The Cluster Paradigm Updating the Circles Paradigm:
The Family Firm and Entrepreneurial Activities Across Generations

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Abstract

This paper addresses recent calls to view the family as the relevant level of analysis when looking at family firms, especially when considering their generational continuity. Based on a longitudinal case study we propose the "Cluster Paradigm" to capture the entrepreneurial activity of a business family over time. Whereas the classical bivalent circles paradigm is restricted to *a* family that owns *a* firm, we address the singular count of the circles paradigm and update it by describing a family that owns more than one firm. We show that the analysis of the family firm across generations needs to be conducted at the family's level, by analyzing how transgenerational entrepreneurial activity in the family business is mainly driven by the family. Whether aimed at developing several businesses (related and non-related to the core business) through acquisitions, divestments and/or new ventures creation, the family business portfolio evolves not only in response to business and environmental challenges but also to family challenges including the need to preserve the family socioemotional wealth. Introducing *organic* versus *portfolio* family firms, the Cluster Paradigm contributes to enlarging the family business scope of analysis while dealing with the system's complexity and evolution over time.

Key words: family system, transgenerational entrepreneurship, socioemotional wealth, Cluster Paradigm, organic, portfolio.

1. Introduction

Recent research calls suggest viewing the family as the relevant level of analysis when looking at family firms, especially when relating to their generational continuity (Habbershon, Nordqvist, & Zellweger, 2010; Habbershon & Pistrui, 2002; Zellweger, Nason, & Nordqvist, Forthcoming). Several family constructs have been suggested to understand the family's role in pursuing firm longevity, such as transgenerational entrepreneurship (Habbershon, et al., 2010), family social capital (Dyck, Mauws, Starke, & Mischke, 2002), transgenerational family effect (Pistrui, Murphy, & Deprez-Sims, 2010), transgenerational wealth (Habbershon & Pistrui, 2002), family entrepreneurial orientation (Zellweger, et al., Forthcoming), and family socioemotional wealth preservation (Gomez-Mejia, Cruz, Berrone, & De-Castro, 2011). Habbershon, Nordqvist and Zellweger's (2010, p. 7) definition of transgenerational entrepreneurship captures the main ideas in these constructs: "the processes through which a family uses and develops entrepreneurial mindsets and family influenced capabilities to create new streams of entrepreneurial, financial and social value across generations". However, empirical research examining aspects of entrepreneurship such as new business creation in established family firms is practically nonexistent (Gomez-Mejia, et al., 2011).

We suggest pushing these constructs of family level of analysis further by updating the bivalent Circles paradigm accordingly. Several limitations have been attributed to the Circles paradigm (Tagiuri & Davis, 1996): It varies according to boundary considerations (Distelberg & Blow, 2011; Distelberg & Sorenson, 2009; Labaki, Michael-Tsabari, & Zachary, 2011; Sundaramurthy & Kreiner, 2008; Zody, Sprenkle, MacDermid, & Schrank, 2006), pushes into a dual approach of good vs. bad and functional vs. nonfunctional dichotomies (Habbershon & Pistrui, 2002; Whiteside & Brown, 1991) and does not relate to nonlinear or time considerations in the family firm evolution (Habbershon & Pistrui, 2002).

Taking into account the family level constructs of transgenerational continuity and the need to update the bivalent paradigm of the family and firm in their evolution over time, this paper suggests the Cluster Paradigm. The classical bivalent circles paradigm describes *a* family that owns *a* firm (Tagiuri & Davis, 1996). We wish to address the singularity of the circles paradigm and to update it by describing *a* family that may own *more than one* firm.

We pursue our investigation inductively by building on a qualitative approach and presenting a perspective that gives voice to those living an experience (Corley & Gioia, 2004; Plate, Schiede, & von-Schlippe, 2010; Salvato, Chirico, & Sharma, 2010). This approach focuses on building an emergent theory from an interpretive qualitative illustration

(Nordqvist & Zellweger, 2010). Scholars from the entrepreneurship and family firm field argue that more in-depth, qualitative research is needed to better understand how entrepreneurship in the family firm context relates to important social and economic value creation (Nordqvist & Zellweger, 2010; Plate, et al., 2010). We also wish to answer recent calls to use archival data which is available over long sweeps of time to open up possibilities for a dynamic analysis (Martinez, Yang, & Aldrich, 2011). Thus we will present an exploratory case-study, The Pery family firm, where the family has behaved entrepreneurially over three generations. We will describe the organizational context of the family managing its assets to suggest a series of propositions.

The paper makes several contributions. First, it reveals the critical role played by the family system in the evolution of businesses over time. This entrepreneurial activity driven by the family illustrates that not only that the family system needs to be included (Rogoff & Heck, 2003), but also that the analysis of the family firm across generations needs to be conducted at the family's level (Martinez, et al., 2011). Adding the family's perspective to entrepreneurial behavior over time not only better describes reality, but also enriches the understanding of the family firm's complexity. Second, the study introduces the Cluster Paradigm to capture the family level activity and the growing complexity over generations. Third, the look given into the reasons that drive family entrepreneurial activity, which combine strategic planned moves, responses to environmental changes and complying with family socioemotional needs, better describe the uniqueness of the firm which is owned by a family.

The paper is organized along the following guidelines: first we start with the family as the driving force of entrepreneurial activity within the family firm. Then we introduce the Cluster Paradigm which describes the relationship between an owning family and its assets looking at time perspectives. The exploratory case-study[1] follows and demonstrates the main ideas in an actual context. Finally, we present the conclusions, suggest propositions and future directions.

2. The family as the driving force of entrepreneurial activity in family firms

The limits of firm level analysis of entrepreneurial activity has been raised by several scholars (e.g. Carter & Ram, 2003; Scott & Rosa, 1996). When only the firm is the

[1] For confidentiality, all names have been changed for the company, the family, and individuals as well as the country of origin, company affiliations and family authors.

fundamental unit of definition and analysis, and not the other stakeholders like the entrepreneur and/or owners, part of the wider entrepreneurial reality of capital utilization and accumulation process is missed, as Scott and Rosa (1996, p. 82) sum up: “if all you study is small firms, that is all you will ever see”.

Looking at the current literature on entrepreneurship, two reviews (Davidsson & Wiklund, 2001; Martinez, et al., 2011) find that the firm is the dominant level of analysis. Davidsson & Wiklund (2001) observe that rather conventional levels of analysis dominate the field since researchers have a preference to collect data that is easily obtainable rather than what is important. Moving to the stakeholders level of analysis recognizes two separate new sources of complexity: (a) that entrepreneurship is really a social process with diverse participants (Martinez, et al., 2011) and (b) that an organization may engage in a mechanism through which the entrepreneurial vision is translated through action, control, and resource mobilization of multiple firms to extract value and accumulate assets (Habbershon, et al., 2010; Scott & Rosa, 1996). To sum up this idea, moving to the family’s level of analysis when studying entrepreneurship looks at how a *group* of individuals owns a *group* of firms.

Martinez et al. (2011) claim that the predominance of the firm as the unit of analysis in entrepreneurship research is particularly obscuring for family firms: “Contrary to popular images of the entrepreneur as a lone wolf, it might “take a village” to create a new firm, and the relationships between those involved in the initial entrepreneurial efforts affect the firm for many years after its founding…. The internal dynamics of both firms and families are key to understanding their success or failure” (Martinez, et al., 2011, p. 21). We reveal some of these dynamics concerning entrepreneurship when our case study shows how different individuals within the family shape the family firm evolution.

Studying the owners of organizations may provide better answers to questions such as how and why firms are created, grow and die (Carter & Ram, 2003; Danes, 2011; Scott & Rosa, 1996). Comparing novice and habitual founders, Birley and Westhead (1993, p. 57) conclude: “if the business is the sole unit of analysis there is a threat that the value of the new venturing event will be underestimated. It also indicates that future attempts to explain business growth should incorporate the possibility that owner-managers may attempt to resolve their personal materialistic aspirations through the growth of further multiple business operations, which may not be directly related to the single unit of analysis being studied”. Moreover, looking only at the firm level may hide the wider picture: if an entrepreneur chooses to start a new venture in a new organization that he also owns, and prefers to manage a cluster of firms instead of only a single one, an individual firm may not grow but the cluster itself does, through addition of 'new' businesses (Carter & Ram, 2003; Scott & Rosa, 1996).

Yet up until recently, there was no systematic assessment of the frequency of multiple business owners in different economies (Scott & Rosa, 1996; Sieger, Zellweger, Nason, & Clinton, 2011; Westhead & Wright, 1998). Westhead and Wright (1998, p. 176) define a portfolio founder as a founder who "retains his/her original business and inherits, establishes, and/or purchases another business". They also find several significant differences between portfolio entrepreneurs and other entrepreneurs. But as stated clearly by Carter and Ram (2003), the use of the individual entrepreneur as the main unit of analysis may be equally misleading since evidence shows that the individual behavior results from complex interactions among all stakeholders. The use of the business-family as the unit of analysis recognizes the important role of family resources and capabilities and reflects more accurately the strategic priorities and influences manifested in the activities of the enterprise (Carter & Ram, 2003; Habbershon, et al., 2010).

Although little is known about the underlying motivations and processes, it is likely that portfolio ownership has different forms and performs different functions for owners in different circumstances and contexts (Carter & Ram, 2003). Carter and Ram (2003, p. 375) highlight the importance of the business-owning family in the decision to engage in portfolio strategies: "The circumstances in which family-businesses may decide to engage in portfolio approaches include: the development of opportunities for offspring or wider family members; the division of the business to accommodate the succession of multiple siblings; and the search for alternative income opportunities when the core business faces unfavorable market conditions".

This call to move the study of entrepreneurship in family firms to the owning family level has been answered by several scholars. Earlier, Rosenblatt, De Mik, Anderson, and Johnson (1985) first used the term "entrepreneurial family" with other researchers later following suit (e.g. Heck, 1998; Zachary, 2011). Nordqvist and Melin (2010) have only recently used this term, entrepreneurial family, and used it to refer to the family as an institution, as a social structure that can both drive and constrain entrepreneurial ventures. Habbershon and Pistrui (2002) stress the centrality of the family in social and economic wealth creation and suggest the construct of Transgenerational Wealth. They define it as "a continuous stream of wealth that spans generations" (Habbershon & Pistrui, 2002, p. 223). With this construct, they aim at encompassing both the traditional family-business relationship as well as the condition in which a family has diversified its interests beyond a particular entity but for whom the strategic activity of the family unifies and drives its wealth creation intents. Transgenerational wealth builds on the implicit assumption that assets need to be aggregated, disaggregated or quickly reconfigured as markets change (Hitt & Reed, 2000; Zahra, 1999) and that the family ownership group will develop entrepreneurial change capabilities in line with this inevitable need (Habbershon & Pistrui, 2002). Nonetheless, there continues to be little focus on the inside dynamics of the family itself (Zachary, 2011; Zachary, Danes, & Stafford, Forthcoming).

Habbershon, Nordqvist and Zellweger (2010) adopt a longitudinal perspective and term this family capability “transgenerational entrepreneurship”. They look at how value is created not only for the current stakeholders, which is mainly the family, but also for the future, and particularly, future family generations. Transgenerational entrepreneurship is said to go beyond how to grow and pass on a business organization to the next generation into the question of how families create new streams of value across generations (Habbershon, et al., 2010).

Zellweger et al. (Forthcoming) introduce Family Entrepreneurial Orientation (FEO) to study longevity in family firms and outline a conceptual approach taking the family as the unit of analysis, rather than the firm. They argue that this perspective is timely “because existing family firm survival studies tend to neglect the portfolio of entrepreneurial activities of business families beyond a core company and most traditional longevity studies fail to acknowledge other (appropriate) forms of succession beyond passing on the baton within the family, such as the sale of the firm as way to harvest value and create new opportunities for the family” (Zellweger, et al., Forthcoming, p. 2). It is important to recognize that this FEO only looks at the ownership behavior and ignores the family system and its internal dynamics (Zachary, 2011; Zachary, et al., Forthcoming). In their sample of family firms, they find that only 10.6% of the firms control a single firm, while the mean number of firms currently controlled by the family is 3.4. Across time and over the family’s history, family firms in their study, on average controlled 6.1 firms, created 5.4 firms, added 2.7 firms through merger and acquisitions, spun off 1.5 firms and shifted industry focus 2.1 times (Zellweger, et al., Forthcoming). These findings portray a much more complicated reality of existence and evolution for family firms: a family may keep and hold its original core business but as time passes by and changes occur in the environment, a family may also choose to sell, cash-out, invest and buy business units and as a result manage a much more complicated portfolio of assets. As a comparative study, Heck and Trent (1999) found that 14% of a national U.S.

sample of household who owned family businesses, actually owned two or more businesses and this represented about 2% of the U.S. population overall.

Looking at a portfolio of assets which a family may own instead of focusing at the individual firm level may also raise the issue of continuity and the definition of longevity of the family firm. “What is continuity?” (Drozdow, 1998, p. 337) is a question that in itself deserves to be considered within the family firm field (Salvato, et al., 2010). As Drozdow (1998, p. 337) contains, contrary to the complexity and multidimensionality of family firms, their continuity has been seen as one-dimensional and idealistic: “The happily-ever-after normative story is still the one in which family and business, as a singular unit, join in economic success for generations”. Does continuity refer only to the family business itself as in its name, the industry in which it competes, the products it produces or the markets it serves? (Salvato, et al., 2010). Looking solely at the firm level of analysis relates to this implicit assumption that a family firm consists only of a single business unit whose success or failure in terms of remaining within family control is the only way to define continuity. This oversimplification of the family firm neglects to account for family firms who control multiple firms or “sell a firm and maintain the assets to redeploy them into another business unit(s) or a newly founded or acquired firm” (Habbershon, et al., 2010, p. 9). The Cluster Paradigm described in the next section wishes to capture this complex picture and to update the simplistic description of the bivalent circles paradigm (Tagiuri & Davis, 1996).

3. Towards the Cluster Paradigm

The three-circles model of family business (Tagiuri & Davis, 1996) which is widely accepted as a paradigm consensus (Moores, 2009) describes an overlap between family and business systems as an inherent characteristic of family firms. This paradigm describes *a* family that owns *a* firm. Using this paradigm, many scholars addressed the type of relationships between the systems (e.g. Carlock & Ward, 2001; Davis & Stern, 1988; Lansberg, 1983; Weigel & Ballard-Reish, 1997), while we wish to address the singular count of the circles paradigm and to update it by describing *a* family that may own *more than one* firm.

The three-circles model leads to an oversimplification of the family firm when implying that it consists only of a single business entity. While this could be mainly true at the first stages of a family business, at later stages of development they can control a portfolio of multiple firms (Habbershon, et al., 2010; Habbershon & Pistrui, 2002; Sieger, et al., 2011; Zellweger, et al., Forthcoming). Thus we propose the Cluster Paradigm, as described in Figure 1.

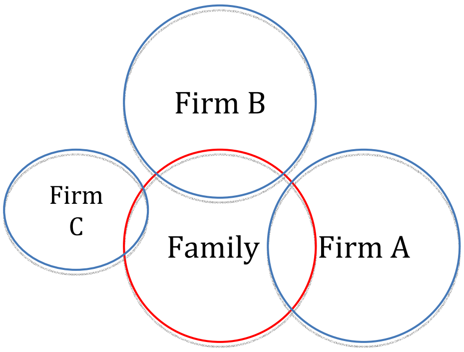


Figure 1: The Cluster Paradigm

3.1 Initial considerations based on the literature

The Cluster Paradigm is intended to better describe an owning family that holds more than one firm. This description graphically demonstrates the implications of the different constructs that have been suggested at the family level to capture transgenerational survival. These constructs (e.g. transgenerational wealth, transgenerational family effect, family entrepreneurial orientation) raise the understanding of how family businesses employ financial assets to create business continuity (Pistrui, et al., 2010).

According to the Cluster Paradigm, a family starts at the first generation with firm A. In later stages and generations this basic structure of *a* family and *a* firm may evolve into a portfolio of assets, here described as firm B and firm C. Indeed, family businesses do not represent a monolithic or homogeneous group in terms of organizational and behavioral characteristics (Corbetta & Salvato, 2004; Sharma, Chrisman, & Chua, 1997). Several typologies of family businesses have been suggested in the literature to account for these differences. The most commonly used are based on the criteria of life cycle, recognizing different ownership structures, stages of business growth, and family experiences in the business (Gersick, Davis, Hampton, & Lansberg, 1997). This paper contributes to the typology efforts by characterizing family firms using the Cluster Paradigm and the way by which these firms manage their assets. We suggest that family firms can be characterized by the number of firms they hold: a family that owns a firm, compared to a family that owns several firms.

Based on previous literature on how business organizations manage their assets, we suggest to view family firms as *organic* or as *portfolio* (Schneider, Forthcoming): when a family holds *a* firm, it is organic, while a family that owns more than one firm as described by the Cluster Paradigm, is a portfolio family firm. This fits previous suggestions such as Habbershon and Pistrui's (2002) argument for a different mind-set which institutionalizes the distinctive function of the owner shareholder in the culture and practices of the ownership group. They maintain that a "family-in-business" mind-set differs from a "family-as-investor" mind set. The mind-set described for family-in-business includes a particular business that is the focus of managerial efforts which leads a family "to think of itself as a particular type of a family (a "brewery family" or a "manufacturing family"), which in turn locks it into path-dependent corporate strategies and family traditions that dictate its capital asset strategies" (Habbershon & Pistrui, 2002, p. 231). This mind-set of one family and one circle of firm may describe initial stages during the first generation and the founder's era. But this mind-set may also describe family firms at later stages and across generations, like Zildjian in the US and Kikkoman in Japan, when the family mainly owns one firm and this bond survives many generations. In Habbershon & Pistrui's (2002) terminology these families would be called the "music percussion family" and the "soy family", respectfully. We term this type an *organic* family firm.

The second mind-set described by Habbershon and Pistrui (2002) is the family-as-investor type, when a family is committed to wealth creation pursuing capital allocation strategies and structures that are responsive to the market. This mind-set leads family members "to be stewards of their resources and capabilities and not necessarily of a particular business entity or legacy asset" (Habbershon & Pistrui, 2002, p. 231). When a family owns more than one firm, we term this type a *portfolio* family firm. This follows growing evidence of family controlled portfolio management (Carter & Ram, 2003; Habbershon, et al., 2010; Scott & Rosa, 1996; Sieger, et al., 2011; Westhead & Wright, 1998; Zellweger, et al., Forthcoming).

This family type may start as an organic one-family-one-firm type, but in later generations this mind-set may change into a portfolio activity, when more firms are bought and/or sold. An example for this type is the Haniel family firm, which is over 250 years old and operates in 50 countries. This family spun off several firms during its history and has changed industries of operation: from trading to industry, then mining and shipping, and today consumer goods and pharmaceuticals (Haniel, 2008). When a next generation leader has changed the business focus for the first time after 50 years of the family firm's existence, "this was the most important step that the Haniels had ventured up to that time – the merchants had turned into industrialists" (Haniel, 2008, p. 8). This shift between firms and industries would happen several times in later generations, and keep this family of more than 600 members as private owners of a large group of international companies. In a similar line of thought, Gomez-Mejia et al. (2011) recently reviewed the family business literature from a socioemotional wealth perspective arguing that most of the strategic decisions in the family business are driven by the need to preserve or enhance socioemotional wealth. The evolution of a family firm can thus be summed up as follows: the firm starts as a bivalent one family – one firm in the first generation. While some family firms keep this form into later generations as *organic* family firms, others may evolve into a Cluster structure of one family holding more than one firm, with multiple firms that may include the original one but not necessarily so. This structure of *portfolio* family firms describes the changes over time in later generations.

Given these considerations, we will qualitatively examine the Pery family business case to highlight the different stages of evolution along with the key entrepreneurially-oriented strategic decisions, the context of their appearance and their elicitors.

3.2 Research methodology and insights from the Pery family business case

The case study tracks the transgenerational entrepreneurial activities of the Pery family business, a large publicly-listed and multigenerational family business operating mainly in the food industry. The evolution of the business and family systems as well as of the environment implied a series of strategic, financial and family challenges, which were crucial in determining the path of development of the family business portfolio. The family played a crucial role in leading the change translated into strategic decisions of acquisitions, divestment, and creation of new ventures.

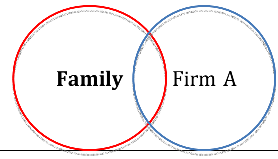
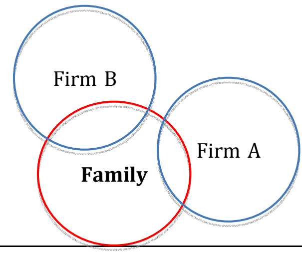
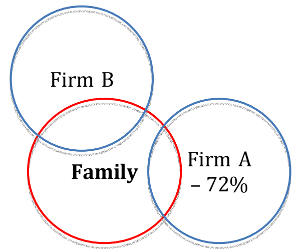
Following Yin's (2009) case study approach, we analysed the Pery family in business by carrying out a triangulation of different sources of data in order to offer in-depth insights of the key events stimulating change and family reactions in terms of entrepreneurial activities over time. We collected data from various sources, including company website, press articles, massive media coverage, external and internal company and family documents (i.e., family's own history book), and semi-structured interviews with family managers and board members belonging to two generations. The essence of data analysis is presented in Table 1. The findings derived from triangulating the different sources of data helped acquiring a wider perspective of the development of the family business portfolio over time and highlighting the family role.

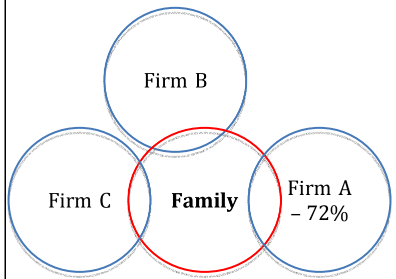
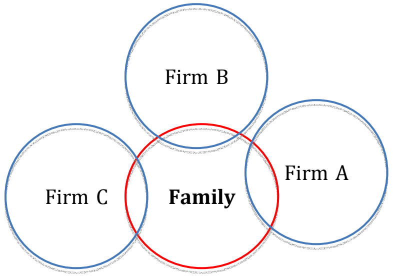
Established in 1936, the Pery family firm became the second-largest food & beverage company in its country of origin. It is currently an international corporation with approximately 13,500 employees operating in twenty-five production sites in twenty-one countries around the world. The family firm is comprised of three companies: the publicly traded Pery Group (subdivided into five companies: Pery USA, Pery Coffee, Pery Water, Max and Red North America), Pery Holdings and Pery Ice Cream. The family firm has partnerships with leading multinationals such as Star, Geant and Spark. For the family genogram (McGoldrick & Gerson, 1985) see Figure 2.

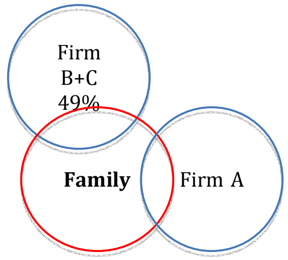
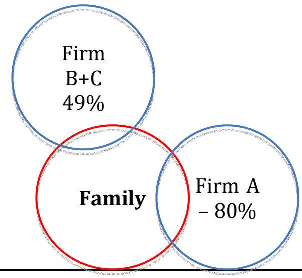
We selected Pery for our investigation as a highly illustrative case. Over three generations and 80 years this family firm has founded several new businesses, sold parts of the business units, bought companies and conducted a merger between units, which was one of the biggest mergers in the country's economy. These features provide a unique opportunity to understand the entrepreneurial activity of a family firm in an evolutionary perspective. Less than a third of empirical studies were found to use longitudinal data (Martinez, et al., 2011) hence insights from this family firm are likely to illuminate the factors underlying observed behaviors of other multigenerational family-owned firms (Nordqvist & Zellweger, 2010; Salvato, et al., 2010).

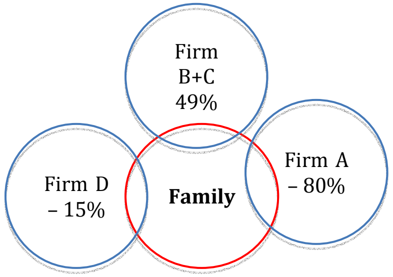
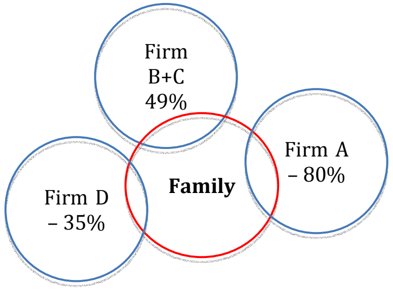
In order to look at entrepreneurial activities and their elicitors over time, we listed all the entrepreneurial changes that occurred over about 80 years. Each event of change was documented along with the relevant testimonies given by family members in the data. Based on the data, we added our observation determining whether the event of change was originated within the family or the business systems. Each event of entrepreneurial change was also expressed in the Cluster Paradigm terminology (Table 1). The family and firm events chart is presented in Table 2.

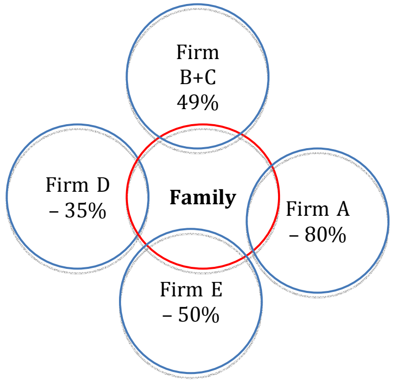
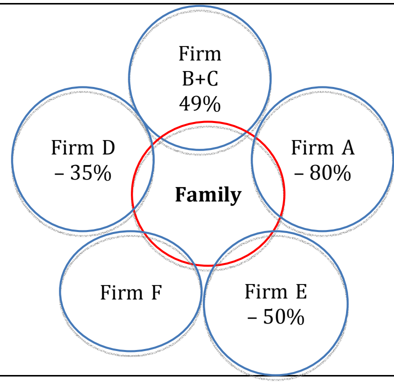
Table 1 – The evolvement of the Pery Group illustrated by the Cluster Paradigm

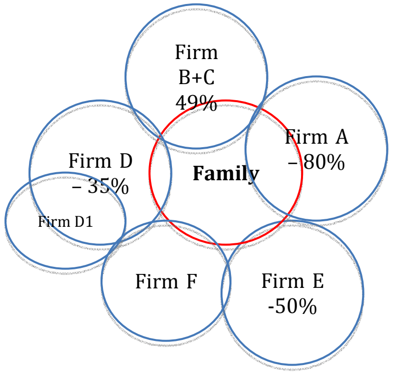
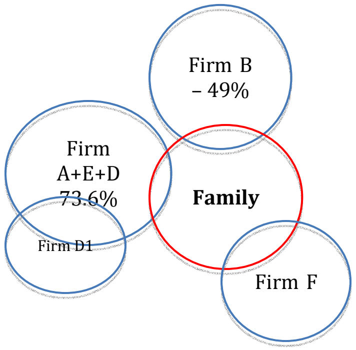
Year	Events of change in the family firm	Testimonies	Elicitors of entrepreneurial activity	The Cluster paradigm
1. 1936	Dr. Marshall and Elsa Pery decide to found Boro Dairy Pery Ltd. – Firm A	A young couple of immigrants move to a new country, "giving up their academic career and becoming "farmers"… While having loads of extra milk … Elsa used to make cheeses in her kitchen" (website).	Family	
2. 1956	Peter Pery, the 2nd generation, joins the firm	"I saw the pitiable state of the dairy and witnessed the daily struggle for existence…. I could not leave my parents alone with their troubles" (Author 1, Book on the Pery Saga, 1998, P. 89)	Family	
3. 1962	The family founds Pery Ice Cream Ltd. – Firm B	"Elsa Pery starts making ice cream and sets the foundation for the Pery Ice Cream empire that eventually became the leading manufacturer of ice cream in USA" (website). "It was after father had given her an American book about dairies that taught her about dairies. She was producing cheeses from dairies in winter, and spending the summer producing ice creams. This is what gave Mother the idea, says Sofia" (Author 1, Book on the Pery Saga, 1998, P. 104).	Family	
4. 1969	The family sells 28% of the Boro Dairy Pery (firm A) shares to the Famous Star group	"… [Following a production of a cheese] Pery received threat of a lawsuit from the Famous company in Paris. Marshall Pery decides to take care of the matter personally to calm relations with the French company. He returns with a knowledge agreement that includes payment of royalties to the French company. [After several years] The Pery family signs a partnership with Star International, the largest company in Europe in the production of milk and yogurt beverages due to the merger between the two corporate giants, Famous and Star. The agreement provided Star with 28% of Pery shares in exchange for 2.4 Million German marks and allowed Pery to market Star products in USA, and access the professional knowledge of Star International" (website)	Business opportunity	

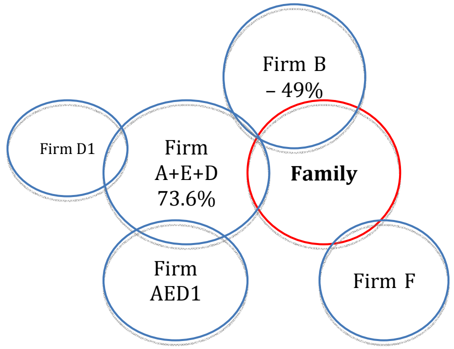
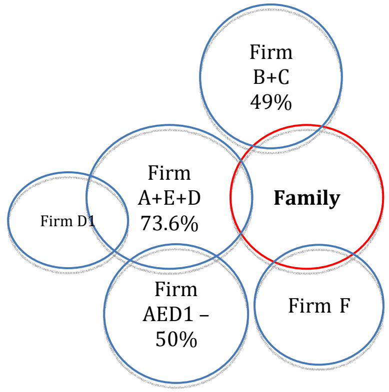
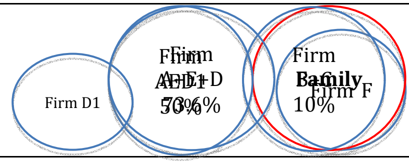
5. 1975	Dr. Marshall Pery the founder passes away, Peter becomes CEO	“Dr. Marshall Pery passes away. He was a man of great vision. While Elsa possessed unusual practical perception, it was Marshall who had an uncanny perspective of things to come. After his death the helm was passed on to the second generation – Peter and Sofia Pery take over management of the company and a new era is ushered in” (website). “He was the boss,” says Peter, “Mother’s boss, Sofia’s and my boss, the boss of us all…I must say to his credit that he knew how to give free reign to the next generation” (Author 1, Book on the Pery Saga, 1998, P. 149).	Family	
6. 1979	The family buys Bestman Ice Cream Ltd. – Firm C	“Peter met Mark Pieper, the son of Nahum Milikovsky, one of the owners of Bestman, at an ice cream exhibition in Los Angeles. Pieper went to Peter and asked, “Peter, why didn’t you buy Bestman?” Peter knew that Delicious Foods and its CEO were holding negotiations at the very time for the purchase of Bestman. But Pieper made it clear that it was still not too late. In his decisive way, Peter said, “Give me a week”… The agreement was signed even before Peter was in possession of the two million dollars necessary to seal the deal” (Author 1, Book on the Pery Saga, 1998, P. 141-142)	Business opportunity	
7. 1982	The Famous Star Group sells back its shares in the Boro Dairy Pery (firm A) to the family	“… [O]ne fine day Famous Star sent a message saying they wanted to dissolve the partnership due to pressure from the Foreign customers boycott for products from USA… The termination of the agreement was signed... Pery later bought back its shares under better conditions” (website).	Business opportunity	

8. 1985	Elsa Pery the founder passes away, all shares are transferred to the 2nd generation: Sofia and Peter	“Elsa’s will was opened after her death. Her only requests from her children were that they never resort to quarreling, that they never set apart, and that they forever support each other” (Author 1, Book on the Pery Saga, 1998, P. 153).	Family	
9. 1991	The family buys a hummus and salads firm and merges it into the Boro Dairy Pery (firm A)	“The thinking behind this decision was the fact that a potential sum of money has been accumulated, which had to be invested and made use of. “In order not to leave all our eggs in one basket,” says Peter, “in the spirit of strategic thinking, it was decided to enter the sphere of products which are not to be found on the refrigerator shelf. The decision was to enter a sphere which was still un-developed, from an industrial point of view – salads and frozen goods” (Author 1, Book on the Pery Saga, 1998, P. 159).	Family	
10. 1995	The family sells 51% of the Pery Ice Cream (firm B) shares to Spark, and Bestman Ice Cream is merged into Pery Ice Cream (firm B+C)	“In the framework of strategic planning Pery reviewed the impact of a regional political treaty. Pery understood that if you open borders foreign companies will be able to come into USA and compete with Pery. The Perys (…) turned to the global food concern Spark, the leading ice cream company in the world, in order to join in partnership. It acquired 51% of control of Pery Ice Cream” (website).	Family	
11. 1996	The family resells 20% of the Boro Dairy Pery (firm A) to the Group Star	“The historic partnership with the global Star Group is renewed. Star sees the success of the Pery Dairy and requests to purchase 20%. The renewed partnership represents a significant leap for Pery with regard to knowledge about planning, manufacturing, and operational processes, as well as understanding growing consumer trends around the world. This enabled innovation and the development of new products, while providing Pery with the opportunity to produce and market additional Star products in USA” (website).	Business opportunity	

12. 1996	The family buys 15% shares of a publicly traded coffee and chocolate company, Nova Ltd. – Firm D	"When he [Nova's biggest shareholder] found himself in real trouble, as a result of an attempted hostile takeover by several groups, he came and asked my [Peter's] advice. I was with him during those hard times, without it having anything to do with business. I was simply helping out a friend. At one stage, he asked us for a loan, so as to buy up the Man shares, because that family wanted to leave Nova…. Pery's Director General… asked the question which was later to cost us several million dollars: Why don't Pery buy up Man's shares?...."*You don't look for chances," Sofia said to Peter, "you grab them when they come along*" (Author 1, Book on the Pery Saga, 1998, P. 178)	Business opportunity	
13. 1997	The family buys up to 35% shares of Nova Ltd. (firm D) and gets control	"The partnership between the Feldman family and the Pery family is played out. Following some disagreements regarding how to run the company, the Pery family buys John Feldman's stake in Nova, receives control over it and becomes the second largest food manufacturer in USA" (website). "For the sake of Pery and for the sake of Nova – only one family must manage Nova…. [When John Feldman one-sidedly sent an offer to the Pery family] … I was most surprised. I had a very strong feeling of betrayal, not necessarily for reasons of business…I was sure that this was the end of the road for us in Nova", says Peter, "I said to Sofia and Lea: we'll go home, take a vacation and try to calm down after the affair….Sofia, Lea and the advisors all said we should buy Nova, that it was an opportunity we should not let ourselves miss. I was most surprised" (Author 1, Book on the Pery Saga, 1998, P. 183-188).	Business opportunity	

14. 1998	The family buys 50% shares of another dairy, Yendi Ltd. – Firm E	"With the goal of getting into the dairy beverages market in USA, Pery acquires 50% of the Yendi Dairies in the South" (website).	Family	
15. 2001	Lea Pery, the 3rd generation, becomes chair person of the family firm	"The management helm is handed over to the next generation with the appointment of Lea Pery, Peter Pery' daughter, Elsa and Dr. Marshall Pery' granddaughter, to Chairwoman of the Pery Group. Her appointment came after filling a number of management positions in the company, such as Sales Manager, Marketing Manager of Pery Ice Cream, General Manager of Pery Salads, and General Manager of Pery-Nova" (website).	Family	
16. 2001	The family founds an investment firm, Pery Holdings Ltd. – Firm F		Family	

17. 2001	Nova Ltd. (firm D) buys Rolf Sweets Ltd. – Firm D1	"Nova acquires the premium chocolate brand, Rolf, and develops the chocolate experience and innovative Rolf Chocolate Bar concept" (website)	Family	
18. 2004	The family merges the dairy activity and the publicly traded Nova (firms A and E + firm D) The merged firm is now called Pery – Nova Ltd. After the merger the family owns 73.6%, and the Group Star still owns 20% of the Boro Dairy Ltd. (firm A)	"Under the management of Lea Pery … the biggest merger in the USA food market takes place. This joining of forces leads to the creation of the second largest food company in USA with a strong growth base in USA, and impressive international growth" (website). "*Lea Pery's Independence day*" "…In order to establish her position, especially within the organization, Lea Pery needed an exceptional move, a mega deal that will position her as the un disputed ruler of the group. This move – the merger of Pery - the intimate and secrete family firm, with the publicly traded Nova – was successfully completed by Lea…. Although this move was accompanied by several family business consultants, it did take its price. Sofia Pery-Belissima, who was not convinced of its necessity, has decided to resign from all her managerial involvement in the FB. Pery's CEO, Torsten Say, has also decided to end his role because of the merger" (Authors 2, 2004)	Family	

19. 2005	Pery-Nova Ltd. (firms A+E+D) buys a salad firm in the US, Red Ltd. – Firm AED1	"Pery uses its knowledge of humus production as a springboard for growth by identifying potential in the healthy and fresh food sector in North America. Pery enters the North American food market and signs a partnership in which it acquires 51% of the Middle Eastern salad and dip company Red Green and Yellow for $8.7 Million. This acquisition was made by identifying a unique opportunity in the Middle Eastern dip sector for food that is healthier, more authentic and closer to nature as part of a North American healthy food trend. Acquiring ownership of Red represents another layer in the execution of the global expansion strategy of the group, where it entered the American market through categories in which it possesses unique knowledge" (website).	Family	
20. 2008	The Pery Group Ltd. (firms A+E+D) sells 50% of Red Ltd. (firm AED1) to Geant Ltd.	"Pery makes another significant move within the American market when the major food corporation Geant signs a 50-50 agreement with Pery for the development, manufacturing and sales of chilled dips and spreads in the U.S. and Canada, through Red in the U.S. This partnership represents unprecedented recognition of a giant global corporation such as Geant in the abilities and achievement of Pery Group in general and particularly Red, which is expressed in the equal partnership terms on Geant's home turf in North America" (website).	Family	
21. 2009	The family sells up to 90% of the Pery Ice Cream Ltd. (firm B+C)	"During the last years Pery has moved from an emotional way of thinking and behaving to a rational way… Peter Pery has nostalgic feelings toward the ice cream, because he finds it difficult to forget the sights of his mother	Family	

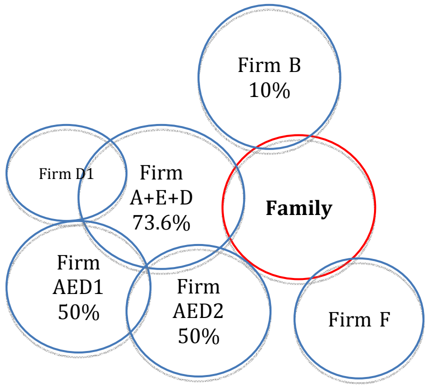
	to Spark	preparing ice cream manually and selling strawberry ice cream to the British mandates soldiers, who governed the country back then. Lea Pery [and the CEO] have long forgotten what they learnt in history classes about the British mandate, and their management style includes international thinking and rational strategies" (Authors 3, 2009).		
22. 2011	The Pery Group Ltd. (firms A+E+D) founds a joint venture of water with the Chinese firm Fire Ltd. – Firm AED2	"Pery water, part of the Pery Group, signed an agreement with the Fire group, the giant Chinese manufacturer of home electronics, on a joint venture in China dealing with home water solutions. The joint venture will take care of marketing, selling and servicing Pery water products in China…. This is an exciting day for the Pery Group that materializes another step of its global activity" (website).	Family	

Table 2 – family and business events chart

Year	Family	Business	Total # of family members	Total # of business units
1909	Dr. Marshall Pery is born			
1911	Elsa Pery is born			
1933	Dr. Marshall marries Elsa		2	
1934	Peter is born		3	
1936		Boro Dairy Pery Ltd. is founded - A	3	1
1940	Sofia is born		4	1
1956		Peter joins the firm	4	1
1957	A double wedding: Peter marries Ella, Sofia marries Wolf	Wolf joins the firm	6	1
1959	Rose is born		7	1
1960	Lea is born		8	1
1961	Greg is born		9	1
1962	Sharon is born	Pery Ice Cream Ltd. is founded - B	10	2
1967	Rick is born		11	2
1968	George is born		12	2
1969		Sale of 28% A	12	2
1975	Dr. Marshall dies	Peter becomes CEO	11	2
1978	Sofia divorces Wolf	Wolf leaves the firm	10	2
1979		Buying Bestman - C	10	3
1980	Peter divorces Ella		9	3
1980	Rose gets married		10	3
1982		Buying back shares of A	10	3
1983	First 4th generation is born		11	3
1984	Sofia remarries with Sam		12	3
1984	Lea gets married		13	3
1984	Sharon gets married		14	3
1985	Elsa dies		13	3
1985	4th generation born		14	3
1987	4th generation born		15	3
1988	4th generation born		16	3
1989	Rose gets divorced		15	3
1991		Buying a salads and hummus firm	15	4
1991	4th generation born		16	4

1993	4th generation born		17	4
1994	Greg gets married		18	4
1994	4th generation born x 2		20	4
1995		Sale of 51% of B	20	4
1995	4th generation born		21	4
1996		Reselling 20% of A	21	4
1996		Buying 15% of Nova coffee - D	21	5
1996	4th generation born		22	5
1997		Buying control in Nova - D	22	5
1998	Rick gets married		23	5
1998	4th generation born x 2		25	5
1998		Buying Yendi Dairy - E	25	6
2000	4th generation born x 2		27	6
2001		Lea becomes chair person of firm	27	6
2001		Founding an investment firm - F	27	7
2001		Buying Rolf sweets – D1	27	8
2001	Rose gets remarried		28	8
2004		Merger between A+E+D	28	8
2004	Sharon gets divorced		27	8
2004	4th generation born		28	8
2005		Buying Red – AED1	28	9
2006	Lea gets divorced		27	9
2006	Lea gets remarried		28	9
2006	4th generation born		29	9
2008		Sale of 50% Red – AED1	29	9
2008	4th generation born		30	9
2009		Sale of up to 90% of B	30	9
2010	Lea gets divorced		29	9
2010	4th generation born		30	9
2011		Founding a water firm – AED2	30	10

4. Results and Discussion

We identified 22 events of change of the Pery family firm between 1936 and 2011. These events happened within 80 years, across 3 generations as summarized in Table 3. Based on the testimonies, we defined most of the events as elicited by the family (73%). These events were originated by family events such as the passing away or stepping down of owners or new family members that entered the firm. The rest of events (23%) were defined as business opportunities that originated in the firm or its competitive environment, which were met and realized by the owning family. These events can be characterized by what a family member said: "*You don't look for chances, Sofia said to Peter, you grab them when they come along*" (Author 1, Book on the Pery Saga, 1998, p. 178). Even when opportunities rise in the business environment, it is the family's initiative to "grab them" and materialize them into business events.

The family's entrepreneurial behavior can be described by the Cluster Paradigm: a family which acts entrepreneurially by founding, selling, merging and buying several firms. The relevant level of analysis is thus at the family level, since the family has played an active role across generations in major decisions.

Table 3: Elicitors of entrepreneurial activity in the Pery family

Years	**Generation**	**Elicitors of entrepreneurial activity**		**Total**
		Family	Business	
1936-1975	1	4	1	5
1976-2001	2	5	5	10
2002-2011	3	7		7
		16 (73%)	**6 (27%)**	**22**

The Pery case also shows how the bivalent circles paradigm describes the first stage of founding the family firm, when indeed one family owns one firm. The family has a simple structure at this grounding point, of only one couple. They both own one firm, a dairy, for the first 26 years of the family firm. Then, this couple decides to found another business, an ice cream factory, thereby moving the family to the next stage of owning two firms. In later years and generations, the family has grown as more members are born and children marry, but also the firms have grown into a portfolio of businesses. This portfolio includes six different businesses at the current point in time, four firms in the food industry, one in the water industry and one as a holding company.

The evolution of the Pery family firm illustrates how the owning family pursued entrepreneurial activities across generations by responding to changes in the environment (such as business opportunities) and in the family (such as succession challenges) to maintain the homeostasis of the family business system. Depending on the extent of risk that threatens the socioemotional wealth when it comes to acquisitions or divestment decisions, Pery either diversified with close lines of activities in the dairy industry or with activities that are far from the core business such as coffee or salads, or created new ventures and unities such as the investment firm. The high levels of family adaptability to changes translated into fast decisions, mainly oriented towards generational continuity of the business over the long run.

The outlined observations in the case are congruent with recent literature and support our suggested Cluster Paradigm. In family businesses, strategic decisions like corporate diversification, internationalization, and R&D expenditures seem to follow a different logic than non-family businesses. *Most of these decisions in the Pery case stemmed out of the family system.* Without taking into account the family system, the biggest explanatory part of the determinants of strategic entrepreneurial decision-making would have been missed or biased (Martinez, et al., 2011). This finding has two main consequences: the family should be considered as the relevant level of analysis in entrepreneurial research, and the way a family firm reaches its business decisions may be different than in non-family firms. These differences have been recently suggested as being better explained by a socioemotional wealth preservation logic on the part of family owners than by an economically driven logic (Gomez-Mejia, et al., 2011; Zellweger, Forthcoming). Given these considerations, we suggest the following proposition:

> *Proposition **1**: In family firms, the family system is the relevant level of analysis for strategic entrepreneurial activities across generations.*

In certain cases, scholars observed that strategic decisions are made while bearing a higher risk of failure than in non-family firms in order to preserve socioemotional wealth, or while accepting a below the performance target to enhance socioemotional wealth (Gomez-Mejia, et al., 2011). Creation of new businesses in established firms are indeed often aimed to find suitable positions for as many family members as possible by launching new ventures or divisions in the business (Miller, Steier, & Le-Breton-Miller, 2003). As a family business matures, it is most likely to build portfolios of related businesses with the extended family filling key positions (Cruz, Justo, & Gomez-Mejia, 2011). In the Pery case, evidence showed that a business event may be used to help newly involved family members to establish legitimacy. That was the case in 2004 when the successor Lea decided to conduct a merger with an un-related activity as compared to the core business. This merger was made at the cost of one family member's resignation, but it was nevertheless carried thru because "*Lea Pery needed an exceptional move, a mega deal that will position her as the un disputed ruler of the group*" (Authors 2, 2004). Hence the family ensures the continuity of family control by accommodating the new generation (Gomez-Mejia, et al., 2011) at different extents while trying to reduce the risk of socioemotional wealth loss.

Given these considerations, we suggest the following proposition:

*Proposition **2**: In family firms, some strategic entrepreneurial decisions are exclusively made to respond to the family system needs.*

Family firms are not homogeneous and therefore they do not always develop in a static way with a focus on their business of origin. The Pery case demonstrates that while the first generation of founders could be described by the bivalent circles paradigm, the evolution in later generations is more complex, and is better captured in the Cluster Paradigm structure. The Cluster analogy refers to the multiple business entities owned by the family, and to the central part played by the family in organizing the various business activities "around" it. This can be summed up in the following proposition:

*Proposition **3**: Throughout their life span evolution, some family firms remain organic based on the historical firm while others become portfolio family firms with multiple businesses.*

The Pery case raises more considerations that need to be addressed:

Ownership as a separate system:

We studied the Pery family firm from two perspectives: the family and the business/businesses. The issue of ownership as a separate system is expressed in the three circles paradigm, where the family is separated from ownership. The Cluster Paradigm does not account for the additional complexities due to this perspective. It is worth to mention, that across the three generations there is an evolution in the ownership diversities among the Pery family members, as can be seen in Table 4. While the first generation includes a couple that owns all firms, and thus demonstrates the overlap between ownership and family systems as theorized by scholars (Gersick, et al., 1997), in the next generations this overlap diminishes. In the third generation the Pery family consists of 30 members, there already is a variance of 4 different groups of ownership status among them: only one family member holds ownership shares in all firms, and 23 members currently do not hold any shares at all. This last group is not homogeneous as well: some are fourth generation members who will get shares in the future while others will never gain shares. The complexity of ownership at the family level is beyond the scope of the current paper, and should be accounted for in future studies. Another issue concerning ownership relates to the sale of shares demonstrated in the case study: is a firm referred to as owned by the family only with 100% of shares owned? Only with majority of shares? Only with dominant influence? We addressed this issue by pointing to the shares owned by the family in the center of the circles, but this should also be accounted for in future studies.

Table 4: The evolution of ownership among family members

Years	Generation	Family members	Ownership status
1936-1975	1	2	Firms A + B
1976-2001	2	2	Firms A + B + C
		2	No ownership
2002-2011	3	1	Firms A+B+C+D+E+F
		1	Firm F
		5	Firms A+B+C+D+E
		23	No ownership

The family as a group of individuals:

As stated earlier, we look at a group of individuals that owns a group of firms. Matrinez et al. (2011) found only 7% of entrepreneurship articles to include “teams” as one of their units of analysis. We show that the Pery family as a group evolves over time into a heterogeneous team regarding ownership status. Moreover, the growing complexity of the business side, manifested in multiple sales, acquisitions, foundations and mergers of firms, is echoed by a growing complexity in the family’s structure and size. Even Table 2 cannot fully describe the full scope of complexity: Sofia’s second husband has 3 sons from his first marriage, and Rose’s second husband has two daughters. Since these children were not legally adopted by Sofia or Rose, they were not included in the table, but they bring more considerations to the family’s side. The dynamics between all of these individuals who consist the family group and their influence on entrepreneurship and strategic decisions should be part of future studies.

A paradigm as a “snapshot”:

One limitation of the circles paradigm is its description of a family firm in a static way, like a snapshot taken at one point in time. Although the Cluster Paradigm suffers from the same limitation as it is a snapshot taken at a later stage of the family firm life cycle, it manages to capture the evolution of the firm and describe the changes that occurred over time. The two paradigms are descriptive at one point in time, and they do not describe what happens before or after they have been taken. If we compare a family firm to a living thing, like a human being or a plant, for example, you can take pictures at different points in time to evaluate evolution, but it is hard to have a model that could capture and predict all the growth possibilities out of a seed or a baby alone. Nevertheless, part of the Cluster Paradigm’s contribution is acknowledging that it is only a partial and incomplete picture to look at a seed or a baby, or at the circles paradigm, for this matter.

The circles as parameters of size or importance:

In our demonstration of the different entrepreneurial steps of the Pery family, we drew one circles for the family and different circles for each business entity. Obviously, not all the business units are of the same size when considering sales or number of employees. These characteristics could be described by different circles sizes. The core business could also be described in a special way. Another suggestion would be to also account in parallel for the family evolution while drawing appropriate circles that give us a clear picture that allows for comparisons between the business/businesses and family/families evolution. This requires further developments beyond the scope of this paper.

Defining a core business:

It should be noted that the Pery family considered coffee and salads as different business activities than the core dairy firm. This may be an issue of definitions and perceptions. For an outsider, these activities may be viewed as close activities within the food industry, while clearly for the Pery family, these activities were perceived as completely separate from the core business. Is the core business defined by products (like dairy), or industry (food) or maybe location (country) or culture? The relationship between a family and its core business may be different from other businesses, when relating to socioemotional wealth or emotional ownership (Zellweger & Astrachan, 2008). Thus what constitutes a core business and who defines it deserves future attention and definitions. Zellweger et al. (Forthcoming) find in their study that the core company on average makes up roughly three quarter of total sales of the family-owned business activity. This adds another angle to the core business as the main supplier of stability and cash for the portfolio, which could also be part of the socioemotional value of the family. This leads to the following propositions:

> *Proposition **4**: More socioemotional wealth will be attached to a core business as compared to a peripheral business.*
>
> *Proposition **5**: More socioemotional wealth will be attached to a core business as compared to a business which is part of a portfolio of firms.*
>
> *Proposition **6**: More socioemotional wealth will be attached to a firm that is owned by the family for a longer period of time.*

Continuity:

As stated earlier, the definition of continuity within the family firm context is part of discussing the Pery case. When an organic family firm evolves into a portfolio family firm, does it mean that the original family firm "has continued"? Does the portfolio need to include the original historic first core business? What if the family splits into several ownership groups? The definition used in the family firm literature could be too narrow to capture the many voices of those "living an experience". The Pery family still perceived the firm as a family firm, the same one along three generations.

More questions rose than answers given:
We are aware of the fact that we raise more questions than suggest possible definite answers, but we believe that a discussion that takes these questions into account will better treat the complexity of the family firm phenomena and its evolution over time. We wish to contribute to the multidimensionality of the continuity discussion, and suggest the Cluster Paradigm as a step in this direction. Looking at other constructs like familiness (Habbershon & Williams, 1999) or socioemotional wealth (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007), that contributed to discussion and the building of a theory for the field of family firms, and they too raised more questions and possibilities than definite answers - we wish to contribute in the same direction.

5. Conclusions and future directions

The Cluster Paradigm updates the traditional bivalent circles paradigm. We propose a basic typology of organic vs. portfolio types of a family owning one or more firms. This change may occur as an evolution within the next generations, but it is not a necessary linear development since family firms may hold only a core business and still survive thru generations.

We demonstrate the suggested Cluster Paradigm using the Pery family. This is only one case study in one country and culture, which should be extended to other families and environments for further conclusions. Nevertheless, the Cluster Paradigm may help to explain constructs like psychological and emotional ownership and socioemotional wealth which may be higher for organic firms vs. portfolio firms. The duration within which a family holds a portfolio of assets in a firm may also influence these constructs. The socioemotional wealth and other constructs like emotional ownership may be differently related to the core firm within a family's portfolio compared to a peripheral activity.

While taking into account those constructs, the evolvement of an organic family firm into a portfolio family firm should be looked at from several perspectives. Longitudinal studies can investigate the change over time, and the different mind-sets that are related to the two types of family firm portfolios, antecedents and outcomes, including advantages and disadvantages for the family and the firm. Future studies could look into a possible link between tacit knowledge that is being transferred from generation to generation and family firms that stay organic ones. Finally, specific governance issues that characterize different portfolio types and how do these types influence succession were not explored in this paper but are worth to be investigated from these standpoints.

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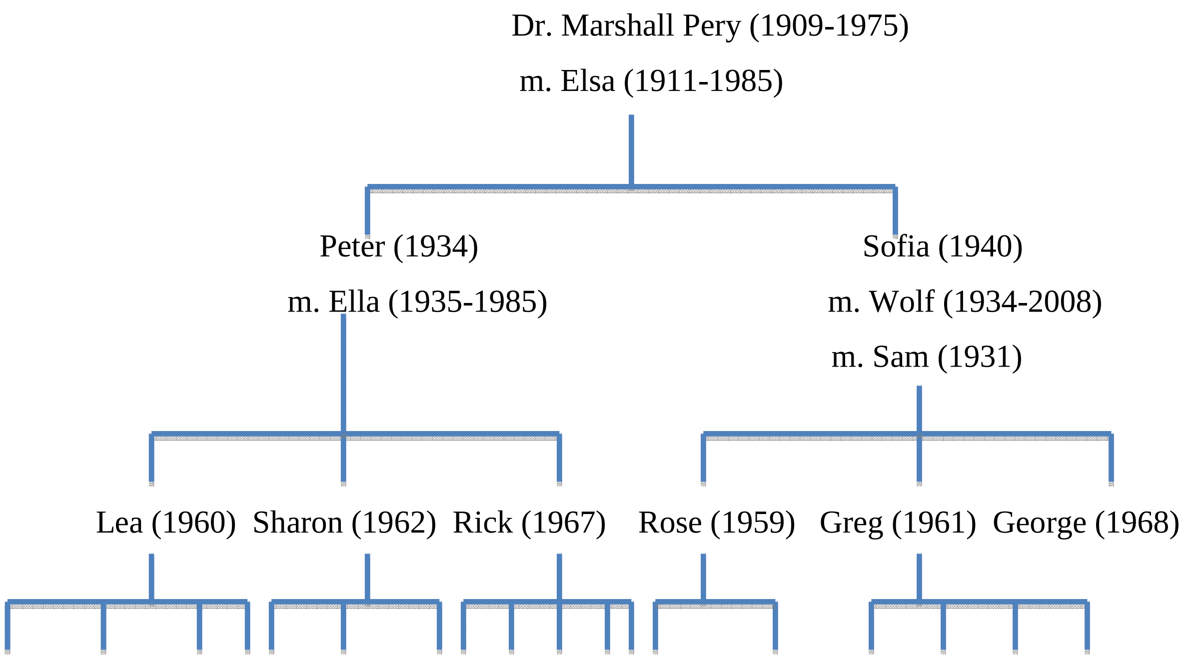
Figure 2: The Pery family genogram



[m. = married; (date) = birth date; (date - date) = birth and death dates]