EXAMINING THE MODERATING EFFECT OF GENDER AND INCOME ON THE RELATIONSHIP BETWEEN FAMILY INVOLVEMENT AND FIRM PERFORMANCE (INTERACTIVE PAPER)

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INTERACTIVE PAPER

EXAMINING THE MODERATING EFFECT OF GENDER AND INCOME ON THE RELATIONSHIP BETWEEN FAMILY INVOLVEMENT AND FIRM PERFORMANCE

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Principal Topic
A recent stream of research, the family embeddedness perspective on entrepreneurship, proposed by Cliff and Aldrich (2003) and extended by Jennings and McDougald (2007) in their Work Family Interface (WFI) framework, calls for research into the interface of family and work as an important situational factor that can affect entrepreneurial decision making and outcomes. This interface is maximized when the owner decides to employ relatives in the firm. However, the consequences of this decision for firm performance have never been examined from a family embeddedness perspective.

This study uses this perspective to test the direct impact of work family conflict on business performance in the context of micro and small family enterprises. Two determinants of the WFI model identified by Jennings and McDougald (2007) are used in this study: First, and with respect to how individual differences affect owner’s ability to cope with work family conflict, we argue that the influence of family involvement on firm performance differs according to owner’s gender. Second, and turning to family-domain determinants, we contend that when the venture is the primary source of income for the owner’s household coping mechanisms are more difficult to implement. This would provide more stress to the work family nexus and would have implications for firm performance.

Method
Our research objectives are reached through the use of data proceeding from a survey conducted in Dominican Republic during year 2000 and aiming small and micro-enterprises firms. The resulting sample contained a total of 571 firms of which 44% were family businesses.

Results and Implications
Our results indicate that family employment contributed to increase sales but was negatively related to firm’s profitability. These findings might help to explain contradictory previous findings regarding the net effect of family employment, since they indicate the importance of distinguishing between growth and profitability measures to capture firm performance.

Moreover, in support of the notion of “business dualism” (Kepner 1983) that characterizes firms that involves employment contract with family ties, our results confirm that the benefits of family employment are reduced when the owner’s household primary income comes from the firm.

Finally, data lends support to the idea that women family managers may understand better than their male counterparts how to manage family employee’s commitment and use it to the firm’s advantage, as it indicates that the positive relationship between family employment and firm performance is stronger in women-run firms.

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