Chapter 37

Entrepreneurial Orientation and Knowledge Management for Succession:

The Case of Four Mexican Family SMEs

José Manuel Saiz-Alvarez
https://orcid.org/0000-0001-6435-9600
Tecnológico de Monterrey, Mexico

Verónica Ilián Baños-Monroy
Tecnológico de Monterrey, Mexico

Edgar Rogelio Ramírez-Solís
Tecnológico de Monterrey, Mexico

ABSTRACT

Research on entrepreneurial orientation and its relation with family SMEs has been primarily focused on value creation, and not how this value can be generated on the succession process. At this respect, paternalism plays a crucial role in reinforcing family inertia, as Mexican firms are traditional and generally closed to changes. In this chapter, four Mexican family SMEs are analyzed to study how the entrepreneurial orientation of Mexican family firms has effects on both the entrepreneurial performance and the succession process.

INTRODUCTION

According to GEM (Global Entrepreneurship Monitor) data for 2016, 96 percent of the Mexican firms are family SMEs with less than 20 employees (Naranjo, Campos, & López, 2016), being the most dominant first and second-generation family SMEs. In fact, the most influential entrepreneurs in Mexico are founders or are a controlling stake in family businesses. These are the cases of América Móvil/Grupo Carso,

DOI: 10.4018/978-1-6684-3550-2.ch037

FEMSA, Grupo Bal, Grupo México/Cinemex, Alfa, Grupo Bimbo, CEMEX, Grupo Salinas, Televisa, and El Puerto de Liverpool (Expansión, 2015). Family firms generate 60 percent of jobs in Mexico, and they contribute more than 50 percent of GDP (Gross Domestic Product). Around 90 percent of more have less than five years of existence and are businesses run by only one family member, and there are some family problems and conflicts in the daily operation (Ramo, 2005). Despite these facts, families control nearly 100 percent of Mexican largest firms (Avendaño et al., 2009).

Entrepreneurs are people having an entrepreneurial spirit and a constant need to learn to change socioeconomic environments. As entrepreneurs identify opportunities, they have the attitude to change social and economic conditions having in mind SMART (Specific, Measurable, Attainable, Reachable and Timely) goals. When entrepreneurs apply knowledge management-based business policies on their strategic decisions, firms can successfully find solutions to their challenges of activities.

Entrepreneurship and organizational culture (related to performance and knowledge management) are concepts that always generate high levels of interest among scholars and practitioners. Much of this attention results from the perception that firms engaged on relatively large levels of high-risk, proactive, and innovative behaviors can develop or maintain a culture that enhances competitiveness and performance (Covin & Covin, 1990). While much of the research support a positive relationship between entrepreneurial orientation and firm performance, the additional empirical evidence is needed to fully adopt a business culture oriented towards entrepreneurship (Wiklund, 1999), especially in family SMEs (from now on, Small and Medium Enterprises).

Evidence suggests that entrepreneurial intention only may not always be appropriate for a firm (Naman & Slevin, 1993; Zahra & Covin, 1995), especially when companies overly focus on strategic orientations that divert attention and resources away from business goals. At this respect, and according to Wiklund (1999), business goals endanger when access to financial capital partially takes into account the relationship between entrepreneurial orientation and firm performance. In this sense, Covin and Slein (1991) identify three categories of variables that link, either theoretically or empirically, to a company's ability to develop and maintain with success entrepreneurial orientation (Zahra, Jennings, & Kuratko, 1999) and organizational culture. At this respect, Cornwall and Perlman (1990) suggest that organizational culture is a key determinant of entrepreneurial orientation.

Knowledge Management (KM) also plays a vital role in influencing business. Firms apply complementary KM-based methodologies (Majors, 2013) by using one or a combination of the following six systems and managerial techniques. First, BPM (Business Process Management) systems to analyze the organization from a double functional and behavioral procedures (Carvalo & French, 2009), and to drive the digital transformation of societies and business in combination with IT (Information Technology) systems (Lederer, Knapp, & Schott, 2017). Second, the BPR (Business Process Redesign) method to redesign and optimize the firm (Gao & Krogstie, 2009) that may also be driven using the IoT (Internet of Things)(Ferretti, & Schiavone, 2016). Third, the DR (Decision Relationship) model to describe actors, processes, input flows, and decisions (Shahzad & Zdravkovic, 2009). Fourth, the EKD (Enterprise Knowledge Development) method to restructure firms having in mind their mission, vision, and values (Persson, 2001). Fifth, Horkoff & Yu's Model to study the strategic relationship development in the firm (Horkoff & Yu, 2009), and finally, the Service-driven Information Systems Evaluation to provide analysis of business processes and abilities to use available resources to firms (Arni-Bloch, Ralyte, & Leonard, 2009). Regardless of the KM-based method(s) followed, business growth will optimize by creating cooperation networks, what will increase the value in the firm. As a result, both EBITDA (Earnings before Interests, Taxes, Depreciation, and Amortization) and stakeholders' satisfaction ameliorate.

Related Content