



## The impact of family support on young entrepreneurs' start-up activities



Linda F. Edelman<sup>a,b,\*</sup>, Tatiana Manolova<sup>a,b,1</sup>, Galina Shirokova<sup>b,1</sup>, Tatyana Tsukanova<sup>b,1</sup>

<sup>a</sup> Management Department, Bentley University, 175 Forest St., Waltham, MA 02452-4705, USA

<sup>b</sup> St. Petersburg University, Graduate School of Management, 3 Volkhovskiy pereulok, St. Petersburg, 199004, Russia

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### ABSTRACT

In this paper, we use a social support perspective and hypothesize that the scope of start-up activities is positively associated with two types of instrumental family support, financial and social capital. We further argue that the effect of instrumental family support is enhanced by the level of emotional support, in the form of family cohesiveness. To test our hypotheses, we draw from the 2011 Global University Entrepreneurial Spirit Students' Survey (GUESSS), a survey of university students from 19 countries. We focus on those nascent entrepreneurs who are in the process of starting their new venture ( $n = 12,399$ ). Our findings indicate that family social capital is positively associated with the scope of start-up activities, family financial capital is negatively associated with the scope of start-up activities, and family cohesiveness amplifies the effect of family social capital on the scope of start-up activities. Theoretical, practitioner, and public policy implications are discussed.

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### 1. Executive summary

Receiving a college degree is no longer a guarantee of future employment. To address this, colleges and universities are offering courses in entrepreneurship (Katz, 2015). As new venture development is increasingly perceived as an essential weapon in the youth employment arsenal, it is critical to gain an understanding of those factors that influence the ability of young people to start a new business.

In this paper, we use a social support perspective to explore the effect of family support on the scope of start-up activities undertaken by young nascent entrepreneurs, in our case, university students. Social support is the perception or experience that one is loved, cared for by others, esteemed, valued, and part of a mutually supportive social network (Taylor, 2011; Wills, 1991). Relatively less well explored is *how* family social support matters. Some authors suggest that being embedded in a family that provides strong emotional support is what encourages youth entrepreneurship, while others suggest that it is the tangible support provided to the entrepreneur (Sørensen, 2007). We address that tension and in doing so we add to the growing literature on the significance of families in entrepreneurship (Aldrich and Cliff, 2003; Dunn and Holtz-Eakin, 2000; Eddleston and Kellermanns, 2007; Eddleston et al., 2008) and on the importance of social support in an entrepreneurial setting (Powell and Eddleston, forthcoming).

To test the study's hypotheses, we use data from the "Global University Entrepreneurial Spirit Students' Survey" (GUESSS) project. The GUESSS project is an ongoing study of university students, which records founding intentions and activities on a biannual

\* Corresponding author at: Management Department, Bentley University, 175 Forest St., Waltham, MA 02452-4705, USA

E-mail addresses: ledelman@bentley.edu (L.F. Edelman), tmanolova@bentley.edu (T. Manolova), shirokova@gsom.pu.ru (G. Shirokova), tsukanova@gsom.pu.ru (T. Tsukanova).

<sup>1</sup> All authors contributed equally and are listed in alphabetical order.

basis. We use data from the 2011 GUESSS survey, selecting only those respondents who were actually involved in the process of starting up a business, to a usable sample of 12,399 students.

Our study makes a number of contributions. Specifically, we ask if instrumental social support, in the form of social and financial capital alone is enough to lead to more start-up activities, or is the number of start-up activities enhanced when a young entrepreneur receives both instrumental and emotional social support from their family. In addition, our research reminds public policy makers about the importance of the family, and cautions them not to forget the family as they make decisions about what entrepreneurial activities to encourage.

## 2. Introduction

More and more university students are realizing that upon graduation, they can no longer trade their degree in for a job. In response, increasingly colleges and universities are positioning their graduates for careers in entrepreneurship. Conservative estimates indicate approximately 224 colleges and universities have programs in entrepreneurship globally (Katz, 2015). Young people are well situated to engage in entrepreneurship. Lévesque and Minniti (2006, 2011), found that the majority of people who start a business are between 25 and 34 years old. Other researchers suggest that the education and technological shrewdness of university graduates equips them to start growth-oriented new ventures (Lüthje and Franke, 2003; Mowery and Shane, 2002). Therefore, if new venture development is an essential weapon in the youth employment arsenal, it is critical to gain an understanding of those factors that influence the ability of young people to start a new business.

One area that has received relatively less attention in the entrepreneurship literature is the role played by the family in young people's entrepreneurial initiatives. This is surprising, when we consider that families are an important source of early stage funding (Bygrave et al., 2003; Steier, 2003), information and contacts (Steier, 2007, 2009), mentoring (Sullivan, 2000), and moral support (Renzulli et al., 2000) and often perform important incubation functions in the new venture creation process (Rodriguez et al., 2009; Steier et al., 2009). Aldrich and Cliff (2003), in their work on the family embeddedness of entrepreneurship, suggest the lack of attention paid to the family in entrepreneurship, is more due to academic institutional arrangements, where family and business are studied in different departments or colleges, than to practice.

Family influences on entrepreneurship have been examined in a number of literatures: family business research (Koropp et al., 2013; Rodriguez et al., 2009), social network research (Dubini and Aldrich, 1991; Grossman et al., 2012; Newbert et al., 2013), or intergenerational transfer of entrepreneurship (Barnir and McLaughlin, 2011; Jaskiewicz et al., 2015; Laspita et al., 2012; Litz, 2010; Sørensen, 2007). However, there appears to be a "missing link" in the literature regarding the relationship between the family support provided to nascent entrepreneurs and the realization of their entrepreneurial initiatives.

In this study, we use a social support perspective (Cohen and Wills, 1985; Taylor, 2011) to test the effects of emotional and instrumental family support on the scope of start-up activities undertaken by young nascent entrepreneurs, in our case, university students. A family is defined as "two or more persons living together and related by blood, marriage, or adoption" (U.S. Census, 2000: 20). Family emotional support involves listening and empathy (Adams et al., 1996) while family instrumental support involves tangible assistance aimed at solving a problem (Beehr and McGrath, 1992; McIntosh, 1991). Some authors suggest that being embedded in a family that provides strong emotional support is what encourages youth entrepreneurship, while others suggest that it is the tangible, or instrumental, support provided to the entrepreneur (Cohen and Wills, 1985; Sørensen, 2007). We address that tension and in doing so we add to the growing literature on the significance of families in entrepreneurship (Aldrich and Cliff, 2003; Dunn and Holtz-Eakin, 2000; Eddleston and Kellermanns, 2007; Eddleston et al., 2008) and on the importance of social support in an entrepreneurial setting (Powell and Eddleston, 2013). In essence, we draw on theory to test how family social support shapes the micro-foundations of entrepreneurial action (Shepherd, 2015).

To test the study hypotheses, we use data from the 2011 "Global University Entrepreneurial Spirit Students' Survey" (GUESSS) survey, selecting only those respondents who were actually involved in the process of starting up a business, to a usable sample of 12,399 students. The GUESSS project is an international study of university students, which records founding intentions and activities on a biannual basis. Extensive prior research has explored the entrepreneurial intentions of university students (Auto et al., 2001; Carey et al., 2010; Kolvereid, 1996; Krueger et al., 2000; Zellweger et al., 2011), but the actual realization of these intentions is relatively less well studied.

In this paper, we document how university students' entrepreneurial intentions translate into entrepreneurial action. In doing so we ask if instrumental social support, in the form of social and financial capital alone is enough to lead to more start-up activities, or is the number of start-up activities enhanced when a young entrepreneur receives both instrumental and emotional social support together. This is our contribution. On the ensuing pages, we present our theory and hypotheses, followed by our empirical analysis, our findings and discussion and our overall conclusions.

## 3. Start-up activities and social support

### 3.1. The nascent entrepreneur and entrepreneurial start-up activities

Organizational emergence is a process that is comprised of multiple start-up activities-up activities. Start-up activities are the events and behaviors of individuals who are engaged in the process of starting a new venture (Carter et al., 2004; Gartner et al., 2004) and constitute the "micro-foundations of entrepreneurial action" (Shepherd, 2015: 490). These activities are important for a

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