Chapter 2
Family Business: A Global Perspective from the Panel Study of Entrepreneurial Dynamics and the Global Entrepreneurship Monitor

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2.1 Introduction

This chapter directly examines the relevant literature for addressing several fundamental issues associated with family business and entrepreneurship. While a substantive literature has evolved over time with regard to family business management and succession issues, relatively less is understood about the vital role of family business in nascent entrepreneurial activity. Without question, family business enjoys a long and critical role in the global ascendency of the industrial age (Bird et al. 2002). Relatively little is understood, however, about underlying critical issues associated with family influence in nascent entrepreneurial activity. For example, family business research has long been focused on the many succession issues associated with the founding or subsequent generations of family members with respect to ownership and management (Dyer and Handler 1994). Only recently, have we begun to shift our attention to the more salient issues surrounding the venture creation process. For example, Chang et al. (2009) use a resource-based view examine social capital and network theories that influence the venture creation process.

Given this lack of expansive understanding of the role of family business in nascent entrepreneurial activity, this chapter directly examines a number of variables of interest that inform the process. In essence, we argue that family and business are indeed "inextricably intertwined" and adopt a perspective of family embeddedness that seeks to further inform the nascent entrepreneurial activity

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(Aldrich and Cliff 2003). For example, with regard to the Panel Study of Entrepreneurial Dynamics (PSED I), 20 items included in the initial telephone survey represent the family background variables. These 20 items are organized into the conceptual categories of “primary family role models,” “extended family and other role models,” and “attitudes toward and encouragement by role models.” The structure of the items on family background begins with assessing whether or not the respondent’s mother of father, alone or together, ever worked for themselves or ran their own business. Specific questions probed for more information about the number of business owned by the father or mother, the size of those businesses, and the respondent’s work history with those businesses.

In addition, this chapter also explores family business background variables in the PSED II study. Specifically, we examine issues around and the role played within the family context such as the importance of family life, family tradition, influence of parental background, work experience in family businesses, and family financial support for nascent entrepreneurial activity. Ten items in the PSED II directly assess the family background influence variables across three dimensions. Four items examine the aspect of family role models; two items assess family financial support (across two time periods); and four items look at family life and legacy.

Finally, this chapter examines family business variables included in the Global Entrepreneurship Monitor (GEM) studies. As noted above, research suggests that there is a higher prevalence of entrepreneurial activity among individuals whose parents have been self-employed or running their own businesses. The GEM data provides a unique view of the family business phenomena from a global perspective. This includes, but is not limited to, the use of advisors in general and family and friends in particular in global entrepreneurial start-up activity, as well as providing funding to family members and the relationship of the person providing the funding.

2.2 A Familial Perspective on Nascent Entrepreneurial Activity

Building on the literature and theoretical development outlined above, it follows that a familial perspective on nascent entrepreneurial activity merits further exploration. Overall, we will outline five key areas including (1) family life; (2) family tradition; (3) parental background; (4) work experience in family business; and (5) family financial support. Preliminary data analysis of these and other key variables from the PSED I and II as well as GEM are presented.

2.2.1 Family Life

Whereas scholars have intuitively speculated that family life is indeed an important dimension in the new venture creation process, they have also observed that it is a neglected dimension in terms of systematic inquiry (Aldrich and Cliff 2003;

Dyer and Handler 1994; Ruef et al. 2003; Steier 2007). For example, Steier (2007) observes that despite studies suggesting that much of the economic activity around the world exhibits a family dimension (e.g., Astrachan and Shanker 2003; Morck and Steier 2005), the public narratives surrounding the new venture creation process tend to emphasize individual action while ignoring collective action. Through examples like Disney and WalMart, he shows that such a bias toward public "official" organizational narratives tends to overshadow important familial subnarratives. As a result, the importance and role of family life to the development of such successful organizations has been marginalized from the discourse surrounding the new venture creation process. Such evidence also reflects the observation that research has focused less on generating a strong sense of family embeddedness as an influential dimension (Aldrich and Cliff 2003), suggesting further inquiry into the importance of family life, both as a potentially conscious and subconscious influence (Matthews et al. 2009), is critical toward developing a stronger sense of the roles family life plays as a dimension in the new venture creation process.

2.2.2 Family Tradition

One of the most interesting aspects of family business centers around various motivations for starting and/or continuing family businesses. Over the years, much speculation and a number of writers have examined the relationship between individual's motivation and various perceptions of the environment with regard to supportive environments, including family and external market conditions in general, and followers of family tradition and role models in particular (Dubini 1989). Of course, it is much more difficult to capture this phenomenon prospectively in the case of nascent entrepreneurial activity. Nonetheless, it remains a central factor in enhancing our understanding of nascent entrepreneurial activity especially with regard to the on-going relationship or kinship ties to family tradition.

2.2.3 Parental Background

A third area that informs our understanding of nascent entrepreneurial family firms is the role of family background in business as an influencing factor in the start-up process. Hundley (2006) in his empirical study suggests that men with self-employed fathers and higher parental incomes are more likely to be self-employed, the impact of paternal self-employment is leveraged by higher family income, and self-employment is more likely when the father worked in an occupation with task requirements similar to those of an independent business. In their analysis of why people get involved in the creation of new ventures, White et al. (2007) suggest the social context of the entrepreneur, specifically their family business background, is indeed associated with new venture creation. Overall, this suggests that role models, in particular parental or family role models, as indirect influencers on nascent entrepreneurial career preferences or expectations merit continued analysis (e.g., Katz 1992; Krueger 1993; Matthews and Moser 1995, 1996).

2.2.4 Work Experience in Family Business

A fourth area that is of interest in furthering our understanding of the role family business plays in nascent entrepreneurial activity is work experience in the family business. One of the key concerns in perpetuating the family business is the interest of subsequent generations in taking over the family business, succeeding in either ownership or management or both of the family business. Of course, there is also paradox or counterargument that exposure to entrepreneurial and family business via work experience in the family business could initiate interest in entrepreneurial vs. succession activity (e.g., Johannisson 2011).

2.2.5 Family and Nonfamily Financial Support in Nascent Entrepreneurial Activity

A fifth area of interest that has the potential to inform our understanding of the role family business plays in nascent entrepreneurial activity is family and nonfamily financial support. Because financial capital is both a necessary and appropriable resource, one of the key concerns in the new venture creation process revolves around the sources and structure of start-up capital. Both anecdotal observation and empirical studies suggest that nascent entrepreneurs mobilize a mix of both family and nonfamily financial resources (e.g., Aldrich and Waldinger 1990; Berger and Udell 1998; Steier and Greenwood 2000). Though this mounting evidence suggests that family does in fact play an important role in the new venture creation process, Aldrich and Cliff (2003) suggest that further consideration is needed to generate a richer understanding of embeddedness influences. These authors conclude such consideration is particularly important given significant socio-historical changes observed in the family system at the beginning of the twenty-first century.

2.3 Panel Study of Entrepreneurial Dynamics I and II and Global Entrepreneurship Monitor

Two of the most salient and dynamic data sets focused on the exploration of nascent entrepreneurial activity have been the PSED and the GEM. The PSED was initiated in 1994, as the Entrepreneurship Research Consortium (ERC) under the leadership of Paul Reynolds, Nancy Carter, and Bill Gartner. The ERC evolved into the PSED and involved the collaboration of over 100 researchers from 34 universities, each school donating $20,000 to prime the research pump. A random screening of more than 64,000 American adults yielded 830 nascent entrepreneurs (those who were alone or with others in the process of starting a business) and another 431 non-entrepreneurs. PSED I included both a 60-min telephone interview and mail survey, and once a year for 3 years a follow-up survey. The PSED I began gathering the data in 1998 through 2003. Additional grants from the National Science Foundation and the Kauffman Foundation for additional data collection brought the total funding for this unique research to approximately $1.3 million. In 2005, PSED II, utilizing updated procedures and questions, was launched under the auspices of the Kauffman Foundation. Follow-up data collection for PSED II continued through 2010, and yielded 1,214. For more detailed information on the PSED I and II, please see *Handbook of Entrepreneurial Dynamics: The Process of Business Creation* (Gartner et al. 2004) and *New Firm Creation in the United States: Initial Explorations with the PSED II Data Set* (Reynolds and Curtin 2009).

The GEM is the largest survey-based study of entrepreneurship in the world. GEM was started in 1997, as a joint initiative between Babson College in the USA and The London Business School in the UK. Researchers in these institutions were concerned to improve understanding of the relationship(s) between entrepreneurial activity and national economic growth. To this end, the team designed a cross-national, longitudinal research program with the intention of providing annual assessments of the entrepreneurial sector for a range of countries. The first data collection cycle took place in 1999, and produced data for ten countries. In 2010, GEM has grown to conducting research in 59 countries.

During the course of its history since 1999, over 60 countries have been involved with the research. Every year, a national team is responsible for conducting a survey of at least 2,000 people within its adult population. The *Adult Population Survey* is a survey of attitudes toward entrepreneurship in the general population but it also asks people whether or not they are engaged in start-up activity or own or run a business. The individual national team surveys are all collected in exactly the same way and at exactly the same time of year to ensure the quality of the data.

Data for the GEM is publicly released via the GEM website (http://www.gemconstrium.org) and available at the Inter-University Consortium for Political and Social Science Research (http://www.icpsr.umich.edu). For more information about GEM research and methods, please see Reynolds et al. (2005).

Table 2.1 shows item number and description of item questions from PSED I and II. Table 2.2 shows item id, years of data collection, question description, and survey label.

2.3.1 Selected Results from the Panel Study of Entrepreneurial Dynamics

Pooling data from PSED I and PSED II ($N=2{,}044$), preliminary analysis reveals that about 30% of all nascent business initiatives are family businesses. That is, they are founded by either a spousal pair team or a team controlled by at least 50% kinship ties. In examining a familial perspective on nascent entrepreneurial start-ups,

Table 2.1 Survey items form Panel Study of Entrepreneurial Dynamics (PSED) I and II

Item number		Description of item question
PSED I	PSED II	*Family history and role model items*
Q361	AZ6	Was your mother born in the U.S.?
Q360	AZ7	Was your father born in the U.S.?
Q362	AZ8	Did your parents ever work for themselves or run their own businesses, alone or together?
Q375	AZ9	Did you ever work full time or part time for your parents' business?
QB1h	AP11	Many of your relatives have started new businesses
Q379		Have your family, relatives, or other close friends been encouraging you to, or discouraging you from, starting a business of your own?
Q379a		How would you describe the ENCOURAGEMENT you received from your family, relatives or other close friends, would you consider it very weak, weak, neither weak nor strong, strong, or very strong?
Q379c		How would you describe the DISCOURAGEMENT you have received from family, relatives or other close friends. Would you say it is very weak, weak, neither weak nor strong, strong, or very strong?
		Family financial support
	AQ5	What is the dollar amount provided that came from personal loans received by (you/[NAME]) from (your/their) family members and relatives (before the business was registered as a [C1])?
	AR12	(What is the dollar amount of the debts that…) …are in personal loans from spouses, family members, or other kin of the start-up team of the new business(after it was registered as a [C1 LEGAL ENTITY])
R773		How about FAMILY MEMBERS AND RELATIVES of yours (OR the start-up team) – how much money have they PUT INTO the business, expecting to share ownership and profits?
R773a		How much money have FAMILY MEMBERS AND RELATIVES of yours (OR the start-up team) LOANED the business – money they expect to get back, with or without interest?
S773b		How much have FAMILY MEMBERS AND RELATIVES raised to invest in the new business loans or ownership – by borrowing against household assets, like a mortgage on their home?
Q271		Have you asked your friends and family for funding for this new firm?
Q271a		Was the answer yes or no (when you asked your friends and family for funding for this new firm), or is the request still pending?
Q272		How much funding do you expect, in total, from your family and friends?
Q273		Have the family and friends of others on the start-up team been asked to provide funding for this new firm?
Q274		How much funding do you expect, in total, from the family and friends of others on the start-up team?

Table 2.2 Survey items from the Global Entrepreneurship Monitor (GEM)

Item	Year(s)	Question	Label
SUFFUOWN	2002–2003	Do you and one or more family members, including those by blood, marriage, or adoption, together own and control more than 50% of the business?	Start-up: Expected family own 50% within 5 years
SUFNWOWN	2002–2003	Was this new business developed by or separated from an existing business controlled with your family?	Start-up: Family now own more than 50%
SUFAMSPL	2003	Was this new business developed by or separated from an existing business controlled within your family?	Start-up: New bus split from family bus
SUMONEY2	2001; 2003	Have you received or do you expect to receive money – loans or ownership investments – from any of the following to start this business? (other relatives, kin, or blood relations)	Start-up money: From close family member sibling
SUMONFAM	1998–2003	Continuous respondent self-report of sum of equity	Start-up money: Family investor got Equity – US $ conversion
SUMONFUS	1998–2003	Continuous respondent self-report of sum of investment	Start-up money: Family money invested – US $ conversion
OMFFUOWN	2002–2003	Do you expect any other relatives or family members, including by blood, marriage, or adoption, to share in owning more than 50% of the business in the next 5 years?	Owner–manager: Family will own 50% in 5 years
OMFNWOWN	2002–2003	Do you and one or more family members, including by blood, marriage, or adoption, together own and control more than 50% of the business?	Owner-manager: Family now own more than 50%
OMFAMSPL	2003	Was this new business developed by or separated from an existing business controlled within your family?	Owner-manager: New bus split from family bus
BAREL	2000–2003	What was your relationship with the person that received your most recent personal investment	Bus angel: Relation to investee
BAFAMOWN	2002–2003	You say you provided financial support to a family member or relative starting a new business. In return for this investment, did you receive a share in ownership of the business?	Bus angel: Equity four invest in family bus
BAFAMSPL	2002–2003	Was this new business developed by or separated from an existing business controlled within your family?	Bus angel: New bus split from family bus

with regard to personal motivations relating to family, nascent entrepreneurs rate greater flexibility in life the highest, followed by building a business children can inherit thereby continuing a family tradition. About 52% of all respondents reported that their parents owned a business, and about 48% of respondents worked in their family's business either part- or full-time (see Table 2.3).

Analyzing financing data among PSED II respondents, we also find considerable information on start-up funding. PSED II is utilized for this analysis because it can be differentiated between funding received before the start-up is registered as a legal entity and after the start-up is registered as a legal entity. We analyze data prior to legal registration for this analysis because of this added specificity.

The average for funds loaned by family before the nascent venture is registered as a legal entity is estimated to be $3,576.72, with a standard deviation of $44,418.75. Of all funding sources before legal registration (i.e., family, friends, employees, work colleagues, credit cards, personal loans, second mortgages, car loans), about 8% (including outliers) and about 30% (excluding outliers)[1] are contributed by family members to the nascent start-up before the nascent venture is registered as a legal entity. Overall, the traditional friends, family, and founders, including credit cards, account for 63% of the funding sources for this sample, with personal funds accounting for nearly 48.4%.

Furthermore, the data highlight considerable variance in the amount of funding received by the nascent venture from family members. For this sample, the sum of all funds contributed by family to start-ups is about $4.3 million. However, when asked about the largest investment a family member made, some nascent ventures reported receiving as much as $1.4 million in start-up loans from family, while others as little as $12. Of the total 1,214 nascent ventures used in this analysis, 1,016 (83.7%) report receiving no funding from family sources, while 172 (14.2%) report receiving family funding (26 nascent ventures did not reply). In sum, these data appear to confirm the findings of earlier work (e.g., Aldrich and Ruef 2006) suggesting that although meaningful (i.e., about 14.2% micro financing contributions are received from a family member during the earliest stages of new venture creation), the ability and motivational influences strong relational ties with family members have on nascent entrepreneurs does not *necessarily* translate into financial support.

With regard to the total dollar amounts, when asked, "What is the dollar amount provided that came from personal loans received by (you/[NAME]) from (your/their) family members and relatives before the business was registered?" the amount loaned reported is $4.25 million. When asked, "What is the dollar amount of the debts that are in personal loans from spouses, family members, or other kin of the start-up team of the new business after it was registered?" the amount reported is $69,000. This difference is amplified in part by one venture receiving a $1.4 million loan before the firm was registered. Even without this outlier, however, the amount of funding from family members prior to firm registration is noteworthy. These results are summarized in Table 2.4, with the exception of outliers.

[1] To minimize impact of outliers, informal sources of funding greater than $52,000 are recoded at the top end. Overall, 90% of cases fall between $12 and 52,000 for all sources of funds.

Table 2.3 Results of selected data from PSED I and II

		Start-up team ownership: Family vs. others[a]	Greater flexibility in life[b]	Continue family tradition[b]	Build business kids can inherit[b]	Parents self-employed or owned business	Nascent entrepreneur worked in parents business[c]
N	Valid	2,044	1,769	1,770	1,765	2,016	1,045
	Missing	0	275	274	279	28	999
Mean		1.8948	3.84	1.70	2.60	0.52	0.6574
							No 0.52
							PT 0.30
							FT 0.18
Median		1.0000	4.00	1.00	2.00	1.00	0.0000
Standard deviation		1.13339	1.221	1.229	1.539	0.500	0.76399
Minimum		1	1	1	1	0	0
Maximum		4	5	5	5	1	2

[a] 1 = sole proprietor, 2 = spousal pair, 3 = family team controlled >50%, 4 = other team.
[b] Response scale prompt: To what extent was that important? 1 = no extent, 2 = a little, 3 = some, 4 = a great extent, 5 = a very great extent.
[c] Responses include: 0 = not worked, 1 = worked part-time, 2 = worked full-time. To calculate 48% worked in parents business, full and part time were merged

Table 2.4 PSED II summary of nascent venture financing sources

Start-up team ownership		Personal funds	Family funds	Friend funds	Credit cards	Personal bank loans	Asset backed funds	Other	Total money by wave A
Sole proprietorships	Mean	$18,585.63	$3,693.83	$1,973.64	$698.32	$8,602.46	$7,696.04	$473.04	$40,654.91
	Median	$1,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,000.00
	Standard deviation	$203,559.77	$56,140.51	$39,553.64	$5,522.57	$157,794.87	$157,537.97	$11,777.40	$520,987.81
	Minimum	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Maximum	$5,000,000.00	$1,400,000.00	$1,000,000.00	$100,000.00	$4,000,000.00	$4,000,000.00	$300,000.00	$13,000,000.00
	Sum	$11,783,290.00	$2,397,294.00	$1,286,812.00	$457,397.00	$5,600,200.00	$5,040,905.00	$307,000.00	$26,872,898.00
	N	634	649	652	655	651	655	649	661
	Percent of total sum	43.85	8.92	4.79	1.70	20.84	18.76	1.14	100.00
Spousal pair	Mean	$15,922.69	$1,396.76	$414.64	$735.80	$6,244.70	$689.39	$0.00	$24,536.32
	Median	$3,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$4,000.00
	Standard deviation	$50,384.37	$7,803.06	$3,052.56	$4,032.89	$40,487.08	$3,332.37	$0.00	$71,798.91
	Minimum	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Maximum	$500,000.00	$80,000.00	$30,000.00	$55,000.00	$600,000.00	$24,000.00	$0.00	$760,000.00
	Sum	$4,076,208.00	$365,950.00	$109,050.00	$194,250.00	$1,648,600.00	$182,000.00	$0.00	$6,575,733.00
	N	256	262	263	264	264	264	263	268
	Percent of total sum	61.99	5.57	1.66	2.95	25.07	2.77	0.00	100.00

Family team >50%	Mean	$34,167.93	$4,905.05	$199.09	$893.35	$20,728.23	$5,721.06	$5.38	$65,145.73
	Median	$3,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$4,500.00
	Standard deviation	$88,444.44	$20,001.79	$1,331.33	$5,311.21	$103,702.46	$30,559.66	$51.85	$182,135.15
	Minimum	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Maximum	$500,000.00	$150,000.00	$10,500.00	$50,000.00	$900,000.00	$250,000.00	$500.00	$1,400,000.00
	Sum	$3,143,450.00	$456,170.00	$18,515.00	$83,975.00	$1,948,454.00	$537,780.00	$500.00	$6,188,844.00
	N	92	93	93	94	94	94	93	95
	Percent of total sum	50.79	7.37	0.30	1.36	31.48	8.69	0.01	100.00
Nonfamily team	Mean	$31,674.14	$5,596.39	$2,824.06	$2,477.99	$4,511.41	$12,511.89	$3,474.19	$60,995.81
	Median	$3,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,100.00
	Standard deviation	$115,232.43	$36,572.87	$33,201.68	$14,093.34	$23,092.32	$133,281.24	$37,472.73	$206,770.61
	Minimum	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Maximum	$1,300,000.00	$450,000.00	$450,000.00	$160,000.00	$250,000.00	$1,800,000.00	$500,000.00	$2,050,000.00
	Sum	$5,796,367.00	$1,029,735.00	$519,627.00	$455,950.00	$830,100.00	$2,314,700.00	$642,725.00	$11,589,204.00
	N	183	184	184	184	184	185	185	190
	Percent of total sum	50.02	8.89	4.48	3.93	7.16	19.97	5.55	100.00
Total	Mean	$21,286.97	$3,576.72	$1,622.49	$995.47	$8,405.16	$6,740.72	$798.51	$42,196.61
	Median	$2,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,000.00
	Standard deviation	$160,680.00	$44,418.75	$32,054.43	$7,296.63	$121,965.36	$127,981.45	$17,154.02	$397,768.12
	Minimum	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Maximum	$5,000,000.00	$1,400,000.00	$1,000,000.00	$160,000.00	$4,000,000.00	$4,000,000.00	$500,000.00	$13,000,000.00
	Sum	$24,799,315.00	$4,249,149.00	$1,934,004.00	$1,191,572.00	$10,027,354.00	$8,075,385.00	$950,225.00	$51,226,679.00
	N	1,165	1,188	1,192	1,197	1,193	1,198	1,190	1,214
	Percent of total sum	48.41	8.29	3.78	2.33	19.57	15.76	1.85	100.00

This raises an interesting possibility. Specifically, it may be that the longer the nascent venture matures while it gestates, the more likely it gains legitimacy in the eyes of stakeholders beyond the entrepreneur's family. As a result, this finding may suggest that nascent entrepreneurs quickly turn their attention toward securing more formal or nonfamily funding sources to replace family funding fairly early on in the stages of the new venture creation process.

2.3.2 Selected Results from the Global Entrepreneurship Monitor

The GEM provides a detailed source of time series data on family businesses internationally. Overall, it allows family business scholars to assess the rates of participation from year to year among various countries in nascent family-owned business, young family-owned businesses, and business angels or affluent individuals who provide capital for a business start-up, usually in exchange for convertible debt or ownership equity.

Data from 1998 to 2005, representing 48 countries and 538,288 respondents, provides some interesting insights into the family business dynamics on the global front. For example, 21% of all who reported nascent start-ups globally believe that their initiative would be family owned within 5 years. Of those currently engaged in start-up initiatives, about 48% report that the family currently owns 50% of the business. About 21% of start-ups globally have split from a family business to spin off a new business. For nascent entrepreneurs who received start-up funding, looking only at family sources of funding, 8% received funds from family, with the average sum invested globally in start-up initiatives by family members is about $24,244 (in U.S. Dollars).

Among young businesses that are currently operational globally, about 23% of firms report that within 5 years they expect to be family owned. Moreover, among those respondents who report an operational young firm, about 56% are currently family controlled. Furthermore, of all respondents who reported an operational firm globally, 21% stated that their business split from a family business.

Finally, among respondents who reported being business angels in the GEM, about 50% claimed to have funded some type of relative (close family member or other relative). Additionally, about 37% of these business angles who funded relatives received equity in the start-up initiative. Finally, of the businesses funded by business angels in the GEM, 29% of these funded firms represented initiatives that split from a family business (see Tables 2.5 and 2.6).

2.4 Discussion and Future Research

Consistent with prior research (Astrachan and Shanker 2003; Morck and Steier 2005; Steier 2007), the findings from the pooled PSED I and II and the GEM samples presented here suggest much of the nascent entrepreneurial economic activity

Table 2.5 Results of selected GEM data

		Start-up: Expect family will own 50% within 5 years	Start-up: Family now own more than 50%	Start-up: New business split from family business	Start-up money: Close family member	Start-up money: Family investor got equity	Start-up: Family money invested (US Dollars)
N	Valid	4,837	2,749	3,738	14,263	460	460
	Missing	533,451	535,539	534,549	524,025	537,828	537,828
Mean		0.41	0.59	0.30	0.14	84,208.79	24,244.71
Median		0.00	0.00	0.00	0.00	1,000.00	525.52
Standard deviation		1.280	1.003	0.919	0.737	435,002.559	143,576.593
Minimum		0	0	0	0	1	0
Maximum		8	8	8	8	5,000,000	3,104,800

		Own-manage: Family will own 50% in 5 years	Own-manage: Family now owns more than 50%	Own-manage: New business split from family business	Business angel: Relation to investee	Business angel: Equity for investing in family business	Business angel: New business split from family business
N	Valid	7,187	4,615	6,642	13,673	1,248	1,260
	Missing	531,101	533,672	531,646	524,615	537,040	537,028
Mean		0.48	0.61	0.27	2.81	0.46	0.40
Median		0.00	1.00	0.00	3.00	0.00	0.00
Standard deviation		1.423	0.786	0.817	1.923	0.938	0.986
Minimum		0	0	0	1	0	0
Maximum		8	8	8	9	8	8

Table 2.6 Summary of the GEM data for financing, ownership, and new ventures

	Start-up: Expect own 50% within 5 years	Start-up: Family now own more than 50%	Start-up: New business split from family business	Start-up: money from close family member	Own-manager: Family will own 50% in 5 years	Own-manager: Family now owns more than 50%	Own-manager: New business split from family business	Business angel: Equity for investment in family business	Business Angel: New split from family business
No	76.7	50.7	78.0	90.9	74.1	43.4	78.7	61.4	69.6
Yes	20.8	47.9	20.9	8.4	22.7	55.9	20.5	37.4	29.1
Don't know	2.5	1.4	1.1	0.7	3.2	0.7	0.8	1.1	1.3
Total	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*

Note: Business angel: relation to investee: close family 41.4%; other relative 8.6%; work colleague 8.9%; friend/neighbor 26.7%; stranger 7.6%; other 2.8%; don't know 2.7%; refused 1.4%

in the United States and globally continues to exhibit a substantial family business dimension. For example, from the PSED, we see that nascent ventures with spousal pairs and teams controlled by at least 50% kinship ties accounting for roughly 30% of all nascent business initiatives. Consequently, these results suggest that continued future research is warranted to provide a more complete understanding of this important family and family business dimension of nascent economic activity.

The prominence of spousal ties in nascent entrepreneurial activity provides, at a minimum, indirect support for the idea that family life is a central concern in the earliest days of the new venture creation process. It is interesting to note that a little more than 50% of respondents report their parents having owned a business and 48% of those respondents report having worked in that business either full- or part-time. Also, it is noted that "building a business children can inherit" is a significant personal motivation. Taken together, this seems to suggest that entrepreneurs are consciously aware of and making decisions with family life as a significant concern from the outset of their respective entrepreneurial efforts. A question of interest for future research would be to consider more directly the extent to which this influence occurs as a "conscious" form of cognitive and decision-making behavior.

Similarly, the results reflecting the motivation to create or continue a family tradition appear to suggest that nascent entrepreneurial decisions with family life and legacy are indeed part of the nascent entrepreneurial equation. An interesting question for future research in this regard would be to consider the strength of such motivational influences both alone and in combination. For example, one question of interest is whether being motivated to continue a family legacy or create a family legacy has a more substantial influence on nascent start-up activity. Another question of potential interest would be the extent to which the presence of both existing and/or new family business legacy would have a synergistic impact on efforts to sustain and/or launch a nascent venture. Future research might consider questions focusing on the speed and intensity with which nascent entrepreneurs with such background influences navigate the start-up stages. Similarly, future research may also consider the extent to which such influences impede or enhance the persistence of nascent new venture creation efforts.

The results presented here lend support to prior work suggesting that the role of family background in business is indeed an influencing factor in the start-up process (e.g., Hundley 2006; Katz 1992; Krueger 1993; Matthews and Moser 1995, 1996). Parental background, especially with regard to early socialization and learning, has long been regarded as a key element associated with likelihood and/or interest in fostering a preference or inclination for new venture start-up. Research has fairly consistently shown that with a family background in business, an individual is more likely to be engaged in nascent entrepreneurial activity. As noted above, Hundley (2006) confirms that, "…both paternal self-employment and background family income substantially affect the likelihood of self-employment among men." He also concludes that self-employment propensities increase with parental assets and inheritances or other gifts. Overall, the PSED provides additional insight into the role of parental background, showing that 52% have a family business background. Overall, this suggests that role models, in particular parental or family role models, as indirect influencers on nascent entrepreneurial career preferences or expectations merit continued analysis.

This may or may not be directly related to the type and/or amount of work experience the nascent entrepreneur has gained in or out of the family business. Interestingly, part-time work experience in the family business seems to lead to a greater rate of nascent entrepreneurial activity than full-time work experience in the family business. While somewhat counter-intuitive on the surface, this may well explain in part the propensity of family background in nascent entrepreneurial activity. If indeed, early exposure to family business practice is related to start-up activity, being less engaged in the family business may lead to splitting from the family business to engage in one's own entrepreneurial pursuits. Limited exposure to working in the family business may not provide the "ties that bind" or the embeddedness in the family business practice, but enhance the potential embeddedness in one's own nascent entrepreneurial activity. Whereas, a deeper exposure to the family business via full-time work experience may enhance the process toward family ownership and management succession. Future research may need to focus on these overarching dynamics to further address the propensity to succeed in the family business vs. striking out on one's own.

Family and nonfamily financial support in nascent entrepreneurial activity provides some key insights into the funding behind the nascent ventures. Indeed, family financial support appears to be a meaningful dimension in the nascent new venture creation process, but not necessarily to the extent that may have been previously thought. Our results based on data from the PSED II suggest that nearly 50% of nascent entrepreneurs rely on their own personal funds, followed by personal bank loans, asset-backed funds, family funds, credit cards, and friends. Moreover, the results presented here on the reliance of personal funds are consistent with earlier research focusing on pre- and post-business registration (Matthews et al. 2009). Specifically, that as the venture progresses it may gain credibility in the eyes of potential external funding sources and relies on family sources to a lesser extent over time as a result. Initially, however, personal funds, personal bank loans, and credit cards account for 86% of funding when family teams are greater than 50%; 69% of funding for sole proprietorships; and 93% of funding for spousal pairs. This suggests the importance of the family commitment in the early venture stages, especially in the case when family firms are greater than 50% or spousal pairs. Consequently, future research may wish to focus on how these two areas might differentiate themselves especially with regard to the speed these nascent ventures may need to diversify from personal internal sources to more external sources of funding.

2.5 Conclusion

With over 80% of all firms in the United States classified as family or privately held ventures, family business is an integral and dynamic element of economic activity and growth. Over the years, family business research has, is, and continues to provide insight into our evolving understanding of the many dynamic aspects of family business. While a relevant and rich research family business literature has evolved around established family ventures, especially with regard to the critical elements associated with management and ownership succession, little has been examined around how the family in business begins its entrepreneurial journey.

While there are numerous variables involved in the start-up of any venture, several emerge as particularly interesting and informative around nascent entrepreneurial ventures and family business. These include but are not limited to issues surrounding family life, family tradition, parental background, work experience in family business, family financial support, in concert with primarily family role models, extended family and other role models, and attitude toward and encouragement by role models. While we have begun the journey of our deeper understanding around a number of salient family business and nascent entrepreneurial variables, we are only just beginning to evolve a more complete understanding of the nature of the embeddedness of the family relationships measured by these variables. With the foundation provided by both the PSED and the GEM data, it is anticipated that our understanding will continue to evolve. For example, an underlying question remains as to the conscious awareness of these variables by the nascent entrepreneur or if these occur in spite of an awareness. Also, while socialization and social learning theory have taken us so far, we are just beginning to explore how evolutionary forces inform the nature vs. nurture equation and nascent entrepreneurial activity in the short and long term (White et al. 2007). Future family business research will do well to include a robust mix of these variables to further enhance our understanding of the nascent entrepreneurial journey.

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