

# Chapter 12

## Alloy Construction Service Inc.

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### ABSTRACT

*This chapter provides the details of Alloy Construction Service Company, a family-controlled construction firm located in Midland, Michigan. Robert Neumann started the company in 1981 after the deteriorating economy left him without a job. Thanks to his prior experience in the construction industry, he was able to move his company forward and gain a foothold in the chemical processing market. Unfortunately, his unexpected cancer forced his wife, Ronnie, to take over the company and continue Robert's vision in this family business. Ronnie devoted herself to the company's operations and also brought their son, Michael, to the family business. Since then, the mother and son share the major responsibilities. They have a lot in common that makes them quite compatible with each other. Under Ronnie and Michael, the family firm has become a successful business and also a respectable community member. However, the company also faces several challenges such as volatile demand and a shortage of qualified workers. In addition to these challenges, as Ronnie approaches retirement she needs to decide the future direction of the family business. In particular, she needs to weigh the alternatives of selling the company and letting Michael run the company on his own. Only time will tell which decision works best.*

### INTRODUCTION

This chapter provides details of a family-controlled construction firm located in the Great Lakes Bay region in Michigan, known as Alloy Construction Service. Specifically the chapter seeks to describe:

- The context within which the family business was started.
- The type of business.
- The industry conditions.

- The entrepreneur's motivation behind starting.
- The challenges and business performance.
- The associated family relational challenges.

This chapter also seeks to describe what this entrepreneur sees as the key mental attributes needed to successfully start and run a family business in this region and what he/she does to give back to the society/community.

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## **A REVIEW OF THE LITERATURE**

The entrepreneur literature seems to suggest that entrepreneurial behavior is driven by both internal and external forces (Bird & Jelinek, 1988; Covin & Slevin, 1991). Internal factors that may impact entrepreneurial intentions include psychological traits such as need for achievement, locus of control, risk propensity (Begley & Boyd, 1987) and self-efficacy (Zhao et al., 2005). Among the external factors, the institutional environment has been found to largely impact entrepreneurial intentions (Van de Ven, 1993). Meanwhile, cultural differences also play an important role in the effectiveness of entrepreneurship, especially when cross-country studies are concerned (Bruton et al. 2008). However, so far very few studies have looked at the dimension of environmental munificence/hostility and its impact on entrepreneurial behavior. Environmental munificence refers to the level of profitability and growth rates of the industry in which a firm competes (Dess & Beard 1984). Among the very few studies that examine the impact of such environmental variables, Zahra (1993) found that in general a munificent environment would invite corporate entrepreneurial activities such as new business creation, new product introduction and the like. However, there has been no systematic investigation of the impact of environment munificence on individual entrepreneurship. Entrepreneurs may start up a new venture as a response to the changing environmental conditions. Since environmental munificence is highly related to the stage of the industry, as the economy declines, an entrepreneur may find that starting a business venture is the only option left to him/her. This chapter will be discussing such an entrepreneurial motivation in particular.

Past entrepreneurship research has also emphasized the importance of individual factors in the process of entrepreneurship. Specifically a clear vision, being willing to take risks, prior experience, and self-efficacy are among the most important

individual traits that contribute to entrepreneurial intention. A clearly-defined and consistent vision held by an entrepreneur not only defines the future of the new venture but also contributes to a shared understanding among stakeholders, including family members that come late to the business (Bird & Jelinek, 1988). Meanwhile, risk propensity has been found to be a key attribute of entrepreneurs and it often distinguishes entrepreneurs from managers (Begley & Boyd, 1987). Besides, prior entrepreneurship experience seems to impact an individual's self-efficacy, which in turn influences entrepreneurial intentions (Zhao et al., 2005). The entrepreneur described in this chapter seems to have all these important traits that had contributed to the early success of this family business.

Another important field that the chapter taps into is the family business research. The existing research on family businesses, although fragmented (Casillas & Acedo, 2007), has identified a few important research questions. The role of family in family businesses, for example, has been widely studied. Along this line of research, Anderson and Reeb (2003) found that family firms outperformed nonfamily firms and that there was a nonlinear relationship between family ownership and firm performance. Similarly, Tokarczyk et al. (2007) used a case-based approach to explain the competitive advantage of family firms. They found that family qualities do contribute to the family firm's market orientation, which may constitute its competitive advantage. Furthermore, Arregle et al. (2007) found that a family's social capital would build up the family firm's social capital, which may have performance implications. Using the experience of family-controlled firms in emerging markets, Carney (2005) argued that corporate governance systems in family-controlled firms helped them create and utilize social capital thereby leading to competitive advantages. However, scholars have also questioned the role of family in family businesses. For example, Bertrand & Schoar (2006) argued that a culture

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