

The Role of Networks in the Emergence of New Business Opportunities and New Ventures in Different Geographic Contexts

Tugba Kalafatoglu

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DOCTORAL THESIS

Title	The Role of Networks in the Emergence of New Business Opportunities and New Ventures in Different Geographic Contexts
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Directed by	Prof. Xavier Mendoza Mayordomo

Dedicated to Ayla & Salih Zeki Kalafatođlu

This thesis and all my success and accomplishments throughout my life are dedicated to my family who made me who I am today! They taught me that I need to go after my dreams and I don't dream my life, but I live my dreams and that's what I do! My mother, Ayla Kalafatođlu and my father, Salih Zeki Kalafatođlu – thank you for believing in me and your encouragement and endless support!

Abstract

Entrepreneurship can be defined as “the process by which people discover and exploit new business opportunities, often through the creation of new business ventures” (Aldrich & Cliff, 2003:575). As a research field, some scholars emphasize the emergence of new business opportunities and others the emergence of new organizations.

Entrepreneurship researchers have paid significant attention to the role of social networks and the mechanisms through which they influence the entrepreneurial process. Network-based arguments have clearly informed research on two critical tasks of the entrepreneurial process: the discovery of new business opportunities and the mobilization of resources. Thus, the overarching research question this thesis aims to respond is: *What role social and business networks play in the emergence of new ventures and new business opportunities?*

The thesis examines the role of different types of networks in different entrepreneurial settings at both individual and firm levels. By focusing on under-researched settings, such as the family of origin, female entrepreneurship in patriarchal societies and micromultinationals, the thesis offers novel insights on the role of networks in the entrepreneurial process.

More specifically, the findings of Essay 1 show that that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneurs’ means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization). The findings of Essay 2 reveal that the main barriers and constraints faced by women entrepreneurs are gender-specific, rooted on national culture and the institutional environment. However, networking appears as the key factor for these women entrepreneurs to overcome such barriers. The findings of Essay 3 show that affiliation to a business group translates into a stronger domestic orientation and affiliated micromultinationals are less prone to expand internationally as compared to their stand-alone counterparts.

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And always remember! “*The First Step to Success is to Believe in Yourself*”

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1

Introduction

Chapter 1: Introduction

“Succeeding in business is all about making connections.”

Richard Branson

1.1 Motivation

It is an old question: Are entrepreneurs *born* or *made*? I grow-up hearing the stories of my grandparents’ journey into entrepreneurship and having a mother and a father who are entrepreneurs, so the answer is clear: *I would likely be an entrepreneur as well.*

My first early business experience was to sell used books in front of our house, which I gathered from my family and neighbors. Then in junior high-school, I started my first real business: tutoring and academic services for which I recruited friends working for me on an hourly basis to tutor other students. I continued until I went to the USA for my university studies. After graduation, I founded my own international management and consulting company and years later I also founded an international not-for-profit, non-partisan organization.

The key to success in all these ventures was “Connections and Networks”, that is, whom we knew, what our network was, and how many connections we had. Like my father that went international thanks to his network, I made my business grow internationally because of my network (e.g., the activities of my NGO were held in those countries where I had connections). So, it was all about connections and networking! Thus, in retrospect, my research interest in entrepreneurial networking is the natural outcome of my previous experiences, what I have lived through, witnessed and experienced as an entrepreneur and mentor to start-ups. When I started my doctoral studies, I was determined to devote my efforts to the topic of entrepreneurship. I wondered if other entrepreneurs have had similar experiences as I had and what original insights might be obtained. In a sense, my dissertation is to a large extent the story of the entrepreneurs, male and female, that generously have participated in my fieldwork!

1.2 Relevance and overarching research question

Entrepreneurship can be defined as “the process by which people discover and exploit new business opportunities, often through the creation of new business ventures” (Aldrich & Cliff, 2003:575). As a research field, entrepreneurship is about *emergence*, with some scholars emphasizing the emergence of new business opportunities and others the emergence of new organizations (Davidsson, Low & Wright, 2001).

Entrepreneurship scholars have paid significant attention to the role of social networks and the mechanisms through which they influence the entrepreneurial process (Stuart & Sorenson, 2003). Hoang and Antoncic (2003:167) define a network as a “set of actors and some set of relationships that link them”. These actors, referred to as nodes, can be individuals or organizations. Thus, social networks refer to links or ties between individuals, while business networks refer to links between firms.

Social network theory focuses on the structure of the relations between social actors and how patterns in those relations influence a variety of outcomes. A key tenet of social network theory is that the attributes of individual actors are less important than their location and ties with other actors within the network, which determine the opportunities available to them as well as the associated constraints (Stuart & Sorenson, 2003:233).

Regarding the strength of social ties, empirical studies have looked at several factors such as contact frequency, the amount of effort individuals invest in a relationship, the extent to which social ties provide reciprocal utility (e.g., social support), and the level of intimacy exchanged in a relationship (Liu, Sidhu, Beacom, & Valente, 2017:1). Based on these criteria, weak ties are generally defined as social relations requiring little investment, composed mostly of acquaintances or other loosely connected actors, as opposed to the strong ties from kin or close friends. Social ties are important vehicles in diffusing ideas and information. In his seminal article, Granovetter (1973) found that weak ties were more likely to channel novel information than strong ties. While members within a network are likely to receive a similar set of information, novel information came from bridging ties linking two otherwise unconnected networks. Granovetter (1973) found that weak ties were more likely to be bridging ties, because their more distanced position made them more able to reach a broader, and potentially more heterogeneous, set of information sources than strong ties (Liu et al., 2017).

Network-based arguments have clearly informed research on two critical tasks of the entrepreneurial process: the discovery of new business opportunities and the mobilization of resources. Social network theory suggests that social ties influence the flow of information about market opportunities, and consequently influence the identification of such opportunities. Thus, nascent entrepreneurs with structurally diverse networks are more likely to encounter promising opportunities, and hence more likely to engage in entrepreneurship (Renzulli, Aldrich & Moody, 2000). Very similar findings are reported regarding the identification of international market opportunities (Coviello, 2006; Ellis, 2011; Zahra, Korri & Yu, 2005).

New business ventures face the liability of newness (Stinchcombe, 1965) because they often lack the commitment of their employees, knowledge of their environments, and working relationships with customers and suppliers necessary to operate successfully (Stuart & Sorenson, 2003:238). Moreover, new organizations start small and most often lack the resources to sustain a prolonged period of poor performance, which explains their high mortality rate (Levinthal, 1991). The uncertainty regarding whether a new venture will become a viable business or will disappear makes resource holders reluctant to partner with them. In this context, social networks play an important role in facilitating resource mobilization. In that sense, social networks represent a meta-resource as such, through which other resources needed in the process of new venture creation (information, knowledge, financial capital, or skilled labor) can be obtained.

Through this dissertation I aim to contribute to the Entrepreneurship and SME internationalization literatures by addressing the following overarching research: *What role social and business networks play in the emergence of new ventures and new business opportunities?* This thesis explores the role of different types of networks in different entrepreneurial settings at both individual and firm levels. By focusing on under-researched settings, such as the family of origin, female entrepreneurship in patriarchal societies and micromultinationals (see next section), the thesis further investigates the role of networks in the entrepreneurial process.

1.3 Literature review and gaps

1.3.1 Becoming an entrepreneur: Entrepreneurial intention and effectuation

Why some individuals become entrepreneurs and others not has long been a field of inquiry in the entrepreneurship literature. Scholars have identified multiple personal and contextual factors that drive individuals to engage in entrepreneurial activity (Shane, 2003). Two important cognitive theories stand out in the field of entrepreneurship: entrepreneurial intention and effectuation. I briefly summarize them below as they constitute a backdrop for the present thesis.

If we look at business venture creation as a process that occurs over time, the intention to start up would be the logical first step. The entrepreneurial intention literature considers the factors leading to the decision to become an entrepreneur, when such decision is voluntary and conscious (Krueger, Reilly & Carsrud, 2000). Psychology shows that intention is the single best predictor of behavior. Entrepreneurial intention theory, following the theory of planned behavior (Ajzen, 1991), identifies three main motivational factors or antecedents influencing entrepreneurial intention: *personal attitude*, which refers to the degree to which the individual holds a positive or negative personal valuation about being an entrepreneur, not only in affective terms (it is attractive) but also in evaluative ones (it has advantages) (Liñán & Chen, 2009); *subjective norm*, defined as perceived social pressure to carry out (or not) entrepreneurial behaviors, in particular it refers to the perception that “reference people” would approve (or not) the decision to become an entrepreneur; and *perceived behavioral control*, defined as the perception of easiness or difficulty of becoming an entrepreneur which includes both the feeling of being able and the perception about controllability of the behavior (Liñán & Chen, 2009).

Entrepreneurial intention emerges as the interplay between the individual and its context. In this regard, subjective norm appears as the motivational factor that explicitly captures the social dimension, mostly through the values transmitted by “reference people”. It is a well-known fact that children of entrepreneurial parents are over-represented among those owning a business (Shapiro & Sokol, 1982) or trying to start a business (Aldrich, Renzulli, & Laughton, 1998; Delmar & Gunnarsson, 2000). Doepke and Zilibotti (2005) point out that the probability of becoming an entrepreneur is higher

if parents or other household members are entrepreneurs or have an entrepreneurial background. In a similar vein, Glaser, Rosenthal, and Strange (2009) find that the children of small firm owners have a higher propensity to become entrepreneurs in comparison to the children of managers of big corporations.

The extensive literature on entrepreneurial intention considers human capital (education and work experience) as well as other demographic factors (such as gender or national culture) as significant antecedents of an individual's entrepreneurial intention, although mediated by the three motivational variables mentioned: personal attitude, subjective norm, and perceived behavioral control (Ajzen, 1991; Krueger, 2007; Krueger & Carsrud, 1993; Liñan & Chen, 2009; Zapkau et al., 2015).

Effectuation theory (Sarasvathy, 2001) provides relevant insights on how entrepreneurs *actually* start up a new business. Sarasvathy (2001) describes two kinds of entrepreneurial reasoning: causation and effectuation. Causation processes take a particular effect as given and focus on choosing between alternative means to create that effect, in that sense causation is a goal driven, predictive causal logic. On the other hand, "effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (Sarasvathy, 2001, p. 245). Hence, effectuation is a means driven, non-predictive logic. Adopting one of the two approaches depends on the situation. Sarasvathy (2001) argues that effectual reasoning is more prevalent in the earlier stages of venture creation with a transition to a more causal logic as the uncertainty related to the new firm and its market reduces and evolves into a more predictable situation (Perry, Chandler & Markova, 2012).

Effectuation theory describes the heuristics and processes that experienced entrepreneurs utilize in business venture creation. These heuristics have been summarized into four effectual principles: means orientation, affordable loss, building partnerships, and leveraging contingencies (Sarasvathy, Kumar, York & Bhagavatula, 2014). In the effectuation view, entrepreneurs start with the means available as the basis for action. These means can be grouped into three categories: the entrepreneur's identity (who I am), the entrepreneur's knowledge and skills (what I know), and the entrepreneur's social networks (whom I know). By asking the questions "Who am I?", "What do I know?" and "Whom do I know", the entrepreneur focuses on "What can I

do?” based on the means at hand to generate potential opportunities (Sarasvathy & Dew, 2005).

As stated by Sarasvathy (2008), as important as the means available is what the entrepreneurs actually do with them to achieve certain effects which brings into play the other three effectual principles (affordable loss, building partnerships, and leveraging contingencies). Reed et al. (2009) found out a significant and positive correlation between a means orientation and new venture performance. Such orientation allows entrepreneurs to be more flexible and open to new opportunities, taking advantage of the environment they are in, learning in the process and moving forward.

Both theories, entrepreneurial intention and effectuation, provide important insights on personal and contextual factors that drive individuals to become entrepreneurs, which are relevant for this thesis. However, the reasoning of the theory of planned behavior requires entrepreneurial intention to be studied prospectively before the behavior occurs (Zapkau et al., 2015), while the overarching research question of the thesis (the role of networks in the emergence of new ventures and new business opportunities) points towards the entrepreneur’s actual behavior of starting up which needs to be approached retrospectively.

1.3.2 The role of the family of origin in nascent entrepreneurship

Entrepreneurship is the result of the interaction of the individual characteristics of entrepreneurs and their environment (Jack, Dodd & Anderson, 2008). Entrepreneurs are socially embedded in networks of social relations and among them one of the most important is the family of origin (Jennings & McDougald 2007, Jayawarma et al., 2014). In most cases, the “strong ties” with family members are of great importance in the early stages of the business venture creation process (Aldrich & Cliff, 2003; Klyver, 2007). Nonetheless, the role that families play in the emergence of entrepreneurship is much larger. Families influence their offspring in at least two main ways, as motivators and role models and as provider of resources (Delmar & Gunnarsson, 2000) during their childhood, adolescence and adulthood.

Sociological and psychological theories related to the socialization of children highlight that families help children to embrace the social roles and behavior that they will need in society (Brim, 1968). Social learning theory (Bandura, 1977, 1986) emphasizes the

effect of behavior acquisition through the observation of others referred to as role models which influence individuals' personality development and the formation of attitudes. Children are exposed to their families' behaviors by direct experience and observation, in this way families strongly influence the personal characteristics of their children (Shapiro & Sokol, 1982). In fact, several studies have shown that childhood and adolescence are important times for developing entrepreneurial competence (e.g., Obschonka et al., 2011; Schmitt-Rodermund, 2007; Schoon & Duckworth, 2012).

Families tend to invest in their children by passing on their values and knowledge while employing family networks and wealth to create childhood opportunities and to form future adults with particular social positions and cultural orientations (Bourdieu, 1984). Especially, when parents socialize children to achieve in education, they are also developing attributes that later on will be useful to start up a new business such as ambition, perseverance and drive for achievement (Kim, Aldrich, & Keister, 2006). Moreover, sociological research contends that family influences are important factors in children's occupational intentions (Jodl, Michael, Malanchuk, Eccles, & Sameroff, 2001). In that regard, the success of a parent as a business owner is of central importance to the child's consideration of entrepreneurship as a career option (Delmar & Gunnarsson, 2000). As mentioned in the previous section, children of entrepreneurial parents are over-represented among those owning a business or trying to start a business.

The skills and dispositions nurtured in childhood and adolescence, as well as the educational credentials attained, are mobilized in adulthood in the labor market (Falck, Heblisch & Luedemann, 2012). Jayawarna et al., (2014) find that adult's occupational status and associated income from the labor market are positively related to becoming an entrepreneur, which highlights the importance of personal savings and finance in starting up a business (DeClercq, Lim & Oh, 2013; Fraser, 2004).

As mentioned previously, higher levels of education tend to have a positive association with new business creation, especially when they are allied to relevant work experience (Corner & Ho, 2010) which support opportunity recognition as well as the speed of development and progression in the start-up process (Marvel, 2013; Dimov, 2010). Several studies have found that business start-up is significantly related to years of work experience (Corner & Ho, 2010; Jayawarna et al., 2014), especially when such work

experience entails managerial experience (Kim, Aldrich & Keister, 2006) and is applied to related businesses (Zanakis, Renko & Bullough, 2012). In that regard, in the case of families that own a business, they may also provide jobs with managerial responsibilities and thus contribute to their offspring's acquisition of relevant business experience.

Research on the resource mobilization process emphasizes the importance of the entrepreneur's social ties to build the new firm's base of financial, physical, human and other resources, especially the resources provided by the "strong ties" of family members (Zimmer & Aldrich, 1987; Aldrich & Cliff, 2003) and kinship ties (Starr & MacMillan, 1990). During the start-up process, the entrepreneur's family of origin (as well as his/her own nuclear family) may play an important role in the mobilization of financial resources, the provision of human resources, physical space or business connections (Aldrich & Cliff, 2003). Thus, when a family supports the creation of a new venture, it can supply resources in quantity and in quality that "often are not available to lone entrepreneurs who must secure [them] from less socially motivated, less loyal and less committed parties" (Miller et al., 2016, p. 447).

In spite of the richness of the empirical evidence on the pervasive effects of the family of origin on entrepreneurship, Aldrich & Cliff (2003) already noted fifteen years ago that the social embeddedness perspective had paid little attention to the influence of one fundamental social institution in which all entrepreneurs are embedded – the family. With the notable exception of the role played by entrepreneurial parents as role models, this gap largely persists today. Referring specifically to families that own a business, Miller et al. (2016, p. 445) point out that "missing from the conversation [among entrepreneurship scholars] are family firms or an entrepreneur's embeddedness within a supportive family".

In response to calls that entrepreneurship research should incorporate family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003; Miller et al., 2016), a growing number of studies in recent years have examined specific family-related aspects of business venture creation, such as family relations in the entrepreneurial team (Brannon, Wilklund & Haynie, 2013), family employment (Cruz, Justo & De Castro, 2012), family financial support (Sieger & Minola, 2017) or family social capital and emotional support (Edelman, Manolova, Shirokova &

Tsukanova, 2016). Given that founding a business is a demanding and resource intensive process (Gartner & Shaver, 2012), it is surprising that only two studies, to the best of our knowledge, have considered explicitly the socioeconomic status (and associated sources of capital) of the entrepreneur's family of origin (Jayawarna, Rouse, & Macpherson, 2014; Schoon & Duckworth, 2012). These two studies focus on examining the contextual and individual characteristics that influence the decision and the ability to become an entrepreneur, but they do not analyze the influence of such characteristics on the process of business venture creation.

1.3.3 The role of networks in female entrepreneurship

Entrepreneurs are socially embedded which means that social and cultural factors have a significant impact on entrepreneurship. This is especially true for women entrepreneurs as environmental factors have more relevant effects on female than on male initiatives (Baughn et al., 2006; Jennings & McDougald, 2007; Welter & Smallbone, 2011). Although it is widely acknowledged that cultural and social factors play an important role in female entrepreneurship, entrepreneurship researchers have not taken the gender perspective into account until relatively recently (Bullough et al., 2017).

Women's entrepreneurship literature has identified a number of barriers that women face such as social, cultural, infrastructural, educational and occupational barriers (Brush 1992; Baughan et al. 2006; Shaw et al., 2001; Welter & Smallbone, 2011). Institutional barriers such as gender differences in education, work experience, networks and access to capital, limit the number, size, and scope of women-owned businesses (Terjesen et al., 2016). Likewise, social opportunities are not equally distributed, and women are less able to use their networks as sources of social capital (Greeve & Salaff, 2003) which limits access to resources for starting up a business or making it grow. Thus, women entrepreneurs face multiple barriers in their entrepreneurial endeavors.

Most empirical studies on women entrepreneurship do not address pre-venture issues and have been framed comparatively between men and women once in business (Ahl & Marlow, 2012; Delmar & Davidsson, 2000; Eddleston & Powell, 2008). Extant research indicates that women entrepreneurs are embedded in different personal and social networks than men (Aldrich et al., 1987; Renzulli et al., 2000). Thus, women's network tend to be less diverse than those of men (Aldrich, 1989) and their strong ties are almost

exclusively with family and friends (Granovetter, 1973). We know that differences in reach and diversity of entrepreneurs' networks have an effect on venture performance and growth (Aldrich 1989) because networks and networking have been recognized as crucial in order to identify business opportunities and access key resources (information, capital, knowledge and skills). Other studies suggest that gender differences exist in the networking quality of female networks (Baughn et al., 2006; Foss, 2010). Even though researchers are increasingly paying attention to this topic, there is still need for more research into the nature and dynamics of female entrepreneurial networking activity (Brush et al., 2010). In that regard, scholars have called for studies of entrepreneurial networks across gender and venture development stage (Hoang & Antoncic, 2003; Hughes et al. 2012; Carrasco, 2014).

Moreover, women's entrepreneurial activity takes different forms in different cultures and institutional settings (McManus, 2001). Cultural context plays a role in women's entrepreneurial process, especially gender and culture together may create an unfavorable entrepreneurial environment for women in certain countries (Ufuk & Ozgen, 2001). Shinnar, Giacomini and Jansen (2012) point out that cultural values influence society's views of gender roles and stereotypes, especially a community's view of women's place in society. "The higher the degree of gender stereotyping, the more likely women are to encounter challenges dealing with different stakeholders and perceive barriers to be more significant compared with men" (Shinnar et al., 212 p.471). Several studies point out that national culture is a major factor that explains variations in entrepreneurship among societies (Wennekers et al., 2001; Marlow et al. 2009).

To date, the literature regarding international comparisons of female entrepreneurship remains limited (Jennings & Brush, 2013). Moreover, most studies on issues related to women's entrepreneurship have usually been theorized and tested in the context of developed Western countries (Smith-Hunter & Enghardt, 2004; Welter, Smallbone, & Isakova, 2006). Therefore, scholars have emphasized the need for research to explore women's entrepreneurship beyond the mainstream Anglo-Saxon context and called for more international comparative studies (Ahl, 2006; Bruton et al., 2008; Ahl & Marlow, 2012). More specifically, research on gender is required in different contextual settings, especially in the context of patriarchal societies such as strong male-dominated Islamic nations where empirical evidence is very scant (Cheraghi et al., 2014; Hisrich & Ozturk, 1999; Jomaraty & Courvisanos, 2014; Ufuk & Özgen, 2001).

1.3.4 The role of networks and ownership in SME internationalization

Internationalization has been conceived as an entrepreneurial process where firms scan for potential opportunities in foreign markets, evaluate available information, and decide whether to exploit any of the opportunities that they have found (Jones & Coviello, 2005). In this process, networks are viewed as facilitating internationalization by helping firms to identify and exploit new opportunities in foreign markets (Ellis, 2011). The key role of networks in the internationalization process is widely recognized by scholars (e.g. Ellis, 2000; Johanson & Vahlne, 2009), especially in the context of small-and-medium sized firms (SMEs) (Chetty & Blankenburg Holm, 2000; Oviatt & McDougall, 2005; Musteen, Francis & Datta, 2010).

In their international expansion, SMEs come across three main liabilities (Lu & Beamish, 2006). The first one is the 'liability of foreignness' (Zaheer, 1995) caused by a lack of local knowledge. This can be a disadvantage when competing against local firms and especially disadvantageous for SMEs as in general they are less experienced in international markets than larger firms. The second one is the 'liability of newness' (Stinchcombe, 1965) which means that new firms in a market will face difficulties and added risks till they have established their reputation and be perceived as legitimate. This legitimizing process can be expensive and time-consuming, particularly since internationalizing SMEs need to build new relationships with local customers and business partners (Sørensen & Stuart, 2000). Johanson and Vahlne (1977, 2009) merge the two mentioned liabilities into the 'liability of outsidership' which is a situation when a firm enters a market environment without knowing who the business actors are. These authors consider markets as networks of relationships in which firms are linked to each other, most importantly they argue that 'insidership' in relevant networks in foreign markets is a necessary condition for successful internationalization. Conversely, 'outsidership' or lack of access to such networks becomes an important barrier to internationalization.

While the prior liabilities are commonly faced by all companies expanding internationally, the 'liability of smallness' is a specific disadvantage faced by SMEs. It refers to the limited resources and capabilities that SMEs are able to commit to internationalization (Lu & Beamish, 2001) due to limited capital and lack of international experience or managerial capabilities (Rialp & Rialp, 2007). In those cases

in which an SME has foreign subsidiaries, they would tend to be small in size and vulnerable to environmental changes, given the constraints of the parent company (Lu & Beamish, 2006). Hence the literature has traditionally equated SME internationalization with the use of lower-commitment entry modes such as licensing or exporting (Dimitratos et al., 2014). However, the pattern of SME internationalization has evolved in recent years. Recent research has highlighted the emergence of a new breed of internationalizing SMEs which employ different routes of internationalization beyond exporting. These firms have been named ‘micro-multinationals’ (mMNEs) and are characterized by their ability to use higher-commitment foreign market entry modes (Dimitratos et al., 2003).

Extant research on SME internationalization highlights that, as compared to larger firms, SMEs typically rely more extensively on network relationships as they pursue international opportunities (Coviello, 2006; Ellis, 2011; Zahra, 2005). Moreover, network relationships help them to cope with the risks and challenges associated with entering new foreign markets (Musteen et al., 2010). In the context of mMNEs, research have shown that they use more actively their inter-organizational networks to obtain in-depth foreign market knowledge which allow them to innovate and adapt their offerings to local market conditions (Stoian, Rialp, & Dimitratos, 2016), or are able to leverage their cross-border ethnic social capital (Prasantham, 2011).

A common feature of the above mentioned studies is that they focus on the network relationships of the entrepreneur or the top management team; however, almost no attention has been paid to the network relationships related to the owners of the firm when they are different from the managers. Although it is known that ownership affect firm’s goals, strategy and performance (Fernández & Nieto, 2006; Garengo, Biazzo, & Bititci, 2005; George et al., 2005), few studies have examined the relationship between internationalization strategies and types of ownership (Fernández & Nieto, 2006; George et al., 2005), and in particular the effect of corporate ownership or affiliation to a business group.

Following the extant literature on group affiliation, we define a business group as a collection of formally independent firms which however share common ownership and operate under common financial and administrative control, exerted by a controlling parent or holding company (Chang & Hong, 2000, 2002; Khanna & Rivkin, 2001;

Chang, 1995). Business groups form networks in which the behavior of individual affiliates is intertwined through various formal and informal relationships (Granovetter, 1995). In that regard, critical strategic decisions such as pursuing an internationalization strategy by an affiliate tend to be approved at the group level rather than at the firm level (Chang 1995; Chang & Choi, 1988), especially when FDI decisions are involved.

Based on their meta-analysis of 141 studies covering 28 countries, Carney, Gedajlovic, Heugens, Van Essen, and Van Oosterhout (2011) note that while many studies have examined the performance consequences of affiliation, very few have looked at the strategies of group affiliates and whether they differ from those of stand-alone or unaffiliated firms. From a social network perspective, researchers have shown that enduring and multiple relations between affiliates of a business group provide rich formal and tacit information about each other (Carney et al., 2011). In that regard, affiliates can leverage the group's knowledge and local business ties in foreign markets in which other affiliates operate as well as the group's experience on some forms of internationalization such as joint ventures and international alliances (Elango & Pattnaik, 2007, 2011; Khanna & Palepu, 2000). Overall, these advantages would allow affiliated firms, especially SMEs to overcome the liabilities of internationalization and smallness more easily than stand-alone SMEs would do.

However, the literature also suggests that affiliated firms have a less pronounced international orientation than stand-alone ones (Carney et al., 2011). Prior network research has shown that network ties may obstruct rather than facilitate the development of a firm's capabilities (Uzzi, 1997; Burt, 2000) and that there is a substantial variation in capabilities of affiliates within a business group (Chang, 1995). Social norms and strong internal links in many business groups lead affiliates to first focus on transactions among themselves rather than reaching out to non-group firms in search for business (Carney et al., 2011; Guillen, 2000; Hundley & Jacobson, 1998; Lamin, 2012). Moreover, most business groups depend on advantages developed in their home market which tend to be more valuable domestically than abroad and difficult to replicate in foreign markets, which reduces the motivation to expand internationally, especially in dissimilar markets (Guillén, 2000; Khanna & Palepu, 1997; Lamin, 2012; Tan & Meyer, 2010).

In summary, in addition to their social ties and business relations with other firms, managers of affiliated SMEs also have to deal with the internal network of the business group to which they belong. Surprisingly there is no published study, to the best of our knowledge, that has examined the role that corporate ownership plays in the internationalization of SMEs, and in particular whether affiliation to a business group may enhance or hinder their international expansion.

1.4 Research aim

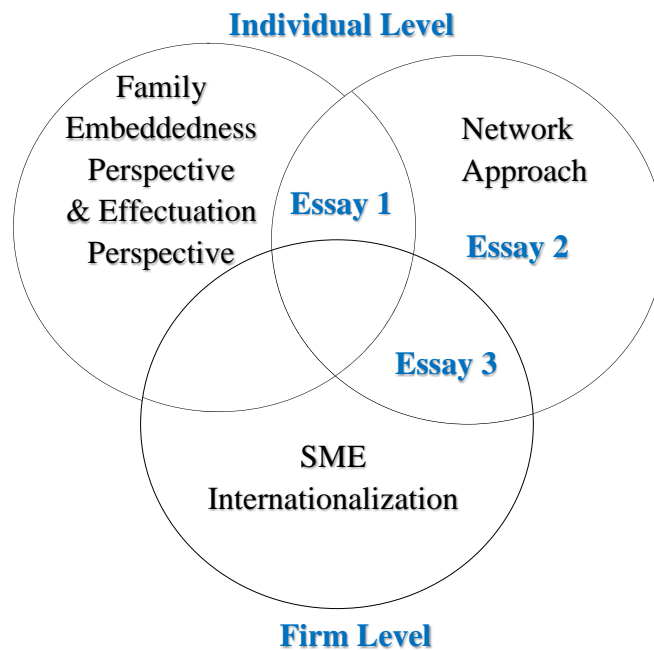
Consequently with its overarching research question (*What role social and business networks play in the emergence of new ventures and new business opportunities?*) and the specific knowledge gaps identified in the previous section, the present thesis is based on the collection of the following three essays:

- ❖ Essay 1 explores the role of the entrepreneur's family of origin in supporting the emergence of new businesses. More specifically, my research question refers to *how the socioeconomic characteristics of the entrepreneur's family of origin influence the process of new business venture creation and what are the differential effects, if any, of being born into a family from higher or lower socioeconomic background*. Therefore, in Essay 1 (Chapter 2) I use the family embeddedness perspective and effectuation which are considered more comprehensive and appropriate theoretical lenses for the study.
- ❖ Essay 2 explores gender and culture effects on the entrepreneur's network and the business creation process, how women perceive social capital and networks, and how important networks are for their businesses, especially in the context of patriarchal societies. More specifically, the research question refers to *how gender and culture impacts on networking and business venture creation*. The second essay of this dissertation (Chapter 3) draws on social network theory and institutional theory.
- ❖ Essay 3 explores the impact of business group affiliation on the international diversification strategy of service and manufacturing micromultinationals (mMNEs). More specifically, my research question refers to *what is the effect that affiliation to a business group has on the international expansion of mMNEs?*. The unit of analysis is the entrepreneurial firm. The third paper of

this dissertation (Chapter 4) draws on network theory as well as the SME internationalization and business group literatures.

Overall, the present dissertation explores the role of social and business networks in different entrepreneurial settings at individual and firm levels. The dissertation stands at the intersection of Entrepreneurship and International Business, leveraging three main different literatures; namely, entrepreneurship, network theory and SME internationalization. Each of these fields represents an area of scholarship in its own right; however, their intersection and cross-fertilization provide opportunities to study unexplored or emerging phenomena as this dissertation does. Figure 1.1 shows how the three essays relate to the thesis' overarching research question and its interdisciplinary positioning.

Figure 1.1: Positioning and shared domain of the three Essays



1.5 Research design

Research can be approached in two ways, through a qualitative or a quantitative design, depending on the research aims to be achieved.

Qualitative research methods are chosen when the aim is to develop new research arenas in the literature and explore phenomena that have not (or scarcely) been examined before (Yin, 1994; Eisenhardt, 1989). In qualitative research designs, a researcher focuses on gaining a better understanding of the research problem through

the collection of detailed information about the subject matter (Strauss & Corbin, 1990). One essential aim of this research approach is to have a complete and detailed description of the subject through the application of reasoning with interviews and observations without formal measurement. The main purpose of the qualitative research is to understand relevant phenomena in order to contribute to theory development. As stated by Yin (1994), a generalization of results from research case designs is made to theory and not to populations.

The quantitative approach focuses on testing existing or new theories. It emphasizes the collection of quantitative data and uses statistical models. A researcher using this approach should have well-grounded and clearly defined hypotheses, appropriate measures for the different variables and robust statistical methods to test the different hypotheses.

1.5.1 Justifying the research strategy

Essays 1 and 2 are exploratory in nature and an attempt to answer the numerous calls to conduct more qualitative research on entrepreneurial networks (Hoang and Antoncic, 2003; Parkhe et al., 2006: 563). A multiple research case study is judged to be the most appropriate design because it focuses on ‘how’ and ‘why’ type questions about a set of events outside the control of the researcher. It offers several advantages. First of all, the use of qualitative methodologies and research case studies is more appropriate for studying dynamics and changes (Patton, 1990: 13, 53; Stake, 1995: 37; Yin, 1994; 2004) and for capturing interdependencies in complex systems, which includes networks (Stake, 1995; Gummesson, 2000). Second, a qualitative case study strategy is consistent with the inductive nature of the essays, which intend to contribute to theory development (Eisenhardt, 1989; Yin, 2004), and well suited for cross-border and cross-cultural research (Ghauri, 2004), which concerns Essay 2 covering five different countries. Third, information from several cases provides a more comprehensive and detailed understanding through pattern matching (Yin, 1994; Stake, 1995). And lastly, a multiple case study research design can generate higher internal and external validity of the findings, thus providing robust interpretations (Yin, 2013).

In a more detailed manner, in Essay 1 I first reviewed the literature in order to identify theoretical building blocks and constructs and then linked our theoretical discussion and

conceptual model to the in-depth qualitative evidence collected through the cases studied (Eisenhardt & Graebner, 2007). In Essay 2, to focus on entrepreneurial process and networks, I employed a multiple research case study (Eisenhardt, 1989; Yin, 2013). Because the qualitative approach is particularly appropriate for a study that deals with the complex social phenomenon of the relationships of entrepreneurs, which can only be gathered through interactions with the respondents in order to obtain richness of data (Hoang & Antoncic, 2003). Further, Stevenson and Jarillo (1990) points out that a qualitative approach is more suitable, especially when researching female entrepreneurship because entrepreneurship theories are still in the process of development and refer mainly to male entrepreneurs. In addition, a study on culture and network ties and their development requires detailed data, which are difficult to acquire through quantitative methods (Patton, 2005).

Essay 3 follows a quantitative research design, leveraging on a large dataset on Spanish micro-multinationals and the accumulated knowledge of ESADE's Observatory of Spanish Multinational Companies (OEME). Spain provides an ideal research context for testing the hypotheses given the significant internationalization process carried out by many Spanish SMEs in recent years.

1.5.2 Research settings, samples, and datasets

For Essay 1, I used purposeful sampling based on a *post hoc* identification of relevant individuals (Gaglio & Katz, 2001) who have recently demonstrated entrepreneurial behavior and created viable new businesses. The entrepreneurs participating in the study had to satisfy several criteria: (a) to be Turkish, (b) to be the founder of an active company operating in Turkey, (c) business ownership had to be his/her primary job, and (d) to have established his/her own business in 2010 or later year. I opted for studying Turkish born new ventures because the family stands at the heart of the Turkish society and family members have strong social ties between them with high levels of loyalty, reciprocity, and trust (Cetindamar, Gupta, Karadeniz, & Egrican, 2012).

Suitable entrepreneurs for this study were identified from a list provided by the Turkish Chamber of Commerce. By using this resource, a total of four hundred entrepreneurs located in several of the largest cities in Turkey were randomly selected and contacted by email inviting them to participate in the study. A total of eighty-seven entrepreneurs

answered positively and in a second email were asked to complete a short questionnaire about their personal and business profile. As a result, fifty-three entrepreneurs met the criteria established. Following a thorough analysis of the data obtained, saturation was achieved at twenty cases, 13 middle-class and 7 lower-class social origins.

The empirical component of Essay 2 is also based on the multiple-case study approach. The criteria for the case selection were (a) to be women entrepreneurs (b) have founded their own business; (c) the business needs to be at least three years old, and (d) willingness to participate in the research. Altogether, I studied 25 cases of women entrepreneurs from Turkey, Saudi Arabia, Lebanon, Egypt, and Morocco.

The criteria for the sample selection for the study in Essay 3 were (a) to be an incorporated firm in Spain controlled by Spanish investors, thus excluding the Spanish subsidiaries of foreign multinationals; (b) to be an SME according to European Union (EU) classification of companies, that is, having at least 10 employees and no more than 249 employees, and to have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million; (c) to have at least one foreign affiliate, that is, an incorporated firm in a host country in which the Spanish parent company owns at least 10% of the shareholders' voting rights (UNCTAD, 2014).

From the SABI dataset, we identified those companies that meet the mMNE criteria over a seven-year time period (2006 to 2012). Given the purpose of the study, we excluded those companies that were banks, holding companies, mutual funds, insurance companies or corporate headquarters (NACE Rev.2 codes: 6410, 6420, 6430, 65 and 7010 respectively). As a result, an unbalanced data set was obtained, with the final sample consisting of 1,892 mMNEs with a total of 6,626 firm-year observations.

1.5.3 Data collection

Data collection for Essays 1 and 2

The primary data collection method employed for Essays 1 and 2 was semi-structured interviews; twenty entrepreneurs and twenty-three family members of seventeen entrepreneurs were interviewed for Essay 1 and twenty-five semi-structured interviews were conducted for Essay 2. According to Kvale (1983:174), the purpose of the interview method in qualitative research is “to gather descriptions of the life-world of

the interviewee with respect to the interpretation of the meaning of the described phenomena.” Further, in exploratory studies, in-depth interviews can be very helpful and appropriate to find out what is happening and to seek new insights and can provide greater breadth than any other types given its qualitative nature (Denzin & Lincoln, 2000:705). Thus, a semi-structured interview was chosen for Essay 1 and 2 because it allows for greater flexibility, attention to detail, and the emergence of new and unexpected topics (Yin, 1994: 85; Stake, 1995: 65; Silverman, 2013), which is consistent with the exploratory nature of the essays.

Especially in the case of Essay 1, personal interviews were selected as the main data collection method in order to gain a deeper insight into the entrepreneurs’ family social structure. According to Patton (1990), the nature of qualitative interviewing allows to the participant to describe his/her story in more details; so, the researcher is remaining neutral and not manipulating the data on the process, and further able to develop a close empathic relationship with an interviewee. I endeavored to establish and maintain this empathic neutrality before, during, and after each interview.

Before the interviews, I explained the purpose of the study and prepared the interview guides that represented open-ended questions to establish a comfortable interview atmosphere. According to Patton (1990: 24, 295), information obtained through open-ended questions is more accurate and thorough because they allow interviewees to present phenomena from their own perspective and on their own terms. Also, in addition to the interviews, secondary resources like public and internal documents of the firms and entrepreneurs studied were employed to gather information (Patton, 2002) and prepare for the interviews. For instance, I checked the entrepreneur’s LinkedIn profile, their press interviews, companies’ histories, their main partners, and operated markets. Thus, each interview guide was tailored for each case. Before each interview, the interview guides were sent to the respondents and ask if they have any questions because of the nature of native language. At the interview process, I allowed to the respondent uninterrupted dialogue to tell his/her story, but to ask for clarification if unclear on the response to get the information right (Gilmore & Coviello, 1999). All interviews were tape recorded. Thankfully, in all cases, the respondents did not object to the interviews being voice-recorded and if needed to use their name and company except those from Saudi Arabia which requested to never mention their name or company in the research.

After the interviews, I sent e-mails to thank each respondent and did follow-up interviews to verify the information given during the interviews. Also, for the Essay 1, I asked to interview one relevant member of the entrepreneur's family to further inquiry on the role played by his/her family on becoming an entrepreneur and the business venture creation process. In the case of Essay 1, more than entrepreneurs but their families were interested in receiving the results of the study; therefore, further meetings face to face were arranged and explained the results. In Essay 2, after the study was published, I sent the published article with a special thank you note to each interviewed person.

Data collection for Essay 3

The data were collected from SABI (*Sistema de Análisis de Balances Ibéricos* – Iberian Balance-sheets' Analysis System), which is a database that contains economic and financial information, date of incorporation, location of the main office, company industry classification, total number of employees, and ownership data related to shareholders and affiliated companies, among other information. Also, it includes more than 95% of the companies from the 17 Spanish autonomous communities that deposit their financial statements at the Mercantile Registry Offices. Based on SABI we build a dataset of Spanish micro-multinational companies (mMNEs) including their affiliates abroad. For every company, SABI reports whether or not it is affiliated with a business group.

1.6 Structure of the dissertation

This dissertation comprises five chapters and is organized as follows. Chapter 1 provides an introduction to the dissertation. The three essays that compose the main body of the dissertation are presented in Chapters 2 to 4. Finally, Chapter 5 presents the conclusions of the dissertation in terms of its positioning and intended contributions to the different literatures considered, limitations and opportunities for future research. Each essay included in this dissertation is presented in the format in which it has been published or was accepted for a conference or a workshop (see Table 1.1 in next page).

Table 1.1 - Essays Included in the Dissertation

	Essay 1	Essay 2	Essay 3
Title	Does entrepreneur’s family of origin matter on business venture creation? Evidence from middle- and lower-class Turkish families	The impact of gender and culture on networking and venture creation - An Exploratory Study in Turkey & MENA Region	Does Business Group Affiliation Enhance or Hinder International Expansion? The Case of Spanish Micromultinationals
Publication	Previous version published in SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2506270 Proceedings of 5th GW Global Entrepreneurship Research & Policy Conference in 2014, Washington, DC. The USA.	Published in <i>Cross-Cultural & Strategic Management</i> 2017, 24 (2), 332-349 (IF 2016 = 0.778 5-Year IF = 1.185)	Proceedings of the AIB Conference in 2016, New Orleans, USA
	Submitted to <i>Entrepreneurship Theory and Practice</i>		R&R status <i>International Small Business Journal</i> (IF 2016 = 3.677)
Authors	Kalafatoglu, Tugba and Mendoza, Xavier	Kalafatoglu, Tugba and Mendoza, Xavier	Kalafatoglu, Tugba; Shin, Joon-ho and Mendoza, Xavier
Aim	To explore how the socioeconomic characteristics of the entrepreneur’s family of origin influence the process of new business venture creation and what are the differential effects, if any, of being born into a family from higher or lower socioeconomic background.	To explore how gender and culture effect on network and business creation, how women perceive social capital and network and how important it is for their business in the context of patriarchal societies.	To explore the influence of business group affiliation on the international expansion of manufacturing and service internationalizing SMEs
Areas of Research	Family embeddedness perspective, Effectuation perspective, Sociology, network theory	Women’s entrepreneurship, network theory, culture, institutional theory,	Network theory, SME internationalization, business groups, mMNEs
Method	Qualitative study	Qualitative Study	Quantitative Study
Datasets	20 Turkish entrepreneurs 23 Family members of 17 entrepreneurs (3 entrepreneur’s parents were deceased)	25 Women entrepreneurs from Turkey, Saudi Arabia, Lebanon, Morocco and Egypt	1,892 Spanish micromultinational enterprises (mMNEs)

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2

Does entrepreneur's family of origin matter on business venture creation? Evidence from middle- and lower-class Turkish families

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Chapter 2: Does entrepreneur's family of origin matter on business venture creation? Evidence from middle- and lower-class Turkish families

Abstract

In this paper, we examine the role of the entrepreneur's family of origin in supporting the emergence of new businesses. Adopting a family embeddedness perspective on entrepreneurship, we carried out a multiple-case study on twenty Turkish entrepreneurs. The empirical findings show that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneurs' means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization). In the case of entrepreneurs from lower-class origins, the contribution of their families (both entrepreneurial and non-entrepreneurial) centers on the transmission of values and providing the best education possible, playing a limited and marginal role in assisting them to create the new ventures. This is in sharp contrast with entrepreneurs from middle-class origins, whose families' contributions reflect a significant intergenerational transmission of resources. Further, those born into middle-class entrepreneurial families have access to superior 'means' (knowledge, social relationships, and reputation, financial capital) which translates into important advantages, especially when the new venture is in the same or related industry as the family business.

2.1 Introduction

Entrepreneurship is the result of the interaction of the individual characteristics of entrepreneurs and their environment (Jack, Dodd & Anderson 2008). Nascent entrepreneurs are involved in networks of social relations which provide them access to potential customers, suppliers, business partners, and sources of capital and other needed resources. However, Aldrich & Cliff (2003) noted fifteen years ago that the social embeddedness perspective on entrepreneurship had paid little attention to the influence of one fundamental social institution in which *all* entrepreneurs are embedded – the family. In response to calls that entrepreneurship research should incorporate

household and family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003; Miller, Steier, & Le Breton-Miller, 2016; Steier, 2009; Welter, 2011), a growing number of studies in recent years have examined specific family-related aspects of new business venture creation, such as family relations in the entrepreneurial team (Brannon, Wiklund & Haynie, 2013), family employment (Cruz, Justo & De Castro, 2012), family financial support (Sieger & Minola, 2017) or family social capital and emotional support (Edelman, Manolova, Shirokova & Tsukanova, 2016). Given that founding a business is a demanding and resource intensive process (Gartner & Shaver, 2012), it is surprising that very few studies (Jayawarna, Rouse, & Macpherson, 2014; Schoon & Duckworth, 2012) have considered explicitly the influence of the socioeconomic status (and associated sources of capital) of the family of origin on becoming an entrepreneur, but without analyzing its effects on the process of business venture creation.

This paper aims at examining the role of the entrepreneur's family of origin in supporting the emergence of new businesses. More specifically, our research question refers to how the socioeconomic characteristics of the entrepreneur's family of origin influence the process of new business venture creation and what are the differential effects, if any, of being born into a family from higher or lower socioeconomic background.

Given the aim of our study, a multiple research case study was judged to be the most appropriate design. To do so, we first reviewed the sociological, psychological and entrepreneurship literatures using a family embeddedness perspective on entrepreneurship, as proposed by Aldrich and Cliff (2003), in order to identify theoretical building blocks and derive a preliminary conceptual model. We also adopted the conceptualization that effectuation theory (Sarasvathy, 2001) does of the entrepreneur's 'means' (identity, knowledge and network) because it is especially well suited to capture the influence of the entrepreneur's family of origin on the entrepreneur's means and, in turn, the impact those means have on the process of new business creation.

Our empirical study allowed us to scrutinize the suitability of the preliminary conceptual model in the light of the findings derived from twenty case studies of Turkish entrepreneurs (seven from lower-class origins and thirteen from middle-class

origins). We chose Turkey as the empirical context of our study because the family stands at the heart of society and family members have strong social ties between them with high levels of loyalty, reciprocity, and trust (Cetindamar, Gupta, Karadeniz, & Egrican, 2012).

Our empirical findings show that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneurs' means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization). Specifically, in the case of entrepreneurs from lower-class origins, the contribution of their families to their means to start up basically centers on the transmission of values and providing the best education possible, while families played a very limited and marginal role in assisting them with business contacts, financial capital or knowledge needed to create their new ventures, with the only exception of the provision of human resources (hiring relatives to whom they trust). In the case of entrepreneurs from middle-class origins, the contribution of the family of origin reflects a significant intergenerational transmission of resources during childhood and adolescence which is continued during adulthood. Those entrepreneurs born into middle-class entrepreneurial families had access to a more elaborate set of 'means' to start up (knowledge, social relationships, and reputation, financial capital) which translated into important advantages, especially when the new venture is in the same or related industry than the family business. Finally, from a gender perspective, our findings show the importance of female entrepreneurial role models and being born into a middle-class family as enablers of women entrepreneurship.

This paper contributes to the extant literature on entrepreneurship and family business in several ways. Firstly, we provide a comprehensive theoretical and empirical explanation of how the socioeconomic characteristics of entrepreneur's family of origin influence new business venture creation, and the differential effects of coming from middle-class as compared to lower-class families, an area where empirical evidence is scant. Secondly, by examining how new ventures spring from family relationships, we provide evidence that entrepreneurs born into entrepreneurial families have access, in principle, to superior 'means' to start up; however, the extent to which those means are truly superior and facilitate the process of new business creation largely depends on the socioeconomic status of the entrepreneur's family of origin. Thirdly, we also address

scholars in the field of women entrepreneurship by examining the interplay between gender and the socioeconomic characteristics of the entrepreneur's family of origin in the context of a patriarchal society such as Turkey. Moreover, lastly, we contribute to effectuation theory in detailing and expanding the components of one of its main constructs (entrepreneur's means at hand).

This paper proceeds as follows. Next, the second section details the theoretical background which leads to our preliminary conceptual framework. This is followed by the third section describing the methodological aspects of the study. Then, the fourth section presents the findings of the study followed by a fifth section that discusses the findings in the light of a revised conceptual framework. The paper concludes by outlining its main contributions and the limitations of the study and pointing to future research directions.

2.2 Theoretical background

The focus of entrepreneurship research has typically been the individual entrepreneur or the entrepreneurial team. Scholars have focused on their traits or attributes, their cognitive processes, and their actions as socially embedded actors (Aldrich & Cliff, 2003; Miller et al., 2016).

Considering the traits perspective, the entrepreneur's human capital is widely recognized as a significant antecedent of entrepreneurial intention and new business venture creation. Human capital incorporates skills that individuals acquire through education, training and work experience, which are essential to a person's economic productivity (Acemoglu & Autor, 2011). The differences in human capital are the sources that to a large extent explain the differences in individuals' social and economic outcomes. In that respect, several authors (e.g., Evans & Jovanic, 1989; Smallbone & Welter, 2001) have found that personal motivation to become an entrepreneur is related to higher levels of education and individual income. Supporting this argument, Kim, Aldrich, and Keister (2006) found that advanced education and managerial experience are significantly and positively associated with the entrepreneurial entry.

Entrepreneurship research has also provided strong evidence of a second important trait. It is a well-known fact that children of entrepreneurial parents are over-represented among those owning a business (Shapiro & Sokol, 1982) or trying to start a business

(Aldrich, Renzulli, & Laughton, 1998; Davidson, 1995; Delmar & Gunnarsson, 2000). Doepke and Zilibotti (2005) point out that the probability of becoming an entrepreneur is higher if parents or other household members are entrepreneurs or have an entrepreneurial background. In a similar vein, Glaser, Rosenthal, and Strange (2009) find that the children of small firm owners have a higher propensity to become entrepreneurs in comparison to the children of managers of big corporations.

Regarding nascent entrepreneur's cognitive processes, the extensive literature on entrepreneurial intention considers human capital and entrepreneurial parent role models as important and significant antecedents of an individual's entrepreneurial intention, antecedents which are mediated by three conceptually distinct motivational variables: attitude towards starting up, subjective norm, and perceived behavioral control of becoming an entrepreneur (Ajzen, 1991; Krueger, 2007; Krueger & Carsrud, 1993; Liñan & Chen, 2009; Zapkau et al., 2015). Effectuation theory, which is described later on in this section, deals with the entrepreneur's reasoning, describing the heuristics and processes that experienced entrepreneurs use in business venture creation.

The social embeddedness perspective highlights that entrepreneurs are involved in networks of social relations which provide them access to potential customer, suppliers, business partners, and sources of capital and other needed resources. Moreover, Zimmer and Aldrich (1987, p.6) point out that individuals do not decide to start a business in a vacuum, instead "they consult and are subtly influenced by significant others in their environment". However, Aldrich & Cliff (2003) already noted fifteen years ago that the embeddedness perspective had paid little attention to the influence of one fundamental social institution in which *all* entrepreneurs are embedded – the family. With the notable exception of the role played by entrepreneurial parents as role models, this gap largely persists today. Referring specifically to families that own a business, Miller et al. (2016, p. 445) point out that "missing from the conversation [among entrepreneurship scholars] are family firms or an entrepreneur's embeddedness within a supportive family".

In response to calls that entrepreneurship research should incorporate family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003; Miller et al., 2016), a growing number of studies in recent years have examined specific family-related aspects of business venture creation, such as family relations in

the entrepreneurial team (Brannon, Wilklund & Haynie, 2013), family employment (Cruz, Justo & De Castro, 2012), family financial support (Sieger & Minola, 2017) or family social capital and emotional support (Edelman, Manolova, Shirokova & Tsukanova, 2016). Given that founding a business is a demanding and resource intensive process (Gartner & Shaver, 2012), it is surprising that only two studies, to the best of our knowledge, have considered explicitly the socioeconomic status (and associated sources of capital) of the entrepreneur's family of origin (Jayawarna, Rouse, & Macpherson, 2014; Schoon & Duckworth, 2012). These two studies focus on examining the contextual and individual characteristics that influence the decision and the ability to become an entrepreneur, but they do not analyze the influence of such characteristics on the process of business venture creation.

2.2.1 The influence of the entrepreneur's family of origin in venture creation

Families influence their offspring in at least two main ways, as motivators and role models and as provider of resources (Delmar & Gunnarsson, 2000). Jayawarna et al. (2014) find that the socioeconomic status of the family that a person is born into affects his/her childhood, adolescence and adulthood resources, which in turn affect his/her ability to start a new business venture.

2.2.1.1 Childhood and adolescence

Sociological and psychological theories related to the socialization of children highlight that families help children to embrace the social roles and behavior that they will need in society (Brim, 1968). Social learning theory (Bandura, 1977, 1986) emphasizes the effect of behavior acquisition through the observation of others referred to as role models which influence individuals' personality development and the formation of attitudes. Children are exposed to their families' behaviors by direct experience and observation, in this way families strongly influence the personal characteristics of their children (Shapiro & Sokol, 1982). In fact, several studies have shown that childhood and adolescence are important times for developing entrepreneurial competence (e.g., Obschonka et al., 2011; Schmitt-Rodermund, 2007; Schoon & Duckworth, 2012).

Families tend to invest in their children by passing on their values and knowledge while employing family networks and wealth to create childhood opportunities and to form future adults with particular social positions and cultural orientations. Especially, when

parents socialize children to achieve in education, they are also developing attributes that later on will be useful to start up a new business such as ambition, perseverance and drive for achievement (Kim, Aldrich, & Keister, 2006). In a recent study, Doob (2013) highlights that the members of the American middle class use their available sources of capital (human, social and financial) to prepare their children for the adult world, hence the great importance given to quality education and educational attainment as one of the most important factors for becoming successful citizens. Kharas (2010, 2017) found out that in most countries middle-class households tend to invest more in children's education.

Bourdieu (1984) argues that a person's early environment influences his/her dispositions and that the capital people accrue in childhood is appropriate to reproduce their position within the environment to which they were born. According to Bourdieu's notion (1984) of *habitus*, families transmit embodied knowledge about appropriate ways of behaving and strategically orientating oneself in occupational environments. Moreover, family business research contends that family influences are important factors in children's occupational intentions (Jodl, Michael, Malanchuk, Eccles, & Sameroff, 2001). It is known that the success of a parent as a business owner is of central importance to the child's consideration of entrepreneurship as a career option (Delmar & Gunnarsson, 2000). Lindquist, Sol and Van Praag (2015) find that having an entrepreneur as mother/father increases the probability of becoming an entrepreneur by 60%, and Andersson and Hammerstedt (2010, 2011) reach similar conclusions regarding the intergenerational transmissions of self-employment abilities among immigrants. Some researchers have also suggested that entrepreneurial intention can be an inherited genetic disposition from entrepreneurial parents (Nicolaou & Shane, 2010).

Few empirical studies have explicitly looked at the socioeconomic position of the family in which a person is born into. In their longitudinal study of a British cohort, Schoon and Duckworth (2012) found out that becoming an entrepreneur at age 34 was associated with social skills at age 10 and entrepreneurial intentions expressed at age 16 for both men and women. Further, for men, having a father involved in running a small business during childhood was a powerful predictor of start-up; while for women, it was predicted by their parents' socioeconomic status. In a later longitudinal study on British households, Jayawarna et al. (2014, p. 299) found that "children born to entrepreneurs, with parents higher up the occupational ladder, who are more wealthy as children, and

who completed a basic level of childhood education, are more likely to start a business”. That is, education, family status and wealth significantly influence the opportunities to start up a business. Further, they found that business entry was directly associated with a father’s occupation and reduced by going down the occupational ladder. Thus, having a father in manual work particularly reduces the chance of starting up (Jayawarna et al., 2014). Overall, the findings of these two studies suggest a considerable social class effect in the inter-generational transmission of values and tangible and intangible resources during childhood and adolescence.

2.2.1.2 Adulthood

Sociological theory (Bourdieu, 1984; Coleman, 1990) and evidence (Hebson, 2009; Naylor, Smith, & McKnight, 2007) suggest that an individual’s ability to continually accrue resources in adulthood is influenced by the socioeconomic status of the family of origin.

Firstly, the skills and dispositions nurtured in childhood and adolescence, as well as the educational credentials attained, are mobilized in adulthood in the labour market (Falck, Heblisch & Luedemann, 2012). Jayawarna et al., (2014) find that adult’s occupational status and associated income from the labour market are positively related to becoming an entrepreneur, which highlights the importance of personal savings and finance in starting up a business (DeClercq, Lim & Oh, 2013; Fraser, 2004). Likewise, these authors also found that manual workers were “very significantly less likely to start-up than other groups” (Jayawarna et al., 2014, p. 300).

As mentioned previously, higher levels of education tend to have a positive association with new business creation, especially when they are allied to relevant work experience (Corner & Ho, 2010) which support opportunity recognition as well as the speed of development and progression in the start-up process (Marvel, 2013; Dimov, 2010). Several studies have found that business start-up is significantly related to years of work experience (Corner & Ho, 2010; Jayawarna et al., 2014), especially when such work experience entails managerial experience (Kim, Aldrich & Keister, 2006) and is applied to related businesses (Zanakis, Renko & Bullough, 2012). In that regard, in the case of families that own a business, they may also provide jobs with managerial responsibilities and thus contribute to their offspring’s acquisition of relevant business

experience. In his seminal study, Aldrich, Renzulli, and Langton (1998) formulated the concept of “entrepreneurial capital” – including childhood exposure to entrepreneurs, work in the family business and jobs with managerial responsibility- as a resource needed for starting a business.

Secondly, a family may directly transfer financial and social resources to their adult children in their pursuit to become entrepreneurs. Research on the resource mobilization process emphasizes the importance of the entrepreneur’s social ties to build the new firm’s base of financial, physical, human and other resources, especially the resources provided by the “strong ties” of family members (Zimmer & Aldrich, 1987; Aldrich & Cliff, 2003) and kinship ties (Starr & MacMillan, 1990). During the start-up process, the entrepreneur’s family of origin (as well as his/her own nuclear family) may play an important role in the mobilization of financial resources, the provision of human resources, physical space or business connections (Aldrich & Cliff, 2003). Thus, when a family supports the creation of a new venture, it can supply resources in quantity and in quality that “often are not available to lone entrepreneurs who must secure [them] from less socially motivated, less loyal and less committed parties” (Miller et al., 2016, p. 447). In that regard, Sirmon and Hitt (2003) identified several of those family resources that may provide potential advantages over firms not supported by a family, such as an unusually motivated and economical workforce, patient financial capital that has few strings attached, sharing networks and business contacts (even personal reputation can be passed across generations, e.g., coming from a “good family”), or when the family of origin owns a business, passing on insider industry knowledge and management experience that would be hard to acquire externally (Miller et al., 2016).

2.2.2 Effectuation, family of origin and entrepreneurs’ means

Sarasvathy (2001) describes two kinds of entrepreneurial reasoning: causation and effectuation. Causation processes take a particular effect as given and focus on choosing between alternative means to create that effect, in that sense, causation is a goal driven, predictive causal logic. On the other hand, “effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means” (Sarasvathy, 2001, p. 245). Hence, effectuation is a means driven, non-predictive logic. Adopting one of the two approaches depends on the situation. Sarasvathy (2001) argues that effectual reasoning is more prevalent in the earlier stages

of venture creation with a transition to a more causal logic as the uncertainty related to the new firm and its market reduces and evolves into a more predictable situation (Perry, Chandler & Markova, 2012).

Effectuation theory describes the heuristics and processes that experienced entrepreneurs utilize in business venture creation. These heuristics have been summarized into four effectual principles: means orientation, affordable loss, building partnerships, and leveraging contingencies (Sarasvathy, Kumar, York & Bhagavatula, 2014). Especially interesting for our study is the conceptualization of the means under the control of the entrepreneur that effectuation theory does.

In the effectuation view, entrepreneurs start with the means available as the basis for action. These means can be grouped into three categories: the entrepreneur's identity (who I am), the entrepreneur's knowledge and skills (what I know), and the entrepreneur's social networks (whom I know). By asking the questions "Who am I?", "What do I know?" and "Whom do I know", the entrepreneur focuses on "What can I do?" based on the means at hand to generate potential opportunities (Sarasvathy & Dew, 2005). As stated by Sarasvathy (2008), as important as the means available is what the entrepreneurs actually do with them to achieve certain effects. Reed et al. (2009) found out a significant and positive correlation between a means orientation and new venture performance. Such orientation allows entrepreneurs to be more flexible and open to new opportunities, taking advantage of the environment they are in, learning in the process and moving forward.

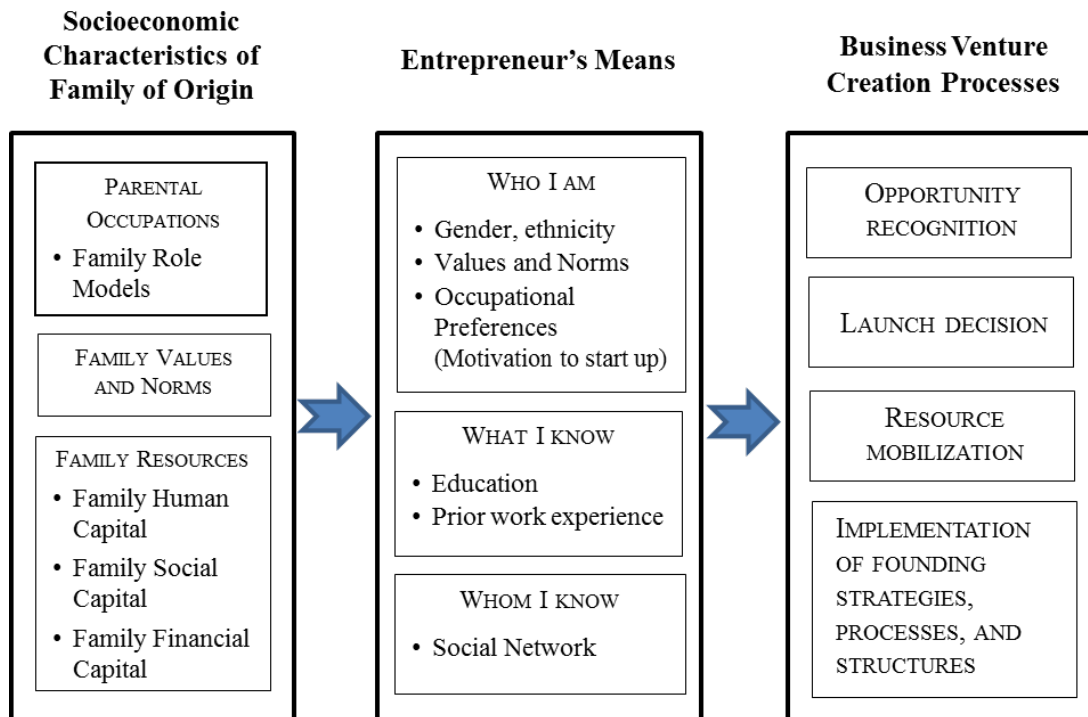
As shown in the previous section, the emergence of new business ventures is influenced by the entrepreneur's family of origin (Aldrich et al., 2003; Delmar & Gunnarsson, 2000; Miller et al., 2016) and its socioeconomic characteristics (Jayawarna et al., 2014; Schoon & Duckworth, 2012). Most importantly, the knowledge, values, networks, and wealth that parents pass on to their offsprings during their childhood, adolescence and adulthood often constitute a significant part of the accrued resources or "means at hand" when an entrepreneur engage in the process of starting up a business. In that regard, the resources provided by a supportive family –especially if it owns a business- often constitute a more elaborate set of means that those of a lone individual (Miller et al., 2016), especially when the pooling of financial capital, knowledge and social relationships are orchestrated effectively (Sirmon & Hitt, 2003).

Summing up, the conceptualization that effectuation theory does of the entrepreneur's means is especially well suited to capture the influence of the entrepreneur's family of origin on new business creation. Firstly, *who the entrepreneur* refers to its personal and social identity both in terms of demographic characteristics (gender, social class origins, ethnicity, ...) as well as norms, attitudes and values s/he has and upholds, especially those related to occupational preferences. It is widely recognized that having entrepreneurial parents as role models contributes towards a positive attitude to start up. Secondly, *what the entrepreneur knows* relates to his/her human capital in terms of the knowledge and skills acquired through education (in which parental influence may play an important role) as well as through working experience either in the family business or in other workplaces. Thirdly, *whom the entrepreneur knows* refers to his/her own social network as well as access to potential customer, suppliers or other business-relevant connections that his/her family may have. Empirical studies have shown the importance of the entrepreneur's social ties to build the new firm's base of financial, physical, human and other resources, highlighting the role of family and kinship connections (Aldrich & Cliff, 2003; Chrisman, Chua & Litz, 2003).

2.2.3. Preliminary Conceptual Model

Considering all the above, a preliminary conceptual model is proposed (Figure 2.1 in next page). The model adopts the family embeddedness perspective on venture creation formulated by Aldrich and Cliff (2003:590) and integrates it with the conceptualization that effectuation theory does of the entrepreneur's means. Here the term "family" refers to the entrepreneur's family of origin.

Figure 2.1 - Preliminary Conceptual Model



The conceptual model highlights the different processes of business venture creation (right column) that the entrepreneur's family of origin may support. However, this influence is not direct but mediated by the entrepreneur's accrual of childhood and adulthood resources (or means s/he has at hand) and the actions s/he takes using those resources (column in the center). That is, while the family of origin may provide resources that often are not available to a lone entrepreneur (Miller et al., 2016), the critical aspect is what the entrepreneur *does* with these resources. Lastly, the model also highlights how the different socioeconomic characteristics of the entrepreneur's family of origin (left column) may influence the entrepreneur's means.

2.3 Methodology

Qualitative research methods are chosen when the aim is to develop new research agendas, explore new phenomena or settings that have not been examined in the extant literature (Yin, 1993; Eisenhardt, 1989). As discussed in the previous sections, the entrepreneurship literature has paid little attention to the significance of families in business venture creation. Moreover, neither entrepreneurship research nor family business research has focused on the overall influence that the socioeconomic

characteristics of the entrepreneur's family of origin play in the venture creation process and early years of the new business.

Given the aim of our study, a multiple research case study was judged to be the most appropriate design because it focuses on 'how' and 'why' type questions about a set of events outside the control of the researcher. The case study method has the potential to induce new theory or extend existing one from empirical data (Eisenhardt, 1989). However, our method of inquiry is not pure induction as we first reviewed the literature in order to identify theoretical building blocks and constructs and then linked our theoretical discussion and conceptual model to the in-depth qualitative evidence collected through the cases studied (Eisenhardt & Graebner, 2007).

We used purposeful sampling based on a *post hoc* identification of relevant individuals (Gaglio & Katz, 2001) who have recently demonstrated entrepreneurial behavior and created viable new businesses. The entrepreneurs participating in our study had to satisfy several criteria: (a) to be Turkish, (b) to be the founder of an active company operating in Turkey, (c) business ownership had to be his/her primary job, and (d) to have established his/her own business in 2010 or later year. We opted for studying Turkish born new ventures because the family stands at the heart of the Turkish society and family members have strong social ties between them with high levels of loyalty, reciprocity, and trust (Cetindamar, Gupta, Karadeniz, & Egrican, 2012).

Participants were identified and selected following a three-step procedure. First, a total of 400 entrepreneurs located in several of the largest cities in Turkey were randomly selected from a list provided by the Turkish Chamber of Commerce and contacted by email inviting them to participate in the study. A total of 87 entrepreneurs answered positively. Then, they were asked to complete a short screening questionnaire by email about their personal and business profile. A total of 53 entrepreneurs met the criteria established. Finally, in the third step these entrepreneurs were further asked to describe their experiences and entrepreneurial activities. More than half of these entrepreneurs quit the study either because they were reluctant to spend more time or because were not willing to provide access to their relevant relatives to be interviewed. In the third step, following a thorough analysis of the data obtained, saturation was achieved at 20 cases, fifteen entrepreneurs being men and five women.

Following previous studies (Schoon & Duckworth, 2012), the family socioeconomic status was defined by parental education and parental occupation and coded into three categories (upper-class, middle-class, lower-class). We used parental education as the main criteria. In Turkey, the middle class is defined as having an education level higher than elementary school and owning a house and a car, while lower class is defined as having only an elementary school degree, renting out and not having any financial properties (Balikcioglu & Dalgic, 2015; Yilmaz, 2007). Therefore, we classified as a lower-class family of origin when one of the parents has primary education and the other no more than secondary education, in middle-class family parents have at least secondary education but no university education, and in an upper-class family at least one of the parents has a university education.

Regarding parental occupation, and based on Jayawarna et al. (2014, p. 294), we used the following classification of occupational groups: higher professional managerial, lower professional managerial, routine non-manual, skilled and unskilled manual, and self-employed, which we split into owners of micro enterprises, owners of small enterprises and owners of medium- and large-sized enterprises. We classified as upper-class families those in which at least one of the parents' occupation was in the categories of higher professional managerial and owners of medium- and large-sized enterprises. When parental occupation was in the categories of the manual worker or owner of a micro enterprise, the family was classified as lower-class. In the other cases, the family was classified as middle-class.

Our data analysis revealed seven cases that the family of origin scored as lower-class for both criteria, parental education and parental occupation. Given that none of the participant entrepreneurs was born into an upper-class family, we considered the remaining thirteen cases as middle-class origins. As expected, an important feature of our sample is that the majority of participants grew up in a family in which at least one of the parents was an entrepreneur (in six out of seven entrepreneurs whose origins were lower-class and in nine out of thirteen cases coming from middle-class origins). Table 2.1 presents summary characteristics of the families of origin. Table 2.2 provides an overview of the main characteristics of the entrepreneurs and their businesses. According to the interview order, they are named by using numbers from 1 to 20.

Table 2:1 Main Characteristics of the Entrepreneur's Family of Origin

Entrepreneur * Relatives interviewed	Family Social Class	Parental Level of Education		Parental Occupation (jobs) (if self-employed, type of business activity and number of employees)		Entrepreneurial role model in the family
		Father	Mother	Father	Mother	
1 *Mother	Middle	Secondary School	Secondary School	Employee Office Manager	Self-employed (Tourism Agency [5])	Mother
2 *Father	Middle	High School	High School	Self-employed Women textile products [25]	Worked with husband and in charge of cafeteria	Father
3 *Father	Low	Secondary School	Primary School	Self-employed Car repair [3]	Housewife	Father
4	Middle	High School	High School	Employee Office Manager	Housewife	None
5 *Father	Low	Secondary School	Primary School	Self-employed Restaurant [4]	Worked with husband as a cook	Father
6 *Father	Low	Primary School	Secondary School	Self-employed Carpentry [4]	Housewife	Father
7 *Father and Brother	Low	Secondary School	Primary School	Self-employed Electrical Installing [3]	Housewife	Brother
8 *Father and Mother	Middle	High School	High School	Self-employed Women beauty shop [5] - Hairdresser	Self-employed Women beauty shop - manicure/pedicure	Father/Mother
9 *Mother	Middle	High School	High School	Worked with wife as operations manager	Self-employed Home textile products [12]	Mother
10	Middle	Secondary School	Secondary School	Employee Driver/Personal Assistant at int'l firm	Housewife	None
11 *Mother	Middle	Secondary School	Secondary School	Employee Long road truck driver	Self-employed Catering service [7]	Mother
12 *Father	Middle	Secondary School	Secondary School	Self-employed Maintenance & repair air conditioning [6]	Housewife	Father
13 *Father	Low	Secondary School	Primary School	Self-employed (Child Textile [6 Part-time employees])	Worked with husband as an employee	Father
14 *Father/Sister	Middle	High School	High School	Self-employed (Kitchen supplies manufacturing [35])	Housewife	Father/Sister
15 *Father and Brother	Middle	High School	High School	Self-employed (Automotive parts manufacturing [27])	Housewife	Father/ Brother
16	Middle	High School	High School	Employee Cashier at a Bank	Housewife	None
17 *Father and Brother	Middle	Secondary School	Secondary School	Self-employed Medical supplies for elderly [16]	Housewife	Father/Brother
18 *Father and Aunt	Middle	Secondary School	High School	Employee Doorman	Employee Cleaning lady/Part time	Aunt
19 *Father	Low	Primary School	Primary School	Self-employed Electrical installing [2]	Housewife	Father
20 *Father	Low	Primary School	Primary School	Employee Factory operations worker	Employee Textile manual worker	None

Table 2.2: Main Characteristics of the Entrepreneurs and Their New Ventures

Entrepreneur	Gender	Level of education & field of studies	If field other than business or economics, elective or extra courses in Business	Work experience prior to starting up			New venture's main features				
				What type? How many years?	Where? (in the family business or in other firm/org)	Age at leaving the family business	Age at founding the firm	Year firm was founded	Industry sector Specific Activity	Employees in 2017	Location "City"
1	Female	Undergraduate in Hospitality Management	n. a.	Operations / 5 years	Only in the family business	33	33	2010	Service Tourism	10	Istanbul
2	Male	Undergraduate in Business Administration	n. a.	Operations / 15 years	Only in the family business	34	34	2012	Service Management Consultant	14	Istanbul
3	Female	Master's in Public Relations	Elective in Business	HR-PR / 11 years	Only in the family business	28	28	2010	Service Language School	5	Istanbul
4	Male	Undergraduate in Sociology	Elective in Business	None	n. a.	n. a.	24	2012	Service Restaurant	15	Edirne
5	Male	Undergraduate in International Business	n. a.	PR- Operations/ 16 years	Only in the family business	31	31	2014	Manufacturing Organic Soap Products	45	Izmir
6	Male	Undergraduate in Engineering	Elective in Business	Manufacturing – Operations / 15 years	Only in the family business	28	28	2013	Manufacturing Personalized Co. Gifts	6	Istanbul
7	Male	Undergraduate in Business Administration	n. a.	HR-Operations in textile co / 10 years	In other firms (but not in the family business)	28	38	2011	Manufacturing Textile	87	Bursa
8	Female	Master's in Business Administration	n. a.	Admin work / 20 years	Only in the family business	36	36	2010	Service Tourism/Translator	22	Antalya
9	Male	Master's in Business Administration	n. a.	Admin-Operations / 20 years	Only in family business	36	36	2013	Service Financial Consultant	10	Izmir
10	Male	Undergraduate in Accounting	n. a.	Operations / 20 years	In other firms (no family business)	n. a.	44	2015	Manufacturing Food Factory/Flour	112	Ankara

Table 2.2. Cont'd:

Entrepreneur	Gender	Level of education & field of studies	If field other than business or economics, elective or extra courses in Business	Work experience prior to starting up			New venture's main features				
				What type? How many years?	Where? (in the family business or in other firm/org)	Age at leaving the family business	Age at founding the firm	Year firm was founded	Industry sector Specific Activity	Employees in 2017	Location "City"
11	Male	Associate Degree in Public Relations	Elective in Business	Admin-Sales / 20 years	Only in the family business	35	35	2011	Service <i>Events Management</i>	19	Adana
12	Male	Master's in Business Administration	n. a.	Finance 5 years	In other firms (but not in the family business)	n. a.	29	2016	Service <i>Financial Consultant</i>	10	Ankara
13	Male	Associate Degree in IT	None	Operations in family business: 13 years / In IT firms:10 years.	In both the family business and other firms	29	40	2011	Service <i>IT</i>	24	Istanbul
14	Male	Undergraduate in Mechanical Engineering	Elective in Business	Manufacturing/ 11 years	Only in the family business	36	36	2015	Manufacturing <i>Kitchen/Housing Supplies</i>	64	Kayseri
15	Male	Associate Degree in HR	None	Operations-HR/ 11 years	Only in the family business	28	28	2013	Service <i>Operations Consultant/HR</i>	15	Istanbul
16	Male	Undergraduate in Engineering	Elective in Business	Operations-HR/ 15 years	In other firms (no family business)	n. a.	36	2013	Manufacturing <i>Automotive Supplies</i>	46	Istanbul
17	Female	Undergraduate in Psychology	None	PR-Marketing/ 8 years within the family then 11 years other firms	In both the family business and other firms	31	42	2012	Service <i>Real Estate Consultant</i>	11	Izmir
18	Female	High School	None	Designer 15y Home textile co.	In other firms (no family business)	n. a.	32	2016	Manufacturing <i>Home Textile</i>	33	Adana
19	Male	Undergraduate in International Management	n. a.	Operations-Finance/ 14 years in family business Management Consultant/ 22 years other firms.	In both the family business and other firms	30	52	2015	Service <i>Management Consultant</i>	10	Ankara
20	Male	Master's in Business Admin	n. a.	Accountant/ 9 years	In other firms (no family business)	n. a.	32	2010	Service <i>Accounting</i>	21	Antalya

Regarding data collection, a case protocol was developed for the study. Case data were obtained via several methods, including structured interviews and direct observation as the researcher visited entrepreneurs' businesses. In the data gathering process, semi-structured open-ended interviews were conducted, this enabled asking about the main questions and then make further, more detailed questions (Yin, 1993). The semi-structured interviews were used in order to gain a full appreciation of the entrepreneur's family background, educational and prior work experiences, and the process followed to start up a new business. All interviewees were asked to explain what role their families played, if any, in fostering their motivation to start a new business as well as the different resources the families provided to support the creation of the new venture. Further, as part of the data collection, a total of twenty-three family members (including fathers, mothers, sisters, brothers and one aunt) of seventeen entrepreneurs were also interviewed (the parents of the three remaining entrepreneurs had deceased). A similar interview protocol was designed and followed for entrepreneur's relevant relatives.

All interviews, including those with entrepreneurs' parents and relevant relatives, were recorded and transcribed for further data analysis. The in-depth interviews, subsequent interviews, and collection of additional evidence were conducted in an 18-month period. Each participant was interviewed for 90 min during each phase. The interview process was iterative as the researcher gradually accumulated the case evidence to obtain a holistic but detailed picture of the key events, actions, and decisions of each entrepreneur. This involved between one to three rounds of face-to-face interviews with participant entrepreneurs.

After data collection, following Eisenhardt (1989) recommendations, we first carried out a within-case analysis writing summaries of each case, combining all the relevant information gathered from the different sources of evidence related to the influence and involvement of the entrepreneur's family of origin in the business venture creation process. The results of this analysis were compared with the proposed conceptual model which allowed the unique pattern of each case to emerge.

The next step was a cross-case search for patterns in order to identify differences and similarities between the cases, according to the socioeconomic characteristics of the entrepreneur's family of origin. Finally, an iterative process of considering the

literature, the proposed conceptual model and the case data was followed in order to refine our findings and clarify our contribution.

We took several measures to address the validity of our study by selecting entrepreneurs that had recently founded their companies so that they would remember more accurately about the role that their families played in the venture creation process. In addition, we used multiple informants (participant entrepreneurs and relevant relatives) in each case and triangulated between primary and secondary data sources to ensure the validity of the findings. In the iterative interview process, data was fed back to participant entrepreneurs for comment, clarification, amplification, and corroboration (Guba & Lincoln, 1994) to validate our understanding of the cases.

2.4 Results

The present study examines to which extent the socioeconomic status of the entrepreneur's family of origin influenced his/her motivation and ability to *actually* become an entrepreneur. Our empirical findings show that the socioeconomic status (or social class) of the family of origin influences in significant ways entrepreneurs' means at hand and, as a consequence, also affects the key processes involved in business venture creation (opportunity recognition, launch decision, resource mobilization).

2.4.1 Family role in shaping entrepreneur's identity (values, attitudes, and occupational preferences) (Who I am)

Recent studies have shown that the socio-economic position of the family that an individual is born into affects both their childhood and adulthood resources (Jayawarna et al., 2014; Schoon & Duckworth, 2012). In our study, entrepreneurs' early environment (or *habitus*, using Bourdieu's term) influenced their values, attitudes, and future occupational preferences. The most prominent findings follow.

A common theme that appeared in all interviews was the importance given by parents that their children achieve in education. Parents' aspirations that their offspring have better life chances than their own were to be accomplished by offering them an education better than they had. In that sense, education was considered a means for upward social mobility, and in particular as the way to escape from a lower-class status.

My mother was always telling me to leave this neighborhood. There was only one way to escape: to be a college educated, so I did (Entrepreneur 6, lower-class origins).

We own and operate a neighborhood beauty shop for more than 30 years now. We wanted her to succeed in a different sector and have a better education than us, and not just for her but for all our children. Our dream was to see our kids to graduate from university and thanks God we have witnessed that (Parents of Entrepreneur 8).

I have three sons, and all worked for me after school and during holidays. Even though they worked in our family business in any free time, of course, the priority was always their education. They all have better education than my wife and I had (Father of Entrepreneur 15).

We are a modest middle-class family, we worked hard and tried to give the best to our kids, and I think that we succeeded as we have one girl and one boy, and both are college educated and speak foreign languages (Father of Entrepreneur 17).

The importance given to education also reflects parents' recognition of their limited human capital. In the case of lower-class families, they made significant financial efforts to allow their children to pursue a university education. The commitment and support of parents to give their children the best education possible they could afford, induced in their offspring a sense of obligation to achieve in their education and complete university studies successfully.

My family was working hard to give us, the children, a better education including attending sports activities after the school. My brother and I went to a private school on scholarship, but we never felt or defined ourselves as 'scholarship kids.' Our family provided us everything we needed (Entrepreneur 5, Lower-class origin).

At the time I was at school, there were not many universities like today, and it was harder to get in. Although my parents did not even have a secondary school degree, one thing was sure; I would have a better education than they had. It was not an option; it was a mandate. I would never forget how proud my family was when I graduated (Entrepreneur 19, Lower-class origin).

I grew up in a family who worked very hard to make a living for themselves. My father and mother were working nonstop to put a bread on the table. They always encourage us to study hard and get a university degree (Entrepreneur 20, Lower-class origin).

The interviews with entrepreneurs and their parents reveal the intensity to which parents infused to their offspring the values of hard work and perseverance while encouraging them to achieve and aim higher. In most cases, parents also transmitted a positive perception for those jobs/career paths that provide autonomy and independence ('be your own boss'). The following quote further illustrates this point:

We were a modest family. My father worked as long road truck driver. My mother knew that for us to have a better education she had to work too, but she could not work somewhere else. So, she started her catering business from home. She was always telling me that I needed to have a degree and be my own boss so that I could be independent (Entrepreneur 11).

Two things were always top topics at home: first, we all needed to have a better education than our parents, and second, we would be our own boss (Entrepreneur 13, Lower-class origin).

Analysis of the interviews also shows that the entrepreneur's family of origin had significant effects on the motivation to actually start a new business. This influence manifested in several ways. Fifteen out of the twenty entrepreneurs reported that one of their close relatives (father/mother/brother/sister) acted as a role model for them since an early age and infused the desire to become an entrepreneur in the future.

Even when she was a kid, she used to tell me she would like to be in the same business as I am (Mother of Entrepreneur 1).

My father was an entrepreneur, and I continued his business after he passed away. So, my son grew up in an entrepreneurial family, and it is not surprising that he became an entrepreneur. However, he did not continue the family business (Father of Entrepreneur 2).

Imagine a long table in which everyone around you is an entrepreneur; that is my family. I learned everything from them working in the family business since a young age. However, the first priority was education and afterward start your own business. What your business was about did not matter much as long as it provided you financial stability so that you could be strong especially as a woman (Entrepreneur 17).

In entrepreneurial families, children are not just exposed to their parents or close relatives' behaviours; they also experience the social recognition given to a father or a mother that has successfully created a business.

On holidays when we visit my grandparents in Kayseri, my grandfather was always so proud of my father, telling his friends that he was a self-made man

that had achieved his dream. I remember that my father used to tell his story about how he started his business in the little coffee place in the center of the city (Entrepreneur 15).

It is interesting to note that all six entrepreneurs (cases 3, 5, 6, 7, 13 and 19) that come from entrepreneurial families with a lower socioeconomic status reported having a male relative as a role model, either a father or a brother. In contrast, in five out of the nine cases of entrepreneurs from middle-class origins (cases 1, 8, 9, 11 and 14), it was a mother or a sister that played a role model either alone (cases 1, 9 and 11) or in conjunction with a father (cases 8 and 14). This fact most likely reflects a patriarchal society and the gendered roles women have in the family, especially those in low-income families and with lower educational levels.

Participants that do not come from a family owning a business (cases 4, 10, 16, 18 and 20), although not having direct exposure to entrepreneurial family role models, nonetheless reported that their families encouraged them to aim higher and to try harder, making them confident on their families' support if one day they decided to create their own business.

The findings in this study suggest that families played an important role in fostering the entrepreneurial identity of our participants in terms of values, attitudes and occupational preferences since their childhood. Nonetheless, there were differences in career orientation when one analyzes the participants in the study according to their family socioeconomic background. For those coming from middle-class entrepreneurial families, becoming an entrepreneur was a clearer career path at a younger age, and some had to make a choice between continuing in the family business or to create their own business. However, becoming an entrepreneur was not considered a career option after high school in the case of some participants coming from lower-class entrepreneurial families, a reflection that their parents' occupation as self-employed or owners of small local businesses was not perceived as satisfactory or sufficiently attractive.

Coming from lower-class one thing you always hear from your family is to get a good education. I was good in sports, but it was not the case to go forward. I did not have a clear career goal after high school. The one goal I had was to get into the university and be the first college graduate in the family (Entrepreneur 7).

The primary thing in high school was to study hard and get into the university and afterward to get a good job. I did not have a clear idea in the sense of becoming an entrepreneur, the main thing at the time was to get a better education” (Entrepreneur 19, Lower-class origin).

Appendixes 2.1 and 2.2 present illustrative quotes from the respondents (entrepreneurs and their parents) about the role of the family of origin in fostering the identity of the entrepreneur.

2.4.2 Family role in developing entrepreneur’s human capital (What I know)

A first and important fact is that, in spite of age differences and in which city they live in Turkey, those entrepreneurs participating in our study were better educated than their parents. Table 1 presents the information on the level of educational attainment of entrepreneurs’ parents. In twelve cases parents only had primary or secondary education, and in the other eight cases one or both parents reach high school, none of them hold a university degree. In Turkey, at the time, primary school was five years and secondary school was three years of education and under the law, everybody had to have at least primary school education.

As mentioned in the previous section, several respondents highlighted the encouragement received from their parents as well as the significant financial efforts their families made to provide them the best education possible they could afford, which in most cases meant university education. In that regard, sixteen participants hold a university degree (five a master’s and eleven an undergraduate degree), three hold an associate degree, and one has high school education (see Table 2.2). Several aspects related to university education are worth mentioning from the interviews.

Firstly, we know from entrepreneurship research that people with better education and relevant work experience show a greater propensity to become entrepreneurs. Having a higher level of education allow individuals to develop skills such as critical thinking, effective communication and sound decision-making which are important in venture creation. Moreover, participating women entrepreneurs reported that succeeding in their university studies gave them confidence on their ability to become entrepreneurs.

My father and my mother always encouraged me to study further and pursue university studies. Especially as a woman, holding a degree in Hospitality and

Management, gave me more confidence to be my own boss and start my business in touristic services (Entrepreneur 1).

Being a woman in business sometimes can be difficult but having a master's degree gave me the confidence to start the business plus it helped me to build better networks and as a result identify better opportunities (Entrepreneur 3, Lower-class origin).

Secondly, if we look at the type of university studies pursued, we observe that nine participants held a degree in business or accounting and in seven more cases, although pursuing non-business degrees, they took at least one elective course in business management. No doubt that having a specialized education in business, especially from a good university, facilitates a better understanding of the different aspects and processes involved in business venture creation as the following quote illustrates:

I was very lucky to get into one of the best universities in Turkey, Boğaziçi University, which helps you on your personal and business development and provides you a big range of networks. It gives you the confidence that you are prepared to start up your business because of the resources you built and the mentorship support you have (Entrepreneur 9).

The choice of university education is often a powerful indication of the preferred occupational options considered by an individual. Moreover, in our study participants that come from entrepreneurial families held a slightly higher proportion of business degrees (seven out of fifteen individuals) as compared to those from non-entrepreneurial families (two out of five individuals), being this tendency stronger among those born into middle-class entrepreneurial families (five out of nine individuals). Especially this later case suggests that the family of origin had an influence in the desire to become an entrepreneur and consequently in the choice of university education.

My mother is Queen Bee in the family. Working with her was not so easy and for sure was challenging. However, she passed all valuable experiences to me. She encouraged me to pursue an MBA. When I started my business, I was confident that I was making the right decision (Entrepreneur 9).

Regarding the other component of human capital, the skills gained through work experience, all twenty entrepreneurs reported having previous work experience before starting their own business. Thirteen out of the fifteen participants coming from entrepreneurial families reported to have worked in the businesses of their families, in most cases since young age. This experience was considered important and valuable by

these participants, on one hand, they learned about the process of operating a small business and, on the other, they also developed specific skills that were relevant later on in starting up their respective businesses.

When I was a kid, I used to work at our family business, and every time my father was making a decision, he used to ask me what I would do in that situation. I think that becoming a successful management consultant (...) comes from my childhood. My father without on purpose trained me to the job (Entrepreneur 2).

Working anytime you have at your family business, especially in a restaurant business, you learned a lot how to handle customers and how to market your services, which all are essentials to any business. Now, I own an organic soap manufacturing company and everything I have learned from the family business I am using it in my own business. So, all those weekends and holidays were worth it! (Entrepreneur 5, Lower-class origin).

My mother is a true success story and I learned all business and operational skills, and in particular how to handle the money. We were middle-class family, so we needed to be careful in handling money. As I was really good in math, it was my responsibility to deal with the money and make decisions on how to invest it. Thanks to my family's support and encouragement, I have a successful financial consultancy firm (Entrepreneur 9).

In our family, almost everyone is an entrepreneur, and as my close family, my sister and father are entrepreneurs and work together. I did work with them too and learned the core business. I have now my own business in the same industry, so most of our customers are the same (Entrepreneur 14).

In these quotes, participants acknowledge to have learned especially valuable knowledge and skills working in the family business such as analytical and assessment skills (Entrepreneur 2, management consultant), customer service and sales skills (Entrepreneur 5, organic soap producer), operational and financial skills (Entrepreneur 9, financial consultant), or industry and core business knowledge (Entrepreneur 14, kitchen supplies). Appendix 2.3 presents illustrative quotes from the respondents about the role of the family of origin in developing their human capital.

2.4.3 Family role in developing entrepreneur's social capital (Whom I know)

Social ties and business connections accrued over time form an entrepreneur's personal network. Through it, he/she can obtain access to critical information to spot potential business opportunities as well as access to needed resources for developing his/her

venture. Our empirical findings show that these social ties and business connections can be ‘earned’ by the person’s own networking activity based on the educational institutions attended, prior jobs, and the associations and trade organizations to which he/she belongs to. Most interestingly, these social ties and business connections can also be ‘contributed’ by the entrepreneur’s family, especially in the case of entrepreneurial families.

Most of our respondents highlighted that university education as well as prior work experience and affiliation to different business associations helped them to develop a network of personal contacts that later on was instrumental in starting up their businesses.

I met my business partner at university. We attended an elective course on international management and were members of the same student club. During my Erasmus exchange period, after classes, I worked at an Italian family restaurant. I learned a lot about real Italian food. On my return, I wanted to open an Italian restaurant, and with his financial support we did it (Entrepreneur 4).

All my network comes from the schools I attended and the business organizations that I belong to” (Entrepreneur 19, Lower-class origin).

I have cultivated customers through my family’s networks and the business organizations that I am a member, as in Bursa everyone knows everyone (Entrepreneur 7, Lower-class origin).

As we have seen before, participants born into entrepreneurial families report that they had an entrepreneurial role model in one of their close relatives since an early age. However, some entrepreneurs not coming from entrepreneurial families found their entrepreneurial role models in their adulthood. They report having had a boss who mentored them in their previous job. These bosses transmitted the passion for running a business and even provided financial support when they started their own businesses and kept mentoring them.

I did not grow up in an entrepreneurial family, so I was very lucky having a great boss on my first job who taught me how a business operates and grows. He mentored me all these years (Entrepreneur 10).

I got all my business experience working at the factory of one of my father’s friends who has become my lifelong mentor. I have learned everything from my

former boss who was a key person on the process of starting up my business.
(Entrepreneur 16)

Regarding the family contribution to the development of the entrepreneur's network, our findings highlight the significant influence of the socioeconomic background of the family of origin in terms of the type of social ties and business connections contributed and their impact on the early stages of the new venture. In that regard, several entrepreneurs coming from lower-class origins report that their family had very limited access to business connections as their relatives were mostly associated with people from the same socioeconomic background. However, entrepreneurs coming from middle-class origins report that they could leverage more and more diverse contacts from their family's network, also including people from higher socioeconomic status. Thus, they were able to have more access to resources available to them in the sense of new opportunities to explore.

Network is everything, but I could not rely on my family connections even if my father was an entrepreneur. He was a small business owner, and his network was just the neighborhood. Most importantly, we are in totally different industries, and our customer segmentation is different too. My family was always supportive, but unlike others, I was not able to use my family's business connections as they did not have any. (Entrepreneur 19, Lower-class origin).

Not having a person close to you as a role model makes starting a business a difficult task because you do not know how a business works, you are almost clueless. Then, recruiting customers, that is another problem because my family does not know business owners or managers. All of their surroundings come from blue-collar people. I had to start everything from scratch, which I felt at the time like minus one (Entrepreneur 20, Lower-class origin).

Further, social capital can be transmitted from one generation to the next like a parent that passes on his/her business contacts and reputation to his/her offspring (Le Breton-Miller & Miller, 2015; Miller et al., 2016). Supporting the argument above, participants coming from entrepreneurial families report that the contribution of their family business connections was critical in most cases to the success of their venture, especially when the new business was in the same or related industry (cases 1, 11, 14 and 18). Leveraging the family's business network and contacts were instrumental in getting access to potential customers and suppliers while at the same time the new venture also benefited from the reputation and credibility of the existing family business. Newly born companies face the liability of newness (Stinchcombe, 1965), so

the ability to be considered a trustworthy partner since the beginning was a key factor for success.

Being in the same industry than my mom was a plus for me as recruiting customers as well as having a name in business from the beginning (Entrepreneur 1).

My family business is in textile and manufactures products for many foreign companies. I recruited my first clients through my father among these companies (Entrepreneur 2).

My aunt is in the same industry. She introduced me to the industry people and helped me a lot in starting and growing my business. She mentors me (Entrepreneur 18, Female).

Further, the family of origin directly supported the new venture either through the family business or the active engagement of its members in recruiting customers in the initial stage of the new venture.

The business of my family is totally different from mine, but they sell my products at their place [a restaurant], so for both of us is win-win (Entrepreneur 5, Lower-class origin).

We work in the same industry, but we are not in competition. Literally we share the same business network, and my customer becomes my father's customer and vice versa (Entrepreneur 14).

My mother got the full support from both sides of her family as word of mouth for her business. The same thing happened to me. My cousins and nephews were my marketing tools to recruit customers because in financial consultancy trust is the key, people need to trust you, and they come to you when they hear from someone that they trust (Entrepreneur 9).

Access to financial sources is an important dimension in any business venture creation, which is also related to the entrepreneur's network and personal finance. Our findings highlight the significant impact of the socioeconomic background of the family of origin in facilitating or constraining access to financial sources that reflected on the age at which entrepreneurs founded their companies. Thus, in our sample entrepreneurs from middle-class were able to start their businesses at an earlier age (range between 24 to 44 years old) than those from lower socioeconomic origins (range between 28 to 52 years old). Participants from middle-class class origins reported that their families help

them in providing the initial funding for starting the new business or by co-signing a bank loan.

I was very lucky to get the full financial support from my family. I don't think that I could have been able to start the business without their help. Later on, when the venture consolidated, I got a bank loan to expand the business (Entrepreneur 14).

First, I got a small government-supported loan that was given to women's entrepreneurs, but it was not enough to start the business. Then I got a loan which my father co-signed with me (Entrepreneur 17).

In most of the households of the entrepreneurs from lower-class origins, only one parent (usually the father) had a job or was self-employed and the household had a modest income (see Table 2.1). The limited family financial capital meant that these entrepreneurs had to rely on either their own personal savings accumulated after years of work or on governmental grants and loans to initiate their own business.

Why took me so many years to start my business? The answer is simple, because of the financial resources that I did not have. I had to work and save the money and at the same time build an international network, so I could start my business. Being a manufacturing company that mainly targets international markets, you need financial stability and strength (Entrepreneur 7, Lower-class origin)

Who knew that being a woman would help me in the process of starting up my business? I needed money to start, but I did not have either financial support from my family or personal savings in a bank account. A small business owners' loan earmarked to women's entrepreneurs was my lottery (Entrepreneur 3, Lower-class origin)

Families of origin also provided other types of support by providing human resources such as cousins and nephews to whom they trust. In our study, parents' support also facilitated women entrepreneurs with little kids to balance their family and business obligations.

My mother is a great support as I am married with two little kids. When I have to stay at home with the kids, my mother stays in the business to make sure that everything works well (Entrepreneur 17).

In summary, the entrepreneurs in our study report that their families of origin not just contributed to the development of their personal business networks but also that their

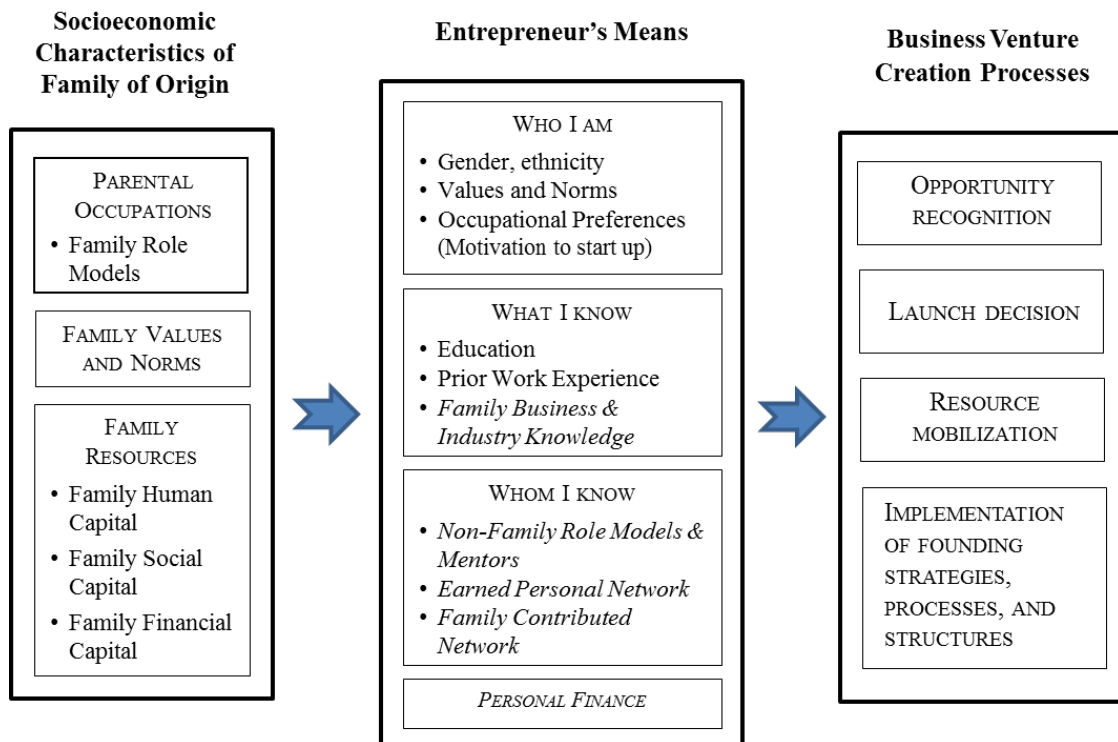
relatives were important actors in those networks, helping them to mobilize financial, physical, human and other resources. Appendixes 2.4 and 2.5 present illustrative quotes from the respondents about the role of their family of origin in developing their social capital and in mobilizing resources.

2.5 Discussion

Overall, the qualitative evidence obtained from the in-depth analysis of the case data supports our preliminary conceptual model (see Figure 2.1). It reveals the different ways and the extent to which the entrepreneur's family of origin and its socio-economic characteristics shape the amount and nature of the means available to the entrepreneur to start up and, in turn, the impact those means have on the process of new business creation.

This qualitative evidence has allowed us to refine and further develop our initial conceptual model, based on a deeper understanding of how individuals accrue over time the resources (or means) that they will use when engaging in starting up a business. Specifically, regarding entrepreneur's knowledge (what I know), access to parents' insider business and industry knowledge since adolescence appears as an important source of knowledge for most participants born into entrepreneurial families. Regarding the composition of the entrepreneur's network (whom I know), our findings provide an important distinction between those social ties arising from the entrepreneur's education, prior work experience and affiliation to professional and other type of associations or groups (that we label as 'earned personal network') and those other social ties and business connections facilitated by his family of origin (that we label as 'family contributed network'). Besides, in the case of entrepreneurs not coming from entrepreneurial families, some of them reported how important was to encounter a boss that shared his/her knowledge about managing a small business, inspired them to start their own business and even mentored them in the process (that we label as 'non-family role models & mentors'). Finally, we have added a fourth category (entrepreneur's financial means) to the three ones proposed by Sarasvathy (2001), because personal finance appeared as a very relevant factor in some of the cases, in line with the extant entrepreneurship literature that widely recognizes that it matters in the decision to start up a new business (e.g., Steier, 2003). Figure 2.2 presents the revised conceptual framework.

Figure 2.2 – Revised Conceptual Model



Taken into consideration the socioeconomic characteristics of the entrepreneur's family of origin provides a broadened perspective on entrepreneurship and the emergence of new businesses. We now proceed to discuss our findings in the light of our revised conceptual model.

Regarding the entrepreneur's values and motivation to start up, our findings are consistent and further reinforce prior research on the influence of a person's early environment and the importance of being born into an entrepreneurial family. Nonetheless, incorporating the socioeconomic characteristics of the family of origin brings two novel insights on the phenomenon of 'occupational inheritance'.

Firstly, we have observed a kind of paradox regarding the importance of having entrepreneurial family role models. On the one hand, in our small sample of seven entrepreneurs from lower-class origins, only one was not coming from a family with a self-employed parent. If this observation could be a reflection of a more general trend among those born in lower-class families, we could then argue that having entrepreneurial parental role models seems to be even more important in this population group, otherwise becoming an entrepreneur would not even have been thought of as a career option. On the other hand, the effect of parental role models on the motivation to

become an entrepreneur seems to be much weaker in the case of those born into a lower-class entrepreneurial family (as compared to be born into a middle-class entrepreneurial family). The fact that occupational preferences tended to be rather generic (getting jobs providing higher income levels) after high school and during university years can be considered as a reflection that being entrepreneurs like their parents were not seen as a successful or attractive career option at that point of time. Further quantitative research is needed to test this possible paradox.

Secondly, we find a marked gender dimension regarding nascent entrepreneurship among individuals from lower-class origins. In our small sample of six participants born into lower-class entrepreneurial families, all reported to have had a male relative (father or brother) as their entrepreneurial role model. Further, only one out of these six entrepreneurs was a woman. Considering that these observations may be a reflection of a more general trend, we argue that the gendered roles which women are expected to play in patriarchal societies, such as Turkey, represent an important barrier for women's entrepreneurial activity (Kalafatoglu & Mendoza, 2017), and that this barrier is even more significant in the case of women from lower-class family origins.

Regarding entrepreneur's human capital, our empirical results are consistent and in line with previous studies showing that higher levels of education jointly with relevant prior work experience are positively associated with new business creation. When the socioeconomic characteristics of the family of origin are introduced in the analysis, they reveal additional insights on the role played by families on the development of human capital by their offspring.

Firstly, both middle-class and lower-class parents encouraged their children to work hard, aim higher, and have a better education than they had. In the case of individuals from lower-class origins, this encouragement was reinforced by a sense of obligation to achieve in their education due to their families' significant financial efforts to allow them to pursue university studies. A related aspect is that university education contributed to generate self-confidence in several of our respondents on their ability to create a new business, an aspect explicitly mentioned in the case of women entrepreneurs.

Secondly, it is also noteworthy that individuals from entrepreneurial families held a higher proportion of business degrees (8 out of 15 cases vs. 2 out of 5 cases). Further, those coming from lower-class entrepreneurial families only held undergraduate business degrees (3 cases) while those from middle-class entrepreneurial families also held master's business degrees (3 out of 5 cases), a reflection of the higher financial means of their families. Considering these observations may be part of a more general trend, they would reveal that the socioeconomic characteristics of the family of origin were influential in both the choice of the field of university studies and their level.

Thirdly, almost all entrepreneurs (13 out of 15) coming from both lower-class and middle-class entrepreneurial families had worked in their family business since a young age. Continuous exposure through personal contact to their entrepreneurial relatives contributed to developing an 'insider' understanding of nature, demands as well as risks and rewards (e.g., financial, social recognition and status, personal autonomy) involved in entrepreneurial activity. However, lower-class entrepreneurial families could not provide significant developmental work experiences to their offspring after graduation due to the local nature and very limited size of their family businesses. Thus, in five cases these individuals did not work for long in their family businesses after university graduation, leaving at ages between 28 to 31, either to start-up their own business (3 cases) or to get a job in another company (2 cases). In the remaining case, the individual never worked in his family business. This pattern is in sharp contrast with the one observed in the case of individuals from middle-class family origins that worked in their family businesses. In 7 out of 8 cases, they only worked in their family business after graduation and, with one exception, stayed longer (as compared to entrepreneurs from lower-class entrepreneurial families) before starting up their own business at ages between 33 and 36. The quotes from these participants reproduced in the previous section clearly indicate that they were able to acquire valuable business and industry knowledge as well as to develop specific skills while working in the family business, especially in the case of larger family businesses.

Regarding entrepreneur's social capital, our empirical results are again consistent and in line with previous studies stressing the importance of the entrepreneur's social ties to find customers and business partners and to build the new firm's base of financial, physical, human and other resources, especially the resources provided by the "strong ties" of family members. However, our case data analysis shows how the

socioeconomic characteristics of the family of origin translate into huge differences in the amount and quality of family-contributed business connections as well as family-contributed resources that an entrepreneur can mobilize in the process of recognizing the opportunity, launching and resourcing the new business venture.

In the case of entrepreneurs from lower-class origins, the contribution of the family of origin to the entrepreneur's means basically centers on the transmission of values (who I am) and providing the best education possible (what I know). The network of an entrepreneur from lower-class origins (whom I know) is basically earned through those social ties arising from the educational institutions attended, prior jobs and membership to business associations. The social ties of the family of origin are mostly limited to people from the same socioeconomic status with no or little access to managers and business owners.

In this group of entrepreneurs, coming from an entrepreneurial family provided some advantages, although rather limited, in the process of establishing a new business. While entrepreneurs born into lower-class entrepreneurial families had a continuous exposure to and worked in their family business since young age -learning the ins and outs of running a micro business-, nonetheless their family business connections and industry knowledge were of little value in the process of starting up their own business. This is reflected in the fact that none of the new ventures was in the same industry than the business of the entrepreneur's family of origin. Moreover, the new ventures created by those that worked for other companies were directly related to the industries and business activities of their former employers (that is, the key factor for opportunity recognition was their work experience outside the family business).

Lastly, lower-class families of origin played a very limited and marginal role in assisting entrepreneurs to mobilize the resources needed to create their new ventures, with the only exception of the provision of human resources (i.e., hiring cousins and nephews to whom they trust). Thus, families could only provide few business contacts, even in the case of entrepreneurial families, for the reasons mentioned before. Likewise, given their limited income and wealth, families could neither provide direct financial support nor collateral for bank loans. That meant in several cases that entrepreneurs had to find alternative financing sources (i.e., governmental loan program for women entrepreneurs) or accumulate sufficient savings before the launch of the venture. This

latter aspect explains why entrepreneurs from lower-class origins showed a greater tendency to start their businesses at an older age as compared to their counterparts born into middle-class families.

In the case of entrepreneurs from middle-class origins, it emerges a quite different picture. The contribution of the family of origin to the entrepreneur's means reflects a significant intergenerational transmission of resources during childhood and adolescence which is continued during adulthood. Families played a key role in the transmission of values and occupational preferences (who I am) and in providing the best education possible (what I know). In addition to his/her own earned network, entrepreneurs from middle-class origins report that they could leverage more and more diverse contacts from their family's network, including business contacts and people from higher socioeconomic status (whom I know). Further, families of origin played from a moderate to a central role in assisting entrepreneurs to mobilize the financial resources needed to create their new ventures by providing patient capital or collateral for bank loans (financial means). Thus, entrepreneurs from middle-class did not have to postpone the launch of their ventures due to the lack of sufficient financial means.

From a gender perspective, our findings also show that being born into a middle-class family facilitates women's entrepreneurship, in line with previous studies that highlight the importance of the socioeconomic status of the family of origin (e.g., Schoon & Duckworth, 2012). Further, our study also stresses the importance of female entrepreneurial role models, which were present in 3 out of the 4 cases of women entrepreneurs from middle-class origins.

Lastly, in this group of entrepreneurs, coming from an entrepreneurial family provided important advantages in the process of establishing a new business. Firstly, entrepreneurs born into middle-class entrepreneurial families had continuous exposure to their family business since a young age. Further, working in the family business after graduation allows most of them to acquire valuable business and industry knowledge as well as to develop specific skills that were instrumental in starting up their own businesses. Secondly, most of these entrepreneurs were able to leverage their family's business network in getting access to potential customers and suppliers while also benefitting from the reputation and credibility of the existing family business. Thus, being considered a trustworthy business partner since the beginning was one of the keys

for success and help them to mitigate the liability of newness that any new venture faces. These advantages were reflected in the fact that four (out of 13) new ventures were in the same or in a related industry than the business of the entrepreneur's family of origin and in several other cases, family relatives engaged actively in recruiting the first customers.

In summary, our study provides qualitative evidence that explains why nascent entrepreneurs born into entrepreneurial families have in principle superior 'means' (in terms of identity, knowledge, network and personal finance) to start up as compared to those born into non-entrepreneurial families. However, the extent to which those means are truly superior and facilitate the process of new business creation depends largely on the socioeconomic characteristics of the entrepreneur's family of origin. Figures 2.3 and 2.4 summarize our findings on the influence of lower- and middle-class families of origin on entrepreneur's means and, as a consequence, on the processes of business venture creation.

Figure 2.3 – Influence of Lower-Class Families of Origin on Entrepreneur’s Means and Business Venture Creation

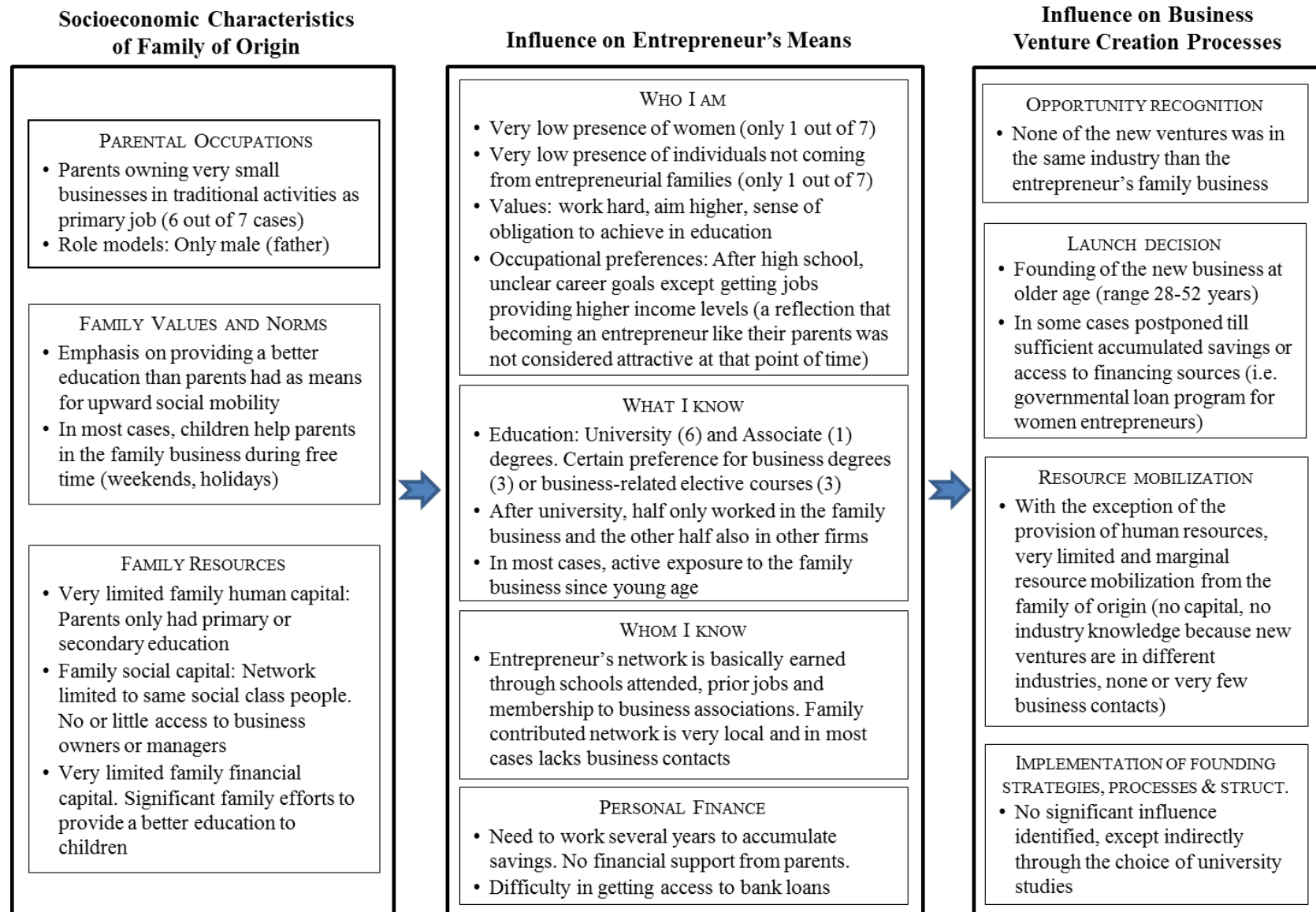
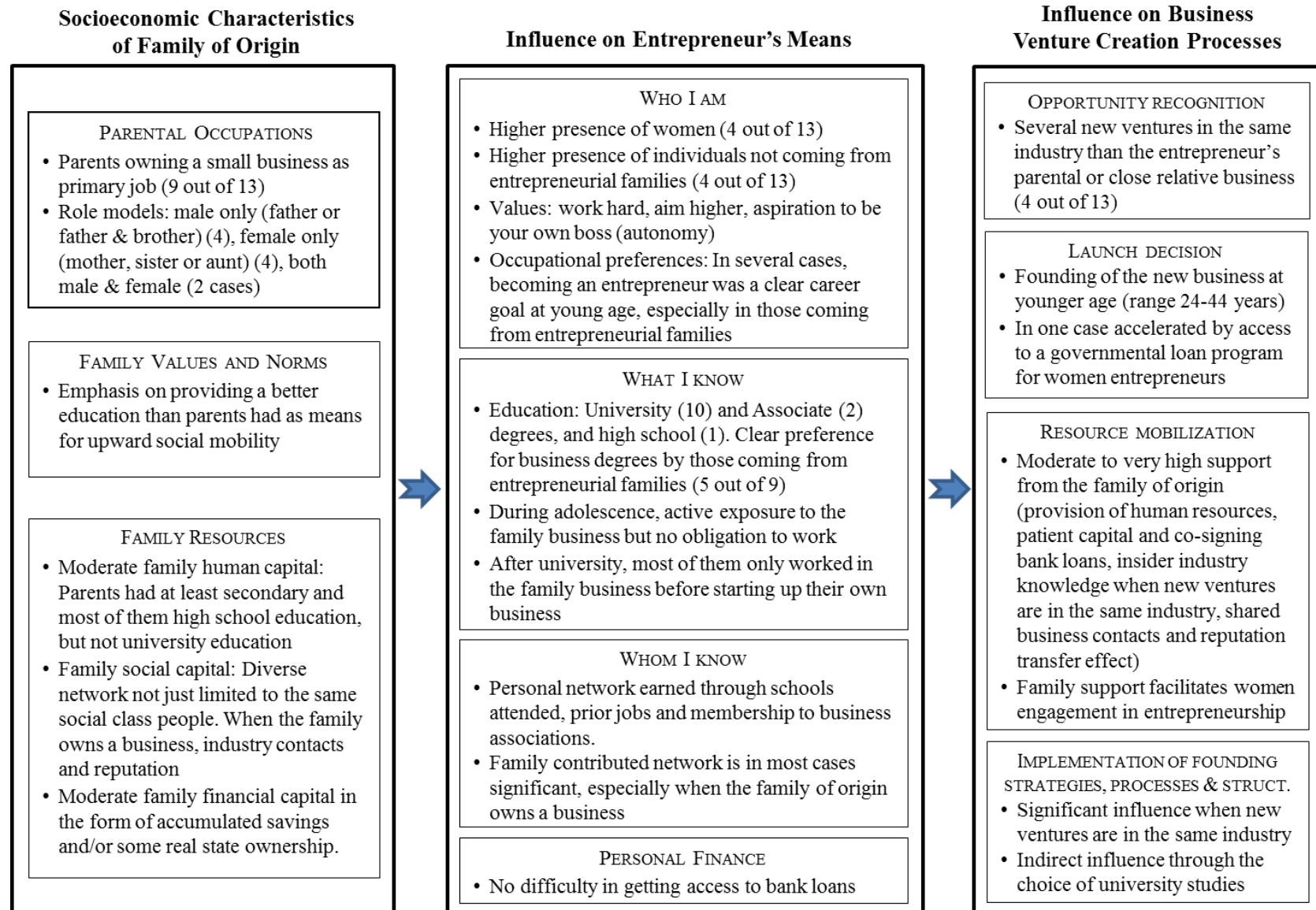


Figure 2.4 – Influence of Middle-Class Families of Origin on Entrepreneur’s Means and Business Venture Creation



2.6 Conclusions, limitations and further research

In recent years, a growing number of studies have examined specific family-related aspects of business venture creation in response to calls that entrepreneurship research should incorporate family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003; Miller et al., 2016). Surprisingly, the socioeconomic status (and associated sources of capital) of the entrepreneur's family of origin have hardly received attention (Jayawarna et al., 2014; Schoon & Duckworth, 2012). The present study examines how the socioeconomic characteristics of entrepreneur's family of origin influence new business venture creation, and more specifically what are the differential effects, if any, of coming from middle-class as compared to lower-class families.

We find that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneurs' means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization). Specifically, in the case of entrepreneurs from lower-class origins, the contribution of their families to their means to start up basically centers on the transmission of values and providing the best education possible, while families played a very limited and marginal role in assisting them with business contacts, financial capital or knowledge needed to create their new ventures, with the only exception of the provision of human resources (hiring relatives to whom they trust). Being born into an entrepreneurial family only provides a rather limited advantage, while work experience outside the family business appeared to be a much more important factor in terms of opportunity recognition and resource mobilization.

In the case of entrepreneurs from middle-class origins, we find that the contribution of the family of origin to the entrepreneur's means reflects a significant intergenerational transmission of resources during childhood and adolescence which is continued during adulthood. Besides playing a key role in the transmission of values and occupational preferences and in providing the best education possible, families had quite an important role in providing business contacts and assisting entrepreneurs to mobilize the financial resources needed to create their new ventures. Those entrepreneurs born into

entrepreneurial families had access to a more elaborate set of ‘means’ to start up (knowledge, social relationships, and reputation, financial capital) which translated into important advantages, especially when the new venture is in the same or related industry than the family business. Finally, from a gender perspective, our findings show the importance of female entrepreneurial role models and being born into a middle-class family as enablers of women entrepreneurship.

This paper contributes to the extant literature on entrepreneurship and family business in several ways. Firstly, by adopting a family embeddedness perspective on entrepreneurship and integrating it with the conceptualization that effectuation theory does of the entrepreneur’s means, we provide a comprehensive theoretical and empirical explanation of how the socioeconomic characteristics of entrepreneur’s family of origin influence new business venture creation, and the differential effects of coming from middle-class as compared to lower-class families, an area where empirical evidence is scant. Secondly, by examining how new ventures spring from family relationships, we provide evidence that entrepreneurs born into entrepreneurial families have access, in principle, to superior ‘means’ to start up; however, the extent to which those means are truly superior and facilitate the process of new business creation largely depends on the socioeconomic status of the entrepreneur’s family of origin. Thirdly, we also address scholars in the field of women entrepreneurship by examining the interplay between gender and the socioeconomic characteristics of the entrepreneur’s family of origin in the context of a patriarchal society such as Turkey. Moreover, lastly, we contribute to effectuation theory in detailing and expanding the components of one of its main constructs (entrepreneur’s means at hand).

This study offers novel insights that could be useful to nascent entrepreneurs coming from non-entrepreneurial families or from lower socioeconomic status as well as to policy makers interested in promoting entrepreneurship among these population segments. First, the absence of entrepreneurial family role models can be partially mitigated by proactively looking for individuals with successful entrepreneurial experience either within or outside the workplace (e.g., in specialized volunteer non-profit organizations) willing to share their passion and knowledge and act as mentors. Second, given that those coming from non-entrepreneurial families may find that their family social relations are less relevant, it is fundamental to raise their awareness of the critical need to develop their own personal network and to engage in smart networking

activities that give access to both specific industry knowledge and business contacts (e.g. affiliation to business organizations, industry affinity groups in social media). Lastly, governmental and non-profit programs targeting nascent entrepreneurs from lower-class origins should not only focus on the most evident barrier, the lack of financial means. Besides earmarked loan programs, governmental agencies and specialized non-profit organizations are advised to accompany those programs with supporting service packages that effectively increase entrepreneurs' means to start up (in terms of identity, knowledge, networks and finance) through specialized educational and mentorship programs, in a sense replicating what entrepreneurial families do with their offspring.

This study has some limitations that may guide further research. First, given that none of the participant entrepreneurs was born into an upper-class family, there is an opportunity to extend the research including entrepreneurs from that social origin.

Second, as in any qualitative study, there are limitations related to narrow sampling. Although we selected our case studies carefully, we need to be cautious about analytical generalization. Further studies which approach our topic through largest samples and quantitative research methods are needed to verify the empirical soundness of the proposed model and the generalizability of our results. Longitudinal studies that look at different moments of the venture creation process (e.g. two years before the launch decision, the year of the launch of the new venture, three years after the launch) could be particularly relevant to understand the interaction dynamics between the entrepreneur and his/her family of origin in supporting the new venture.

Third, our cases may be context-sensitive. The empirical setting of our study is Turkey, a country characterized by a rapid process of industrialization and economic growth, culturally a patriarchal society in which the family institution stands at the heart of society and members of the extended family maintains close bonding ties. Nonetheless, we believe that our findings can be generalized at least among countries with similar cultural and economic backgrounds. Comparative studies with samples of entrepreneurs from other emerging countries as well as from developed countries may be very useful in understanding the different types of prevalent family system configurations (e.g., traditional extended family *vs.* narrow nuclear family) and their implications in terms of supporting new venture creation.

Fourth, we have refined and expanded the definition of entrepreneur's means as stated by Sarasvathy (2001) and formulated a conceptual model regarding the influence of the socioeconomic characteristics of the entrepreneur's family of origin on the entrepreneur's means and, in turn, the impact those means have on the processes of new business venture creation. Our approach has been holistic, and we have tried to study the phenomenon from various perspectives by considering the 'added value' of different streams of literature. Nonetheless, we acknowledge that this type of approach has limitations in terms of the depth of analysis. Hence, future research may test our conceptual model, or parts of it, based on a single theoretical framework such as social network theory or social class structure analysis. All in all, the family embeddedness perspective on entrepreneurship provides numerous avenues for future research.

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Appendixes for Chapter 2

Appendix 1 - Parents' quotes about their children's on becoming an entrepreneur

Dimension	Illustrative quotes
<p>Parents' comments on their children becoming an entrepreneur and starting a business</p>	<p><i>Even when she was a kid, she used to tell me she would like to be in the same business as I am. (Mother of Entrepreneur 1)</i></p> <p><i>My father was an entrepreneur, and I continued his business after he passed away. So, my son grew up in an entrepreneurial family, and it is not surprising that he became an entrepreneur. However, he did not continue the family business. (Father of Entrepreneur 2)</i></p> <p><i>She was always driven anything she does. I am not surprised as in our household, we taught our kids to be your own boss and have a higher education and today she has her own business and very successful. As a father, I am very proud of her. (Father of Entrepreneur 3)</i></p> <p><i>I own a little shop, so we are not talking about a factory or a big business, but I always taught to my children to be hard working, ethical and fair person and a very good education which I see very important for anyone to succeed in life. (Father of Entrepreneur 7)</i></p> <p><i>We own and operate a neighborhood beauty shop for more than 30 years now. We wanted her to succeed in a different sector and have a better education than us, and not just for her but for all our children. Our dream was to see our kids to graduate from university and thanks God we have witnessed that. (Father and Mother of Entrepreneur 8)</i></p> <p><i>At first, I started my business at home then years later, I founded my small business which manufactures home textiles especially for the newly-weds. My son helped me a lot especially on the social media like designing our website and keeping up with social media accounts He was my general manager until he graduated from University then started his own business in Finance. He says that working with me and handling all invoices made him a better business man and a full packaged finance person. (Mother of Entrepreneur'9)</i></p> <p><i>Before starting my own business, I was working at a textile factory which was very essential for my business as the experience went. At first, I started with one machine and one employee then today we have six employees if we don't count the family members which are the core for the family business. My son worked 13 years in family business who was the head of manufacturing and taking care of the operations so if today we are still in business after all these financial and political crisis as a small business owner because of him and family members – their support means everything. (Father of Entrepreneur 13)</i></p> <p><i>When I was 16, I began working at a small manufacturing factory. Then years later from the experience I have gotten, I started my own business which is a family business. Being a middle-class family means that every family member also works with you, so my wife oversaw the employees, my daughter oversaw accounting and invoices and my son was in charge of scheduling and shifts of employees. After he graduated he wanted to start his own business in the same industry but not a competition. We manufacture the knives and he manufactures kitchen cooking tools. But it is nice that he continued the family business now we go trade shows together as a family to meet and recruit new customers. (Father of Entrepreneur 14)</i></p> <p><i>I have three sons, and all worked for me after school and during holidays. Even though they worked in our family business in any free time, of course, the priority was always their education. They all have better education than my wife and I had.” (Father, Entrepreneur 15)</i></p> <p><i>We are a modest middle-class family, we worked hard and tried to give the best to our kids, and I think that we succeeded as we have one girl and one boy, and both are college educated and speak foreign languages (Father of Entrepreneur 17)</i></p>

Appendix 2 – Entrepreneurs’ quotes on the influence of their family of origin in shaping their identity (Who I am)

Dimension	Illustrative quotes
Who I am?	<p><i>I knew what I want to be even as a kid. It was simple as I wanted to be like my mother who is entrepreneur. Coming from middle class family and a mother who was working full time made me very strong and independent woman. I have to say that those two elements shaped me who I am today. (Entrepreneur 1)</i></p> <p><i>My family was working hard to give us, the children, a better education including attending sports activities after the school. My brother and I went to a private school on scholarship, but we never felt or defined ourselves as ‘scholarship kids.’ Our family provided us everything we needed. (Entrepreneur 5)</i></p> <p><i>My mother was always telling me to leave this neighborhood. There was only one way to escape: to be a college educated, so I did. (Entrepreneur 6)</i></p> <p><i>Coming from lower-class one thing you always hear from your family is to get a good education. I was good in sports, but it was not the case to go forward. I did not have a clear career goal after high school. The one goal I had was to get into the university and be the first college graduate in the family. (Entrepreneur 7)</i></p> <p><i>The question “Who I am” today thanks to my family who have such a high influence on me becoming an entrepreneur as a woman. I have learned everything from my family who are both entrepreneurs. Not just the work experience and ethics but learned how start up a business and most importantly, having two mentors, role models just one call away is the best luxury you can ask for. (Entrepreneur 8)</i></p> <p><i>I don’t have any role model as an entrepreneur in the closed family, but I have both family members as my mother and my father have the entrepreneurial mindset. Especially my father was always telling even as a kid to work hard and be my boss. It took me awhile to start the business and build the factory, but I made it and even my father was not started his company, he was there every step in the process. Now he is retired and working with me. Families are the heroes of our success, especially in my case, even when I have many ideas to start the factory, my father was sole mentor in the process. So, for me he is an entrepreneur and made me who I am today. (Entrepreneur 10)</i></p> <p><i>We were a modest family. My father worked as long road truck driver. My mother knew that for us to have a better education she had to work too, but she could not work somewhere else. So, she started her catering business from home. She was always telling me that I needed to have a degree and be my own boss so that I could be independent. (Entrepr. 11)</i></p> <p><i>On holidays when we visit my grandparents in Kayseri, my grandfather was always so proud of my father, telling his friends that he was a self-made man that had achieved his dream. I remember that my father used to tell his story about how he started his business in the little coffee place in the center of the city. (Entrepreneur 15)</i></p> <p><i>If you look at my background, I don’t have any entrepreneurs in the family, but they were the biggest supportive on my entrepreneurial process, especially financially and emotionally support. My mother and father are helping me out in the business especially in the daily operations. When I told them about becoming an entrepreneur and quit my job they were the most supportive people so today I am who I am thanks to them. (Entrepreneur 16)</i></p> <p><i>I grew up in a family who worked very hard to make a living for themselves. My father and mother were working nonstop to put a bread on the table. They always encourage us to study hard and get a university degree. (Entrepreneur 20)</i></p>

Appendix 3 – Entrepreneurs’ quotes on the role of their family of origin in developing their human capital (What I know)

Dimension	Illustrative quotes
<p>What I know?</p>	<p><i>My father and my mother always encouraged me to study further and pursue university studies. Especially as a woman, holding a degree in Hospitality and Management, gave me more confidence to be my own boss and start my business in touristic services” (Entrepreneur 1)</i></p> <p><i>When I was a kid, I used to work at our family business, and every time my father was making a decision, he used to ask me what I would do in that situation. I think that becoming a successful management consultant (...) comes from my childhood. My father without on purpose trained me to the job” (Entrepreneur 2)</i></p> <p><i>Being a woman in business sometimes can be difficult, but having a master’s degree gave me the confidence to start the business plus it helped me to build better networks and as a result identify better opportunities” (Entrepreneur 3)</i></p> <p><i>Working anytime you have at your family business, especially in a restaurant business, you learned a lot how to handle customers and how to market your services, which all are essentials to any business. Now, I own an organic soap manufacturing company and everything I have learned from the family business I am using it in my own business. So, all those weekends and holidays were worth it!” (Entrepreneur 5)</i></p> <p><i>I was very lucky to get into one of the best universities in Turkey, Bosphorus University, which helps you on your personal and business development and provides you a big range of networks. It gives you the confidence that you are prepared to start up your business because of the resources you built and the mentorship support you have. (...) My mother is Queen Bee in the family. Working with her was not so easy and for sure was challenging. However, she passed all valuable experiences to me. She encouraged me to pursue an MBA (...) My mother is a true success story and I learned all business and operational skills, and in particular how to handle the money. As I was really good in Math, it was my responsibility to deal with the money and make decisions on how to invest it. Thanks to my family’s support, I have a successful financial consultancy firm. (Entrepreneur 9)</i></p> <p><i>I did not grow up in an entrepreneurial family, so I was very lucky having a great boss on my first job who taught me how a business operates and grows. He mentored me all these years” (Entrepreneur 10)</i></p> <p><i>I have worked many years in family business even they are not in the same industry, working at a family business I have learned. It was a school for sure because it is a small business and you personally need to deal with everything like you are in charge of operations, human resources, finances etc. I highly recommend everyone to have a prior experience. (Entrepr. 13)</i></p> <p><i>In our family, almost everyone is an entrepreneur, and as my close family, my sister and father are entrepreneurs and work together. I did work with them too and learnt the core business. I have now my own business in the same industry, so most of our customers are the same” (Entrepreneur 14)</i></p> <p><i>I got all my work experience as working at my father’s friend’s factory who is also my lifelong mentor. I have learned everything from my boss who was an essential person on my entrepreneurial process too. (Entrepreneur 16)</i></p> <p><i>Imagine a long table in which everyone around you is an entrepreneur; that’s my family. I learned everything from them working in the family business since a young age. However, the first priority was education, and then start your own business. What your business was about did not matter much as long as it provided you financial stability, so you could be strong especially as a woman. (Entrepreneur 17)</i></p>

Appendix 4 – Entrepreneurs’ quotes on the role of their family of origin in developing their social capital (Whom I know)

Dimension	Illustrative quotes
<p>Whom I know?</p>	<p><i>Being in the same industry than my mom was a plus for me as recruiting customers as well as having a name in business from the beginning” (Entrepreneur 1)</i></p> <p><i>My family business is in textile and manufactures products for many foreign companies. I recruited my first clients through my father among these companies” (Entrepreneur 2)</i></p> <p><i>The business of my family is totally different from mine, but they sell my products at their place [a restaurant], so for both of us is win-win” (Entrepreneur 5)</i></p> <p><i>“I have cultivated customers through my family’s networks and the business organizations that I am a member, as in Bursa everyone knows everyone” (Entrepreneur 7)</i></p> <p><i>My mother got the full support from both sides of her family as word of mouth for her business. The same thing happened to me. My cousins and nephews were my marketing essentials to recruit customers because in financial consultancy trust is the key, people need to trust you, and they come to you when they hear from someone that they trust.” (Entrepreneur 9)</i></p> <p><i>We work in the same industry, but we are not in competition. Literally we share the same business network, and my customer becomes my father’s customer and vice versa” (Entrepreneur 14)</i></p> <p><i>I got all my business experience working at the factory of one of my father’s friends who has become my lifelong mentor. I have learned everything from my former boss who was an essential person on the process of starting up my business” (Entrepreneur 16)</i></p> <p><i>My aunt is in the same industry. She introduced me to the industry people and helped me a lot in starting and growing my business. She is a mentor to me” (Entrepreneur 18)</i></p> <p><i>All my network comes from the schools I attended and the business organizations that I belong to. (...) Network is everything, but I could not rely on my family connections even if my father was an entrepreneur. He was a small business owner, and his network was just the neighborhood. Most importantly, we are in totally different industries, and our customer segmentation is different too. My family was always supportive, but unlike others, I was not able to use my family’s business connections as they did not have any” (Entrepreneur 19)</i></p> <p><i>“Not having a person close to you as a role model makes starting a business a difficult task because you do not know how a business works, you are almost clueless. Then, recruiting customers, that is another problem because my family does not know business owners or managers. All of their surroundings come from blue-collar people. I had to start everything from scratch, which I felt at the time like minus one” (Entrepreneur 20)</i></p>

Appendix 5 – Entrepreneurs’ quotes on their financial resources to start up

Dimension	Illustrative quotes
<p>What kind of resources I have financially? Savings and access to bank loan</p>	<p><i>Who knew that being a woman would help me in the process of starting up my business? I needed money to start, but I did not have either financial support from my family or accumulated savings in an account. A small business owners’ loan earmarked to women’s entrepreneurs was my lottery. (Entrepreneur 3)</i></p> <p><i>“I met my business partner at university. We attended an elective course on international management and were members of the same student club. During my Erasmus exchange period, after classes I worked at an Italian family restaurant. I learned a lot about real Italian food. On my return, I wanted to open an Italian restaurant and with his financial suport we did it” (Entrepreneur 4)</i></p> <p><i>Why took me so many years to start my business? The answer is simple, because of the financial resources that I did not have. I had to work and save the money and at the same time build an international network, so I could start and grow the business. Being a manufacturing company that mainly targets international markets, you need financial stability and strength. (Entrepreneur 7)</i></p> <p><i>My family owns a small beauty shop so both works and since I know myself, I was always there in the shop to help them out. I wanted to start my business in tourism as we are living in Antalya, one of best touristic city in Turkey but because of financial reasons I could not start my company right away. At first, I used my family’s back room then my father cosigned a loan to start my company with three employees. Today we have twenty-two employees thanks to the business success and a bank loan to given to the women entrepreneurs. (Entrepre. 8)</i></p> <p><i>I learned everything from my mother what the business is and how to deal with the customers. So, she owns a catering service which we were working with other companies to provide our services. Then, I decided to start a new business as events management but did not have the money to buy the needed supplies for the business. My mother became a co-signer for the bank loan so with her continued support I started the business and now we are working together and both business is making money as a win-win situation. (Entrepre. 11)</i></p> <p><i>I am a financial consultant and with the years of experience it was not difficult to start a business. Especially for my business, I needed an office and as a start to pay the employees. So, I saved money when I was working and with my personal savings I was able to start my business. (Entrepreneur 12)</i></p> <p><i>In many years I was already working in family business, but my area of expertise is in IT, so I wanted to start my business in IT industry. After I left the family business, I worked in IT and saved money and my dad gave me some money from his retirement plan so without a loan, I was able to start the business on personal savings. (Entrepreneur 13)</i></p> <p><i>I was very lucky to get the full financial support from my family. I don’t think that I could have been able to start the business without their help. Later, when the venture consolidated, I got a bank loan to expand the business. (Entrepreneur 14)</i></p> <p><i>My father and brother supported me to start my own business, plus I was working in a family business many years as I left it was almost my part of the money in family business. Also, my uncle supported too and gave some initiative money to start. (Entrepreneur 15)</i></p> <p><i>First, I got a small government-supported loan that was given to women’s entrepreneurs, but it was not enough to start the business. Then I got a loan which my father co-signed with me. (Entrepreneur 17)</i></p>

3

The impact of gender and culture on networking and venture creation: An exploratory study in Turkey and MENA region

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Chapter 3: The impact of gender and culture on networking and venture creation: An exploratory study in Turkey and MENA region

Abstract

Purpose – To date, little research has been focused on the nature and dynamics of female entrepreneurial networking activity. Thus, the purpose of this paper is to examine how gender and culture affect business creation, how women perceive social capital, and how important their personal networks are for their businesses, especially in the context of patriarchal societies.

Design/methodology/approach – Semi-structured interviews were conducted with women entrepreneurs living and operating businesses in Turkey and in four countries of the Middle East and North African region, namely, Lebanon, Saudi Arabia, Morocco, and Egypt.

Findings – The results indicate that being a woman entrepreneur in a highly patriarchal society limits entrepreneurial activities due to culture and social norms. However, networking appears as the key factor for these women entrepreneurs to overcome the barriers that they face, such as access to capital, financial information, resources, and new business opportunities.

Research limitations/implications – This study has limitations that tend to be commonly found in exploratory studies, so you cannot make generalizations. However, the findings lay the groundwork for future studies to examine the role of networking activity in female entrepreneurship in the context of patriarchal societies.

Practical implications – The findings are helpful for policymakers and other social groups interested in improving the conditions for female entrepreneurship. Governments and other economic actors need to provide training in both management and networking skills, encourage local businesses and associations to provide their venues for networking opportunities, and also provide support to women business organizations.

Social implications – Women's entrepreneurship is growing, but still there is a scarcity of scholarly literature on the women entrepreneurs and their entrepreneurial activity.

Originality/value – This research provides empirical evidence of the nature and dynamics of female entrepreneurial networking activity in the context of patriarchal societies.

3.1 Introduction

More women everywhere are becoming entrepreneurs than ever before. Despite the increasing number of women's participation in entrepreneurial activities around the world (Brush et al., 2010), the majority of entrepreneurship research is still focused on male entrepreneurs, and the role of female entrepreneurs is still undervalued and underplayed (Marlow et al., 2009).

Nonetheless, in recent years, the role played by gender in entrepreneurial behavior has become a growing subject in academia (Blackburn & Kovalainen, 2009; Welter, 2010), and women's entrepreneurship has become an important research domain (Carrasco, 2014; Jennings & Brush, 2013). Gender awareness has increasingly informed analyses of entrepreneurial behaviors, but most of the work had been framed comparatively between men and women (Ahl & Marlow, 2012). However, women entrepreneurs vary in their personal attributes, resources, or social networks, and even more importantly, their environment poses different opportunities, barriers, and challenges to them.

To better understand women entrepreneurs and their firms, research needs to investigate how entrepreneurial contexts affect both entrepreneurial cognitive processes and behaviors. For example, Greer and Greene (2003) comment on institutional barriers such as gender differences in education, work experience, networks, and access to capital that limit the number, size, and scope of women-owned businesses. Also, social opportunities are not equally distributed, and women are less able to use their networks as sources of social capital (Greeve & Salaff, 2003) which limits access to resources for business growth. This suggests that gender differences exist, but the evidence is limited (Conway & Jones, 2006). Thus, there is a need of an area of study for outlining human/social capital and networks in women's entrepreneurship (Marlow et al., 2009). Moreover, in the entrepreneurial literature, the discourse on gender, networks, and networking has been relatively limited (Leitch & Harrison, 2014). Scholars have called for studies of entrepreneurial networks across gender and venture development stage (Hoang & Antoncic, 2003; Hughes et al., 2012; Carrasco, 2014).

To date, the literature regarding the international comparisons of women's entrepreneurship remains limited (Jennings & Brush, 2013). Ahl (2006) emphasized the need for entrepreneurship research to explore gender beyond the mainstream Anglo-Saxon context. Thus, there is a need for new approaches incorporating female

perspectives and women's experiences into the entrepreneurship literature (Bruton et al., 2008). More specifically, research on gender is required in different contextual settings, especially in the case of strong male-dominated Islamic nations (Jomaraty & Courvisanos, 2014).

This paper seeks to address these gaps in the literature. The purpose of the paper is to examine how gender and cultural setting affect the business creation, how women perceive social capital, and how important their personal networks are for their businesses. Given the importance of context (Hughes et al., 2012), this study applies the institutional and social network theory to investigate women entrepreneurs and their businesses in patriarchal societies where Islam is the dominant religion. We look at the entrepreneurial journey of 25 women in Turkey and in four countries of the Middle East and North African (MENA) region (Egypt, Saudi Arabia, Lebanon, and Morocco) using qualitative, three-stage interview-based methodology.

Our findings indicate that women entrepreneurs in highly patriarchal societies face important barriers due to culture and social norms. However, networking appears as the key factor for these women entrepreneurs to overcome barriers like legal restrictions to incorporate a company as the sole owner, access to capital, training and management advice, or new business opportunities in male-dominated industries.

The paper is organized as follows. The next section outlines the relevant literature. The third section describes the methodology. This is followed by the results of a qualitative study of 25 women entrepreneurs from Turkey, Egypt, Saudi Arabia, Lebanon, and Morocco. The paper concludes with limitations and suggestions for future research.

3.2 Literature review

Entrepreneurship is a socially embedded activity. Understanding the contextual factors that play an important role is crucial to obtain a holistic view of the entrepreneur (Brush et al., 2010). Institutional theory is key to understand the driving forces behind entrepreneurial success and more specifically about the entrepreneur's environment (Bruton et al., 2008) given that entrepreneur's behaviors are affected by social rules, norms, and routines.

Thornton et al. (2011) suggest that the institutional approach can be used as a framework to analyze the socio-cultural factors that influence the decision to create a new business. To do so, entrepreneurs need information, capital, skills, etc., and in order to have these resources available, they access their social and business networks (suppliers, customers, other entrepreneurs, etc.) (Aldrich & Zimmer, 1986; Aldrich et al., 1989). Networking is an important tool for entrepreneurs to help them to achieve their business and professional goals and give them greater access to information, resources, new clients, and people. Moreover, networking is important for women who generally have more limited access to financial resources, information, and business contacts. Thus, social networks are a vital factor when creating a business, especially for female entrepreneurs (Aldrich et al., 1989; Brush, 1992; Greeve & Salaff, 2003; Hampton et al., 2011).

Toledano et al. (2010) suggest that networks generated within businesses that have particular characteristics determine, in part, the type of collective entrepreneurship. Previous literature on women's entrepreneurship has emphasized the relevance of environmental factors and the fact that they have more effect on female than on male initiatives (Baughn et al., 2006). Studies also reflect how social and cultural factors might have a greater impact on female entrepreneurship than on male entrepreneurship (Jennings & McDougald, 2007; Welter & Smallbone, 2011). These factors are especially true in the case of Turkey and the countries of the MENA region, which are considered patriarchal societies.

3.2.1 Entrepreneurship and women

The study of entrepreneurship has not taken the gender perspective into account until relatively recently. Women's entrepreneurship did not exist as a relevant area of study until the late 1980s and early 1990s due, in part, to the reduced presence of women in the field of entrepreneurship and management worldwide (Ahl, 2006; Greer & Greene, 2003).

Most of the studies in the literature have been framed comparatively between men and women (Eddleston & Powell, 2008; Ahl & Marlow, 2012). However, women and men are different with respect to their personal and business profiles in terms of education, work experience, networks, and access to capital. Moreover, it has been established in

several entrepreneurship studies that on average women have access to fewer resources and less knowledge, and in many countries, they have a lower societal position than men (Kelley et al., 2015; OECD, 2008; Greer & Greene, 2003). Thus, women entrepreneurs face multiple barriers in their entrepreneurial endeavors. Women's entrepreneurship literature (Brush, 1992; Baughn et al., 2006; Welter & Smallbone, 2011) has identified a number of barriers such as social and cultural barriers, infrastructure barriers, educational and occupational barriers, and role barriers. Also, social opportunities are not equally distributed, and women are less able to use their networks as sources of social capital (Greeve & Salaff, 2003) which limits access to resources for business growth.

This is exactly the case in Turkey and MENA region because of the defined gender roles in patriarchal societies (Ufuk & Özgen, 2001; Hisrich & Öztürk, 1999; Cheraghi et al., 2014). In these societies, women's most important role is a homemaker and mother. On the other hand, the man is considered the head of the household and the support of the family. There are also some legal restrictions for women in countries such as Saudi Arabia or Egypt that limit their mobility within in their country. There are also cultural practices seen like gendered work relations and sex-segregated work spaces.

3.2.2 National culture and women

Culture represents “shared motives, beliefs, identities, and interpretations or significant events that result from common experiences of members of collectivities” (House et al., 1999). Cultural context plays a role in women's entrepreneurial process, as especially gender and culture together may create an unfavorable entrepreneurial environment for women in certain countries (Ufuk & Özgen, 2001). Shinnar et al. (2012) point out that cultural values influence society's views of gender roles and stereotypes, especially a community's view of woman's place in society. “The higher the degree of gender stereotyping, the more likely women are to encounter challenges dealing with different stakeholders and perceive barriers to be more significant compared with men” (Shinnar et al., 2012, p. 471). The studies point out that national culture is a major factor that explains variations in entrepreneurship among societies (Wennekers et al., 2001; Marlow et al., 2009).

According to the GLOBE study, while national cultures have their unique attributes, there are also clusters of nations where cultural similarities and geographic proximity serve as the basis of groupings, like the Arabic cluster, which includes Turkey, Morocco, and Egypt (Lebanon and Saudi Arabia are not GLOBE participating countries). In the countries of the Arabic cluster, societal practices are rated as high on group and family collectivism and power distance and low on future orientation and gender egalitarianism. The other cultural dimensions are uncertainty avoidance, institutional collectivism, humane orientation, performance orientation, and assertiveness, which all are rated in the mid-range. The family is vital and stands out at the heart of society and individuals (House et al., 1999). Among the network of interdependent relationship, belonging to the same school, group, and region plays a major role in addition to the family (Kabasakal & Dastmalchian, 2001). Thus, the individuals in these countries have strong commitment and trust to their relationships in their network. The commonalities in societal norms and practices in this group of countries derive from their religious, economic, and social characteristics.

3.2.3 Networking and women

Entrepreneurship is embedded in a complex network of social relationships. Within these networks, entrepreneurship is facilitated or constrained by linkages among aspiring entrepreneurs, resources, and opportunities (Aldrich & Zimmer, 1986). From the perspective of social capital, networking as an activity is based on the relational resources embedded in personal relationships and ties between people. Social ties are ties between individuals, while business networks are those between firms. Social network theory (Granovetter, 1973) suggests that social ties influence the flow of information about market opportunities, and consequently influence the identification of such opportunities. Networking is an important source of information to identify and explore business ideas to start a business as well as crucial to access key resources.

Studies suggest that gender differences may exist in the networking quality of female networks (Baughn et al., 2006; Foss, 2010). Research conducted in the developed countries indicates that although the importance of social networks is evident for both male and female entrepreneurs, the composition of their respective networks is different. Evidence in literature shows that women entrepreneurs have less diverse networks (Aldrich et al., 1989; Renzulli et al., 2000), and in comparison, to their male

counterparts, they have developed less level of social networks (Brush, 1992). Moreover, they have more difficulties in accessing those networks, which can be a great tool for resources needed for creation and growth of their firms. In developing countries, socio-cultural factors influence women's network in societies dominated by men. Thus, female entrepreneurs face difficulties to establish an effective network, and they have limited access to networks (Ufuk & Özgen, 2001; Hisrich & Öztürk, 1999; Salehi-Isfahani, 2006). Even if it has been a popular area of study, there still remains a need for more research into the nature and dynamics of female entrepreneurial networking activity (Brush et al., 2009).

3.3 Methodology

To focus on entrepreneurial process and networks, we employed a multiple research case study (Eisenhardt, 1989; Yin, 2013). This qualitative approach is particularly appropriate for a study that deals with the complex social phenomenon of the relationships of entrepreneurs, which can only be gathered through interactions with the respondents in order to obtain richness of data (Hoang & Antoncic, 2003). In addition, a study on culture and network ties and their development requires detailed data, which are difficult to acquire through quantitative methods (Patton, 2002).

Stevenson (1990) points out that a qualitative approach is more suitable, especially when researching female entrepreneurship, because entrepreneurship theories are still in the process of development and refer mainly to male entrepreneurs. The objective of this paper is to refine and extend our understanding about the nature and dynamics of female entrepreneurial networking activity in the context of highly patriarchal societies.

Thus, a qualitative methodology for this research was considered appropriate for three reasons: first, given the relative infancy of the topic and exploratory nature of subject domain (Miles & Huberman, 1994); second, to support and facilitate an understanding of a phenomenon that is missing and not well understood (Eisenhardt, 1989); and third, the multiple case study research design could generate higher internal and external validity of the findings, thus providing robust interpretations (Yin, 2013).

3.3.1 Research context

The selection of the context and the specific cases were guided by the phenomenon, themes, and issues that we address in this paper. This research focuses on female entrepreneurial networking activity in Turkey and four countries in the MENA region, namely, Lebanon, Saudi Arabia, Morocco, and Egypt. These countries provide an appropriate research context for four reasons: first, the countries used in this study have many commonalities in their societal norms and practices, which are derived from their social, religious, political, and economic characteristics. Second, although Turkey is a leading emerging economy, with large domestic markets and inclusion in the European Union customs union, the country's ecosystem for entrepreneurs is relatively underdeveloped, especially for women entrepreneurs (Kalafatoglu, 2010). Third, in the MENA region, entrepreneurship is a major unexploited source of growth and is very less prevalent in most MENA countries (O'Sullivan et al., 2011). Findings from the MENA-OECD Investment Programme Working Group on SMEs and Entrepreneurship (Organization for Economic Cooperation and Development, 2011) confirm that there is limited development of entrepreneurship because of the high barriers to doing business like corruption and complex licenses. Fourth, these countries are considered highly patriarchal societies, and women's participation in the labor force and entrepreneurial activity is very low.

On the other hand, according to World Bank Report 2006 (Elson, 2009), women's entrepreneurship appears to be increasing throughout the MENA region, with the percentage of women entrepreneurs varying from 3 percent in some countries to 18 percent in others. Having an exact and updated number from MENA region is really difficult because many businesses are not registered as a women-owned business. GEM report (Bosma et al., 2009) indicates that Saudi Arabia has the lowest entrepreneurial activity, with only 4.7 percent of the adult population actively involved in the start-up of business. According to GEM-MENA report (Bosma et al., 2009), in Lebanon, the entrepreneurial activity rate for men is 20.2 percent, which is about twice the rate for women at 10.2 percent. In Morocco, the entrepreneurial activity rate for men is 1.7 times the TEA rate for women, 19.9 percent compared to 11.7 percent. In Egypt, the entrepreneurial activity for men is 20.2 percent, which is similar to Lebanon, but for women, it is 5.9 percent, and male to female ratio is 3.4:1 (Bosma & Levie, 2010, for Egypt ratios from 2008). Overall, for all five countries – Turkey, Saudi Arabia, Lebanon,

Morocco, and Egypt – the entrepreneurship rates are among the lowest in the world (Bosma & Levie, 2010; Bosma et al., 2009).

3.3.2 Data sample

The cases for this study were selected based on purposeful sampling, and they are women entrepreneurs of small- to medium-sized firms in Turkey, Saudi Arabia, Lebanon, Egypt, and Morocco. It is considered that the logic of purposeful sampling derives from the in-depth understanding of information of rich cases (Patton, 2002). Extant research suggests there is no optimum number of participants required for qualitative research, and each participant adds value to the study (Yin, 2013). For this study, five women entrepreneurs from each country were selected totaling 25 cases. The researchers consider that five cases from each country are sufficient to illuminate the phenomenon being studied, and this stance follows Eisenhardt's (1989) argument. The respondents were selected based on the following two criteria: the women entrepreneurs had to have founded their businesses, and the businesses need to be at least three years old.

We sent invitation letters by e-mail to the addresses obtained from the membership lists of various business and entrepreneurship organizations. A total of 25 women accepted to participate in the research, five from each country. The profile of the sample shows that 12 businesses are in the manufacturing industry and rest is in the service industry. Overall, 18 women have sole ownership in the companies, and the rest of them have a partner. The participants range in different age group: 2 over 20 years, 14 over 30 years, and 9 over 40 years. Moreover, 3 of the 25 women are divorced, five women are single, and the rest are married. Of the 25 women entrepreneurs, 14 have children, and 14 of them had previous work experience before launching their business. Table 3.1 provides the details of the respondents' current business and previous professional background and experience. All the businesses were, at least, three years old, and nine business had been operating for ten years. Most women had chosen to start their business in a field in which they had prior experience.

Table 3.1: Characteristics of Respondents and Their Businesses

Firm	Country	Age at founding the firm (# of years since firm was founded)	Industry	Previous Work Experience	Ownership	Current Age	Marital Status	Children
C1	Turkey	26 (23)	Manufacturing	No	Ownership	49	Married	One
C2	Turkey	23 (22)	Service	No	Ownership	45	Divorced	None
C3	Turkey	28 (5)	Manufacturing	Yes	Ownership	33	Divorced	One
C4	Turkey	29 (3)	Service	Yes	Ownership	32	Single	None
C5	Turkey	30 (10)	Manufacturing	No	Partnership	40	Married	One
C6	Saudi Arabia	35 (6)	Manufacturing	No	Ownership	41	Married	Four
C7	Saudi Arabia	29 (5)	Manufacturing	No	Ownership	34	Married	Two
C8	Saudi Arabia	28 (17)	Service	Yes	Partnership	45	Married	Three
C9	Saudi Arabia	30(8)	Service	Yes	Ownership	38	Divorced	None
C10	Saudi Arabia	31(4)	Manufacturing	Yes	Partnership	35	Married	Two
C11	Lebanon	30 (7)	Manufacturing	Yes	Partnership	37	Married	Two
C12	Lebanon	28 (7)	Service	Yes	Ownership	35	Married	None
C13	Lebanon	27 (6)	Manufacturing	No	Ownership	33	Single	None
C14	Lebanon	35(10)	Service	Yes	Ownership	45	Married	Three
C15	Lebanon	26 (4)	Service	No	Partnership	30	Single	None
C16	Morocco	22(20)	Service	No	Ownership	42	Married	Four
C17	Morocco	30(5)	Manufacturing	Yes	Partnership	40	Married	Three
C18	Morocco	28(10)	Manufacturing	No	Ownership	38	Married	Three
C19	Morocco	28(7)	Service	Yes	Ownership	35	Single	None
C20	Morocco	20(9)	Service	Yes	Ownership	29	Married	None
C21	Egypt	32(5)	Service	Yes	Ownership	37	Married	None
C22	Egypt	31(10)	Manufacturing	Yes	Ownership	41	Single	None
C23	Egypt	23(14)	Manufacturing	No	Partnership	37	Married	Three
C24	Egypt	27(4)	Service	Yes	Ownership	31	Married	One
C25	Egypt	20(5)	Service	No	Ownership	25	Single	None

3.3.3 Data gathering and analysis

This study employed an in-depth interview technique, which was based on open-ended and semi-structured design, and critical incident interview technique with 25 successful female entrepreneurs in Turkey, Saudi Arabia, Lebanon, Egypt, and Morocco during 2014 to 2016. This allowed for an exploration of wider issues relating to their entrepreneurial activities, networking activity, and their engagement in new venturing, which thus provided rich insights. Prior to data collection, a series of themes were developed to guide the research (see Table 3.2).

Table 3.2: Thematic Linkages Marking Progression of the Research

Themes Emerging From Literature	Early Research Meetings	Later Research Meetings
Educational Background	Relevance of education	Business Skills – Subject specific knowledge
Prior Work Experience	Nature of prior experience Relevance of work experience	
Age	Perceived/ real age discrimination	Difficulties/ barriers – age
Gender	Perceived/real sex discrimination	Difficulties/barriers - gender
Culture	Nature of culture Relevance of culture	Difficulties/barriers
Networking	Purpose of networking Nature of networking Formal/informal	Network composition Value of networks Challenges in networking
Country	Demography/Access	Challenges/barriers

To gather the data, we first explained each participant about the research project and the topics that were to be developed. In Turkey, each participant agreed to publish their company names, but in the rest of the countries, especially Saudi Arabia and Egypt, some of the women entrepreneurs asked us to be discreet about their names and companies.

The interviews were carried out using an interview guide to gather all the information needed about the women entrepreneurs, their business, and networking. With the permission of the participants, conversations were recorded and transcribed word by word after the interview. In-depth interviews were conducted in a three-stage process over the 18-month period. Each participant was interviewed for an average of 90 min during each phase. We imported the 25 interview transcripts into the qualitative analysis software NVivo 10. The coding process was an iterative, ongoing process identifying themes and patterns and most importantly comparing the countries from the data. The value of research was further established by sourcing data from 25 cases, and these data were sent back to the interviewees for comment, clarification, amplification, corroboration, and amendment (Guba & Lincoln, 1994).

3.4 Research findings

The findings are discussed under the following themes: gender, culture, and networking. First, the findings state what it is likely to be a woman in a highly patriarchal society which identifies the primary role of women with family and domestic responsibilities. Then, the motivations of women entrepreneurs are stated, such as what motivates them to start a business and what cultural and legal barriers they face like access to capital and networks of information. Third, the role of networking in overcoming these barriers in a male-dominated society is presented.

3.4.1 Gender: to be a woman entrepreneur

Still today, the number, size, type, and scope of women-owned businesses are less than those owned by men (Kelley et al., 2015). Institutional barriers to education, work experience, networks, and access to capital are the main reasons behind the fact that entrepreneurial careers are gendered (Brush, 1992; Marlow & Patton, 2005; Greer & Greene, 2003).

According to the literature, socio-cultural factors such as religious values and marital status influence women's decision to become an entrepreneur (Foss, 2010; Renzulli et al., 2000; Jennings & Brush, 2013). We have found out that women started their businesses as an opportunity to obtain greater margins of flexibility, autonomy in work, a search of income, the pursuit of a social mission. All women entrepreneurs in our study started their business in a sector that they have most knowledge and experience. A

comment from Case 1 exemplifies the importance of having the right experience. She is living in Turkey, is married, is 49 years old, and is an established entrepreneur having 23 years of experience in the business. She was single and had no previous experience before starting up her business but had a degree in the subject:

I have been in business twenty-three years, feels like a milestone. At the time when I started my business in manufacturing, being a woman was not easy at all. At first, I was a woman in a manufacturing industry, which was a man-dominated business. So, it was not easy to deal with customers and suppliers [...]. But I had graduated from mechanical engineering from ODTU, a top university in Turkey, so customers and suppliers respected me. They saw that I was good at my job. Right now, I have 76 people working for me and 90% are men [...] Yes at the start because of the age and gender it was not easy for men to get an order from me especially in the manufacturing industry but now there is no problem (C1, Turkey).

The following comment is from Case 12, who is living in Lebanon, is married, and is 35 years old. She was single and had previous work experience. For her, starting up a business was a source of income and a social mission:

I love to call myself “entrepreneur” – my family is so proud of me. I was the first woman who started her own business. It was not easy at all. I got financial support from my family, as there was no loan to get from the bank. There was no training; I signed up the courses online to learn what the successful steps to start a business were. So, it was all self-learned (C12, Lebanon).

Some researchers assert that women entrepreneurs have businesses that are small, slower growing, and less profitable (Carter & Williams, 2003). Orser et al. (2006) argue that there are three factors which distinguish women-owned businesses: the first one is a concentration in retail and services, the second one is less focus on growth, and the third one is relying much more in seeking external funding. Regarding these three factors, in our study, we have interviewed 25 women business owners, and their businesses are more evenly distributed across sectors (12 in manufacturing and 13 in services). The reason behind that is mainly because of their previous work experience or subject of study. Not parallel to the literature, all of them focus on growth and try to find new ways to grow internationally. The following comment is reflected from Case 4, who is living in Turkey, is single, is 32 years old, started her business three years ago, and would like to grow her business internationally:

I must say that I had no idea how to start a business. There was no access to valuable resources and information. [...] I started the business at home because I had no money to rent a place. I tried to apply for a bank loan, but it failed. Then a friend of mine and I shared an office together. So yes, funding was a problem. However, it did not stop me! Today, I have more customers that I could imagine and plan to start my business internationally next year (C4, Turkey).

The following comment is from Case 21, who is living in Egypt, married, and started her business five years ago; however, she mentioned that she would have liked to start seven years ago, but financially she could not. She tried to apply for a loan but never succeeded; therefore, selling their family car was the only option:

I knew what I wanted to do, but I had no money. I was almost lost. There were no loans, so my husband sold his car and got some money from a friend of ours. After nine months, I rented out my office and started my own company in the translation services [...]. We are growing rapidly, we started two of us, and now we have nine people and hoping to expand the business in the near future (C21, Egypt).

Overall, as seen in all cases, women entrepreneurs have family support, and if they are married they have the support of their husband and close family. Despite what is reported in the literature (Leitch & Harrison, 2014; Salehi-Isfahani, 2006), married women participation is not less than single or divorced women. As seen in our cases, most of the women said that especially being married was an advantage for them, as getting family support helps them to balance work and family:

I was very lucky as I had my husband and family's full support when I started my company and we are talking twenty years ago. Our families took care of our four children when I was at work. My husband was there to give me business advice. I can call him my mentor (C16, Morocco).

I started my company after four years of marriage and I had a three years old baby. [...] No, it was not a problem at all. Because in our culture, family support is everything. We don't know the meaning of babysitter like the West does. Our family and friends are there to help us as much as they can which helps a lot. Moreover, being married you have two families instead of one, so it is an army you can rely on (C8, Saudi Arabia).

Previous work experience and knowledge shape women's entrepreneurial behaviors and decisions. The research indicates that women entrepreneurs tend to have less industry, management, and prior business start-up experience (Leitch & Harrison, 2014; Marlow

et al., 2009). In our cases, we have also found out that most women lack management experience. In Turkey, women have more access to training and management courses than in the countries of the MENA region. Especially in Egypt, Lebanon, Saudi Arabia, and Morocco, women entrepreneurs have limited training and information resources on how to start and manage a business. This is illustrated in the following quotes by Case 5, who is living in Turkey, is married, and has a manufacturing business for ten years with a partner, and they operate in four countries; Case 19, who is living in Morocco, is single, and has a service business for seven years; and Case 22, who is living in Egypt, is single, and has a manufacturing business for ten years:

Before we started up our business, my partner who is a woman too and I, attended one week of a training program offered by Chamber of Commerce. We had no start-up experience, so it was a great start for us. We did not stop there, we attended all training free or not free offered by KOSGEB (Small and Medium Business Development and Support Administration) to small and medium businesses (C5, Turkey).

I graduated and wanted to start my own business, but I had no entrepreneurs in the family as I can look up as a role model. There was no training to specifically for women, so I learned everything by myself as making many mistakes (C19, Morocco).

I had work experience, so I knew how the things work but I had no management experience, and that became a problem. There was no training or coursework to attend. I learned everything from my dad. [...] now access to training is better than before but still it is limited and not free (C22, Egypt).

In the literature, several empirical studies indicate that many women business owners choose to keep their companies small (Goffee & Scase, 1985; Marlow et al., 2009). Women and male entrepreneurs tend to face very different domestic demands. Despite women in business, as employers and employees, are rising in numbers, they are likely still perceived as “the primary parent, emotional nurturer, and housekeeper” (Goffee & Scase, 1985). Goffee and Scase, for example, found that many women entrepreneurs were reluctant to expand their business because of the family obligations and demands. Contrary to expectations, in all cases, our respondents mentioned that the size of their company depended on access to financial resources – if they may have access to (more) loans or better resources, they would like to grow their business.

These findings suggest that being a woman entrepreneur in these countries is not easy at all. Such views illustrated that being a woman makes it difficult to find start-up financing, except for the assistance of family and friends. Most of them are the first entrepreneurs in their family, so there is no role model to follow. There is no reflection of business size or industry, but the most important aspect is to have a significant level of work experience prior to establishing their ventures. Education was vital to advancing their entrepreneurial venture. Proper education and previous work experience appear to have contributed toward the development of self-esteem among these women.

3.4.2 National culture: to live in a patriarchal society

National culture plays an important role and motivates individuals to behave in certain ways, such as in case of starting a business (Hofstede, 1998). Cultural values shape societal gender roles, especially seen for women on the role of starting up a business (Brush, 1992). The studies point out that culture is an important factor that explains variations in entrepreneurship among societies (Wennekers et al., 2001; Brush et al., 2007, 2010; Baughn et al., 2006). There are also some restrictions that women face like having to obtain permission to travel overseas and sex-segregated work spaces or occupations. The following comments are from Case 6, who is living in Saudi Arabia, divorced, and 38 years old; Case 4, who is living in Turkey, single, and 32 years old; and Case 25, who is living in Egypt, single, and 25 years old with respect to their reflection on culture and business:

[...] Of course, as a woman where you live makes a big difference. I think for every woman is difficult to own your business. Traveling overseas sometimes can be difficult, but I don't let define my work or business. [...] As the registration of your business, then segregated-business workspace – all can be called red tapes. However, this is what the country is; the demography is like that, and you can't change it, but it does not mean that it will stop you! Because it did not stop me just took more time and needed to be patient (C6, Saudi Arabia).

Turkey is a secular country, so we can't say that it is like other Muslim countries. However, it also does not mean that it is easy compared to rest of the world, especially nowadays, that the country is becoming less democratic than before. Being single and young are big disadvantages because in this society as you get older you are respected more, and they see you more experienced, so that is a minus. [...] I found the solution as an elderly employee of mine deals customers like that. Not a hundred percent solution but it keeps the day (C4, Turkey).

Women always face obstacles and problems, when you live in Egypt, it is a different story, but it does not stop me to conquer the world. I help high-school students to apply to universities in the USA and the UK. I started helping a neighbor's son then the business started flying. [...] Because of the nature of my business, at the beginning the people did not trust me as being a young woman but later on, with word of mouth, I could build a customer base beyond Cairo (C25, Egypt).

As seen in the literature, the dominant cultures in these countries discriminate against women entrepreneurs. The following comments from Cases 24 and 7 also support the views mentioned above:

For any entrepreneur anywhere in the world is not easy to start a business but a country like Egypt is harder. Every business faces obstacles, but here you are a woman, and the society expects from you to stay at home and take care of the children, so not easy! (C24, Egypt).

I had a dream to start this business when I was eighteen, but I could not. It has been four years since I started up my business because of my husband's support, and everything is listed under his name. So yes, I have my business, but I am the silent partner (C7, Saudi Arabia).

Case 24 reflects that women who start their own business run against predominant social norms in countries like Egypt where women are expected to stay home and raise children. Case 7 raises another aspect regarding how women engage in entrepreneurial efforts through their families or very often as “silent partners,” because women face more legal constraints (and red tape) in patriarchal societies. These findings suggest that although culture and social norms have a negative impact on their entrepreneurial processes, almost all participants relied on family, friends, close family members, and colleagues for both tangible and emotional support to overcome the barriers and obstacles they face.

3.4.3 Networking and women

Social networks are a set of linkages among individuals who are bonded by set of ties formed among them (Aldrich & Zimmer, 1986). Dubini and Aldrich (1991) argue that an entrepreneur's network consists of all the people with whom an entrepreneur has direct relations including family members, partners, suppliers, and customers. Social networks are considered a valuable resource in entrepreneurship, especially for new ventures and business growth (Davidsson & Honig, 2003; Aldrich et al., 1987, 1989).

In the literature, scholars suggest that men and women have different socialization experiences, such as prior professional and social networks' affiliation experience that can shape their business creation, growth, and performance (Carter et al., 1997; Brush, 1992). According to empirical research studies, there is evidence that women entrepreneurs have less diverse networks (Foss, 2010; Jennings & Brush, 2013). Women are disadvantaged compared to men, and they cannot network as effectively (Brush, 1998; Foss, 2010) and have more difficulties in gaining access to different networks (Conway & Jones, 2006; Davis & Long, 1999). In more detail, marriage (or living in partnership) and parenthood can affect business ownership and networking (Renzulli et al., 2000). The overall findings in relation to female networking activity reveal that they do have connections with the personal network, business network, and community network and lately with professional networks too.

The results of the study indicate that personal networks, such as a husband, family, and close friends, are vital for both start-up and the growth of their business. Another important finding that most of the participants indicate that their network is more diverse, easy to access, and has exposure to good role models:

When I decided to quit my job and start my business, I have full support from my business and personal networks. To rent a space, a friend of mine leased me his place; then for the decoration of the firm, another friend did pro-bono. As recruiting and finding new customers, my business network was my address book, thanks to my diverse network starting my business and growing it was not that difficult (C14, Lebanon).

Yes, people say networking is boys' club, but I don't agree. First of all, women can keep strong ties with people. I signed up to be a member of women business club in my city, and we have meetings every two weeks and a luncheon once a month. One great thing about this organization is that they offer training, workshops, and mentoring programs, which I have signed up too (C19, Morocco).

In recent years, women have been more active in networking than before. Not just the government but private organizations and companies support female entrepreneurship and network building between women entrepreneurs in the country. From these events, I met many possible customers and suppliers (C5, Turkey).

What comes to my mind when I hear "networking" – my family and friends first then my business network because in our community we help to each other. I

think that compared to the rest of the world, in our region if someone seeks help, you help – there is a closed relationship (C24, Egypt).

These findings clearly highlight that our respondents were affiliated with several groups, and through contact extensions, they could gain access to other networks. Most of them recognized the value of networking, particularly with respect to identifying new customers and business opportunities. Case 11, a new venture, reflected:

Networking is a key to business. I am from the Internet generation, so I am aware of the importance of networking. Of course, it is not how many friends you have on Facebook; it matters how many you can pick up the phone and call. I am affiliated with women entrepreneurs group and a member of the trade organization too. [...] I always find someone even when I do not have any contact. It is not what you know it is whom you know (C11, Lebanon).

All of the women entrepreneurs interviewed for this study emphasized the importance of their network being so crucial to succeed within their company and to overcome barriers. They seek more opportunities to raise their network, and all of them are very active in social media. In all cases, they mentioned that before and after their business venture, their networks played an important role in offering guidance, advice, and even presented new business opportunities. Especially because of the demography they are living in, they emphasized that the strong ties with family and friends are great resources to access new opportunities and networks. Previous studies found out that women participation in networks is less intense than men (Gronovetter, 1985; Aldrich & Zimmer, 1986), but for our respondents, even if they face restrictions on their movements or have more legal barriers than men, establishing an effective network appears a priority and a key resource. Case 6 reflected on this issue:

[...] You can say that because I live in Saudi Arabia, I have a limited network, but it is not true. I am very active, and my networks are at the heart of my business. [...] Nowadays, there are several organizations and networking events for women like Global Entrepreneurship Week and Women's Entrepreneurship Day. As a generation, we are very lucky (C6, Saudi Arabia).

As seen in the literature that socio-cultural factors influence women's network in societies dominated by men, thus they face difficulties to establish an effective network (Ufuk & Özgen, 2001; Foss, 2010; Hisrich & Öztürk, 1999; Salehi-Isfahani, 2006). In our study cases, we have found that women entrepreneurs know the importance of networking and engage actively in events and activities to cultivate new relationships

with people, community, and business leaders for possible new opportunities for their business. Because of the social bonds between family members and friends compared to the rest of the world, the women entrepreneurs in our study are able to create new entrepreneurial opportunities. In 25 cases, each of them said that socio-cultural factors influence them negatively regarding financial sources and created barriers for new company incorporation and operation, but it was not the case regarding their network. Contrary to what the literature suggests, social networks are more positively related to women entrepreneurs in highly patriarchal societies. They are aware that the level of their network is the key to overcome many barriers that they face as women.

3.5 Conclusion

Women in Turkey and the countries from the MENA region have the lowest rate of total entrepreneurial activity in the world (Bosma et al., 2009; Bosma & Levie, 2010). Fostering the participation of women in entrepreneurial activity will contribute to economic development and can be a source of political, economic, and social innovation.

Concerning the main findings of the study, social networks are of utmost importance in the case of women entrepreneurs in patriarchal societies. In that regard, women are significantly likely to make use of family and close friends in their businesses. Contrary to previous studies, women entrepreneurs seem not to have a serious problem with network and competition. Instead, the main barriers and constraints they face are gender-specific barriers, cultural norms, civil law, access to financial services and resources, barriers in the business environment (e.g., segregated work spaces), and lack of specific training to start-up a business.

The respondents of this study all have an advanced degree and speak at least one foreign language, English, that is, they have a relatively high-social status; thus, education was not a barrier for them, but still there was no sustainable ecosystem to facilitate female entrepreneurial activity such training and seed capital. The most common barrier mentioned by the women entrepreneurs of our study was the social expectation that views married women with children to stay at home and take care of children. In all cases, they appear to be able to balance their work and home duties because of the support from their family and friends, but the main challenge is living in a male-dominated business environment.

Moreover, many women entrepreneurs mentioned the most significant challenge they faced when they started their business was the administrative procedure and tasks that are associated with founding the company like filling tax. With the help of their fathers or husbands, they were able to overcome these obstacles, but as seen here, most of them had limited management skills or no knowledge of government procedure. Most of their businesses were funded with financial support from their family or friends and their savings. In some cases, women entrepreneurs could not be able to receive a bank loan by themselves, so their father or husband signed or co-signed the contract.

Above all the obstacles they face to start their business and grow, it is necessary to understand the nature and dynamics of their entrepreneurial networking activity because the findings show that they were able to obtain support of various kinds ranging from management advice, financial capital, marketing and sales expertise, emotional support as well as new ideas. Most importantly, through their networks, women entrepreneurs established strong ties not only with family and friends but also with customers, suppliers, and other entrepreneurs in the country. These findings contradict the view that women entrepreneurs have less diverse networks than men do (Aldrich et al., 1989) and that their strong ties are almost exclusively with family and friends (Granovetter, 1973).

This study contributes to the growing body of knowledge relating to women's entrepreneurship. This study provides an illustration of women entrepreneurs in the context of patriarchal societies such as Turkey, Egypt, Saudi Arabia, Lebanon, and Morocco. Second, to the best of our knowledge, our paper is one of the first to examine the nature and dynamics of female entrepreneurial networking activity in the context of Muslim countries.

Finally, this study also provides some managerial and policy implications. It is essential for women entrepreneurs to manage and maintain their contacts in their entrepreneurial network and recognize the nature of the relationships and tie intensity with the network members. This study demonstrates the importance of network in patriarchal societies to overcome social barriers that women entrepreneurs face. Networking activity appears as a successful and effective tool for women starting their businesses and finding new opportunities. Thus, these findings are helpful for policymakers and other interest groups engaged with improving the conditions for women entrepreneurs. Governments

and other economic actors need to provide training on both management and networking skills, encourage local businesses and associations to provide the venues for networking opportunities, and also provide support to women business organizations.

Our study has some limitations that provide future research avenues. One of the limitations of the study commonly found in exploratory studies is that you cannot make statistical generalizations for the countries considered. Furthermore, the prevailing perception that all countries in the MENA region are the same is not true. Nonetheless, the findings from this study can form the groundwork for large-scale quantitative studies. Despite these limitations, this study expanded on previous research by contributing new insights into the dynamics of female entrepreneurial networking activity in patriarchal societies; therefore, there is an interesting avenue for additional studies to explore other MENA countries and do an international comparison.

Furthermore, we also encourage future research to examine other contextual factors such the political dimension, especially in the light of political unrest in some of these countries. In addition, the research can also expand to look at the co-entrepreneurs, as many women entrepreneurs are silent partners and their companies are incorporated under their father or husband's name. Finally, another area of future research could focus on informal female entrepreneurship, especially in developing countries.

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4

Does Business Group Affiliation Enhance or Hinder International Expansion? The Case of Spanish Micromultinationals

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Chapter 4: Does Business Group Affiliation Enhance or Hinder International Expansion? The Case of Spanish Micromultinationals

Abstract

“Micromultinationals” (mMNEs) are internationalizing SMEs that adopt high-commitment foreign entry modes, including FDI, despite the resource constraint typical of SMEs. This paper examines the impact of business group affiliation in the international expansion of mMNEs in service and manufacturing sectors. Using a sample of 1,892 Spanish mMNEs, empirical results show that affiliation to a business group translates into a stronger domestic orientation and affiliated mMNEs are less prone to expand internationally as compared to stand-alone mMNEs. This paper contributes to the literature by showing that ownership, in terms of business group affiliation, is a relevant antecedent of the international diversification pursued by mMNEs.

4.1 Introduction

In today’s globalization era, internationalization opportunities have never been greater for firms. Moreover, even if they face challenges on the road of international expansion, efficient and fast communication technology, market liberalization and transportation has dramatically enhanced internationalization opportunities for medium-sized enterprises (SMEs) (Fernandez & Nieto, 2006). When SMEs internationalize, they face the liabilities of foreignness and outsidership (Zaheer, 1995; Johanson & Vahlne, 2009) as well as the liabilities of newness (Freeman et al., 1983) and smallness (Lu & Beamish, 2001). The latter refers to the resource constraints and higher risks that hinder the efforts of SMEs to expand internationally (Jansson & Sandberg, 2008; Laufs & Scwens, 2014; Love & Roper, 2015). Nevertheless, nowadays there is a new breed of internationalizing SMEs able to overcome these hindrances and expand abroad successfully in ways that once only large corporations could pursue.

SME internationalization involves not just exporting SMEs but also a new type of internationalizing SMEs, the so-called ‘micro-multinational’ (mMNE) (Dimitratos et al., 2003; Ibeh et al., 2004). These new firms, mMNEs, are defined as “small and

medium-sized firms that control and manage value-added activities in more than one country through a constellation of contractual and investment modes” (Dimitratos et al., 2003:5). Thus, they adopt higher-commitment entry modes beyond exporting (Dimitratos et al., 2003; Ibeh et al., 2004; Dimitratos et al., 2014; Prashantham, 2011; Johnson & Dimitratos, 2014, Stoian et al., 2017; Joonho et al., 2017). However, mMNEs should not be confused with other categories of internationalizing SMEs like born globals or international new ventures because they are not defined by their speed of internationalization or their age at the moment of the first internationalization. Their distinguishing characteristic is that mMNEs, in spite of their limited resources, are able to employ higher-commitment entry modes, including equity modes that involve foreign direct investment (FDI).

Recent research has suggested that in today's globalized economy, it is riskier for a small firm not to internationalize their operations because of the competition (George et al., 2005, Hilmersson, 2013) which can lead to losing their competitive advantage at home. Furthermore, some scholars have observed that if SMEs are overly conservative in confining themselves solely to the exporting mode as they may under-achieve (Dimitratos et al., 2010; Ripollés & Blesa, 2012; Miesenbock, 1988). The emerging literature on MNEs has focused on identifying the attributes that distinguish mMNEs from pure exporting SMEs. Several empirical studies have highlighted that mMNEs have superior marketing capabilities (Ripollés & Blesa, 2012); a stronger entrepreneurial orientation in terms of international risk-taking (Dimitratos et al., 2014); use more actively their inter-organizational networks to obtain in-depth foreign market knowledge, which allow them to innovate and adapt their offerings to local market conditions (Stoian, Rialp, & Dimitratos, 2016); or are able to leverage their cross-border ethnic social capital (Prashantham, 2011). Although in the literature it is widely accepted that ownership affect firm's goals, strategy and performance (Fernández & Nieto, 2006; Garengo, Biazzo, & Bititci, 2005; George et al., 2005), surprisingly there is no published study, to the best of our knowledge, that has examined the role that ownership plays in the international expansion of mMNEs, and in particular whether affiliation to a business group may enhance or hinder their international expansion.

The debate on what factors has enabled the emergence of MNEs is attracting a growing interest (Dimitratos et al., 2014; Prashantham, 2011; Johnson & Dimitratos, 2014, Stoian et al., 2016; Shin et al., 2017), although it still remains an under-explored field in

the SME internationalization and international entrepreneurship literature (H. Vanninen et al., 2017; Jones, Coviello, & Tang, 2011; Dimitratos et al., 2014). Thus, the current study aims to fill this knowledge gap by exploring the impact of business group affiliation on the international diversification strategy of mMNEs. More specifically, our research question is: What is the effect that affiliation to a business group has on the international expansion of mMNEs? To answer this question, this research employs perspectives from the social network theory and internationalization theory. To test our theoretical arguments empirically, we rely on a dataset of Spanish mMNEs from 2006 to 2012. Spain appears to be a particularly relevant and appropriate research setting due to the successful internationalization of their SMEs in the past two decades.

Our results show that affiliation to a business group translates into a stronger domestic orientation and affiliated mMNEs are less prone to expand internationally as compared to stand-alone mMNEs. Furthermore, we found that the industry sector to which a mMNE belongs to has a rather limited effect on the degree of multinationality achieved. Hence it is not the sector *per se* but the organizational attributes of mMNEs and type of ownership that exhibit a stronger effect. This paper contributes to the SME internationalization and international entrepreneurship literature, and in particular to the growing subfield of mMNEs, by showing that business group affiliation is a relevant antecedent of the international expansion pursued by mMNEs.

This paper is organized as follows. The next part is the theoretical framework, then the methodology makes the second section of the paper, then followed by the results and discussion. The final section is conclusion, limitations and future research.

4.2 Theoretical Background

4.2.1 SME internationalization and the rise of micro-multinationals

In their international expansion, SMEs come across three main liabilities (Lu & Beamish, 2006, Kuivalainen et al., 2012). The first one is the 'liability of foreignness' (Zaheer, 1995) caused by a lack of local knowledge. This can be a disadvantage when competing against local firms and especially disadvantageous for SMEs as in general they are less experienced in international markets than larger firms. The second one is the 'liability of newness,' which means that new firms in a market will face difficulties and added risks till they have established their reputation and be perceived as legitimate.

This legitimizing process can be expensive and time-consuming, particularly since internationalizing SMEs need to build new relationships with local customers and business partners (Sørensen & Stuart, 2000). Johanson and Vahlne (1977, 2009) merge the two mentioned liabilities into the ‘liability of outsidership’ which is a situation when a firm enters a market environment without knowing who the business actors are. These authors consider markets as networks of relationships in which firms are linked to each other, most importantly they argue that ‘insidership’ in relevant networks in foreign markets is a necessary condition for successful internationalization. Conversely, ‘outsidership’ or lack of access to such networks becomes an important barrier to internationalization.

While the prior liabilities are commonly faced by all companies expanding internationally, the ‘liability of smallness’ is a specific disadvantage faced by SMEs. It refers to the limited resources and capabilities that SMEs are able to commit to internationalization (Lu & Beamish, 2001). It is widely accepted that SMEs face internal and external constraints in their international development process, such as limited capital and lack of time, international experience or managerial capabilities (Rialp & Rialp, 2007). Hence the literature has traditionally equated SME internationalization with the use of lower commitment entry modes such as licensing or exporting in order to overcome resource constraints and limit foreign risks (Prasantham, 2011; Ripollés & Blesa, 2012). In those cases in which an SME has foreign subsidiaries, the assumption was that they would tend to be small and vulnerable to environmental changes, given the constraints of their parent company (Lu & Beamish, 2006).

However, the pattern of SME internationalization has evolved in recent years. Recent research has highlighted the emergence of a new breed of internationalizing SMEs which employ different routes of internationalization beyond exporting. These firms have been named ‘micro-multinationals’ (mMNEs). Following Dimitratos et al. (2003, p.165), we define a micro-multinational (mMNE) as *an SME that controls and manages value-added activities in two or more countries through a combination of contractual and investment modes*. mMNEs should not be confused with other categories of internationalizing SMEs such as ‘born globals’ or ‘international new ventures’ because they are not defined by their speed of internationalization or their age at the time of the first foreign expansion (Coviello, 2015). In fact, the distinguishing characteristic of mMNEs is that they are able –in spite of their resource constraints- to adopt higher

commitment entry modes, including equity modes that involve foreign direct investment (FDI).

Micro-multinationals have been considered as the ‘new species’ of the multinational enterprise in the global economy and likely to thrive in the future (Cavusgil & Knight, 2015; Dimitratos et al., 2003; Matthews & Zander, 2007). Higher-commitment entry modes provide the basis for engaging with international customers and suppliers in greater proximity, contribute more to learning and offer a higher profit potential, although they also increase risks and reduce flexibility (Lu & Beamish, 2001). In that regard, some scholars have observed that SMEs may under-achieve if they are overly conservative in confining themselves solely to the exporting mode (Dimitratos et al., 2010; Ripollés & Blesa, 2012). Therefore, it is surprising the paucity of studies devoted to understanding mMNEs better and what factors have enabled their emergence (Dimitratos et al., 2014).

So, how are mMNEs able to engage in higher-commitment foreign market entry modes given their resource constraints? Researchers have started searching for organizational attributes that differentiate mMNEs from SMEs only using export entry modes. Empirical studies have highlighted that mMNEs have superior marketing capabilities (Ripollés & Blesa, 2012), have a stronger entrepreneurial orientation in terms of international risk-taking (Dimitratos et al., 2014), use more actively their inter-organizational networks to obtain in-depth foreign market knowledge which allow them to innovate and adapt their offerings to local market conditions (Stoian, Rialp, & Dimitratos, 2016), or are able to leverage their cross-border ethnic, social capital (Prasantham, 2011).

Although it is known that ownership affect firm’s goals, strategy and performance (Fernández & Nieto, 2006; Garengo, Biazzo, & Bititci, 2005; George et al., 2005), to the best of our knowledge none of the published studies on mMNEs has examined the role that ownership plays in the international expansion of mMNEs. Moreover, in particular, whether affiliation to a business group may enhance or hinder the international expansion of mMNEs.

4.2.2 The Effects of Business Group Affiliation and Industry on Internationalization

As pointed out by Fernandez and Nieto (2006), who are the owners of a firm have an influence on corporate strategy and performance because “they are related to different degrees of risk aversion and the firm’s resource endowment” (p. 340), factors especially relevant when a firm considers pursuing an internationalization strategy. However, few studies have examined the relationship between internationalization strategies and types of ownership (Fernández & Nieto, 2006; George et al., 2005), and in particular the effect of corporate ownership or affiliation to a business group. Based on their meta-analysis of 141 studies covering 28 countries, Carney, Gedajlovic, Heugens, Van Essen, and Van Oosterhout (2011) note that while many studies have examined the performance consequences of affiliation, very few have looked at the strategies of group affiliates and whether they differ from those of stand-alone or unaffiliated firms.

Following the extant literature on group affiliation, we define a business group as a collection of formally independent firms which however share common ownership and operate under common financial and administrative control, exerted by a controlling parent or holding company (Chang & Hong, 2000, 2002; Khanna & Rivkin, 2001; Chang, 1995). Business groups form networks in which the behavior of individual affiliates is intertwined through various formal and informal relationships (Granovetter, 1995). In that regard, critical strategic decisions such as pursuing an internationalization strategy by an affiliate tend to be approved at the group level rather than at the firm level (Chang 1995; Chang & Choi, 1988), especially when FDI decisions are involved.

Business groups are a prevalent organizational form in most developing and emerging economies. In the presence of significant market imperfections and institutional voids, researchers argue that business groups function as efficient internal markets which disseminate necessary resources (capital and managerial talent) to their affiliates (Khanna & Palepu, 1997, 2000; Khanna & Rivkin, 2001). The internal allocation of resources and resource-sharing among affiliate firms can result in significant economies of scale and scope (Bamiatzi, Cavusgil, Jabbour & Sinkovics, 2014, Lasagni, 2012). In developed economies, market imperfections and institutional voids are less prominent. Thus, the scope for business group performance-enhancing benefits for affiliates narrows down and achieving those benefits requires a carefully crafted corporate

strategy (Collis & Montgomery, 1998). Nevertheless, success in both contexts is related to the ability of the parent or holding company to leverage the group's resources and capabilities across the different affiliates through transfer and sharing.

From a social network perspective, researchers have shown that enduring and multiple relations between affiliates of a business group provide rich formal and tacit information about each other (Carney et al., 2011). In that regard, affiliates can leverage the group's knowledge and local business ties in foreign markets in which other affiliates operate as well as the group's experience on some forms of internationalization such as joint ventures and international alliances (Elango & Pattnaik, 2007, 2011; Khanna & Palepu, 2000). Overall, these advantages will likely allow affiliated mMNEs to overcome the liabilities of internationalization and smallness more easily than stand-alone mMNEs would do. Therefore, one would expect that affiliated mMNEs will be able to engage in higher levels of internationalization as compared to stand-alone ones.

However, the literature suggests that affiliated firms have a less pronounced international orientation than stand-alone ones (Carney et al., 2011). Prior network research has shown that network ties may obstruct rather than facilitate the development of a firm's capabilities (Uzzi, 1997; Burt, 2000) and that there is a substantial variation in capabilities of affiliates within a business group (Chang, 1995). Social norms and strong internal links in many business groups lead affiliates to first focus on transactions among themselves rather than reaching out to non-group firms in search for business (Carney et al., 2011; Guillen, 2000; Hundley & Jacobson, 1998; Lamin, 2012). Moreover, most business groups depend on advantages developed in their home market which tend to be more valuable domestically than abroad and difficult to replicate in foreign markets, which reduces the motivation to expand internationally, especially in dissimilar markets (Guillén, 2000; Khanna & Palepu, 1997; Lamin, 2012; Tan & Meyer, 2010). In contrast, stand-alone firms are not constrained by the type of social norms and administrative controls characteristics of business groups and can more readily exploit international opportunities, even in more distant markets (Carson & Gilmore, 2000). One of the advantages of being small and independent is that stand-alone mMNEs are likely to be more flexible and more reactive to opportunities in foreign markets as compared to affiliated mMNEs belonging to a larger organizational entity.

Given these opposing views on the effect of business group affiliation on international expansion, we propose two competing hypotheses:

H1a: Unaffiliated mMNEs are less likely to engage in higher levels of internationalization than affiliated mMNEs

H1b: Unaffiliated mMNEs are more likely to engage in higher levels of internationalization than affiliated mMNEs

One of the distinguishing characteristics of mMNEs, as compared to pure exporting SMEs, is their ability to manage a combination of contractual and investment modes (Dimitratos et al., 2003). The choice of this “mode combinations” – as referred by Benito, Petersen, and Welch (2011) - appears to be a critical component of the internationalization strategy pursued by mMNEs.

The extant literature on entry mode choice widely recognizes significant differences in the array of entry mode options available to manufacturing and service firms due to the inherent characteristics of goods and services (Pla-Barber & Ghauri, 2012). The tangible nature of goods, their durability and the separation between production and use or consumption make exporting a prevalent entry mode for most manufacturing firms, especially for SMEs (Bell et al., 2004; Shaw et al., 2017). Exporting allow firms to enter foreign markets in a gradual and less risky manner, being able to employ indirect export channels (e.g., local intermediaries) as well as direct ones (Grönroos, 1999). Unless there are significant transportation cost or high trade barriers, manufacturing SMEs will have a strong incentive to maintain their value-adding activities in their home country. Nonetheless, mMNEs understand that direct permanent presence in key foreign markets through contractual or equity modes (e.g. strategic alliances, joint-ventures, wholly-owned subsidiaries) will likely offer them certain advantages to exploit, such as providing superior international customer service or collecting exceptional feedback on market conditions (Dimitratos et al., 2014; Lu & Beamish, 2001; Prashantham, 2011). In summary, given their limited resources, we expect that manufacturing mMNEs will expand internationally by employing exporting as their main market entry mode, complementing it with more advanced entry modes in selected strategic foreign markets.

For service firms, the situation is entirely different. Services are generally described by inseparability and simultaneity of its delivery and consumption, intangibility,

heterogeneity, and perishability (Javalgi & Martin, 2007). While services vary in the degree in which they exhibit these features, nonetheless the internationalization of service firms tend to be more challenging than for manufacturing firms (Pla-Barber & Ghauri, 2012). A high degree of inseparability means that physical proximity between service providers and their customers will be needed. A high degree of intangibility, especially when the content of the service embeds tacit knowledge, will require a high level of interaction with the client during service delivery, compounding the need for physical closeness to clients. A high degree of heterogeneity appears when the service provider faces clients with different needs and has to customize its response to them. Given that customers' needs will partially be based on their particular culture and context, service firms will need to acquire local-specific knowledge (Bouquet, Hebert & Delios, 2004) which physical presence in the country facilitates. Consequently, the above-mentioned characteristics, on the one hand, limit significantly the ability of service firms to employ exporting modes when entering foreign markets and, on the other, create a strong incentive to use FDI modes such as joint-ventures or wholly-owned subsidiaries. The literature suggests that the use of FDI modes is facilitated by the low financial burden faced by most service firms to expand abroad due to the limited need to invest in tangible assets (Johansson & Mattson, 1987). Moreover, most service firms –especially knowledge-intensive ones- tend to prefer entry modes which allow them high control of their foreign market operations as a means to protect their know-how and reputation (Ekeledo & Sivakumar, 2004). Therefore, considering together manufacturing and services mMNEs, we argue that:

H2: Service mMNEs are more likely to expand internationally by using FDI entry modes than manufacturing mMNEs, thereby exhibiting higher levels of multinationality

We have argued that business group affiliation will likely hinder the international expansion of mMNEs (H1) and that differences between industry sectors will likely hinder manufacturing ones (H2).

Building on H1 and H2, we have developed four additional hypotheses. The first two, H3a and H3b, refer to the predicted effect of industry on the level of multinationality among mMNEs with the same type of ownership, while the second two, H4a and H4b, detail the predicted effect of group affiliation on the level of multinationality among mMNEs belonging to the same industry sector. The hypotheses are the following:

H3a: Affiliated service mMNEs are more likely to have higher levels of multinationality than affiliated manufacturing mMNEs

H3b: Unaffiliated service mMNEs are more likely to have higher levels of multinationality than unaffiliated manufacturing mMNEs

H4a: Unaffiliated mMNEs are more likely to have higher levels of multinationality than affiliated mMNEs in service sectors

H4b: Unaffiliated mMNEs are more likely to have higher levels of multinationality than affiliated mMNEs in manufacturing sectors

4.3 Methods

4.3.1 Data and Sample

Spain provides an ideal context for testing these hypotheses because of the number of SMEs makeup in the country and how successfully many of them have internationalized in the past two decades. In the study by Mendoza and Vives (2010) on a sample of 1,658 Spanish multinationals, they found out that 69.7 % were SMEs. Moreover, many Spanish SMEs have intensified their internationalization efforts since the financial and economic crisis erupted in 2008. These reasons make Spain an appropriate research setting for our study.

The data were collected from SABI (*Sistema de Análisis de Balances Ibericos* [Analysis System of Iberian Balance Sheets]), which is a database that contains economic and financial information, date of incorporation, location of the main office, company industry classification, total number of employees, and ownership data related to shareholders and affiliated companies. Also, SABI includes more than 95% of the Spanish companies that are legally obligated to deposit their financial statements and their annual reports at the Mercantile Registry Offices. From SABI we built a dataset of Spanish mMNE companies including their affiliates abroad. The advantage of using SABI is that it specializes in private company data from all industries, which allow the researcher to identify each company with accuracy, access its company financials and employment data, and further obtain certain information about its foreign affiliates.

We define a Spanish mMNE firm according to the following criteria: a) to be an incorporated firm in Spain controlled by Spanish investors, thus excluding the Spanish subsidiaries of foreign multinationals; b) to be an SME according to European Union (EU) classification of companies, that is, having at least 10 employees and no more than 249 employees, and to have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million; c) to have at least one foreign affiliate, that is, an incorporated firm in a host country in which the Spanish parent company owns at least 10% of the shareholders' voting rights (UNCTAD, 2014).

From the SABI dataset, we identified those companies that meet the mMNE criteria over a seven-year time period (2006 to 2012). Given the purpose of the study, we excluded those companies that were banks, holding companies, mutual funds, insurance companies or corporate headquarters (NACE Rev.2 codes: 6410, 6420, 6430, 65 and 7010 respectively). As a result, we obtained an unbalanced data set, with the final sample consisting of 1,892 mMNEs with a total of 6,626 firm-year observations.

4.3.2 Model

The estimated empirical equation is:

$$MUL_i = \beta_0 + \beta_1 * Affil + \beta_2 * Ind + \sum(\beta_c * Control Variables_{ci}) + \varepsilon_i$$

Where MUL_i is the degree of multinationality; $Affil$ is affiliation to a business group; Ind is industry sector; $Control Variables_{ci}$ are three heterogeneous firm characteristics and i denotes the time period.

A feasible generalized least square (FGLS) regression is used to minimize potential heteroscedasticity from cross-sectional data (Greene, 2003). When the variances of the independent variables are unequal, OLS estimators may be statistically inefficient resulting in misleading inferences of the estimators (Greene, 2003). FGLS is better suited for our data structure as it allows estimation in the presence of autocorrelation within the panels and cross-sectional correlation and heterogeneity across panels (Wooldridge, 2010).

4.3.3 Variables and Measures

Multinationality (MUL). The dependent variable of our study is multinationality (MUL), which represents the degree of internationalization achieved by a mMNE. We employ the multinationality ratio developed by Lu and Beamish (2004) and used in similar studies (Endo and Okazi, 2011; Shin et al., 2017). MUL is based on two measures. The first one is the ratio of the firm's number of foreign subsidiaries to the largest number of foreign subsidiaries for any firm within the sample. This ratio takes into account to the use of FDI entry modes and indicates the amount of resources invested in foreign countries (Cerrato, Crosato, & Depperu, 2016). The second measure is the ratio of the number of countries in which a firm has foreign subsidiaries to the largest such number for the sample. This ratio indicates the scope of internationalization. The multinationality ratio, MUL, is the mean of these two values and ranges between 0 and 1, measuring the relative degree of multinationality within our sample.

Business Group Affiliation (Affil). The first independent variable of our study is business group affiliation. We use the independence indicator provided by SABI, where values of "C" and "D" indicate that in a given firm an investor directly or indirectly controls 50% or more of voting rights. Then, we also searched in SABI the name of the investor to make sure it was another firm – either the group's holding company or another firm of the same business group. For operational purposes, we categorize a firm as *affiliated* when its independence indicator is "C" or "D" and the controlling shareholder is another Spanish firm (corporate ownership) and as *unaffiliated* otherwise. Group affiliation is a dummy variable with a value of 1 if a mMNE is affiliated and 0 otherwise. The sample consists of 178 affiliated and 345 unaffiliated or stand-alone mMNEs.

Industry Sector. Industry sector is the second independent variable of our study. SMEs, and in particular mMNEs, from different sectors show different patterns of internationalization (Arosa, Iturralde, & Maseda, 2010; Shin et al., 2017). Moreover, specific industry conditions can enable firms to gain more from foreign operations than others (Daniels & Bracker, 1989; Kirca, Roth, Hult & Cavusgil, 2012). The industry sector is measured as a categorical variable with a value of 1 for manufacturing mMNEs and 0 otherwise. We use the European statistical classification of economic activities

(also known as NACE Rev. 2) for classifying firms into service or manufacturing sectors. For the final sample, we have 767 manufacturing and 1,125 service mMNEs.

Control Variables. We control for some firm-level characteristics such as firm age, firm size, indebtedness and participation of foreign investors in the firm's equity. Firm age and firm size are considered influential aspects of a firm's internationalization process (Andersson et al. 2004). Firm's age is measured by the number of years since the firm was first established. While it has been considered by some authors as an indicator related to the accumulation of intangible assets (Dhanaraj & Beamish, 2003; Karadeniz & Göçer, 2007), others consider firm age as an indicator of organizational inertia (BarNir, Gallagher, & Auger, 2003; Vermeulen & Barkema, 2001). In this study, we expect that firm age will have a negative effect on multinationality (MUL) as older firms tend to be more rigid in their operations than younger ones, which makes adjusting to new foreign countries more difficult (Carr, Haggard, Hmieleski, & Zahra, 2010). Firm size is considered a proxy of the managerial and financial resources available to assist the firm in foreign markets (Zahra et al., 2000) and is measured by the natural logarithm of the number of employees. We expect that firm size will have a positive relationship with MUL.

Indebtedness is measured as the debt-to-equity ratio in percentage. Financial leverage or indebtedness gauges the extent to which non-equity capital is used to finance the assets of a firm, thus affecting returns while at the same time increasing a firm's risk (Chang & Thomas 1989). Given that both internationalization and financial leverage increase a firm's total risk, we expect in this study that indebtedness and MUL will be negatively related.

The participation of foreign investors in the firm's equity (SH_Foreign) is measured by a binary variable with a value of 1 when a mMNE has at least one foreign shareholder and 0 otherwise. Different types of ownership are recognized to affect the internationalization strategy adopted by a firm (Fernandez and Nieto, 2006; Thomsen and Pedersen, 2000). Foreign investors may allow easier access to business networks in foreign markets. Thus, we expect a positive relationship between participation of foreign investors and MUL.

4.4 Results

Table 4.1 shows the descriptive statistics and pairwise correlations among variables. Our sample is made of well-established firms, with an average age of 28 years, which show a very low mean value of multinationality (0.12). In terms of size, the sample firms have an average of 54 employees, and if one considers the range according to the standard deviation (where 67% of the cases are concentrated), it goes from 24 to 122 employees. Some correlations between variables show significant values, which may lead to multicollinearity problems. To test for the effects of multicollinearity, Table 4.2 calculates the variance inflation factors (VIF). The rule of thumb is that if the VIF for any independent variable is greater than 10 (some use a cutoff of 5), multicollinearity exists (Moore, McCabe, & Craig, 2012). The highest VIF in the table is far below 10, suggesting that multicollinearity is not a problem.

Table 4.1 Pairwise Correlations

	Mean	Std. Dev.	MIN	MAX	MUL	Age	Firm size	Indebtednes s	IndustryID	Affiliation	SH_Foreign n
MUL	0.1216	0.0977	0.0634	0.9583	1.0000						
Age	28.4012	14.1542	1	113	0.0173	1.0000					
Firm size	3.9894	0.8185	2.3026	5.6802	0.1781***	0.2011** *	1.0000				
Indebtedness	56.2559	24.9281	0.9220	286.7840	-0.0045	0.1764** *	0.0001	1.0000			
1.IndustryID	0.4570	0.4982	0	1	0.0115	0.2895** *	0.2285***	-0.1222***	1.0000		
1.Affiliation	0.3064	0.4610	0	1	-0.0939***	0.0044	0.1351***	-0.0166	-0.0307**	1.0000	
1.SH_Foreign	0.0561	0.2302	0	1	0.0492***	-0.0219*	0.0325***	0.0177	0.0329** *	0.0853***	1.0000

Table 4.2 VIF Test

Variable	VIF	1/VIF
Age	1.14	0.8745
Firm Size	1.10	0.9078
Indebtedness	1.04	0.9606
1.Affiliation	1.14	0.8786
1.Industry	1.03	0.9741
1.SH_Foreign	1.01	0.9902
Mean VIF	1.08	

MUL	Percentiles
25%	0.0634
50%	0.0634
75%	0.1268
95%	0.3170
99%	0.5507

Table 4.3 shows descriptive statistics for MUL and its component measures. As mentioned earlier, the sample firms do not have high levels of multinationality since on average they have 2.1 foreign affiliates in 1.8 countries. Nevertheless, the minimum and maximum values of the number of countries and subsidiaries, from 1 to 12 and from 1 to 23 respectively, show that these firms have significant differences in the scope of their international diversification.

Table 4.3 Descriptive Statistics

MUL

Variable	Mean	Std. Dev.	Min	Max
MUL	0.1216	0.0977	0.0634	0.9583
N of Subsidiaries	2.1087	1.9129	1	23
N of Countries	1.8192	1.4194	1	12

Variable	Obs	NofmMNEs	Mean	Std. Dev.	Min	Max
Manufacturing	3,028	767	0.1229	0.0993	0.0634	0.9583
Service	3,598	1,125	0.1206	0.0965	0.0634	0.8261

Variable	Obs	NofmMNEs	Mean	Std. Dev.	Min	Max
Affiliated	2,030	672	0.1078	0.0784	0.0634	0.6993
Non-Affiliated	4,596	1,220	0.1277	0.1046	0.0634	0.9583

Variable	Obs	Mean	Std. Dev.	Min	Max
00	2,449	0.1285	0.1056	0.0634	0.8261
01	1,149	0.1037	0.0703	0.0634	0.5725
10	2,147	0.1268	0.1034	0.0634	0.9583
11	881	0.1132	0.0876	0.0634	0.6993

00: Service, non-affiliated
mMNEs

01: Service, affiliated mMNEs

10: Manufacturing, unaffiliated mMNEs

11: Manufacturing, affiliated mMNEs

Number of observations = 6,626

Number of groups = 1,892

If we consider the mean values of MUL by type of mMNE, unaffiliated mMNEs appear to be more internationalized than affiliated mMNEs. However, it is hard to conclude that service mMNEs are more internationalized than manufacturing firms since the mean difference is not prominent. The most internationalized firms are unaffiliated service mMNEs (00) closely followed by unaffiliated manufacturing firms (10).

Table 4.4 - Results 1

DV: MUL	Coef.
Age	-0.0001964***
Firm size	0.0229935***
Indebtedness	0.00000539
1.SH_Foreign	0.0111328***
1.IndustryID	-0.0021973***
1.Affiliation	-0.0126174***
Constant	0.0348532***
Wald Chi2	4,916.59***

Note: p***<0.01; p**<0.05; p*<0.1;

Total 1,892 firms

Industry: 0 for Service, 1 for Manufacturing firms (767 firms)

Affiliation: 0 for independent, 1 for affiliated firms (672 firms)

In Model 1, Table 4.4, both Affiliation and Industry (manufacturing) are negatively correlated to MUL. Results reveal that unaffiliated mMNEs are more internationalized than affiliated ones as shown by the negative coefficient of Affiliation (-0.012). This, we reject H1a and accept H1b. Likewise, service mMNEs are more internationalized than manufacturing ones as shown by the negative coefficient of Industry (-0.002) for manufacturing. Therefore, we accept H2. Among control variables, results indicate that age is negatively related to MUL, which implies that younger firms are more internationalized as expected. Firm size is positively related to MUL, which means that larger firms are more internationalized, also as expected. Indebtedness is non-significant. The presence of foreign shareholder (SH_Foreign) is positively related to MUL, which indicates that mMNEs with foreign shareholders are more internationalized than mMNEs without them.

Table 4.5 - Results 2

DV: MUL	Coef.
Age	-0.0000631***
Firm size	0.022976***
Indebtedness	-0.0001042***
1.SH_Foreign	0.0069144***
1.IndustryID #1. Affiliation	
0 1	-0.0134121***
1 0	-0.0037217***
1 1	-0.0104753***
Constant	0.0370257***
Wald Chi2	11,390.79***

Note: p***<0.01; p**<0.05; p*<0.1;

Model 2, Table 4.5, allow us to examine the effect of different organizational attributes on multinationality. Our findings show that affiliated service mMNEs (01) are slightly less internationalized than affiliated manufacturing mMNEs (11) as shown by their respective coefficients (-0.013 and -0.010); therefore we reject H3a. Whereas unaffiliated service mMNEs (00) are more internationalized than unaffiliated manufacturing mMNEs as shown by their respective coefficients (0.00 and -0.003), therefore, we accept H3b. The small differences in the value of the coefficients when we compare manufacturing and service mMNEs indicate that the industry to which the firm belongs appear to have a weak effect on multinationality.

At the same time, unaffiliated mMNEs are more internationalized than affiliated mMNEs in both service (00 versus 01) and manufacturing (10 versus 11) sectors as shown by their respective coefficients (0.00 and -0.013 in the first case and -0.003 and -0.010 in the second), therefore we accept H4a and H4b, confirming that group affiliation has a significant negative effect on multinationality regardless the industry to which the firm belongs.

Among control variables in Model 2, results for firm age, firm size and presence of foreign shareholders are the same as the ones for Model 1 and as expected. In Model 2 Indebtedness is significant and negatively related to MUL as expected.

4.5 Discussion

Internationalization has traditionally been considered a risky strategy for SMEs, because of the uncertainty they face when entering into foreign markets and their more limited resources which make them more vulnerable to potential failures (Figueira-de-Lemos et al., 2011). However, recent research has suggested that in today's globalized economy, it is riskier for a small firm not to internationalize their operations because of the competition (George et al., 2005, Hilmersson, 2013) which can lead to losing their competitive advantage at home. Notwithstanding, internationalizing SMEs have limited resources and also face the costs associated with the liabilities of internationalization (Kirby & Kaiser, 2003). Further, the industry context is also an influential factor, given the different internationalization patterns of service and manufacturing firms (Westhead, Wright, Ucbasaran & Martin, 2010).

Business groups play a prominent role in many markets. In the literature, scholars have analyzed the implications of business group affiliation on performance and innovation (Khanna and Rivkin, 2001; Hsieh et al., 2010) but scarcely on international diversification. Building upon the growing interest in mMNEs (Dimitratos et al., 2014; Prashantham, 2011; Johnson & Dimitratos, 2014, Stoian et al., 2016; Shin et al., 2017), and how certain organizational characteristics can enhance or hinder their internationalization, this paper investigates business group affiliation as an antecedent of international expansion in the case of mMNEs. We have developed and tested four main hypotheses whose results we discuss below.

The literature has identified a series of aspects of business group affiliation that may either enhance (Batmiazi et al., 2014; Gaur & Delios, 2015; Khanna & Palepu, 2000) or hinder the decisions of affiliated firms regarding international expansion (Carney et al., 2011; Hundley & Jacobson, 1998; Lamin, 2006). Given these opposing views, we propose two competing hypotheses (H1a and H1b). Our findings show that business group affiliation is negatively related to the degree of internationalization (H1b), that is, affiliation to a business group translates into a stronger domestic orientation and thus affiliated mMNEs are less prone to expand internationally as compared to stand-alone mMNEs. This finding can be discussed from two different angles. First, the potential advantages of group affiliation in enhancing the internationalization of group affiliates may have a quite limited scope in a developed economy, and most probably will depend on the size of the business group (e.g., to get easier and cheaper access to financing) and whether or not sister affiliates are already internationalized. Second, the costs of group affiliation may be understated. A firm that is affiliated to a business group inevitably imposes limits to its organizational flexibility (Chu, 2004). Further, the internationalization of an affiliate may require a business group to rearrange its business portfolio. Expanding into foreign markets will raise the costs of coordination and adjustment of resources to reach the desired level required by new business environments (Prange & Verdier, 2011).

Regarding H2, our results support the core argument that service mMNEs tend to expand internationally mostly by using FDI entry modes, thereby exhibiting higher levels of multinationality than manufacturing mMNEs. The underlying reason being the more limited array of entry mode options available to service firms as compared to manufacturing firms, as well as the different benefits and costs that each entry mode

entails for service and for manufacturing firms. This finding converges with previous studies (Johansson & Mattson, 1987; Shin et al., 2017; Westhead et al., 2010). However, when we tested the predicted effect of industry on the level of multinationality among mMNEs with the same type of ownership, we could only find support in the case of unaffiliated mMNEs (H3b). However, the small difference in the value of the regression coefficients for unaffiliated manufacturing and service mMNEs (.00 and -.003 respectively) indicates that the industry to which the mMNE belongs to only have a weak effect on the level of multinationality. One explanation for that weak effect is that in our analysis we have made only a broad distinction between manufacturing and service firms, without taking into account the heterogeneity within manufacturing as well as service firms in some important dimensions such as capital or knowledge intensity.

Considering our findings together (all hypotheses supported except H3a), we conclude that the industry sectors to which mMNEs belong to have a rather limited effect on their international expansion, while the type of ownership (stand-alone or affiliation to a business group) and related organizational attributes have a stronger effect and really matters.

Finally, the evidence related to the control variables used in this study suggests an interesting potential finding. As expected, the participation of foreign investors in the firm's equity is positively related to the degree of multinationality. This suggests that foreign ownership, even as a minority shareholder, can exert a powerful influence to a more committed international expansion (Bell et al., 2008). In that regard, foreign investors may allow mMNEs easier access to local knowledge and business networks in their country of origin and in those other foreign markets which are familiar to them. They may also have higher growth expectations and lesser risk aversion regarding international expansion.

4.6 Conclusions

Micro-multinationals are the new species of MNEs in the global economy and are likely to thrive in the future. Many scholars point out that it has remained an under-explored phenomenon in the international entrepreneurship literature (Jones, Coviello & Tang, 2011; Dimitratos et al., 2014, Dimitratos et al. 2015), and there is a call for further

research to understand better how mMNE internationalize (Dimitratos et al., 2003; Ibeh et al., 2004; Prashantham, 2011; Dimitratos et al., 2013). Further, few studies have examined the relationship between internationalization strategies and types of ownership (Fernández & Nieto, 2006), and in particular the effect of corporate ownership or affiliation to a business group.

Thus, this paper contributes to the SME internationalization and international entrepreneurship literature, and in particular to the growing subfield of mMNEs, by showing that business group affiliation is a relevant antecedent of the international expansion pursued by mMNEs. Our findings suggest that affiliation to a business group translates into a stronger domestic orientation and thus affiliated mMNEs are less prone to expand internationally. Furthermore, our findings suggest that the industry sector to which mMNEs belong to has a rather limited effect on international expansion, hence it is not the sector *per se* but the organizational attributes of mMNEs and type of ownership that exhibit a stronger effect.

As with all research, our study has a number of limitations which at the same time may provide opportunities for further research. First, the sample of this study is limited to the Spanish mMNEs. While a single country study reduces country-level variations, its external validity is also limited to that context. Extending this study to mMNEs from other advanced economies would be a way of improving the generalizability of our findings. Second, due to limitations on the data available, our multinationality measure, the MUL ratio, gives the same weight to the different countries and the different foreign affiliates regardless of their size. Further research on mMNEs could use more accurate measures of a firm's degree of internationalization based on ratios such as foreign sales to total sales, foreign employees to total employees or foreign assets to total assets. Third, due to the limited number of observations in which there was the participation of foreign investors in the equity of the mMNEs studied, we could only use this data as a control variable. Previous research has revealed that ownership matters and has important implications on firm strategy and performance (Cerrato & Piva, 2012; Thomsen & Pedersen, 2000). In this paper, we have only considered unaffiliated or stand-alone firms and firms owned by a business group. Future research could distinguish between different types of owners (e.g., foreign or national individuals, families, financial investors). Lastly, the present study could be extended by incorporating the effects of group affiliation and other types of ownership on corporate

performance by examining the mediating role that international expansion strategy plays in the focal relationship.

References for Chapter 4

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5

Conclusions and Future Research

Chapter 5: Conclusions and Future Research

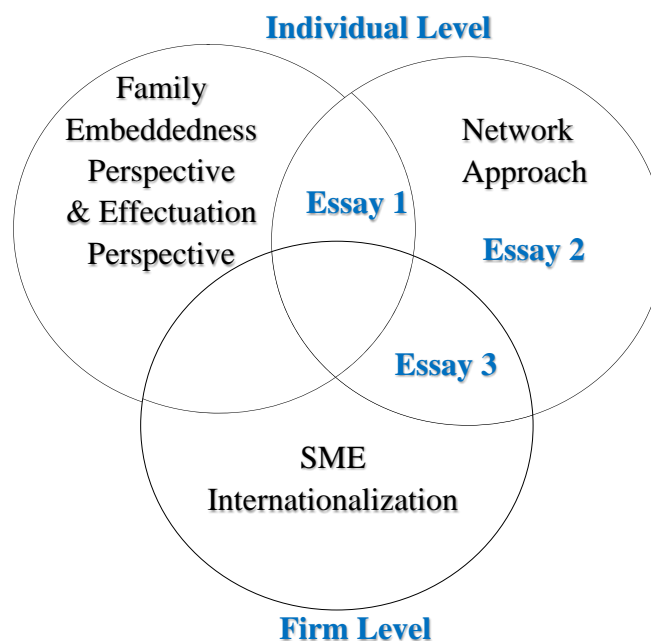
The three essays that make up this dissertation try to respond its overarching research question: *What role social and business networks play in the emergence of new ventures and new business opportunities?*

The dissertation explores the role of different types of networks in different entrepreneurial settings at both individual and firm levels. This last chapter briefly summarizes the main contributions of the thesis and presents personal insights gained, managerial and policy implications as well as limitations and directions for future research.

5.1 Positioning of the dissertation and its main contributions

The present dissertation stands at the intersection of Entrepreneurship and International Business, leveraging three main different literatures; namely, entrepreneurship, network theory and SME internationalization (Figure 5.1). Each of these fields represents an area of scholarship in its own right; however, their intersection and cross-fertilization provide opportunities to study unexplored or emerging phenomena as this dissertation does.

Figure 5.1: Positioning of the Dissertation



The unit of analysis in Essays 1 and 2 is the entrepreneur. I employ the family embeddedness perspective and effectuation perspective in Essay 1 to examine the influence of the family of origin on the entrepreneur's motivation and the "means" he or she has at hand, which have important implications on the process of business venture creation. Given that the family of origin is one of the most important networks that entrepreneurs have, Essay 1 is positioned at the intersection between the entrepreneurship and network theory. Essay 2 explores female entrepreneurship activity in patriarchal societies, paying special attention to the networking activities of women entrepreneurs. In Essay 3 the unit of analysis is the firm. Drawing on SME internationalization literature and the social network perspective on business groups, Essay 3 examines the influence that affiliation to a business group has on the international expansion of affiliated mMNEs as compared to stand-alone mMNEs. In what follows, the main contributions of each essay are briefly summarized.

Essay 1: "Does entrepreneur's family of origin matter on business venture creation? Evidence from middle and lower-class Turkish families"

Entrepreneurship research has long recognized that entrepreneurs are embedded in networks of social relations which provide them access to vital resources needed for starting up a new business. In spite of being one of the closest and often most important network that entrepreneurs have, the family of origin has received little academic attention till recently (Miller et al., 2016), with the notable exception of the role played by entrepreneurial parents as role models.

In recent years, a growing number of studies have examined specific family-related aspects of business venture creation in response to calls that entrepreneurship research should incorporate family considerations in its conceptual models and empirical investigations (Aldrich & Cliff, 2003). Surprisingly, the socioeconomic status (and associated sources of capital) of the entrepreneur's family of origin have hardly received attention (Jayawarna et al., 2014; Schoon & Duckworth, 2012).

The findings of our study reveal that the socioeconomic characteristics of the family of origin influence in significant ways entrepreneur's means at hand (in terms of identity, knowledge, network and personal finance) and, as a consequence, also affect the key

processes involved in business venture creation (opportunity recognition, launch decision, and resource mobilization).

Essay 1 contributes to the extant literature on entrepreneurship and family business in several ways. Firstly, by adopting a family embeddedness perspective on entrepreneurship and integrating it with the effectuation's construct of the entrepreneur's means at hand, I provide a comprehensive theoretical and empirical explanation of how the socioeconomic characteristics of entrepreneur's family of origin influence new business venture creation, and the differential effects of coming from middle-class as compared to lower-class families. Secondly, by examining how new ventures spring from family relationships, I provide evidence that entrepreneurs born into entrepreneurial families have access to better 'means' to start up; however, the extent to which those means are truly superior and facilitate the process of new business creation largely depends on the socioeconomic status of the entrepreneur's family of origin. Thirdly, I also address scholars in the field of women entrepreneurship by examining the interplay between gender and the socioeconomic characteristics of the family of origin as being born in a middle-class family facilitates women's entrepreneurial activity. And lastly, there is also a contribution to effectuation theory in detailing and expanding the components of one of its main constructs (entrepreneur's means at hand).

Essay 2: The impact of gender and culture on networking and venture creation – An Exploratory Study in Turkey and MENA Region

Women's entrepreneurial activity takes different forms in different cultures and institutional settings (McManus, 2001). Extant research on women entrepreneurs suggests that social institutions must be considered, especially those formal institutions and cultural conditions that create additional barriers and make more difficult for women to start or grow a business (Terjesen et al., 2016). In this study I respond to the call for more qualitative, cross-cultural investigations exploring female entrepreneurship beyond the context of developed Western societies (Ahl, 2006; Hughes et al., 2012; Jennings & Brush, 2013). I do so by examining the nature and dynamics of female entrepreneurial activity in six patriarchal societies, Turkey and five countries of the Middle East and North African (MENA) region.

The findings of our study show that the main barriers and constraints faced by women in these countries are gender-specific such as cultural norms, civil law, access to financial services and resources, barriers in the business environment (e.g. segregated work spaces), and lack of specific training to start-up and run a business. Most of these barriers are related to the social expectation that married women have to stay at home and take care of children. Formal institutions also represent significant obstacles in certain countries where women are not entitled to be business owners or to receive a bank loan by themselves.

Two important aspects stand out from our findings. First, the critical role played by the families of these women entrepreneurs in helping them to overcome these obstacles (which directly connects with the findings of Essay 1). Without the support of their families, most of the participants in the study would not have been able to found their business. Second, the keen awareness of these women about the critical importance of networking. Through their networks, women entrepreneurs established strong ties not only with family and friends but also with customers, suppliers, and other entrepreneurs in the country, which allow them to obtain support of various kinds ranging from management advice, financial capital, marketing and sales expertise, emotional support as well as new ideas. These findings are in sharp contrast with the results of prior studies in developed Western societies in which women entrepreneurs have less diverse networks than men (Aldrich et al., 1989) and their strong ties are almost exclusively with family and friends (Granovetter, 1973).

In summary, Essay 2 contributes to the literature on comparative female entrepreneurship by offering valuable new insights into the gender-specific challenges faced by women entrepreneurs in patriarchal societies and how they overcome these barriers through their networking activity. It also contributes to the literature on the role of networks in entrepreneurship. To the best of our knowledge, this is one of the first studies to examine the nature and dynamics of female entrepreneurial networking activity in the context of Muslim countries.

Essay 3: Does Business Group Affiliation Enhance or Hinder International Expansion? The Case of Spanish Micromultinationals

In addition to the liabilities of foreignness and outsidership, common to all companies, SMEs also face the ‘liability of smallness’ when expanding internationally. It is widely

accepted that SMEs face internal constraints in their international development process, such as limited capital and lack of time, international experience or managerial capabilities (Rialp & Rialp, 2007). Hence, the literature has traditionally equated SME internationalization with the use of lower-commitment entry modes such as licensing or exporting. However, the pattern of SME internationalization has evolved in recent years and scholars have started paying attention to the emergence of micro multinationals (mMNEs), internationalizing SMEs that –in spite of their resource constraints- are able to adopt higher-commitment entry modes, including FDI.

Although it is known that ownership affect firm's goals, strategy and performance (Garengo, Biazzo, & Bititci, 2005; George et al., 2005), few studies have examined the relationship between SME internationalization and types of ownership (Fernández & Nieto, 2006; George et al., 2005), and in particular the effect of corporate ownership or affiliation to a business group. To the best of our knowledge, none of the published studies on mMNEs has examined the role that corporate ownership plays in their international expansion.

The findings of our study show that business group affiliation is negatively related to the degree of internationalization, that is, affiliation to a business group translates into a stronger domestic orientation and thus affiliated mMNEs are less prone to expand internationally as compared to stand-alone mMNEs. This finding can be interpreted from two different angles. First, the potential advantages of group affiliation in enhancing the internationalization of group affiliates may have a quite limited scope in a developed economy such as Spain, and most probably will depend on the size of the business group (e.g. to get easier and cheaper access to financing) and whether or not sister affiliates are already internationalized. Second, the costs of group affiliation may be understated in the literature as being affiliated inevitably imposes limits to the firm's organizational flexibility. Another interesting finding refers to the positive effect of foreign ownership. This suggests that foreign investors, even as a minority shareholders as in our study, can exert a powerful influence to a more committed international expansion (Bell et al., 2008).

Thus, Essay 3 contributes to the SME internationalization literature, and in particular to the growing subfield of mMNEs, as well as to the business group literature by showing that ownership is a relevant antecedent of the international expansion pursued by

mMNEs. Furthermore, our findings suggest that the industry sector to which mMNEs belong to has a rather limited effect on international expansion, hence it is not the sector *per se* but the organizational attributes of mMNEs and type of ownership (stand-alone or affiliation to a business group) that exhibit a stronger effect.

5.2 Personal Insights Gained

As stated in the Introduction (Chapter 1), the motivation for choosing the role of networks in entrepreneurial ventures as a core theme of my dissertation was based on my personal experience as entrepreneur. I was a strong believer in the sentence “it is not what you know, it is who you know” as the essence of entrepreneurship. Thanks to the dissertation my view is now better grounded and at the same time more nuanced.

Interviewing entrepreneurs born into lower- and middle-class families, I realized how big a role the family of origin plays in the motivation to become an entrepreneur and the resources that one can receive during childhood and adolescence as well as in adulthood during the process of starting up the new business. On the process of writing the paper, I felt the need to interview the entrepreneurs’ parents too. I was able to interview face to face with parents and other relevant close relatives and asked them about the business creation process from their point of view. This helped me a lot to understand how much family social origins play a role in nascent entrepreneurship.

Moreover, Essays 1 and 2 made me aware of how much it is still not known about women’s entrepreneurship around the world. For my dissertation, I conducted interviews with women and men in several countries, and I witnessed first-hand why we have more research about men than women, because in many cases women entrepreneurs prefer to be silent about their entrepreneurial activity as compared to men, especially in patriarchal societies. For example, at the time of carrying out the field work for Essay 2, I had problems to collect data, especially in Saudi Arabia as women entrepreneurs did not want to talk about and share their experiences. I had to ensure them that all their personal information and business names would be kept confidential and would not be published. Personally, I enjoyed collecting qualitative data through interviews which allowed me to obtain rich and in-depth information about the cases, find new insights and think about additional topics for further research.

5.3 Limitations and Future Research

The empirical studies that make up this dissertation have inevitably some limitations which at the same time provide opportunities for further research. First, as in any qualitative study, Essays 1 and 2 have the inherent limitations related to narrow sampling. Although we selected our case studies carefully we need to be cautious about analytical generalization. Hence, further studies which approach these topics through largest samples and quantitative research methods are needed to verify the empirical soundness of the proposed model (in the case of Essay 1) and the generalizability of our results (Essays 1 and 2).

Second, our cases may be context-sensitive. The empirical setting of the first essay is Turkey, a country characterized by a rapid process of industrialization and economic growth, culturally a patriarchal society in which the family institution stands at the heart of society and members of the extended family maintain close bonding ties. Comparative studies with samples of entrepreneurs from other emerging countries as well as from developed countries may be very useful in understanding the different types of prevalent family system configurations (e.g. traditional extended family vs narrow nuclear family) and their implications in terms of supporting new venture creation.

In a similar vein, the empirical setting of the second essay is Turkey and five countries from the MENA region. While the prevailing perception is that all countries in that region are institutionally and culturally very similar, in reality there are important differences. Therefore, there is an interesting avenue for further research on female entrepreneurial networking activity through comparative studies with samples of women entrepreneurs from other MENA countries as well as from less patriarchal societies. Another interesting topic for further research refers to the actual role played by legally imposed male partners as in some MENA countries the companies of women entrepreneurs are incorporated under their father or husband's name. Finally, another area of future research refers to female entrepreneurship in an informal economy context, a common situation in most developing countries.

Third, in Essay 1 we have refined and expanded the definition of entrepreneur's means as stated by Sarasvathy (2001, 2008) and formulated a conceptual model regarding the influence of the socioeconomic characteristics of the entrepreneur's family of origin on

the entrepreneur's means and, in turn, the impact those means have on the processes of new business venture creation. Our approach has been holistic and we have tried to study the phenomenon from various perspectives by considering the 'added value' of different streams of literature. Nonetheless, future research testing our conceptual model, or parts of it, can benefit in terms of the depth of analysis by adopting a single theoretical framework such as social network theory or social class structure analysis. Overall, the family embeddedness perspective on entrepreneurship provides numerous avenues for future research.

Fourthly, Essay 3 also has a number of limitations which at the same time may provide opportunities for further research. First, the sample of this study is limited to the Spanish mMNEs. While a single country study reduces country-level variations, its external validity is also limited to that context. Extending this study to mMNEs from other advanced economies would be a way of improving the generalizability of our findings. Second, due to limitations on the data available, our multinationality measure, the MUL ratio, gives the same weight to the different countries and the different foreign affiliates regardless of their size. Further research on mMNEs could use more accurate measures of a firm's degree of multinationality based on ratios such as foreign sales to total sales, foreign employees to total employees or foreign assets to total assets. Third, due to the limited number of observations in which foreign investors participated in the equity of the mMNEs studied, we could only use this data as a control variable. Previous research has revealed that ownership matters and has important implications on firm strategy and performance (Cerrato & Piva, 2012; Thomsen & Pedersen, 2000). In Essay 3, we have only considered unaffiliated or stand-alone firms and firms owned by a business group. Future research could distinguish between different types of owners (e.g., foreign or national individuals, families, financial investors). Lastly, the present study could be extended by incorporating the effects of group affiliation and other types of ownership on corporate performance by examining the mediating role that international expansion plays in the focal relationship.

5.4 Managerial and Policy Implications

This thesis offers useful insights to nascent entrepreneurs coming from non-entrepreneurial families or from lower socioeconomic status as well as to policy makers interested in promoting entrepreneurship among these population segments. First, the

absence of entrepreneurial family role models can be partially mitigated by proactively looking for individuals with successful entrepreneurial experience either within or outside the workplace (e.g. in specialized volunteer non-profit organizations) willing to act as mentors. Second, given that those coming from non-entrepreneurial families may find that their family social relations are less relevant, it is fundamental to raise their awareness of the critical need to develop their own personal network and to engage in smart networking activities that give access to both specific industry knowledge and business contacts (e.g. affiliation to business organizations, industry affinity groups in social media). Lastly, governmental and non-profit programs targeting nascent entrepreneurs from lower-class origins should not only focus on the most evident barrier, the lack of financial means. Besides earmarked loan programs, governmental agencies and specialized non-profit organizations are advised to accompany those programs with supporting service packages that effectively increase entrepreneurs' means to start up (in terms of identity, knowledge, networks and finance) through specialized educational and mentorship programs, in a sense replicating what entrepreneurial families do with their offspring.

Likewise, our findings also demonstrate the importance of networking activity to overcome the social barriers that women face to become entrepreneurs, especially in patriarchal societies. Networking activity appears as a successful and effective tool for women starting their business. In addition to the recommendations already made, governments and other economic and social actors need to foster networking opportunities and entrepreneurial management skills for nascent women entrepreneurs. Our findings are especially relevant in the context of Turkey and the countries from the MENA region in which women have the lowest rate of total entrepreneurial activity in the world (Bosma et al., 2009; Bosma & Levie, 2010). Promoting women's participation in entrepreneurial activity will likely become an important contribution to economic development as well as a source of economic, social and political innovation.

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