The impact of entrepreneurial orientation on debt financing of family businesses: Evidence from Nigeria

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ABSTRACT
There exists a shortage of studies that establish linkages between entrepreneurial orientation and debt financing in family businesses. In line with this research stream, the purpose of this chapter is to examine the relationship between entrepreneurial orientation and debt financing of family businesses. Specifically, the study investigates how the five entrepreneurial orientation dimensions—risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy influence family business debt financing. By adopting a qualitative research methodology and based on empirical evidence gathered through a 10-case study design involving face-to-face interviews with owners of family businesses in Nigeria, the study examines the influence of entrepreneurial orientation on debt financing. The results suggest that the entrepreneurial orientation of family businesses seems to play a pivotal role in influencing debt financing. If a firm is entrepreneurial-oriented, it is reasonable to expect that it will focus attention on new and emerging opportunities for obtaining debt financing. The study advances research on entrepreneurial orientation and debt financing in family businesses. It develops an empirically theoretical framework at the intersection of the family business and entrepreneurial orientation research, filling a gap in the literature. Future research could substantiate the findings of this study on a broader empirical base, using quantitative methods. This study offers a new perspective to the study of entrepreneurial orientation and, at the same time, contributes with findings from research on entrepreneurial orientation to the study of debt financing in family businesses.

Keywords: Family business; debt financing; entrepreneurial orientation; resource-based view (RBV); financial attitudes; financial decision making
1.0 Introduction

Family businesses are fundamental to the business landscape in developed and developing countries and are intrinsic to the economy (Masulis et al., 2011). However, increasing business competition has placed family businesses in a volatile position due to their limited resources. Undoubtedly, the family business’s success in responding to the challenge of the business environment depends largely on their strategy for engaging in entrepreneurial behaviours and the availability of debt financing to family businesses (Wiklund & Shepherd, 2005; Hernández-Linares & López-Fernández, 2018). Debt financing is an important source of capital for family businesses (Chua, Chrisman, Kellermanns, & Wu, 2011) and critical to their success (Romano, Tanewski, & Smyrnios, 2001). Compared to equity financing and other forms of finance, debt financing lowers the probability of leaking value-creating intellectual property to competition (Townsend, 1979) and does not require giving up ownership control (Ueda, 2004; Romano et al., 2001). However, despite the crucial role debt financing plays in family firms, access to debt financing is one of the most critical challenges that family firms face in developing economies like Nigeria (World Bank Group, 2018).

The strategy and entrepreneurship literature suggest that an entrepreneurial orientation improves firm access to debt financing, but the empirical results are mixed (Wiklund & Shepherd, 2005; Zampetakis, Vekini, & Moustakis, 2011). Entrepreneurial orientation refers to the decision-making styles, processes, and methods that inform a firm's entrepreneurial activities (Hughes & Morgan, 2007; Lumpkin & Dess, 1996). An entrepreneurial firm engages in product innovation, undertakes somewhat risky ventures, and acts proactively by being the first to come up with new products, technologies, and administrative techniques (Miller, 1983; Lumpkin & Dess, 1996). A wealth of research touches upon entrepreneurial orientation in family businesses, examining the relationship between entrepreneurial orientation and growth (Casillas & Moreno, 2010; Casillas, Moreno, & Barbero, 2010), the impact of entrepreneurial orientation on family firms’ performance (Schepers, Voordeekers, Steijvers, & Laveren, 2014), and transgenerational entrepreneurship in family firms (Nordqvist, Habbershon, & Melin, 2008). However, the impact of entrepreneurial orientation on the debt financing of family businesses has never been examined. Drawing upon the resource-based view (RBV) of the firm (Barney, 1991; Rumelt, 1984), this research aims to explore the relationship between entrepreneurial orientation and debt financing of family businesses. In particular, the study investigates how five key entrepreneurial orientation dimensions-risk-taking, innovativeness,
proactiveness, competitive aggressiveness, and autonomy influence family business debt financing. This research integrates empirical evidence with extant theory to contribute to the family business and entrepreneurship literature in several ways. First, the empirical results of the study contribute to the literature by illustrating the effect of entrepreneurial orientation on debt financing of family businesses. This finding extrapolates Zampetakis et al (2011) conclusion, that entrepreneurial orientation is an important determinant of debt financing, to the family business territory. Second, guided by the resource-based view, the chapter supports the theoretical arguments that for a firm's resources and capabilities to generate competitive advantage, they must be valuable, rare, imperfectly imitable, and non-substitutable. (Barney, 1991; Penrose, 2009). This unique contribution of this study attempts to extend this observation in a new context, that is, family business debt financing. This has never been articulated in the literature. Therefore, the study offers a perspective that helps appreciate the entrepreneurial orientation-debt financing relationship in the unique family business contexts.

The remainder of this chapter consists of four sections. The next section extensively describes the theoretical context of the study, an exhaustive literature review that relates to the family business, entrepreneurial orientation, and debt financing is reviewed to form the foundation for the study. The third section illustrates the methodology employed in the empirical analysis. The fourth section reports and discusses the main findings of the multiple case study. Finally, in the last section contributions of the study, managerial implications, limitations of the research, and future directions are discussed.
2.0 Literature Review

Family businesses are the dominant form of business organisations in the world (Sharma & Carney, 2012; Masulis, Pham, & Zein, 2011; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). In many countries, family businesses represent more than 70 percent of the overall businesses and play a key role in economic growth and workforce employment (World Bank Group, 2018; Kotlar, Signori, De Massis, & Vismara, 2018; Gedajlovic, Carney, Chrisman, & Kellermanns 2012; Aldrich & Cliff, 2003). They form the backbone of economies around the world, representing an essential source of wealth creation and employment for both developed (Poutziouris, 2001; Chang, Memili, Chrisman, Kellermanns, & Chua, 2009; Matthews, Hechavarria, & Schenkel, 2012) and emerging economies (Bertrand & Schoar, 2006; Fan, Wei, & Xu, 2011). On average, 19 percent of publicly listed firms in the world are family-controlled and this number increases to over 40 percent in emerging markets (Masulis et al., 2011). According to the Institute for Family Business, family firms account for 4.8 million businesses in the UK, comprising 88 percent of all private sector firms, employ 12.2 million people, and are the largest source of employment in the private sector (IFB, 2018). Family businesses constitute 60-70 percent of the country’s commercial organisations in the United States and 95 percent of firms in Asia, the Middle East, Italy, and Spain (De Vries & Carlock, 2010).

While there are comparatively less detailed statistics on the overall contribution of family businesses to the Nigerian economy, the sparse data that exists suggests that family businesses contribute significantly to employment and by extension economic growth. It is estimated that in Nigeria 97 percent of all businesses are family businesses (Ariyo, 2000) and they contribute approximately 92.83% to the nation’s GDP (National Bureau of Statistics, 2018). Further, with the majority of businesses in the Nigerian economy being family-owned, it appears that the ability of the economy to grow and become internationally competitive will rest on the growth and survival of these enterprises. However, evidence suggests that these businesses generally have less access to debt financing, a condition that may inhibit their contribution to economic growth (Coleman & Carsky, 1999; Chua et al., 2011; Aminu & Shariff, 2015). While there exists a large body of work on the debt financing of family businesses in developed economies (e.g., Koropp, Grichnik, & Kellermanns, 2013; Wu, Chua, & Chrisman, 2007; Anderson, Mansi, & Reeb, 2003; Hooks, 2003; Koropp, Kellermanns, Grichnik, & Stanley, 2014) comparatively less work exists on developing economies like Nigeria. This limits the
theoretical and practical robustness of the existing literature on family business finance. To address this gap, this study adopted the resource-based view. The resource-based view holds that businesses with valuable, rare, and inimitable resources have the potential of achieving superior outcomes (Wiklund and Shepherd 2003). In this framework, accessing debt financing from the bank was considered a source of finance for family businesses. Consequently, it was assumed that entrepreneurial orientation is an important determinant of obtaining debt financing from a bank. According to Barney, Ketchen, and Wright (2011), entrepreneurial orientation can be treated as a dynamic intangible resource that contributes to a sustainable competitive advantage for firms. Family businesses may benefit from incorporating appropriate strategies by developing their entrepreneurial spirit through the implementation of entrepreneurial orientation. Investigation of the relationship between entrepreneurial orientation and debt financing is therefore interesting and may unravel the secret to business growth and survival.

Throughout history, family businesses have been a dominant form of enterprise in economies around the world. Family businesses, compared with non-family firms, show distinctive characteristics. These features are highlighted by Zahra, Hayton, & Salvato (2004) within the resource-based view perspectives. In a family business, the interaction between the family unit, the business entity, and individual family members creates unique systemic conditions and constituencies (Habbershon, Williams, & MacMillan 2003; Habbershon & Williams 1999) that generate a bundle of unique resources and capabilities (Zahra et al., 2004; Chua, Chrisman, & Sharma 1999). Under this view, the interaction between the family and the business contributes to the building of competitive advantages (Sirmon & Hitt 2003). The resource-based view supports this research phenomenon. The underlying belief of the resource-based view is that a firm’s competitive advantage is dependent on the resources available to the business. A resource, as described by Barney (1991), includes all of a firm’s assets, capabilities, organizational processes, firm attributes, information, and knowledge. A business will have a competitive advantage when the resources of the business generate value not otherwise generated by a competing business. The resource-based view along these lines regards a firm’s resources as a fundamental factor when undertaking entrepreneurial activities. Consequently, it is considered as an appropriate theoretical lens for exploring the relationship between entrepreneurial orientation and debt financing in family businesses.

Family businesses are considered as a significant part of the global economy (Schulze, Lubatkin, Dino, & Buchholtz, 2001; Masulis et al., 2011), however, relationships between
entrepreneurial orientation and debt financing of family businesses have not been adequately theoretically and empirically investigated (Hernández-Linares & López-Fernández, 2018) and the literature on this specific topic is rather scarce. As a result, this study attempts to expand our understanding of how entrepreneurial orientation influences debt financing in family firms.

2.1 Entrepreneurial orientation
Entrepreneurial orientation has emerged as a salient construct within the strategic management and entrepreneurship literature (Altinay & Wang 2011; Covin, & Lumpkin, 2011; Miller, 2011; Covin & Wales, 2012). Entrepreneurial orientation refers to the strategy-making processes that provide firms with a basis for entrepreneurial decisions and actions (e.g., Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). Consistent with Rauch, Wiklund, Lumpkin, & Frese (2009), entrepreneurial orientation is a firm-level construct related to a firm’s success, which includes firm-level processes, practices, and decision-making styles. The earliest work on entrepreneurial orientation was based on the seminal work of Miller (1983), who identified innovativeness, risk-taking, and proactiveness as the dimensions of entrepreneurial orientation. Specifically, Miller (1983), identified an entrepreneurial firm as one that engages in product market innovation, undertakes somewhat risky ventures, and is the first to come up with proactive innovations, beating competitors to the punch. Covin and Slevin (1989), further theorized that these three dimensions of entrepreneurial orientation acted in concert to “comprise a basic unidimensional strategic orientation” and therefore should be aggregated together when conducting research in the field of entrepreneurship (Covin & Slevin, 1989, p.79). Lumpkin and Dess (1996) suggested that two additional dimensions are relevant to entrepreneurial orientation. Drawing on Miller’s (1983) definition and prior research (e.g., Hart, 1992; Venkatraman, 1989), they identified competitive aggressiveness and autonomy as additional components to better describe an entrepreneurial orientation.

A number of family business researchers have found entrepreneurial orientation to be a suitable framework for examining the family business entrepreneurial activities (Cruz & Nordqvist, 2012; Kellermanns, Eddleston, Sarathy, & Murphy, 2012; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Zahra, 2005). Entrepreneurial orientation is a key ingredient for organisational success (Wiklund & Shepherd, 2005; Covin & Slevin, 1989) and a source of competitive advantage (Lumpkin, Brigham, & Moss, 2010; Naldi et al., 2007; Lumpkin & Dess, 1996). In other words, businesses are likely to benefit from pursuing and adopting entrepreneurial
orientation (Wiklund & Shepherd, 2005; Aminu & Shariff, 2015). Scholars have thus extensively empirically tested a significant number of relationships among entrepreneurial orientation and various antecedents and outcomes, together with many moderating and mediating elements (Rauch et al., 2009). However, the relationship between entrepreneurial orientation and debt financing has yet to be fully understood in the unique context of the family businesses (Hernández-Linares & López-Fernández, 2018).

Moreover, in the Nigerian context, family businesses that are usually operated informally and do not have up-to-date records on sales, expenses, profit, etc, find it difficult to secure external debt financing to facilitate business growth and survival. The widely held view is that these firms typically have a substantial amount of their funding provided by internally generated funds such as owner capital, other members of the management team, family, friends, etc. (Romano et al., 2001). As these firms increase in size and become older, they tend to become more sophisticated in their operations and thus start seeking external debt financing. For this reason, the study considers the effect of five dimensions of entrepreneurial orientation on the debt financing of family businesses. Although, the five dimensions of entrepreneurial orientation have been developed in the literature (Lumpkin & Dess, 2001; Dess & Lumpkin, 2005), the majority of studies only examined three of the five dimensions, namely innovativeness, proactiveness, and risk-taking (Hughes & Morgan, 2007). These studies therefore only provide a partial analysis of entrepreneurial orientation, whereas this current research, in examining all the five dimensions of entrepreneurial orientation will provide a more comprehensive examination of entrepreneurial orientation. This is in line with the recommendation of Wales, Gupta, & Mousa (2013). They suggested that substantial opportunities exist for considerable advancement in understanding the individual influence of the dimensions of entrepreneurial orientation. Accordingly, this research examines the relationships between the five entrepreneurial orientation dimensions and debt financing of family businesses.
3.0 Research methodology

3.1. Case study area
Lagos State and Kwara State are located in Nigeria. Lagos is the commercial hub of Nigeria as 60% to 70% of businesses and industrial transactions are executed in Lagos (SMEDAN, 2017). Lagos economically is the most viable city in the country (SMEDAN, 2017). As the former capital city of the country, it is home to all categories of businesses (Jumah, Dipeolu, Ayinde, & Adebayo, 2008). Kwara state is one of the prominent entrepreneurial states in Nigeria (Oladele & Oladele, 2016). Appendix 1. shows the states in Nigeria including Lagos and Kwara State.

3.2 Sample and data
The principal purpose of this study is to investigate the relationship between entrepreneurial orientation and debt financing in the Nigerian family business context. To empirically examine the relationship, a qualitative research design was implemented. In particular, a multiple case study design involving face-to-face interviews with owners of family businesses was adopted (Yin, 2009; Eisenhardt, 1989). The strength of case-study methodology is that it is ideal for exploring processes and answering "how" and "why" questions (Yin, 2009). Case studies are recognized as “a valuable method for family business scholars to describe complex phenomena, develop a new theory or refine and extend existing theories” (De Massis & Kotlar, 2014, p. 16). It provides explanations rather than statistical data and appears appropriate to gain an in-depth understanding of how entrepreneurial orientation influences debt financing in family firms. Moreover, phenomena within their context are better examined and understood using qualitative data (De Massis & Kotlar, 2014; Yin, 2009; Yin, 2018). Recent research has emphasized the potential of qualitative methods in addressing issues of contradiction and paradox in family firms (Fletcher, De Massis, & Nordqvist, 2016). Furthermore, as noted by Hall (2005), there is a need in the field of the family business for qualitative research, because family businesses are characterized by complex relationships and interactions.

In this study, purposive sampling and snowball sampling were adopted to obtain valuable information relevant to this study. The concept of purposive sampling means that the researcher selects participants for the study because they can purposefully inform an understanding of the research problem and central phenomenon in this study (Creswell & Poth, 2016). The purposive sampling technique allowed non-random selection of participants based on the information they can provide, interest, and willingness to participate. This sampling method is
appropriate for the qualitative study because family business owners value confidentiality and privacy (De Massis & Kotlar, 2014). Moreover, Eisenhardt (1989) affirms that randomization is not necessary in a case study therefore, qualitative samples should be purposive rather than random. A snowball sampling technique was also used by asking participants to make suggestions about and introduce the researcher to potential participants. A maximum variation strategy was employed (business sectors, business size, and business age) as a supplement to the snowball approach (Creswell & Creswell, 2018).

Although a precise operational definition of the term family business remains a topic of discussion (Westhead, Cowling, & Howorth 2001), in this study, the definition in Leach et al. (1990) is adopted, that is, a family business is a business in which more than 50 percent of the voting shares are controlled by one family, and/or a single-family group effectively controls the business, and/or a significant proportion of the senior management is members from the same family. This operational definition served as the base for the sample used in this research.

Furthermore, only micro, small, and medium-sized companies with fewer than 199 employees were included in the sample. These measures are consistent with the feature the National Bureau of Statistics and SMEDAN (2017) in Nigeria uses to classify micro, small and medium-sized enterprises. The study aims to make an analytical and theoretical contribution to the existing body of knowledge regarding the relationship between entrepreneurial orientation and debt financing in family businesses.

Qualitative evidence was collected between August 2019 and September 2019, and the primary method of data collection was face-to-face interviews (Yin, 2009). In total, 10 face-to-face, semi-structured interviews were conducted with Nigerian family business owners. Nigerian family businesses were chosen as the focus of the study because the growing phenomenon of Nigerian family businesses remains under-researched (KPMG, 2017). Each interview which was audio-taped with their permission lasted between twenty minutes and one hour and most of the interviews were conducted on the interviewee’s owner premises since most of them found it difficult to be away from their premises during the business hour. All recordings were transcribed and processed by the researchers. As discussed previously, 10 interviews were conducted: 6 with female family business owner-mangers and 4 male family business owner-mangers. Using a sequence of semi-structured questions, the interviewees were asked to share their views on their respective organisations’ entrepreneurial orientation and debt financing in order to provide a richer and more in-depth insight into the issue. Except for two, all interviewees had at least a bachelor’s degree and 3 of the 10 interviewees were from the retail
sector. The service sector has two (2) participants; agriculture has two (2), hotels and restaurants have one (1), transport and distribution have one (1), and catering also has one (1). Regarding business size, the interviewee’s businesses distribute around the central size band of between 10 and 49 employees. The common business age group was the 10-19 age group followed closely by the 20-29 age group. sole proprietorships were the most represented business type with partnership and the limited company making up the rest of the legal form of the business. The characteristics of the sampled businesses are reported in Table 1. Comprehensive information regarding the scope and type of business activities carried out in the sampled firms is reported in Appendix 2.
Table 1: The Studied Cases and Demography of the Respondents

<table>
<thead>
<tr>
<th>Company</th>
<th>Family Business</th>
<th>Business Size (No. of Employees)</th>
<th>Business age range (years)</th>
<th>Sectoral distribution</th>
<th>Legal form</th>
<th>Geographical Location</th>
<th>Interviewees</th>
<th>Level of education</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>Yes</td>
<td>12</td>
<td>20-29</td>
<td>Retail and Wholesale</td>
<td>Sole trader</td>
<td>North Central</td>
<td>Owner</td>
<td>Secondary School</td>
<td>Female</td>
</tr>
<tr>
<td>Firm B</td>
<td>Yes</td>
<td>101</td>
<td>30+</td>
<td>Catering</td>
<td>Partnership</td>
<td>North Central</td>
<td>Owner</td>
<td>No formal qualification</td>
<td>Male</td>
</tr>
<tr>
<td>Firm C</td>
<td>Yes</td>
<td>26</td>
<td>20-29</td>
<td>Agriculture</td>
<td>Partnership</td>
<td>North Central</td>
<td>Owner</td>
<td>Undergraduate degree</td>
<td>Male</td>
</tr>
<tr>
<td>Firm D</td>
<td>Yes</td>
<td>15</td>
<td>10-19</td>
<td>Retail</td>
<td>Sole trader</td>
<td>South West</td>
<td>Owner</td>
<td>Postgraduate degree</td>
<td>Female</td>
</tr>
<tr>
<td>Firm E</td>
<td>Yes</td>
<td>41</td>
<td>20-29</td>
<td>Transport and distribution</td>
<td>Sole trader</td>
<td>South West</td>
<td>Owner</td>
<td>Postgraduate degree</td>
<td>Female</td>
</tr>
<tr>
<td>Firm F</td>
<td>Yes</td>
<td>21</td>
<td>10-19</td>
<td>Hotels and restaurants</td>
<td>Sole trader</td>
<td>North Central</td>
<td>Owner</td>
<td>Postgraduate degree</td>
<td>Female</td>
</tr>
<tr>
<td>Firm G</td>
<td>Yes</td>
<td>75</td>
<td>10-19</td>
<td>Agriculture</td>
<td>Partnership</td>
<td>North Central</td>
<td>Owner</td>
<td>Undergraduate degree</td>
<td>Male</td>
</tr>
<tr>
<td>Firm H</td>
<td>Yes</td>
<td>5</td>
<td>0-9</td>
<td>Professional services</td>
<td>Partnership</td>
<td>South West</td>
<td>Owner</td>
<td>Postgraduate degree</td>
<td>Female</td>
</tr>
<tr>
<td>Firm I</td>
<td>Yes</td>
<td>9</td>
<td>10-19</td>
<td>Professional services</td>
<td>Limited Company</td>
<td>South West</td>
<td>Owner</td>
<td>Postgraduate degree</td>
<td>Male</td>
</tr>
<tr>
<td>Firm J</td>
<td>Yes</td>
<td>17</td>
<td>0-9</td>
<td>Retail</td>
<td>Sole trader</td>
<td>South West</td>
<td>Owner</td>
<td>Undergraduate degree</td>
<td>Female</td>
</tr>
</tbody>
</table>
4.0 Findings and Discussion

In this section, the findings of the case study are used to illustrate how entrepreneurial orientation dimensions influence debt financing. Each of these dimensions has been in-depth analysed within the ten studied companies in terms of their entrepreneurial orientation relationships with debt financing.

Influence of entrepreneurial orientation on debt financing

The interview findings confirm that the entrepreneurial orientation of family businesses plays a pivotal role in influencing debt financing. Entrepreneurial orientation refers to a firm’s degree of entrepreneurship which includes a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities (Lumpkin & Dess, 2001; Lumpkin & Dess, 1996; Covin & Slevin, 1989, 1991; Miller 1983). Consistent with the theoretical perspectives above, the interviews with the family business owner in this study revealed the way they implemented each entrepreneurial orientation dimension. How the aforementioned constructs influence debt financing is discussed in turn.

Influence of risk-taking on debt financing

The theme of risk-taking consistently emerged during our interviews with the participants. The interviews indicate that the interviewees undertake risk as they lead their respective family businesses. The interviewees indicated that taking risks and being exposed to risks are prevalent in their operations. These risks seemingly begin right from the start-up of the family business to the everyday running of the operations. Most of the owner-manager agreed that risk-taking strategies in firms are important for the growth and profitability of the firm. Generally, banks and other financial providers will give a loan to a profitable or potentially viable business. Also, the interviewees indicate adopting different risks at different stages of their business growth. Bold risks are seemingly taken during the early stages of starting up the business while risk-taking becomes more averse as the business becomes more developed. Below are quotes from owner-managers of “Firm D, B, and G” who observe that generally, businesses that are open to new ideas and are comfortable dealing with risk and situations of
uncertainty are likely to have a high growth rate that may influence a firm’s ability to access debt financing.

“Last month I got an order to supply wedding and bridesmaid dresses. It was a very complicated design and I have never supplied it before. Yet I took the risk and accepted the order because the price is good and to help my firm achieves high growth. And as you know profitability and growth potential are important factors when accessing debt finance. Usually, under normal circumstances, banks will grant loans to a profitable or potentially viable business.” (Firm D)

One respondent acknowledged that the firm engaged in new-venture risk. The founder of the company had never been involved in the bakery business before. Yet, the founder had the courage to establish a small-scale family-run bakery and the firm has been considered successful. The discussion with the participant revealed how a proclivity for new-venture risks can influence debt financing. The interview excerpt below attests to this.

“In 1989, I saw a good prospect in the bakery business, so the firm was established. In the beginning, the bank would not lend us money, so I had to depend on my father. But as of today, the company is considered successful and the bank saw that the company was worth doing business with, so the firm solved all financing via the bank.” (Firm B)

One owner-manager reported taking opportunity-seeking risks. The company conducted a bold strategy by choosing to export directly to their buyers and final customers in foreign markets. Even though this is risky, they expect higher returns than those from selling through local middlemen or agents.

“We export directly to our buyers overseas. Though we are aware that this is very risky because of distance and language, but if they are satisfied with our products, we can get a higher profit than we can if I send it using agents or middlemen. The most important thing is how to establish good communication and develop trust with our buyers in a foreign market. As long as we do business correctly, and do not deceive, our clients overseas will continue to buy from us at the same time enhance our firm’s productivity and growth. And besides, firms capable of taking on higher risk projects will tend to reap a larger reward in the form of greater growth and strong access to finance.” (Firm G)
From the above findings, it is evident that a risk-taking firm would take bold acts according to the nature of the environment and adopt a bold aggressive posture to maximize the probability of exploiting potential opportunities. The participant acknowledged that after the business was established, the company dared to undergo a higher risk for pursuing business opportunities. Respondents reported taking opportunity-seeking risks. The evidence shows that extent of financing and the choice of capital sources are both driven by a multitude of firm strategic abilities. Therefore, risk-taking was found to have a positive influence on family business debt financing. This finding resonates with prior research that firms that have risk-taking strategies are more prone to focus attention and effort toward emerging opportunities (Zampetakis et al., 2011; Wiklund & Shepherd 2003). Debt financing can be seen as an emerging opportunity for the family business since a majority of them do not utilize it. In this respect, risk-taking could enhance debt financing in family businesses (Sidek, Mohamad, & Nasir, 2016; Wales et al., 2013).

**Influence of innovativeness on debt financing**

The interviews indicate that entrepreneurs adopt high levels of innovativeness to be competitive and to differentiate themselves from their competitors. In other words, their perception of innovativeness was not necessarily related to newness or novelty as suggested by some scholars (e.g., Lumpkin & Dess, 2001; Lumpkin & Dess, 1996). Innovativeness appears to be displayed by producing some changes, which are perceived to be new to the business. These changes, however, might not be new to the industry. Furthermore, innovativeness does not appear to refer to the commitment of resources to invest and develop novel products, services, and technology processes. Instead, most interviewees appear to be innovative by adapting and customising existing or novel creations of their competitors. Below are quotes from the interviews.

“Concentrate mango juice brands have been produced since 2005. I have a specific attitude towards the products that I launched myself, and a different attitude towards the ones produced before it, as these communicate something very important to us. I integrate current knowledge and experience in the new product and the introduction of the brand boosts up the company sales. And as you know, the trading and business experience of the owner-managers can exert important influences on the firm’s ability...
to secure external finance. The banks would prefer to deal with people who know what they are going to do and are aware of the environment of their business and any challenges involved. Besides, people with experiences are more likely to experience future growth and success which is good for the business in the long run.” (Firm C)

“Our firm is determined to preserve the traditional unique handmade dress while also bringing a contemporary feel to the brand. For example, in 2014, during the Fashion Design Week, our firm presented a collection of shoes, dresses, bags, and accessories made with LED fibre optics that emit light, a combination of innovation and tradition that one fashion writer called genius. These sets of collections are the key components that increased our sales.” (Firm D)

“In our company, we have adopted specific products and services to accommodate Islamic guests. The services include the provision of a prayer room for devout Muslims, offering halal food choices on their restaurant’s menus, and the provision of an all-female swimming pool section for Muslim women. The process adopted is a simple marketing strategy that optimizes efforts in promoting Muslim-friendly tourism and attracting this large section of potential consumers. And you that a firm’s growth opportunities play an important role in influencing the debt financing of businesses as banks tend to lend to firms with healthy sales growth records.” (Firm F)

In another perspective, firm B acknowledges that the company follows the integration approach to innovation. The interviewee has this to say

“In our bakery, we integrate current knowledge and experience in new product development. we bake many variations of bread by reinterpreting the current offer while combining it with new ideas, including flour with whole wheat grains, different pastries made from the same dough, and gluten-free bread for people with celiac disease.” (Firm B).

The interviews indicate that innovative strategies are relevant when accessing debt financing. The discussion with the firms shows that the firms innovate by blending their current offering with novel solutions following an integration approach. The firms integrate current knowledge and experience in new product development. These firms do not have iconic products in their current offer, but they reinterpreted their traditional products in line with modern conditions, adopting new technologies to improve their traditional production. From the findings, it is evident that innovativeness could assist the family business in gaining access to debt financing.
The findings of the interviews resonate with most extant literature that innovativeness is an important determinant of obtaining debt financing (Casillas & Moreno, 2010; Zampetakis et al., 2011). Therefore, the evidence clarifies that innovativeness influences debt financing in a family business.

**Influence of proactiveness on debt financing**

The interviews indicate that proactive businesspeople operating as entrepreneurs and the companies are more likely to have a good indication of the eligibility for accessing debt financing. Below are quotes from entrepreneurs who explain the decisions they had to make in businesses to be proactive.

"In this firm, what we always wanted to do was find a better way of doing something. We do not want to do it in the traditional way so in 2010 the firm was eager and fast in getting into the retail market by adopting the POS (point of sale) terminals where our consumer makes a payment for a particular product. The electronic payment device enables our customers to make purchases with electronic cards and this has assisted us to increase the volume of sales. This act has been an outcome of proactive thinking in the sense that the efforts have aimed to satisfy the current needs of the customers and the local retailers would have otherwise lost their customer portfolio to us. Moreover, banks and other financial providers are probably more willing to fund companies that have high potential growth in the market." (Firm J)

“By proactively planning our business and sharing the business analysis and scenarios with a commercial bank the firm was able to use a business plan in obtaining a loan from the bank. As you know, the bank needs to know the viability of the project and its potential for market success. It was easy for our company to get approval as the availability of our business plan boosts the confidence of interested parties, i.e., in our case is a bank, to finance the cost of the venture.” (Firm E)

One respondent acknowledges that business expansion provides significant opportunities for generating additional financial resources. Below is a quote from the interview with Firm H.

“*Well, the business has seen some of the opportunities. As the owner of this business, the firm participates in trade fairs not only in this town but also in other regions. So, the firm can see the product trend, particularly for the global market. Then we will*
apply the design to the firm’s products that the company will offer to its customers.”

(Firm H)

The case data offered insights into the relationship between proactiveness and debt financing. From the above findings, it is evident that proactive strategy is focused on accomplishment, but particularly on the accomplishment with real impact (Bateman & Crant, 1999; Fatoki, 2012). For example, one of the respondents explained the importance of proactiveness in enhancing the firm’s ability to synthesize market intelligence. It became apparent that acting proactively is also an important factor that influences the debt financing of family businesses. The findings of the interviews revealed proactiveness could offer confidence to financiers when seeking debt financing. Financiers are more likely to offer support to a proactive company that can identify potential emerging opportunities. The result as evidenced above shows that proactiveness could influence the debt financing of family businesses.

**Influence of autonomy on debt financing**

The interviewees were of the uniform opinion that autonomy is essential for a firm to be entrepreneurial. Innovation, risk-taking, and proactiveness all depend on how much the employees are given the freedom to make decisions. Citing an example from the interview, owner-manager of Firm I commented:

“Entrepreneurial action in a company is not only the right or privilege exclusive to the owner, but it must also come from the employees. We do give a lot of freedom to our employees to find opportunities, take risks, experiment, and innovate.” She cited an example: “Recently when one of our employees came up with an idea of involving customers in clothing design, we gave her the freedom to implement her innovative idea. She created a section in our store which is now called customer designs and showcases designs suggested by customers. It went very well with our customers, and we received not only appreciation but also an increase in our sales. Which is a good indication of the eligibility for accessing bank finance.” (Firm J)

In another instance, an excerpt from firm A confirms the importance of autonomy when accessing debt financing.
“It is possible that my employees propose ideas in product design. As you know, not all orders (wedding and bridesmaid dresses) we receive come with samples. Instead, some use pictures. But if it turns out that all the features on the picture cannot be implemented for making the product. We advise the customer; it has to be like this…. like that. Most of the ideas for changes come from employees, particularly from the design department. The need for growth Opportunities is one of the reasons for this move.” (Firm A)

The interview indicates that the respondents acknowledged providing autonomy for their employees by giving them opportunities to be involved and participate actively in some business activities, such as proposing ideas, and some autonomy in matters such as deciding their work methods. Overall, autonomy is an important measure of entrepreneurial orientation, and this measure works well along with other entrepreneurial orientation measures. The discussions revolved around the empowerment and support of employees, and the creation of organizational structures that are independent and support innovation and other entrepreneurial orientation measures. From the findings, it is evident that providing autonomy in the marketplace could assist the family business in securing debt financing. The findings of the interviews resonate with prior research confirming the view that the strong preference for survival characterizing family firms is related to autonomy (Dess, Pinkham, & Yang, 2011). The ability of employees and teams to act autonomously enables family firms to improve their financial resources (Wiklund & Shepherd 2003; Kallmuenzer, Strobl, & Peters, 2018; Zellweger & Sieger, 2012).

Influence of competitive aggressiveness on debt financing

The interview indicates that owner-managers were of the view that competitive aggressiveness largely depends on the market structure in which the firm operates and is critical in deciding how much a firm can aggressively challenge the competitors. One of the interviewees was of the view that competitive aggressiveness is a posture, that a firm adopts, and the business should decide which strategic posture to adopt and accordingly develop capabilities to beat the competition. One of the interviewees commented:

“I am aware that there is competition in this industry and competition entails some degree of aggressiveness, so I maintain quality. I may decrease the price, but I still emphasise quality. So, with good quality, buyers will get satisfaction and they will
repeat their orders. Otherwise, buyers will not come to us, and you know, firm reputation is extremely important by banks when deciding whether or not to grant credit.” (Firm G)

Another interviewee commented that,

“If the buyer asked for concentrated mango juice it must be 100% pure mango Juice. We cannot mix it with other types of fruit. The juice must be processed properly. The measurement must be correct according to the specifications. We cannot reduce the size of the contents to get more profit. The finishing process must be smooth, clean et cetera. Because you know product quality is the most important product value for our firm and product quality could be achieved if a business fulfils buyers’ requirement. We ensure the product quality to increase turnover. And you know the personality characteristics of a borrower such as trustworthiness, reputation, honesty, and integrity are significant factors that influence debt finance when seeking a loan from financial institutions.” (Firm C)

In another perspective, firm I confirmed competitive aggressiveness ensures that you always lead in the market and your employees are also competitive and strive for market leadership. The interviewee has this to say.

“In our industry, the basis for competition is the price and this largely depends on costs. If we are unable to reduce our costs, we are unable to pass this as a benefit to customers to improve customer loyalty and market share. However, having said that reduction of cost is not easy, especially if you want to be a cost leader in the market. It requires strong collaboration with suppliers and retailers.” (Firm I)

The evidence shows that competitive aggressiveness influences debt financing. The discussion with the participants revealed how the company captures the distinct idea of beating competitors to the punch, suggested by Miller's (1983) definition of an entrepreneurial firm. Overall, the measures of competitive aggressiveness were found to be relevant by the interviewee. The findings from the interviews suggest that competitive aggressiveness is determined by how firms can increase revenue flows by tapping into new opportunities. For example, the interviewees appear to monitor the actions of their competitors, but this is not done to outdo the competition. Instead, it is done to guide their actions to develop appropriate strategies for their businesses. This result also confirms that, in the unique family firm context,
firms that tend to act frequently and speedily in their marketplace also tend to capture opportunities from the supply of capital (Zampetakis et al., 2011; Casillas & Moreno, 2010). Banks are more likely to offer support to a firm that has the propensity to directly and intensely challenge its competitors to achieve entry or improve its position. The above discussion and the excerpt from the interviews show that competitive aggressiveness could influence the debt financing of family businesses.

In conclusion, the above excerpts from the interviews indicate that entrepreneurial orientation is an important determinant of obtaining debt financing (Sidek et al., 2016). Entrepreneurial orientation allows firms to maintain their essence and develop a unique bundle of resources to enhance their competitive advantage (Barney et al., 2011). Family firms tend to emphasize long-term growth (Lumpkin et al., 2010; Berrone, Cruz, & Gomez-Mejia, 2012). Nigerian family businesses will benefit from strong entrepreneurial orientation strategies to sustain their legacy (Onuoha, 2012). Entrepreneurial orientation is a strategy that the company can use to improve its debt financing. Adequate external financial access needs to be combined with the internal elements in the business organization itself. As identified by Zampetakis et al (2011), entrepreneurial orientation may be a significant element in representing the architecture of firm management. Similarly, entrepreneurial orientation can be an accelerated channel for the business to gain financial resources through better chances for them to access debt financing (Wiklund & Shepherd, 2005; Covin & Lumpkin, 2011). Overall, the analysis of the study’s highlighted that entrepreneurial orientation has played a crucial role in the debt financing of family firms.
5.0 Contributions and practical implications

The study contributes to the body of knowledge on entrepreneurial orientation and debt financing in family businesses. It fills a gap in the literature by developing an empirically theoretical framework at the intersection of the family business and entrepreneurial orientation research. Motivated by the knowledge gaps in the literature, this study sought to examine the relationships between the five entrepreneurial orientation dimensions and debt financing. Based on the qualitative findings of the research, the study makes some conclusions. The study established that the entrepreneurial orientation of family businesses seems to play a pivotal role in influencing debt financing. This result supports the theoretical arguments that for a firm's resources and capabilities to generate competitive advantage, they must be valuable, rare, imperfectly imitable, and non-substitutable. (Barney, 1991; Penrose, 2009).

The current study has practical managerial implications. It is of crucial importance for the family business owner/managers to cultivate strong entrepreneurial orientation strategies to improve their ability to gain access to debt financing. In other words, entrepreneurs need to adopt innovative, risk-taking, proactive, competitive aggressive, and autonomous strategic activities (Lumpkin & Dess, 1996; Dess & Lumpkin, 2005). Banks can use the evidence furnished in this study to develop profiles of entrepreneurs who can access their services. This study has, therefore, added to the scanty research available about family businesses and their contribution to poverty alleviation, employment generations, and sustainable economic growth in Nigeria.

6.0 Limitations of the study

This study is subject to limitations that should be considered when interpreting the results. As a study based on qualitative data, the results and conclusions have time and context limitations applied to them (Patton, 1980). Therefore, the findings are limited to the Nigerian context, during the pre-COVID pandemic. Nevertheless, conclusions could still serve as a sensitising framework for research in other countries, and the findings could lead to the development of propositions and hypotheses for testing. Second, the purposive sampling and snowball sampling methods were adopted because there was very little information about the family businesses in Nigeria. Therefore, prevents the researcher to use the probability sampling
technique. Therefore, further studies could benefit from the probability sampling technique by empirically investigating the link between entrepreneurial orientation and debt financing, using quantitative methods.
References


Appendix A1:
Map of Nigeria showing 36 states in Nigeria including Lagos and Kwara State.

Source: NIMC (2018) and authors' modification.
Appendix A2: Description of the ten family firms used in this study

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<thead>
<tr>
<th>Company</th>
<th>Description of the Company</th>
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<tr>
<td>Firm: A</td>
<td>Company ‘A’ was established in 2010. The firm is a well-established wealthy aristocratic/upper-middle class entrepreneurial family business. The firm operates within the retail and wholesale industry and is classified under women’s clothing stores. The firm sells fashionable women’s clothing from a combination of widely recognized name brands as well as clothing lines from select fashion designers. These products are highly costly. The firm's goal is to ensure that the perception of the brand reflects consistency, comfort, and value for money. In 2012, firm ‘A’ began aggressively expanding into foreign markets, which included many African countries. One of the main reasons behind this early external trade was the founders’ orientation towards international trade. Also, the firm closely follows generational fashion trends as well as customers’ purchasing preferences. Moreover, this firm followed the strategy to cover up any risks by domestic and foreign markets. In other words, if there is less demand in the domestic market and the firm is not getting profit, thus, the foreign market could cover all costs and profits and vice-versa. Considering these strategies, the company started its early foreign trade in many of Nigeria’s neighbouring countries. The firm has 12 employees.</td>
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<tr>
<td>Firm: B</td>
<td>Company B opened in 1989 as a relatively small-scale family-run bakery. This company was established by two brothers in Ilorin, Kwara state. The two brothers had an interest in improving the bread and bakery goods production in Ilorin, Kwara state and together they started the company. Firm B produces different types of bakery items, breads, pastries, cakes, pies, and doughnuts are just a fraction of the variety of products. Major products include baked loaves of bread, mainly white, which account for about 40% of commercial bakery sales. About 30% of sales come from rolls, buns, and doughnuts, 10% from soft cakes, and the rest from pies, pastries, and a variety of sweet goods. The diverse product-based and the focus on improving the bakery product manufacturing industry made the company a proud regional supplier to a wide range of customers, many being incredibly reputable and recognizable international brands across the country and Africa. Both founder brothers have relatives and friends in neighbouring states and many African countries. They got all types of information and business links from their relatives and friends, even some family members who are involved in their business in foreign markets. This firm has export activities in the neighbouring province of Ilorin and many African nations as well. Firm B is the largest bakeries in Ilorin and, it remains family-run. The company has a workforce of over 100 and the capacity to produce 1 million bread rolls alone every day. The company strives to stay ahead of the competition and the teams are continuously working and innovating to bring new products into the province.</td>
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<td>Firm: C</td>
<td>Company ‘C’ was founded in the year 1995. It started as a small family business for a long time and only began to expand significantly when the founders were in their fifties. The Company has been active for years in the production, processing, and marketing of quality agricultural products. The company owns a number of farms in Offa, a rural area in Kwara State. The major products from these farms are improved mangoes, clean fruit, planting materials, forage and hay, bananas, basic seed (maize and Wheat), milk, quality dairy, and beef heifers as well as bulls for sale to other farmers. Within the family business, the children were not encouraged to join the family business directly based on their parents’ belief that it would be healthy for them to work outside the family first to develop an understanding of</td>
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what it is like to be an employee. The siblings saw what was going on in the world, considered the options, and ultimately made the choice to join the family business. The company has twenty-six employees. There was encouragement in the provision of funds for the development of the business from the family members while they also provided managerial support for the business growth. Every participant in the business cultivates an entrepreneurial attitude towards the expansion of the business by creating a new market in each unit of the region. The company is continuously expanding into new collaborations by increasing its range of products.

**Firm: D**

Company ‘D’ was founded by a woman in 2008 as a family business in Ikorodu, Lagos, State, Nigeria. The firm sells high-end fashion brands clothing, footwear, cosmetics, and accessories. The company has 15 employees, engaged five family members in the business, and ten non-members of the family. The firm has three branches in Lagos state, two in Ogun state, and one branch in Oyo State, Nigeria. The branches were formed to empower the family employees who have spent a few years in the business to manage a branch of the firm as a manager. Family private cash funding facilitates the growth of the business, so the binding social ties in the family relationship is very crucial to the development of the family business. The expansion of the firm was also accelerated due to the good vision of the owners and effective communication within the family.

**Firm: E**

The company was established in the year 1997 as an international road haulage company. The activities of the company involve providing reliable and safe transport services in Nigeria and neighbouring countries. The firm is part of the Urban Transit Systems Industry. The founder is a first-generation entrepreneur. The firm has 29 vehicles for transport services. The company engages in interstate transport services from Lagos to neighbouring states. Also, it offers intra-state within Lagos State, Nigeria. The company has forty-one employees comprising of 19 family members and 22 non-family members. Every concerned family member works towards the same vision to develop the company.

**Firm: F**

Company F is a first-generation family business, involved primarily in the hospitality industry. The company was founded in 2004. The firm is a popular restaurant and accommodation establishment located in one of the busiest areas of Ilorin, the Kwara state capital. The firm had been the choice of many customers both for business and leisure. It offers a relaxed family-oriented restaurant and a leader in responsible and sustainable tourism. The company has been firmly committed to maintaining and ensuring high standards. This has enabled it to position itself as one of the leading hospitality industries in the state with a presence in neighbouring states. The family ownership structure is critical for the firm success and the enduring entrepreneurial spirit of the founder continues to influence the way its business is led. The company refuses to recruit outside non-executive directors to avoid constraints that might compromise innovative initiatives. However, it has 21 employees made up of 16 non-family and 5 family employees, with the expertise of non-family employees who are the most senior people in the company being drawn upon by having them closely involved in developing entrepreneurial activities.

**Firm: G**

Company G was founded in 2006 and it is a first-generation owned and managed family business. The company, which employs over 70 people, operates within the agricultural industry and the firm activities involve farming and food processing. The company grows field crops such as cashew nuts, cassava, cocoa beans, groundnuts, maize (corn), and other crops and vegetables for the local market. The Company is located and operates in Kwara
state with production units located at Shonga district, a rural area in Kwara State, Nigeria. The founder of the company who is an agriculturalist with a specialization in intensive and extensive dairy and beef production systems as well as food science and technology have a lot of entrepreneurial skills that the firm put to good use for the development of the company. In the long term the company plan to move into the lucrative meat business mainly to the international market. According to the founder, the company has explored Nigeria’s neighbouring counties for markets for processed meat and interacted with prominent importers of live livestock who want to import and invest in livestock trade in Nigeria.

**Firm: H**

Company H was established in 2014. The firm operates within the professional services sector. The company is one of the largest independent suppliers of office equipment in Lagos. The firm is a leading vendor and supplier of office and school supplies, books, office equipment, and furniture, artist supplies, educational games, and gifts as well as graphic design and commercial printing services. The company is a first-generation family firm that is owned and managed by the founder. The Company has 5 employees. According to the founder, the firm is known for its entrepreneurial spirit and a focus on long-term strategic thinking that is all deeply rooted in its family’s values.

**Firm: I**

Company ‘I’ is an independent family-run real estate development services company located in Ikorodu, Lagos State, Nigeria. The company was founded in 2005 by a consultant after working at a national real estate development firm in Lagos. The firm’s activities include acquiring land, obtaining planning consents, and building the highest quality homes in places people aspire to live. This is supported by the company’s expertise in land, design, sales, and marketing. Since its establishment, the company has played a significant role in the management of a lot of real estate development and construction projects in Nigeria. The firm’s strategic advantage is derived from an entrepreneurial structure that delivers superior services and a broad diversity of the project. According to the founder, entrepreneurial orientation is seen as a continuous process, and capabilities must be continually built. The company’s founder understands its values, which allows entrepreneurial spirit at a grassroots level. The Company has 9 employees. The founder does not see the next generation as currently having a great influence on the firm as the sons are not in senior positions (yet), but he is very influential and innovative.

**Firm: J**

Company ‘J’ is a family retail large department store in Lagos states, southwest of Nigeria. The firm was founded in 2012 by a couple. The family has been successful in operating the stores since its establishment. The firm operates as a family business, with the founder as a chief merchandising officer, and their daughters heading merchandising and marketing. The Company has 17 employees. As of 2014, the company, together with its subsidiaries, was one of the largest privately-owned department stores in the Ikorodu, Lagos state, with 13 stores located in the neighbouring province. The firm sells top national brands of fashion apparel, shoes, and accessories for women, men, and children, as well as cosmetics, home furnishings, housewares, jewellery, gifts, and other types of quality merchandise. The company also sells a selection of exclusive private brands focused on offering the customers consistent quality and more differentiated merchandise options. The founders of the company have built a strong sense of emotional ownership into their businesses with family and non-family members alike. This affinity and loyalty to the business underpin their strong commitment to its success and the family’s keen interest in keeping it growing for future generations.