BLURRED LINES: FAMILIAL AND ENTREPRENEURIAL LOGICS IN A FAMILY TECHNOLOGY VENTURE (SUMMARY)

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SUMMARY

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Principal Topics

Family firms often face a tension between pursuing growth oriented strategies (i.e. business logic) or strategies that benefit family owners (i.e. family logic). This creates multiple challenges, especially when family firms are new ventures seeking resources. Negative perceptions held by external stakeholders (e.g. professional investors and non-family top executives) likely make it difficult for family-founded new ventures to obtain resources. Nonetheless, many successful examples exist of family firms that have successfully acquired substantial resources, particularly amongst technology ventures (e.g. VMware, Eventbrite, Evernote, etc). Yet, little theory examines how these ventures acquire resources while managing the tension inherent to family firms. Therefore, in the context of technology ventures, we ask the following: How does a family technology venture manage the tension between family and business logics in order to obtain resources (financial, social, and human capital)?

Method

To address our question, we use a single, in-depth case study of “Family Tech”, a technology venture in the IT industry founded by two adult brothers and their father. Family tech was extremely successful in securing multiple investments from professional investors and hiring professional executives. Our data consists of 30 semi-structured interviews over two waves with family and nonfamily employees, investors, and customers. In addition we used archival data and observations of a TMT meeting and a business event.

Results and Implications

Our findings indicate that family executives used four main tactics to acquire resources while balancing the tension between family and business logics. First, family executives engaged in sensegiving tactics using language and symbolic administrative actions downplaying the “familiness” in Family Tech. These tactics were initially effective, facilitating the acquisition of early employees and funding. Second, family executives nurtured a “coopted core” of loyal employees who did not view the venture as a typical family business. Yet, this core group of employees lacked the experience and external connections to further grow the venture.

To address this limitation, family executives hired seasoned professionals and executives around key resource milestones (e.g. investments or customer acquisition). Family executives, in conjunction with members of the coopted core, contributed to an environment preventing cyclers from flourishing. Further, family executives exploited mutual interdependence with the venture’s majority external investors, preventing investors from replacing family management or easily exiting from the venture. Overall, these findings contribute to the literatures of hybrid organizations, family business, and entrepreneurship.

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