THE TIES THAT BIND: PERFORMANCE IMPLICATIONS OF COHABITATION AND BLOOD RELATIONSHIPS AMONG NEW VENTURE TEAM MEMBERS (SUMMARY)

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SUMMARY

THE TIES THAT BIND: PERFORMANCE IMPLICATIONS OF COHABITATION AND BLOOD RELATIONSHIPS AMONG NEW VENTURE TEAM MEMBERS

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Principal Topic

Recent research on nascent entrepreneurial teams reveals that more than half of all teams consist of members with family relationships. This empirical observation is important in itself and at odds with common assumptions about new venture formation, but the implications of relying on family members for teams have not been examined. This is an important shortcoming in the literature because the nature of the relationships among entrepreneurial team members likely plays an important role.

We examine the relationships among nascent entrepreneurial team members and the effect on performance using social identity theory, which stresses that individuals categorize themselves and others into groups. Arguably, the family is one of the strongest in-group identifications. Thus, entrepreneurial teams with family members have strong ties that bind them together creating effective, cohesive teams, which would result in better performance. Our research avoids the common family/non-family dichotomy. Instead, we examine the proportion of a team consisting of family members, and adopt an inclusive view of families by considering blood relationships and cohabitations separately, arguing that these categories are substantially different.

Methods

A sample of 361 nascent entrepreneurial teams was surveyed 4 times over 5 years. Success bias was avoided by sampling these entrepreneurial teams from the general population. Blood relations and cohabitation among all team members was established. Our analysis tests the effect of family relationships on performance, examining non-linear as well as interaction effects.

Results and Implications

This research has important implications for entrepreneurship. We believe ours is the first study to examine the role of family relationships in nascent firms. This is an important contribution because over half of all new ventures are started by teams having family relations. The results indicate that the type of family relationship should be considered. Couples sharing a household are a major portion of nascent teams and have differing results than that of blood relatives. Second, traditional approaches to family businesses are hindered by a dated definition of a family. Our approach allows us to view family businesses in a more fine-grained and inclusive manner. Third, the research provides a theory driven, empirical test that illustrates the value of considering the impact of family relationships on nascent entrepreneurial ventures.

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