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Russel P. Nelson
University of California, Irvine, USA, rpnelson@uci.edu

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PUSHED OUT AND NO ONE TO TURN TO?
ENTREPRENEURIAL MOBILITY IN A TOURNAMENT MODEL

Russel P. Nelson, University of California, Irvine, USA
Laura Huang, University of Pennsylvania, USA

Principal Topic

Management scholars have long recognized the importance of social networks to entrepreneurship. However, a key contention in the literature is the relative value to entrepreneurs of strong ties to family, close friends, and business colleagues versus weak ties to business acquaintances. Startup businesses often have family members as the first partners, employees, and customers. Despite the benefits of family ties to entrepreneurship, there is reason to suspect that these relationships may also be a hindrance. This paper examines how the networking practices adopted by entrepreneurs differ in the context of family firms and how family involvement in a firm impacts innovation and firm performance. In doing so, this research contributes to the entrepreneurship literature by systematically examining the decision to pursue an entrepreneurial venture from a family network perspective.

Method

Using a longitudinal dataset of the legal profession, we explore the career trajectories of 3,368 lawyers over their first six years of legal practice. In our empirical analysis, we examine whether having more relatives working in the industry affects the likelihood of a young lawyer entering solo practice, as well as their networking practices, skill development, and new venture performance, as measured by solo practitioner earnings.

Results and Implications

In exploring the impact of family ties on entrepreneurship, we find a strong “family business” effect: each additional kinship tie within an industry increases the likelihood that an individual founds a firm in that industry. However, while strong family ties increase the likelihood of new venture creation, entrepreneurs with larger family networks subsequently spend less time networking with business associates and clients and form fewer informal mentor relationships. We also find that prioritizing strong tie networks over weak tie networks negatively impacts opportunities for skill development. Finally, our research examines the implications of these network structures on firm performance. We find that strong family networks only increase earnings when entrepreneurs also have strong non-family networks, suggesting the necessity for entrepreneurs and family firms to balance strong and weak ties.

CONTACT: Russel P. Nelson; rpnelson@uci.edu; (T): +1 630-247-7877; Marketing Department, The Paul Merage School of Business, SB 320, Irvine, CA 92697, USA.