FAMILY EMBEDDEDNESS AND INITIAL FINANCING: EVIDENCE FROM LATE IMPERIAL RUSSIA, 1869-1913 (SUMMARY)

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Among those factors heavily influencing entrepreneurship, families play a central role in entrepreneurship, with much of the literature focused on how and why entrepreneurs rely on family members to assist in the development of their businesses, particularly in terms of critical resources (e.g., Sanders & Nee, 1996). Although many of these studies emphasize the influence of families, recent attention has also been given to family members’ participation in positions related to firm leadership and control such as ownership and management of the firm (e.g., Liang, Wu, & Cui, 2014). As such, the increasing interaction between family members and other key non-family members seems important to an entrepreneurial firm. Furthermore, the significance and necessity of understanding the interaction between family and business (e.g., Habbershon & Williams, 1999) has also primed additional interest in exploring the implications of having family members on the founding team – a position whereby the family is afforded the more opportunities and a wider latitude of options to influence firm strategy and action (e.g., Beckman, Burton, & O’Reilly, 2006; Klotz et al., 2014). However, few examine the role of family embeddedness in entrepreneurial outcomes such as initial financing.

To address this issue, we examine how family embeddedness effectively bundled and leveraged resources accrue to a founding team (e.g., gender and ethnic homophily) to affect initial financing. Further, since team-level attributes, viewed as a type of team-level resources (Klotz et al., 2014), will promote firm-level performance (Payne, Benson, & Finegold, 2009), we also investigate the moderating roles of founding team attributes—gender and ethnic homogeneity—in the relationship between family embeddedness and initial financing.

Method

We used generalized linear model to examine our hypotheses.

Results and Implications

Using the data from 1,807 firms in the historical setting of Late Imperial Russia 1869-1913, we find that family embeddedness within a founding team was positively associated with initial financing ($\beta = 0.17$, $p = 0.007$). This relationship was further enhanced by the number of male founders in a founding team ($\beta = 1.37$, $p = 0.000$). Moreover, the number of ethnic founders in a founding team negatively moderated the primary relationship ($\beta = -0.36$, $p = 0.000$).

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