

The Good, the Bad and the Ugly: Cypriot Entrepreneurs' Perceptions on Networking, Family Orientation and Nepotism

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Introduction: With the development of more markets worldwide competitive challenges have increased. Cypriot businesses now also have to deal with intense international competition. Local entrepreneurs have learnt to thrive through family orientation and all that goes with it: developing social capital, networking and nepotism. Will this business model see them through in the future? By employing a qualitative research design, it was expected that entrepreneurs' understanding of what comprises 'successful' management practices would transpire. The findings of this study are important because they reveal the consequences of controversial practices, such as nepotism and 'familism'. This article contributes to the continuing debate regarding the association of entrepreneurial practices with family business orientation in general and nepotism in particular.

Business survival essentially depends on the viability of each industry, but it also depends on the entrepreneur's philosophy of practice, which pervades the organization and even society at large (Gardiner, 1985). Consequently, this study employed a personal, in-depth level while recognizing the fact that businesses and the people who run them are themselves members of a community of practice in a multi-directional social process (Horner, 1997). What entrepreneurs can and cannot do is not entirely up to them, it is also a result of cultural and regional forces (House, Wright and Aditya, 1997).

Family business and the practices that go with it have long been a cornerstone and a mainstay for entrepreneurial development in local enterprises (Konis, 2006). This is no surprise, as national markets inevitably go through this cycle, even in strong economies (e.g. Berghoff, 2006). In fact, family businesses are still the dominant business enterprise all over the world. Family orientation entails similar practices, no matter where (Church, 1993). Such businesses are based on 'networks of trust', and founded on family (e.g. Kirby and Rose, 1994). These successful networks are often rooted on nepotism (Littunen, 2003). Nepotism has traditionally had its polemics, but recently there has been a surge of re-evaluations, especially since the publication of Bellow's proposition (2003). Although instinctively one rejects nepotism in favour of meritocracy (e.g. Poutziouris, 2006), the empirical waters are still murky. For instance, Laker and Williams (2003) argue that most of what is known about nepotism is anecdotal and its impact must be measured empirically.

In summary, the objective of this article is to reveal the way Cypriot entrepreneurs perceive family orientation and especially the practice of nepotism. It is not the purpose of this study to defend or attack nepotism. It contributes to the on-going discussion by highlighting certain findings that will add to the debate.

Methodology: Studying the key informants, the entrepreneurs, is not easy. Such efforts share certain characteristics with the Complexity (Chaos) Theory. That is, causal analysis is a challenge because the number of variables involved can jeopardise one's ability to understand causal roots. This is probably the main reason why related studies produce such diverse results and it is why there are few, if any, studies that are

collectively acknowledged. Consequently, it was decided that a qualitative research approach would be best suited. It would 'allow' for a broad-based perspective, which is especially useful since Cyprus has not been sufficiently studied.

Such an inductive research approach has increasingly been in use among researchers studying similar issues and especially in investigating entrepreneurs (e.g. Perren and Ram, 2004; Cope, 2005). Such studies highlight the necessity for *emergence* of key concepts for theory building. For instance, O'Donnell (2004) utilized a qualitative study in an effort to understand networking behaviors in small firms.

Thus, this study was initiated using an open outlook: the key informants, 36 Cypriot entrepreneurs from a representative cross-section of industries, were free to express themselves, so 'allowing' the important issues to emerge on their own. This is not to say that this research study began blindly. The main instrumentation tool, the interview, was a semi-structured one, providing direction and flexibility. A wide spectrum of issues was discussed (e.g. personal background, the Cyprus culture, personal beliefs and values, and work environment). That is, this study was conducted within a philosophical framework which lies somewhere between phenomenology and post-positivism. Particularly, it began at an exploratory and descriptive level, yet later, as patterns emerged using various analytical techniques, interpretation was sought.

Of course, a possible limitation is that using such an approach can limit the probabilistic generalisability of the study. However, internal validity was achieved in terms of analytic generalisability, by inspecting the findings for correspondence with previous research and theory. Moreover, discussed issues were cross-referenced with the interviewees' acquaintances and by observation. Finally, by asking about the same phenomena across cases (Gilgun, 1994) in an effort to saturate any emerging properties and subsequent categories (Strauss and Corbin, 1996).

Results: It was overwhelmingly revealed that family business orientation (and associated perceptions and practices) is indeed the dominant modus operandi, even in cases where the entrepreneurs did not define their firms as such. The family is at the center of operations, trumping other more 'correct' managerial behavior.

However, a moral and professional dilemma is becoming more and more apparent. These entrepreneurs are fully aware of the transitional environmental developments around them, as they report to be frequent business travelers and, predominantly, well educated in professional management. So, they report a consistent frustration about the traditional local definitions of what constitutes 'good business' behavior, which are founded upon kinship and other networks. Inevitably, as is shown in the words of the entrepreneurs themselves, nepotism is an issue they *all* raised, even when it was not on the immediate agenda.

This perception, and related behavior, was justified in several ways. For instance, it was widely reported that the smallness of the market (geographically, numerically and financially) renders such practices unavoidable. No wonder total strangers call each other 'koumbaros' (best man). Also, most entrepreneurs associated nepotism with a deeply ingrained cultural tradition, which cannot be dismissed with simple managerial decisions. In essence, they reported powerlessness and an 'if-you-can't-beat-them-join-them' attitude.

And, in any case, they identified why it works: it gives them an edge over foreigners, added trust and the dynamism of reciprocation. They all professed a dislike of nepotism and its consequences (e.g. reduced productivity), and of others who practice it. Yet, they are surrounded by family members and ‘would do anything’ for their kin. They report to be trapped in a vicious cycle; nonetheless it emerges from their attitude and behavior that they are not in too much of a hurry to get out of it.

Contribution and Implications: This study contributes to the on-going entrepreneurial ‘soul searching’ that is becoming increasingly more apparent in the literature and among entrepreneurs themselves. Many past studies made it much easier: family associated practices (as is nepotism) are bad for business. But, the international dominance of such operations and the enduring issue of nepotism everywhere (e.g. Australia: Gilding, 2005; USA: The Economist, 2004; Scotland and other countries: Drakopoulou et al, 2002, etc.) calls for more intense relevant investigation in various settings and cultures. The dimensions, and consequences, of such activities need to be further investigated.

With this research study, Cypriot entrepreneurs do not tilt the scale. They acknowledge the presence of nepotism, but they also display an unwillingness to abandon a practice that has served them well in the past. A balance is best, they report, given the nature of the regional environment. Similarly, future studies will have to pay more attention to the cultural and other dimensions in a more holistic manner which will clarify further the ‘types’ of nepotism and empirically associate its persistence with other factors.

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