Ward 2000; Brunaker 1996; Cappuyns 2002; Chrisman, Chua & Litz 2003; Corbetta 2008; Corbetta & Montemerlo 1999; Ciulla 1999; Garcia-Alvarez & Lopez-Sintas 2001; Kets de Vries 1993; Klein 2008; Nanus 1992; Schein 1983; Ward 2008). ‘Unconsciously but inevitably, each generation absorbs parental values that define acceptable modes of relationships between family members’ (Sharma & Manikutty 2005: 297). This is the founder’s legacy: a strong family-centred culture that supports the longevity of the business (Koiranen 2002; Miller & LeBreton-Miller 2005, Ward 2008). However, despite the widely acknowledged importance of the role of the family in the family business, a discussion of how
the family and its relationships and culture contribute to the longevity of multigenerational family businesses is not well documented.

**METHODOLOGY**

A qualitative approach is particularly useful for capturing aspects related to the longevity and multigenerational evolution of family business (Aldrich & Cliff 2003; Ram 2001). The relatively small sample of respondents who feature in this paper also form part of a broader study, a doctoral thesis in progress. The combination of methodologies employed provide different sources of data: case study, ethnography and life history narrative through semi-structured interviews. One advantage of using an ethnographic approach is that it can be complemented by other research methods including life history narrative through semi-structured interviews. According to Eisenhardt (1989), case studies have an important function in generating hypotheses and building theory, and in her view, the use of between 4 and 10 case studies works best. As part of our research we studied eight Italian-Australian business families that continue now into their third or even fourth generations. Due to the multigenerational time span of almost 100 years years, some of the protagonists of the G1 are no longer alive, therefore the authors had to rely on interviews conducted with members of succeeding generations. The interviews were structured in such a way as to address what we consider were the experiential elements specific to each generation. The life history approach, supported by interviews, enabled us to ‘uncover’ the entrepreneurial experiences behind the migration journey of the G1, and the motivations and attitudes of the G2 and G3 who continue to work in the family business.

The findings of this qualitative study reveal that the personal strength, values and migratory experiences of the G1 have contributed to form their entrepreneurial visions and attitudes. They also highlight how their personal resources supported the creation of family firms, how the founders shaped the family and business cultures that continue to sustain a thriving multigenerational family business. The findings also emphasize the importance of the family as a central unit that provides emotional intergenerational support, helps to contain and channel the complexities of the personal,
family and business dynamics, but in return demands the unconditional commitment of the successive
generations to the family and the family enterprise. In the following section we briefly focus on G1 and
their personal and economic transformation through the process of migration.

THE FIRST GENERATION (G1) – THE ENTREPRENEURS

The G1 in our study were young, all males in their late teens or early 20s, some married with families
that they had left behind in Italy, others came with older brothers, cousins or other relatives, or joined
them in Australia. They were from rural areas, predominantly farmers, rural workers or tradesmen.
Growing up in Italy in the period following World War I, they faced severe economic difficulties due
to the unstable economic situation that existed at this time. Many lived in conditions that were barely
sufficient for themselves and their family.

The stories of the G1 speak of their dissatisfaction with their life condition in Italy, confronted by
political, economic and social circumstances outside of their control such as unemployment,
exploitation and bad government. They were frustrated that they did not have the opportunity to
achieve more. They were ambitious for a better life, for better opportunities than their life in Italy
would ever be able to provide, and they looked for other possible responses, outside the confines of
their family or village. They were drawn to Australia by exaggerated rumours of material abundance
and economic wealth, and they had dreams, a longing for a better life in a new and unexplored
country that offered boundless opportunities. As Friedmann argues, it is the ‘inability to achieve or
realise (that) leads to … the desire to flee the ugly reality of everyday life and to reach, by a magic
leap, the ‘other’, the ideal side of existence’ (1958: 68). Migration offered the opportunity to break
out of their old life and redefine their existence. Luigi Grollo (founder of Grollo Group) left his
hometown in the province of Treviso, north of Venice, and arrived in Melbourne in 1928, after WW1.
He was young, strong and enthusiastic, just 19 years old. However he always remembered the distress
of the early years in Australia, working as an itinerant labourer cutting timber, excavating
underground tunnels, breaking stones in quarries, managing to survive through the years of the
economic depression.

‘From 1928 to 1940 I lived in a tent: twelve years under canvas; 12 years spent in all sorts of
places, always looking for work which, when the Depression arrived, became even more rare.
In fact I always managed to find work. I always had the strength and determination’ (Pascoe

Those early years in Australia were arduous, marked by extended times of loneliness that left a deep
scar.

‘I had no friends, I had no brothers, no mother, no father. I was alone! I worked two or three
months in a place, and then I would change…It was sad and hard. Australia has been hard for
me, very hard… I worked like a slave, disinherited, without love, without any family,
nothing’ (Pascoe 1988: 8).

Carlo Valmorbida (founder of Conga Foods and Valcorp Fine Foods) reflects on the cultural and
psychological shock of arriving in a new country where language, customs, and even food, were
vastly different. He was ill prepared and the effects were ever-lasting. Reflecting on the act of
migration, Carlo Valmorbida states:

‘The greatest form of humiliation is the act of migration itself. You are born in one place and
have all the traditions and culture, but you are forced to leave for political or economic
reasons and you have to move on. But the minute you move on you are a second-class citizen
regardless of who you are or why’ (Ostrow 1987: 69).

Their new world, different from the familiar one they had left behind, was not the ‘promised land’: it
was harsh and often alienating. Excerpts from their stories speak of a deep sense of disappointment,
anger, and a feeling of hopelessness.

‘You are humiliated at every second thing,... You have to renounce your culture, your dress
sense, or the environment stays hostile. You feel hopeless. You have to give up part of
yourself, and you have to substitute it with what the new country is giving you’ (Carlo Valmorbida, in Ostrow 1987: 69).

These reflections on the early experiences of the G1 make us consider the dynamics of migration and the challenges associated with this process. The stories of these young, adventurous and enterprising migrants reveal a deep sense of distress, grief and nostalgia, but they are also stories about their strength, courage, perseverance, their dreams and ambitions, their strong willingness and capacity to adapt to their new country. They were resilient risk takers, with an inner strength of character and a touch of pride and humility which is at the heart of the Italian peasant culture. These were the personal qualities that built the resources of their personal life. Throughout their journey from the old to the new country, the migrants came equipped with personal qualities and resources as well as skills, which formed part of their identity and their entrepreneurial attitudes. Their migration journey, generally perceived in the literature as an escape, is reconceived as a process of reconstruction of the self.

The fact that the first generation finally managed to settle successfully and create new enterprises demonstrates how, after the first difficult phase, successful settlement followed. Upon arrival, these people, who had unknowingly become entrepreneurial during their migration process, continue their personal transformation by entering into a new phase, equipped with a new mental and physical disposition. They arrived as unskilled labourers and were employed as manual labourers often in remote country areas. With their strong urge for independence and their willingness to make significant personal sacrifices they identified and analysed valuable opportunities, quickly understanding and adjusting to new cultural environments. This personal transformation, supported by personal qualities and resources which in turn shaped the development of new resources, built the basis on which further entrepreneurial activities became possible. Their own personal innovative and proactive strategies, associated to risk taking and competitive approach, created an environment of entrepreneurial orientation that supported their entrepreneurial behaviour and became absorbed in their family business culture (Lumpkin & Dess 1996; Rauch, Wiklund, Freese & Lumpkin 2004). It is
the migratory experience of the G1, we would therefore argue, that instigated the personal and economic entrepreneurship that laid the foundations for multigenerational family businesses.

Over the years, as they settled in the new country, the G1 established a family and a business: from simple labourers, they became small business owners, setting the foundations of successful businesses with the support of their wife and children, their extended family and compatriot network (Aldrich & Zimmer 1986; Ram 1994). Central to their new life in the new country, the family continued to dominate their loyalties. Alfio Genovese, was always driven by his family:

‘He just wanted to take care of his family, that was all he ever wanted to do…. He never ever started the business with a view that in four or five years’ time we’d sell it… That family unity and strength was always there, always there …’ (interview with Alfio’s son, Daniel).

The small economic venture was created by the G1 for the benefit of the family, in particular the children (G2), who, from a young age were encouraged to work in the business after-school, part-time in order to get to know the business in which they would, one day, receive shares, and eventually inherit. Over a lengthy succession period, the G1 transmitted their skills, knowledge, as well as their entrepreneurial orientation and attitudes, their idiosyncratic organisational culture, strong family and business traditions, setting in place the values upon which successful family businesses are founded, and acting as powerful and long lasting role models for succeeding generations (Cappuyns 2002; Kellermans & Eddleston 2004; Lambrecht 2005, Lambrecht & Donckles 2006; Light & Gold 2000; Tàpies & Ward 2008). To date, the culture and values of the founders remain a strong presence that continues to shape and sustain the family business beyond their lifetime (Gersick et al. 1999; Ward 2008).

THE SECOND AND THIRD GENERATIONS – THE INHERITORS

The G2 and the G3 in this study share a common background and heritage with the migrant parents/grandparents, perpetuating to some extent their family and business model. Progressively,
over the years, although some degree of adaptation and assimilation to the prevalent Anglo model occurs, they remain loyal to the family of origin, accommodating their parents’ and grandparents’ culture and generally fulfilling their wish to stay close to the family and safeguard its values and traditions. Both the G2 and G3 maintain a close and warm connection to their Italian heritage which is sustained through close intergenerational relationships and frequent visits to Italy for work and personal reasons, and some have already documented their family history.

Although Frank Costa (G2, Costa Group) strongly perceives himself as an Australian, he is extremely proud of his family roots and ensures that his numerous family members, his children and grandchildren ‘understand their roots and gain a sense of their wider family heritage’ (Tobin 2007: 126):

‘I want the grandchildren to understand that we owe a lot to the person that came out here with no money, no language in a lot of cases, and no job, just came here, got off a boat, and started working really hard and created the base, the foundation for us to follow in’ (interview).

Both the G2 and G3 who have made a commitment to belong to the family business support the family unity, are loyal and trustworthy towards the family members and the business, and work hard to pool the family resources together (Eddleston & Kellermanns 2007). Their entrepreneurship evolves as their family and work life converge and they embrace the opportunity to create a stable and strong family enterprise. Fred Pizzini (G2, Pizzini Wines) reflects on the importance of his grandparents’ and parents’ values in setting the foundations of a successful family business:

‘If I can look back to when my grandfather and his brothers were a partnership it probably reflected a sense of honesty and commitment… […] They were pivotal in the unity. And they still do today, they still play a part in keeping it all together […] They’ve set their values, without a doubt, and never had big expectations …[…] I’d like to think that we’ve continued those family values, into the family business in general, and into the next generation’ (interview).
Values shape and guide the behaviour of the family and family members, and directly influence the business, highlighting the centrality of the family unit, and the intimate relationship between the family and the business domains. In this context, the wellbeing of the family unit and the family members are placed above the social and economic wellbeing of the individual family member (Morris & Craig 2010: 309). As Frank Costa (G2, Costa Group) observes:

‘The continuity of the family is based around the fact that if the business is successful, it’s only successful because of the family unity. Unity is terribly important. You fight for the family above everything else. Trust, you absolutely trust in each other and you can’t buy trust; you have to earn it Loyalty, which comes with trust, is another enormous thing. Those things which I got out of my family, I found are powerful weapons in my business (interview).

Simon Costa (G3, Costa Group) reflects on how the family values permeate the family business:

‘Values in our family were always big…. Now I spend a lot of time every month developing character and culture in our company. […] We had very strong faith in the family, so there was an expectation on how you would behave and on the family values’ (interview).

The stories of the G2 and G3 have enabled us to gain an insight into the evolving process of transition, highlighting some of the social, cultural and strategic factors that have contributed to successors’ decision to continue in the family business. These factors, such as loyalty and tradition, trust in, and reliance on other family members and on the family business, are consistent with the notion of family orientation (Lumpkin et al. 2008) and the notion of stewardship (Corbetta & Salvato 2004). Research by Morris and Craig (2010) provides a valuable insight into how these two dimensions integrate to support family business across generations.

The involvement of the G2 and G3 in this study followed the pattern of working in the business from a young age. Their contribution, and that of other family members often stemmed from a sense of
duty and responsibility (Birley 1986, 2002), being an expectation of the G1, vital for the survival of
the family business, particularly in its initial stage, as Franco Vaccari (G2, G. Vaccari & Co.) recalls:

‘I felt a very strong need to join the business. If my father was good enough to provide for
me and for my family for the rest of our lives the very least I should do is come back and
familiarize myself with the business. My father was my teacher really… But… I felt an
obligation too…a sense of duty’ (interview).

In some cases two/three generations have worked alongside for a number of years, the older
generation representing experience and authority, and the younger generation attempting to establish a
space and position for themselves (Gersick et al. 1997: 82). This intergenerational collaboration
promoted a sense of responsibility and obligation that bound family members together, encouraging
their commitment to both the family and to the business (Cylwik 2002). As Sam Piedimonte (G2,
Piedimonte’s Supermarkets), explains, the family business belongs to the family membership, it is a
natural progression of the family unit:

‘You live and breathe family and business, because you’re around the table, you’re discussing
business, you’re talking about everything in general, and it always turns around to ‘what are
we going to do tomorrow at work’?” (interview).

Rino Grollo (G2) speaks about his strong allegiance to the family, of sharing its sense of purpose, and
stresses that strong cohesive family relationships take precedence over business issues as they bring
about a high degree of loyalty to family members and to the business, and tend to unite members in
time of difficulty (Olson 1988).

‘I am part of the family. I think the family always came first. When times were tough, you
had to work longer hours, it was because of the commitment to the family. It would have been
easier to walk away… But once you walk away it’s no longer a family, and no longer a family
business. That’s the difference between family business and institutional business.…’
(interview).
Interviews with second and third generational members of family businesses reveal that as they grow up usually involved, either directly or indirectly, in the business affairs, they accept the business as a family priority, developing a strong sense of ownership, pride in, and commitment for the family-owned business (Andersson, Carlsen & Getz 2002). The history of the family is reported on the business website, dedicated to the origins and the founders of the business, reflecting pride in their rich family heritage and their responsibility for maintaining it across generations. This reflects how the achievements of the founder perpetuate across generations, and how closely the family business identifies with the culture and the values of the founder and the founding family.

Lorenz Grollo (G3, Grollo Group) discloses his great admiration for the achievements of his grandfather Luigi who founded the Grollo Group (building construction, property investment and development): ‘My grandfather came out here with nothing, he came off the boat and he lost his bag, and what he’s achieved is amazing….’ (interview).

Simona Valmorbida Sbardella (G3, Valcorp Fine Foods) also recognizes her grandfather Carlo’s exceptional personal mark on their family enterprise:

‘If you look at my grandfather’s life, he’s such an incredible person. To be able to build something, to then have something still going to pass on to your daughter, and then to pass on to your granddaughter, is quite incredible’ (interview).

CONCLUSION

In this paper we have explored how small entrepreneurial organizations founded by Italian migrants and their families in Australia have grown into successful three generational family businesses. By positioning the family at the centre of the dialogue, we have explored how the culture and the values set by the founder and the founding family perpetuate across multiple generations, supporting the continuing involvement of the second and the third generations in their family business. Based on strong family values which are nurtured within the family unit, the family members maintain a strong
connection with each other, and share a common vision for the family enterprise. As our research shows, keeping the family members connected as a family, keeps them aligned with the culture, the vision and the values of the family and sets the basis for the creation of the family dynasty.

Our work has highlighted a very important aspect related to family business which in our view has been neglected in the literature. By using qualitative methodologies we have elaborated on how three generational Italian-Australian family businesses have managed to continue a legacy which was first and foremost a legacy of values. We have focused on the first generation, the founding generation, with the aim of uncovering the personal and biographical resources, and energy that facilitated their establishment in Australia and their creation of new entrepreneurial enterprises. We have considered such resources as values which moved across three generations and which are still informing, guiding and providing a point of reference to the second and third generation. Their family dynasties bank first on all on these values and the self-understanding that the family business members have of their past, present and future. The future of these organization will be determined by both business skills and personal and family values.

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