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The Varying Effects of Family Relationships in Entrepreneurial Teams

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A majority of entrepreneurial teams contain family relations but little is known about the implications of such family relationships in the formative stages of new venture creation. We examine two distinct types of family relationships in these teams; romantic couples and biologically linked teams and how such relationships influence the probability of ever achieving first sales. Relying on social identity theory, and a longitudinal sample of 295 nascent teams, we find that these relationships matter in important ways. Our conceptualizations and results have implications for the entrepreneurial teams and family business literatures.

Introduction

"You can't run your family like a company. It doesn't work"—Andy Grove, former Intel Corp CEO

Most new ventures are created by entrepreneurial teams (Kamm, Shuman, Seeger, & Nurick, 1990). Importantly, many of these teams are composed of individuals that share a family affiliation. In fact, entrepreneurial teams with family relationships outnumber teams lacking this distinction (Ruef, Aldrich, & Carter, 2003). Further, this phenomenon is not confined to mom-and-pop businesses, but is also present in knowledge-intensive, hi-technology sectors, and across national contexts (Hellerstedt & Aldrich, 2008).

We suggest that entrepreneurship scholars have generally overlooked the potential implications of family relationships in new venture teams. This is an oversight of theoretical and empirical importance—not only because of the prevalence of family-based teams—but also because it's likely that the nature of the family relationships found in a given entrepreneurial team influences important entrepreneurial outcomes (cf. Aldrich & Cliff, 2003). For example, new organizations are imprinted with characteristics reflecting the specific conditions under which they were founded (Stinchcombe, 1965), and the retention of management and ownership by the initial founders has the strongest imprinting effect (Aldrich & Auster, 1986). Consequently, the initial constellations of

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relationships between team members and the possible family relationships among them have long-lasting and profound effects on the firm.

Specifically, we explore the existence, nature, and outcomes associated with family relations in entrepreneurial teams. The nature of family affiliation can be decomposed based on the "type of family tie" that links individual team members. We separately focus on family ties based on biological linkages (e.g., father–son, brother–sister, etc.) and couples (partners or spouses who generate a sense of home and share a history and future), and draw upon social identity theory (Tajfel, 1974; Tajfel & Turner, 1985) and related research on role-identity conflict, to suggest how and why these distinct conceptualizations of family differently impact new venture start-up success. Based on a large, random sample of adult Americans from the Panel Study of Entrepreneurial Dynamics (PSED), we identify a representative sample of 295 nascent entrepreneurial teams, which were tracked over four longitudinal waves of data collection. This research makes several important contributions to our understanding of entrepreneurial teams, to family business research, and more broadly to recent scholarship focused on the implications of role-identity conflict for individuals and for organizations.

First to the literature on entrepreneurial teams, we offer a theoretical explanation and empirical evidence relating the presence (or absence) of family relationships within an entrepreneurial team to start-up success. Prior research highlights that entrepreneurial team membership is driven as much by social affiliation as by purposeful efforts to select members with complementary human capital (Forbes, Borchert, Zellmer-Bruhn, & Sapienza, 2006). Our research provides a more nuanced insight into how one form of social affiliation—family—influences venture start-up success.

Second, to the literature on family business we offer two different operationalizations of family: family affiliation in terms of cohabitating couples, and family affiliation based on biological relationships. We demonstrate how these aspects of family are conceptually and empirically distinct, and investigate how this distinction has important implications for extant theorizing focused on both entrepreneurial teams and family business.

Third, our findings inform and extend theorizing about the implications of role-identity conflict for both individuals and teams. Research has thus far focused primarily on the dysfunctional consequences of role conflict in organizational settings (e.g., Floyd & Lane, 2000) and in entrepreneurship (Shepherd & Haynie, 2009). However, it has been suggested that the conflict inherent in competing identities may also enhance one's ability to identify threats and manage change (Fiol, 1991; Golden-Biddle & Rao, 1997). As a result, scholars have called for work to test specific patterns of relationships among competing identities that may confer such advantage (Foreman & Whetten, 2002). We theorize and demonstrate empirically that new venture teams formed by couples may represent such a synergy. In contrast, founding teams based on biological linkages are formed in the context of robust and preexisting normative systems, which likely conflict with the behavioral expectations of an economically rational role identity such as entrepreneur.

Theory and Hypotheses

The Nature of Family Affiliations

The overwhelming majority of scholarship in entrepreneurship and family business has assumed a *structural* view of family (Koerner & Fitzpatrick, 2004). A structural view of family is based on the foundational assumption that biological and legal ties bind together a family group. Several definitions of family business are available, and a

common definition includes ownership by the largest single family group related by blood or marriage, and self-perceptions of whether the business is a family business (Westhead & Cowling, 1998). However, perceptions of who is and who is not included within the bounds of "family" are socially constructed and vary greatly across cultures, generations, and ideology (Koerner & Fitzpatrick, 2002). A *transactional view* of the family aids in addressing additional aspects of what it means to be family and is described as "a group of intimates who generate a sense of home and group identity, and who experience a shared history and a shared future" (Koerner & Fitzpatrick, p. 71). The transactional view of family represents a more "inclusive" perspective that is consistent with extant conceptualizations applied in the sociology and anthropology literatures (cf. Aldrich & Cliff, 2003). These views of family are not mutually exclusive, but using more than one view aids in explaining different aspects of the concept of family (Koerner & Fitzpatrick).

Ultimately, these two operationalizations of family open the door to teasing apart the impact of different entrepreneurial team compositions in a more nuanced way. We retain the traditional, structural view of family and operationalize this aspect as a function of *biological linkage*, and in addition employ the term *couples* to describe family affiliation based on the transactional view adding a more modern perspective.[1]

Social Identity Theory

Social identity is defined as "that part of an individual's self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership(s)" (Tajfel, 1978, p. 63). An individual's social identity is informed by, and develops as a consequence of, group affiliation. Behavior is impacted based on perceptions of intra-group similarity in terms of actions, attributes, and characteristics prototypical to the referent social group (Cantor & Mischel, 1977). A coherent social identity facilitates social ordering; that is, a salient social identity serves to allow an individual to conceptualize his or her "place" in society, and aids in distinguishing between social groups (Tajfel, 1974). The attributes that bound social categories are often not clearly defined but are instead abstracted from situations, experiences, and exemplars that represent a particular category (Fiske & Taylor, 1991). The positive evaluation of a psychologically salient in-group represents the basis from which individuals develop a conception of self and by considering themselves as included in that group, develop close, trusting relationships with members of their in-group (Hogg & Terry, 2000). Couples and individuals that share a biological tie represent salient in-groups in the context of this study.

Importantly, social identity serves to motivate, direct, and limit behavior (Webster, 1975); individuals act in ways positioned to satisfy the behavioral expectations associated with a salient role identity. As such, it is also important to recognize that individuals maintain multiple social identities (Ashforth & Mael, 2004; Haynie & Shepherd, 2009) as a function of the disparate roles they might assume in society (i.e., parent and teacher or entrepreneur and mother). The behavioral expectations associated with these disparate roles may require that an individual transition between identities as a function of social context. Social context serves to make a given social identity more or less salient. Identity saliency is defined as "the probability that an identity will be invoked across a variety of situations, or alternatively across persons in a given situation" (Stryker & Burke, 2000, p. 286). Many

1. Importantly, the term "couples" also serves to distinguish this type of family affiliation from marriage, as the transactional view does not necessarily assume legal ties between individuals.

role identities become salient to the individual depending on particular contexts, and as a result disparate identities are compartmentalized on the basis of time, physical space, or by the nature of some specific task (Ashforth & Mael). Further, the relationship between identity and action is also reflected in cognition; a salient identity serves to bias decision making (see Brown, 2000). The literature on social identity and intergroup relations offers abundant evidence to suggest that as a particular social identity becomes more salient, it can work to bias information processing, focus, and also affect both affective and behavioral outcomes (Brown). Specifically, individuals are focused on (biased toward) cues from the environment that represent opportunities to enact the behavioral expectations associated with their role, and people in different groups will value certain attributes more than others (Brown). For example, Haynie and Shepherd demonstrate in a family business context how and why certain opportunities are pursued (and others not) as a function of which identity (family or business) is most salient to the decision maker. In the end, the foundational logic of social identity theory is that each of the multiple identities assumed by a social actor are socially constructed, and that the bridge from identity to action is based on the behavioral expectations associated with a given role (Fiske & Taylor, 1991).

Recently in both the management and entrepreneurship literatures, there has been significant attention devoted to understanding how, and with what consequence, individuals manage situations where identities come into conflict; that is, situations where seemingly disparate identities become activated simultaneously. Such situations have motivated research into the processes related to transitions between identities (Ashforth, 2001; Ashforth, Kreiner, & Fugate, 2000) and managing boundaries between identities (Ashforth & Mael, 2004; Haynie & Shepherd, 2009; Mitchell & Shepherd, 2010). Related to this research, there have been several studies that highlight the conflict arising from the family business settings—those situations where the "family-member" and "business-owner" identities become salient in the same context (Harvey & Evans, 1994; Kellermanns & Eddleston, 2004; Shepherd & Haynie, 2009).

For example, people move in and out of disparate role identities as they alternatively interact with people in their work places, sports teams, religious congregations, and so forth. However, the role identity and the associated behavioral expectations related to one's place in a family structure is likely to transcend context; the role identity of family member represents a "meta-identity" that transcends contexts and often remains salient in parallel with other roles. Thus, like Shepherd and Haynie (2009), we assume the position that in a family business context, the "meanings of competing identities are intimately connected and constantly intersecting" (p. 1247). As such, we suggest that as members of a family jointly start a business, the role of entrepreneur intersects with the identity of family member in a way that potentially leads to identity conflict—both within and between individuals. Previous research has supported negative performance implications resulting from conflict between obligations to the family and to the business (Daily & Dollinger, 1992; Harvey & Evans, 1994; Kellermanns & Eddleston, 2004). We take the position, however, that the impact of identity conflict on start-up success varies depending on the nature of the family relationship (i.e., biological linkage or couples). In what follows, we develop the logic to support this proposition and present hypotheses based on the integration of extant research on entrepreneurial team composition and the ability of the firm to achieve sales, with the prescriptions of social identity theory.

Identity Conflict and Family-Based Entrepreneurial Teams

As stated previously, individuals maintain multiple identities (e.g., entrepreneur–parent, soldier–spouse; see Pratt & Foreman, 2000). Conflict between identities results

when two or more role identities become salient to the individual in a given context, and the behavioral expectations associated with those distinct roles diverge (Ashforth & Mael, 1989). Scholars have used social identity theory as a lens to understand the implications of identity conflict with regard to competing organizational role identities (e.g., a supervisor who is also a coworker), and in cases where employees experience role conflict based on the diverging expectations associated with an organizational role identity and a salient role identity external to work (e.g., balancing supervisor and parent roles). In this example, the supervisor identity may be associated with a behavioral expectation that includes long work hours, which conflicts with the parent-role behavioral expectation of spending time with one's children. However, multiple identities may be beneficial to groups and teams as a means to serve the multiple needs of internal and external stakeholders, and to adapt and respond to complex environments (Albert & Whetten, 1985; Pratt & Foreman). At the same time, multiple identities potentially create conflicts and enhance the need for coordination and negotiation efforts (Golden-Biddle & Rao, 1997).

These types of multiple identities are likely to be present in entrepreneurial teams defined by family relationships; these firms represent hybrid-identity organizations (Albert & Whetten, 1985)—settings where normative systems (altruism, tradition) and utilitarian systems (economic rationality) are combined. In this context, family and work identities can both blur and coalesce (Danes & Olson, 2003). The nature of family relationships can bring both positive and negative influence. Altruism problems arise when family members take advantage of the situation. For example, children learn how far they can shirk their duties without reprisals from their parents. This can translate into problems in a family business with the children "free-riding" creating potential agency problems (Schulze, Lubatkin, & Dino, 2003). The success of the new venture will therefore depend on the extent to which there is synergy (or conflict) between the behavioral expectations associated with the family and entrepreneur role identities.

The socially ascribed expectations associated with the family role include nurturing (Giordano, 2003), care giving (Lechner, 1993), protection (Goldberg, Grusec, & Jenkins, 1999), high levels of commitment and loyalty to family members (Knoester, Petts, & Eggebeen, 2007), and a collective gain/loss orientation (Berger & Janoff-Bulman, 2006). The set of behavioral expectations associated with the entrepreneurial role are generally characterized as being focused toward extrinsic rewards (Kuratko, Hornsby, & Naffziger, 1997), devotion to the business and its employees (Muse, Rutherford, Oswald, & Raymond, 2005), social legitimacy (Malach-Pines, Levy, Utasi, & Hill, 2005), and family prosperity and security (Kuratko et al.). Compared to the family role, the entrepreneurial role is associated with a more utilitarian set of socially ascribed norms and behaviors positioned to further extrinsic rewards for the venture, founder, and employees. Becker (1991) argued that at the core of family is the notion of organizing for economic utility. The resources from each family member are negotiated and employed to maximize efficiency. Family members jointly starting a new venture have the potential to leverage utilitarian systems across family and business contexts in a way that represents a potential advantage for the firm over new ventures where such family relationships are absent. The extent to which this is possible, however, is a function of the extent to which a synergy can be developed between the behavioral expectations associated with the family-role and the entrepreneur-role identities (Shepherd & Haynie, 2009).

Couples and New Venture Start-Up Success

Couples sharing a household represent a strong family in-group. People make a conscious choice as to their significant other, which is a recognition of that person's

importance to them socially, emotionally, and psychologically. However, in the context of jointly starting a new venture, we argue that this in-group is substantially different—in regard to the behavioral norms and expectations associated with the role identity of spouse or partner—from those ascribed to relationships based on biological linkages.

As a cohabitating couple starts a business, they will share a household as well as a workplace. That is, the couple has the flexibility to jointly decide on what roles each takes and who spends what amount of time at home versus at the business, which allows for adaptable work roles and structures (Poza & Messer, 2001). This potential of mixing family and business relationships creates a dynamic that creates flexibility that is absent from all other forms of new venture team relationship constellations. Prior research on couples running businesses together coined the term "copreneurs" (Barnett & Barnett, 1988). Research shows that flexibility in work schedules (Pleck, Staines, & Lang, 1980) and similarities in career orientation among couples (Greenhaus & Beutell, 1985) reduce the conflict between work and family roles. Couples jointly running a business would seem to have both high work schedule flexibility and similar career orientations. This engagement can spill over and even enrich family life (Greenhaus & Powell, 2006). The copreneur literature indicates that these couples have enhanced control to make decisions that can lead to greater satisfaction for both work and family domains (Fitzgerald & Muske, 2002); these benefits are available because the couple can foster a closer relationship by having an additional setting to nurture interactions and thereby creating greater intimacy between the couple. Further, given that the business is created after the household has been established, it also facilitates the establishment of a family business identity that is less in conflict with the already established family role identity (in our sample, the founding team members were also identified as couples, which negates the potential that they became couples after being team members first). For example, empirical studies show that among spousal couples running a business, the majority considers themselves as equal business partners with high levels of trust (Ponthieu & Caudill, 1993) with the partner's advice sought off and on the job (Poza & Messer, 2001). Biologically linked teams could benefit from similar preexisting roles *if* their roles in the new venture are also consistent with their roles in the family unit (e.g., parent/child roles with team leader for the parent and a subordinate role for the child). Further, the sharing of a household provides the couples team role flexibility and resource flexibility typically not available to biologically related family members and superior to nonfamily start-up teams. Nonfamily teams may have members who have worked together in the past, but this does not provide the same level of knowledge that cohabiting with a person provides.

The entrepreneurial couple has the flexibility of specifying the new venture duties and the household duties jointly. For women in particular, starting a business is seen as a possibility to balance work and family demands (Powell & Greenhaus, 2010). Operating the business together with the partner further adds potential to create balance. Couples can take a holistic approach to work and household duties, adapt them flexibly, and thus gain an advantage in starting a new venture over other entrepreneurial teams. This coordination helps the couple create a healthy equilibrium between the work and family identities. Gender roles previously established by the couple may be allowed to prevail in the business context (Ponthieu & Caudill, 1993), facilitating a beneficial synergy conducive to promote success on both the work and home fronts. Research has shown a significant difference between copreneurs who are able to coordinate household and business demands from couples that are dually employed. This aids in our position to separate between our couples teams and the biologically linked or nonfamily teams. It is most likely the other teams have a significant other that works and are a dual-career family. Family literature has indicated that dual-career families often have problems establishing

balance in their relationship between family and work roles (Burke & Weir, 1976; Rapoport & Rapoport, 1969). Marriage satisfaction (couples in our terms) is significantly impacted by perceived equity between the couple (Kingsbury & Scanzoni, 1989). This perceived equity is more difficult to achieve with dual-career couples working in separate businesses. The equity attained in our couples teams can be more easily achieved because the tasks and gender roles already balanced from the couples relationship can be adopted within the new venture team context (Marshack, 1994).

Finally, couples develop an understanding of each other's strengths and weaknesses based on experience with both market labor and home labor that people who do not share a household lack (Becker, 1991). Therefore, couples can base their division of responsibilities for their business on individual strengths (Ponthieu & Caudill, 1993). This largely tacit knowledge is essential for optimizing the allocation of time to different roles. Also, the couple has developed a workable negotiation process for allocating duties and flexibility in role transitions. This should benefit the new venture in how the founders allocate their time and the speed of allocation decisions. The optimal configuration is desired to benefit the unit, which in this case is the family (Woolley, 2003). Studies support that couples (negotiate and) agree on how financial matters are handled within the home (Lupton, Smith, & Grossbard-Shecht, 2003), and household-based decision processes can easily be carried through into the new venture. There is potential to increase their work and relationship satisfaction and thereby improve performance. Nonfamily teams likely do not have the benefit of this intimate understanding of their partner's strengths and weaknesses. Biologically linked team members, on the other hand, do have a long history and knowledge of their partner(s). A potential downside is the length of time from when they shared a home. Siblings or parent–child relationships have knowledge of each other's abilities mainly based on when they were cohabiting. Work and educational experience will provide these team members with new skills that may not be as readily known to a sibling or parent.

In the end, the structure and processes characteristic of a "coupled" family affiliation allows the flexibility of a coupled-pair to negotiate, unite, and adapt role expectations across personal and professional setting in a start-up context. This opens the door to the formation of a meta-identity representative of the family-business role (Shepherd & Haynie, 2009). This meta-identity represents the mechanism through which the family and business roles are reconciled, thus mitigating both role conflict and also the costs (emotional and financial) associated with role transitions between two disparate role identities (Ashforth & Mael, 2004; Shepherd & Haynie). This logic is consistent with the notion of a hybrid identity organization, as the meta-identity serves to provide a mechanism through which a synergistic balance between a normative (affect based) identity, and a utilitarian (economically rational) identity may be formed within the context of the venture. We posit that as relationship partners and business partners, this family-affiliation type confers a strong synergy that represents a competitive advantage not found in family teams based on biological linkages or nonfamily teams. Taken together, our argument suggests that new venture teams characterized by the family-affiliation type we term "couples" are in a position to mitigate role conflict, and also the costs (emotional and financial) associated with role transitions between distinct family and business roles, in a way that represents a competitive advantage over other types of entrepreneurial teams. Thus,

> **Hypothesis 1:** New venture teams composed of couples have a greater probability of achieving first sales over entrepreneurial teams without any family affiliation and entrepreneurial teams with biological family linkages.

Biological Linkage and New Venture Start-Up Success

Entrepreneurs in the process of starting a new venture seek out team members that are trusted and familiar (Ruef et al., 2003). In that regard, few individuals are more familiar to the entrepreneur than family members with biological linkages. Further, those with biological linkages are likely to share a similar life history based on shared experiences, networks, and values. Therefore, biological linkages within a family-based new venture team represent extremely enduring and salient relationships.

The family business literature notes that trust, familiarity, and knowledge of other family members' goals, strengths, and weaknesses are aspects of family businesses that can lead to competitive advantages and that transcend different types of family relationships—couples or biological linkages alike. However, many of the advantages ascribed to couples that can be attributed to flexibility in terms of role allocation, resource allocations, decision making, are not readily available to biologically linked entrepreneurial teams.[2] As a consequence, new venture teams with a biological linkage are less likely to form the meta-identity consequential of the unification and adaptation of roles from home and work. Further, the temporal nature of the relationship between a family affiliation based on biological linkages adds increased complexity and dynamism to the between-individuals relationship.

For example, biologically linked teams composed of parents and children will face intergenerational differences. The older generation may be reluctant to let their offspring share the decision-making powers (Kellermanns & Eddleston, 2004). Family business research supports that conflict may be common in family businesses, in particular if it involves multiple generations because of the difference in age and experience between generations and the "emotional baggage" often characteristic in parent–child relationships (Miller, Steier, & Le Breton-Miller, 2003). Intergenerational differences can also be represented by conflicting values and attitudes, particularly related to work habits (Joshi, Dencker, Franz, & Martocchio, 2010). These factors can often result in an in-group versus out-group situation that stimulates conflict.

Alternatively, another form of biological linkage that may be represented on a new venture team is that of siblings. However, sibling rivalry that has origins long before the venture was created has also been demonstrated to result in conflict that has negative implications for venture success (Kellermanns & Eddleston, 2004; Nicholson, 2008). Moreover, as a family defined by biological linkages starts a new venture, the firm is founded within a well-developed, rigid, and highly salient normative system (altruism, tradition) (Albert & Whetten, 1985). These systems have an especially strong influence on defining the behavioral expectations of the family role, because they represent an established "history" in the form of artifacts, symbols, and traditions, which serve to socialize family members. Further, biological family affiliations are enduring and persist irrespective of the life choices made by family members. For example, while it is possible to divorce a spouse, this does not apply to a brother or a mother. As such, biological family affiliations have a profound impact on identity because they transcend virtually all contexts (Stets & Burke, 2000).

As members of a family defined by biological linkages start a business together, a new identity as entrepreneur is *imposed* and thus competes with the already well-established

2. Unless these people also cohabit, a situation that is unusual among most biologically linked entrepreneurial teams. Our data, which are taken from the PSED study and represent the only true random sample of the frequency of biologically linked start-up teams in the United States show that less than 6% of all biologically linked start-up teams also cohabit.

role identity of biological family. Consider how this process is significantly different from a "coupled" family-affiliation new venture team, where the behavioral expectations associated with the family role are less rigid, less tied to long-standing cultural norms, and more likely to be cocreated by cohabitating partners. New venture teams founded between individuals that are biologically linked have the potential for either synergy or increased conflict. The roles of the team members in the new venture may correspond to those already well established within the biological linkage (siblings with equal control or parent/child with leader and subordinate roles), and this would create the potential for synergies. However, the roles may create conflict if a younger sibling or child has a leadership (or even an equal) position to an older sibling or parent. These can create competing role identities because the "family" role is highly salient, powerful, and not likely to be easily amendable (Greenhaus & Beutell, 1985). As such, the strong normative systems, which often characterize biological linkages along with the temporal and intergenerational differences that add complexity to the interpersonal relationships between biologically linked family members, work to impede the expeditious development of a family business meta-identity. As stated before, the meta-identity serve to mitigate role conflict and also the costs (emotional and financial) associated with role transitions between distinct family and business roles. This results in a situation where role conflict is frequent and detrimental to performance (Kellermanns & Eddleston, 2004). Thus,

> **Hypothesis 2:** Entrepreneurial teams composed of family members with biological linkages have a lower probability of achieving first sales compared to entrepreneurial teams without any family affiliation and entrepreneurial teams composed of couples.

Family business is a context where the health and general well-being of the family unit is inextricably tied to the business. We have suggested that—in the formative stages of venture development—entrepreneurial teams with a family affiliation based on a biological linkage will realize a competitive disadvantage in achieving sales. We have argued that this is because the team's ability to realize a synergy between competing role identities is impeded by rigid normative systems that reflect the behavioral expectations of the long established family role. Put another way, the strong influence of these established family norms, values, and beliefs makes it exceedingly difficult to compartmentalize the family role from the business role (Ashforth et al., 2000). However, scholars have suggested strategies to manage the inherent conflict between competing role identities.

The challenge in managing competing identities lies in managing the transition from one role to another; that is, creating a mechanism that enables the individual to "psychologically (and where relevant, physically) exit one role and enter another" (Ashforth et al., 2000, p. 477). Prior scholarship on the dynamics of entrepreneurial teams and family business highlights mechanisms that can work to align the interests of team members, and by doing so facilitate a collective understanding of the behavioral expectations that span the family and business roles (Shepherd & Haynie, 2009). We suggest that one such mechanism can be captured by the level of financial investment by the family in the business. Applying an identity lens, we suggest that investment works to mitigate identity conflicts that can arise for entrepreneurial teams formed among biologically linked team members. In particular, older and better endowed generations can provide investments that would not have been made by others based purely on economic grounds (Steier, Chrisman, & Chua, 2004), and they can provide "patient capital" not expecting rapid returns (Sirmon & Hitt, 2003). This would also be consistent with the older team member (likely parent) in the biologically linked team having a leadership role within the new venture. This can create a synergy for the biologically linked teams in that the family role

identities, new venture role identities, and the financial commitment from team members are all aligned creating synergies and potential benefits for the team.

The notion of transitioning across identity boundaries has been represented as a psychological transaction cost function (see Ortona & Scacciati, 1992), such that the greater the costs of psychologically exiting one identity to enter another, the greater the costs in terms of conflict (Shepherd & Haynie, 2009). Investment, we suggest, reduces the transaction cost of exiting the family identity to enter the business identity by simultaneously linking the "fate" of the family with the business, and at the same time differentiating the identities in conflict. "Research suggests that promoting simultaneous differentiation and unity may promote dual identities for the members of each group, but only when the superordinate identity does not threaten the distinctiveness that provides each group its identity security" (Fiol, Pratt, & O'Conner, 2009, p. 38). For the biologically linked teams, the family identity is superordinate to the business identity based on long-established normative systems that reflect the behavioral expectations of the family role. The superordinate position of the family identity represents the origin of conflict (Shepherd & Haynie). For example, biologically derived family identities have an inherent hierarchy and leadership roles; children are subordinate to parents, and the oldest child often has a leadership role. The perceived equality in the business identity roles can either reinforce or conflict with preestablished power relationship roles from the family.

There is potential for power disparity also in teams consisting of couples. Gender roles have been studied, and issues of inequality regarding duties at home have been acknowledged. It has been noted that the gender roles are often transferred into tasks in the workplace for couples who start businesses together (Marshack, 1994). The author notes that perceived equity (not equality) between the couple helps to overcome negative aspects. Additionally, research has shown that of these three types of new venture teams, couples have the greatest likelihood of intermingled financial resources committed to the start-up (Muske, Fitzgerald, & Haynes, 2003). For example, using their homes as collateral shows how intricately the couple's finances are tied to the start-up (Muske et al., 2009) creates a shared perception of commitment to the new venture.

We suggest that financial investment into the business serves to neutralize potential conflict if such role disparity exists between the new venture and the family. Investment will aid in understanding "who we are as a family business" by resolving role discrepancies through differentiating behavioral expectations. An investment serves to make more salient the behavioral expectations associated with the business role that are "*unique*" to the business and potentially different than family roles, promoting the simultaneous differentiation and unity between the competing roles that Fiol et al. (2009) suggest is necessary for the resolution of intractable identity conflict. There is also a potential to identify teams in which one person takes the lead role and does the majority of the investment. In this situation, the lead investor (entrepreneur) would have the major role in leading the efforts to create the new venture. The need for clarifying roles by means of investment is probably particularly strong among biologically linked teams because their roles have been formed since birth. For example, if a child invests more than a parent, or a younger sibling has the largest investment, this signals commitments that may be different from the roles established within the family. Additionally, the amount of investment serves to show the ambitiousness of the new venture idea (Cooper, 2005). The ambitiousness would potentially influence the salience of the business role identities. Therefore, we hypothesize that investment into the business serves to mitigate role identity conflict and the negative effects of biological linkages on achieving sales. Thus,

Hypothesis 3: Financial investment moderates the relationship between biological linkage and the ability of the firm to achieve first sale. A large financial investment in the new venture lessens the negative effect of biological linkage on the probability to achieve first sales.

Methods

Sample and Procedure

This paper examines families starting businesses together and the implications that different family structures have on successfully starting a new venture. Our theorizing and hypotheses assume entrepreneurial identities superimposed on existing family identities. As such, to test appropriately our hypotheses, we required a sampling frame and a research design that allowed us to examine entrepreneurial teams in the formative stages of venture creation in order to ensure that family structures exist prior to the establishment of the venture. A sample of existing, new firms would not be appropriate for such purposes because less than half of all entrepreneurs working to create and launch a new venture actually survive to the point where the venture is recorded in public records (Aldrich, 1999), and team formation dynamics could only be investigated in hindsight. Both would potentially lead to substantially biased results.

As such, our data come from the Panel Study of Entrepreneurial Dynamics I (PSEDI). Over 64,000 Americans constituted a sampling frame to identify individuals engaged in the start-up process. An affirmative answer to the question "Are you, alone or with others, now trying to start a new business" was used for identifying nascent entrepreneurs, i.e., people in the process of starting a business (see, Gartner, Shaver, Carter, & Reynolds, 2004, p. 460 for details). These data were collected though the support of the Kaufmann foundation and made publicly available for research into start-up efforts by entrepreneurs and entrepreneurial teams. The authors were not involved in the collection of the data or construction of the survey instrument.

Among the 829 individuals identified as nascent entrepreneurs, additional questions were asked to determine if they were solo entrepreneurs or part of a team. Consistent with the literature (e.g., Kamm et al., 1990), we considered as entrepreneurial team members those individuals who simultaneously (1) owned part of the company and (2) were actively involved in the start-up activities. The initial screening question identified all teams that were trying to start a business. Four hundred twenty-one of the 829 entrepreneurs (51%) were part of team start-ups. Out of these, 87 teams failed to provide information on possible family relationships or timing for starting the business and were therefore excluded.

Teams varied greatly as to when work on the venture was initiated. Similar to other studies (Shane & Delmar, 2004), we only included teams that initiated their start-up efforts during a specific time frame prior to being surveyed, in our case, 3 years. This reduced the sample further by 39 respondents, leading to a final sample of 295 new venture teams that fulfilled our criteria. The progress of these teams was assessed at the initial screening and then tracked over three subsequent waves regarding the steps they were taking toward starting a firm and their ability to achieve sales (Gartner et al., 2004). Out of the 295 teams in our sample, 218 (74%) were comprised of two members, 38 (13%) of three members, 24 (8%) of four members, and 15 (5%) of five members. Thus, the vast majority of teams consist of dyads.

Details were collected on the (initially nascent) firm and concerning each individual team member. The individual-level data were then aggregated to construct our team-level

measures. All responses were collected from the person identified during the first interview. The literature has noted that it can be inappropriate to collect team-level data from single respondents. We agree that for some types of team-level variables, such as self-perceptions or subjective evaluations, reliance on single respondents can be unsuitable. Given that the data we use in our analyses concern objective facts that should be readily apparent to all team members, a single team member should be able to provide accurate responses to the questions.

Dependent Variable

Similar to other studies of nascent entrepreneurs (e.g., Davidsson & Honig, 2003), our dependent variable measures firm start-up success in terms of achieving first sales. Achieving first sales is a central milestone during the new venture creation process indicating that nascent organization is an operational entity (Davidsson & Honig). It is a necessary step toward becoming an established firm and is often used as an indicator of a going concern (Reynolds, 2000). Achieving sales is a performance indicator capturing how well the entrepreneurial team has performed.

During each wave of data collection, respondents were asked if "the new business received any money, income, or fees from the sale of goods or services?" If respondents answered "yes" we coded this variable 1; otherwise it was coded 0. Respondents that answered "yes" were then asked to state the month and year in which sales first occurred. Event history analysis is used for our analysis. Our "event" is achieving sales and how quickly (or even if) the event occurs is captured as the dependent variable. The controls and independent variables are examined as to their impact on the probability of the event occurring. A total of 59% of firms in the sample did achieve sales during the sampling period. The remaining firms were either still trying to achieve their first sale as of the last sample collection (22%) or had abandoned their effort (19%).

Independent Variables

Biological Linkage. Respondents were asked to categorize the relationships among all the new venture team members. These relationships were classified as either all having biological linkages or not. Given that there are only two categories (biological linkages; no linkages), it turned out that the vast majority (three quarters of these teams) consisted of two persons only. Thus, very little data were lost because the vast majority clustered around the values 0 and 1. The nature of the relationship between the biologically linked team members was not captured (e.g., sibling or parent–child). However, by looking at the age differences on the teams, it appears that at least 40% consisted of intergenerational teams. Additional information and analyses are provided in the results section.

Couples. This variable was measured in a similar fashion. For each relationship in the team, respondents were asked to state if the individuals are "sharing a household." No less than 96% of all household teams consisted of only two persons. We used a binary (0 or 1) variable to capture whether the team was a cohabiting couple or not. Thus, all teams listed as couples were living together when the survey began. Unfortunately, we do not know how long they have lived together. A potential issue is that the phrasing of the question would capture any team members who live together such as roommates and not only couples that share a sense of "family." Fortunately, additional variables were available in

the data set that allowed us to conduct such a validation. Specifically, we relied on a self-report measure that captures the respondent's assessment of whether cohabitating team members consider themselves as partners or spouses. All but one of the cohabitating teams represented in our sample (99.3%) considered themselves as partners or spouses. Further, a subsample also responded to additional qualitative questions concerning the familial nature of the team. In total, 32 of the cohabitating teams responded to a question concerning whether or not "they receive emotional and moral support from their business partner." One hundred percent of the cohabitating teams responded "yes" to this question. We take this as strong evidence of the validity of the variable in capturing couples with a familial connection.

Nonfamily Teams. The reference group is the teams comprised of members who are neither biologically related nor are couples. Because dummy variables are entered for the two other categories (biological linkage and couple), there is not a "nonfamily team" variable in the regressions. The results presented in this research are shown as in comparison to the nonfamily teams' reference group. We refer to significant superior or inferior performance in our results, and this is indicated in relation to the variable of nonfamily teams.

Investment of Financial Capital. To examine financial investment, we began by aggregating the sum of money invested by the team. The data were highly skewed with a substantial number of teams relying on bootstrapping techniques and not investing substantial money into the new venture. Therefore, the investment variable was normalized by taking a log of the data (for teams with no investment $1 was added to allow the transformation). We believe this information is quite interesting and wished to provide more details for the reader. A robustness check was run using only teams with investment ($3,000 or greater), and the total amount invested used as a control variable. The results for couples, biological teams, and investments were the same.

Control Variables

We controlled for *industry* by creating dummy variables for the categories of retail, services, agriculture, manufacturing, and transportation. Industry is a common control variable due to the differences in resources required to create a new venture. Also, an industry's turbulence, entry/exit barriers, and the competitive landscape impact the success rate of new ventures.

Prior *work experience* provides entrepreneurs with knowledge of the markets, suppliers, and industry conditions. It has also been recognized that the development of opportunities is a result of knowledge developed from prior work experience (Shane, 2000). We measured the prior work experience of each team member and then summed the individual values to represent team experience. Prior *entrepreneurial experience* is frequently used as a control variable and has shown a significant relationship with the success of a new venture (Delmar & Shane, 2003). Prior entrepreneurial experience can develop knowledge that may aid in future start-ups. The operationalization of this variable is performed in the same manner as prior work experience.

The potential effect of *ethnicity* on our research was captured with a team level variable. If all team members were the same race, then the team was coded as that ethnicity. If there were several races on a team, it was coded as racially mixed. Dummy variables included Caucasians, Hispanic, African Americans, and mixed-race teams.

A variable for *team size* was included to capture the potential impact of the number of team members. The vast majority of the teams were two people, and this variable helps to distinguish if there is an impact of larger teams. The coordination and potential for synergy/conflict could change from a team of two (a couples team for example) and a four-person team (two couples). Additionally, team size has been used as a proxy for resources available to a new venture such as human capital resources as well as investment (Wezel, Cattani, & Pennings, 2006).

The respondents indicated the *stage of development* of the product or service that the firm was intended to deliver. Five options were available: product complete and deliverable, prototype testing, model being developed, idea stage, and no work yet completed. These responses were recoded on a 5-point scale in which a higher number reflects a more complete product/service. This information was captured during each wave of the survey, and we updated this variable making it time variant. The mean and standard deviation reported in our descriptive statistics are based upon the responses for the first wave of the survey.

There is potential for the team to be influenced by the lead entrepreneur, and one person could dominate decision making. This could impact the contributions of the remaining team members and also have an impact on the role identities formed by the various team members. Survey data were not available that specifically addressed this concern but, as a proxy, we used the percentage of the total investment made by a team member. The *largest investment by a team member* was divided by the total team investment. Thus, if only one person provided money to the new venture, this variable would equal 100%.

An *intergenerational* variable was included that captures large age differences between biologically related team members. This will aid in controlling for intergenerational teams (e.g., parent–child). A dichotomous variable was used with 0 representing age differences of less than 25 years and 1 for the teams with age ranges 25 years and above.

Analysis and Results

Descriptive statistics and correlations are shown in Table 1; the low to moderate correlations indicate that multicollinearity should not be an issue whereas Table 2 details some characteristics for the three subsamples (couples, biologically linked teams, and nonfamily teams) that provide additional information that we felt would be of interest to the reader even though it is not part of the actual hypothesis testing.

Table 2 shows that 42% of all teams are couples, and an additional 15% are biologically linked. This indicates that somewhat over half of the sample consists of teams with family linkages. This is consistent with the findings of Ruef et al. (2003) and provides additional detail. We also ran cross-tabulations which showed that only 6% of the biologically linked teams also shared a household. This supports our approach of separating these two variables in the analyses. Given that our sample represents a true random sample, this high number supports the notion that most entrepreneurial teams are indeed family based. It also seems to be the large number of firms started by couples that drives the high frequency of family-based entrepreneurial teams.

Next, Table 2 shows the outcomes for the three types of teams. Couples are most likely to achieve sales and not to abandon their attempt. The opposite applies to biologically linked teams. Looking then at the age differences in the teams, we see that the age difference of biologically linked teams was over 18 years (vs. 4.7 and 11.5 years in the other categories). Further analyses not reported show that 40% of these teams had an age

Table 1

Descriptive Statistics and Correlations[‡]

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Services	.49	.50																	
2. Farm	.05	.23	−.22																
3. Manufacturing	.10	.31	−.43	−.05															
4. Transportation	.02	.16	−.22	−.02	−.05														
5. Retail	.28	.45	−.66	−.07	−.14	−.07													
6. Caucasian	.58	.49	.26	.00	−.02	.11	−.35												
7. Mixed race	.26	.44	−.15	.03	.01	−.09	.19	−.82											
8. Hispanic	.04	.20	−.11	−.02	−.05	−.02	.20	−.21	−.09										
9. Team size	2.44	.81	.12	−.12	.15	−.10	−.20	.07	.02	−.05									
10. Work experience	21.6	25.3	.03	−.02	.25	−.18	−.15	.26	−.20	−.10	.45								
11. Stage of develop.	3.5	1.2	−.10	−.12	.06	−.03	.16	−.03	−.00	.16	−.12	.00							
12. Entrep. experience	3.8	1.1	.13	−.09	.07	−.08	−.12	.15	−.15	−.06	.18	.06	.13						
13. Investment[†]	14,500	92,000	.07	−.02	−.02	−.01	−.05	.07	−.06	−.02	.13	.18	.04	.06					
14. % Invested by 1	.64	.24	−.20	.10	−.02	.15	.16	−.18	.13	.13	−.51	−.14	.11	−.19	−.03				
15. Intergenerational	.12	.24	.08	−.05	−.09	−.04	−.10	.11	−.06	−.05	−.06	−.18	−.11	−.04	−.03	−.07			
16. Biological	.15	.36	−.07	−.05	.07	−.05	−.03	−.17	.14	−.05	.04	−.17	−.23	−.17	.07	.04	.54		
17. Couples	.42	.50	−.03	.18	.02	.18	−.11	−.05	.00	.08	−.47	−.38	−.01	.38	−.13	.14	−.06	−.204–.20	
18. Achieve sales	.59	.49	.11	−.13	−.11	.07	.12	.07	−.06	−.03	−.06	.07	.22	−.03	.17	−.03	.01	−.15–20	.17

Correlations above .15 or below −.15 are significant at the 5% level.

[†] Reported mean and deviation prior to log transformation.

[‡] Low significant correlations and support that multicollinearity is not an issue. Variance Inflation Factors were also tested and within acceptable limits.

Table 2

Comparison of Couples, Biologically Linked and Nonfamily Teams (n = 295)

	Couples	Biological linkages	Nonfamily
Sample size	133 (42%)	44 (15%)	127 (43%)
Success rate			
Achieving sales	65%	48%	55%
Still trying	18%	29%	24%
Abandoned	17%	23%	21%
Average range of team members' ages	4.7 years	18.3 years	11.5 years
Average funds available to new venture	$12,061	$25,327	$13,150
Problems receiving support from family, spouses, and friends (scale, 1 to 5, with 5 indicating more problems)	3.08	3.25	2.92

difference of 25 years or more and were intergenerational. To test if these intergenerational teams were different in any way, we ran unreported models, including a dummy variable for intergenerational teams. We did not find any statistically significant influence of this variable. Therefore, we do not include this dummy variable in our analyses. Next, the money contributed to the new venture by all the team members in the first wave is shown in Table 2 (note this is different than the investment variable used for our analysis). A significant difference is noted between the biological teams and the other two types. This would also be consistent with the age differential. The biological teams tended to have an older team member who would likely be able to contribute funds. Given the lower success rate of biologically linked teams, it is interesting to note that their investments are approximately twice as high as the other teams. Finally, we note that biologically linked teams observe somewhat higher problems receiving support. This provides some preliminary support for our theoretical arguments.

Next, we test our hypotheses. In any longitudinal study, there is always some probability that those nascent firms that were not yet up and running in one time period will achieve their first sale in the next time period. Thus, it is impossible to establish a timeframe sufficiently long to ensure that the probability of every team achieving first sale is zero. To deal with such situations, specific statistical techniques have been developed. We use event history analysis, which treats teams not achieving first sales as censored in the year of their last observation. Unlike cross-sectional methods, event history analysis generates unbiased estimates of the probability of achieving first sales for this type of data (Buckley & Westerland, 2002).

There is no theory available to specify the functional form of the transition rates in our model. Therefore, similar to other studies analyzing these data (e.g., Brush, Manolova, & Edelman, 2008; Townsend, Busenitz, & Arthurs, 2010) we rely on a semi-parametric Cox model, which does not require transition rates to be specified (Blossfeld, Golsch, & Rohwer, 2007). To test the requirement for proportional hazard rates, we created plots for the cumulative survival and for log minus log (LML), both of which indicated no violations of the proportionality assumption.

All variables used in our analyses have a time stamp stating the month in which an activity occurred, including the month in which the venture was first initiated and the month first sales were achieved, if ever. Thus, the data were converted into monthly spells on the basis of the month in which the firm initiated and then reformatted with

Table 3

Results of Event History Analysis on Family Relationships With Start-Up Success (n = 295)

Variables	Model 1	Model 2	Model 3
Controls			
Farm	−17.9 (567)	−19.4 (690)	−19.5 (720)
Manufacturing	−2.79* (.90)	−2.27* (.99)	−2.35* (.99)
Transportation	−4.61 (1.11)	−.5.72 (1.26)	−6.21 (1.32)
Retail	−1.94 (.85)	−1.86 (.99)	−1.88 (.99)
Services	1.24 (.80)	1.84 (.95)	1.93 (.96)
Caucasian	.04 (.58)	.21 (.57)	.20 (.57)
Mixed races	−.16 (.57)	−.25 (.56)	−.30 (.58)
Hispanic	−.81 (1.13)	−1.03 (1.14)	−1.13 (1.14)
Team size	−.27 (.21)	−.10 (.25)	−.08 (.25)
Work experience	.01 (.01)	.02 (.01)	.01 (.01)
Stage of development	.29* (.12)	.27* (.13)	.27* (.15)
Entrepreneurial experience	.50 (.37)	.62 (.38)	.04 (.25)
Intergenerational team	−14.2 (244)	−17.5 (322)	−17.6 (325)
Problem with family/spouse/friends support	−.22 (.14)	−.16 (.14)	−.17 (.14)
Problem work/life balance	−.27 (.18)	−.28 (.19)	−.28 (.19)
Main effects			
Investment		.06* (.01)	.06* (.01)
Percent by largest investor		.26 (.72)	.37 (.71)
Biological linkage		−.17* (.12)	−.15* (.24)
Couples		.53* (.21)	.54* (.21)
Interaction effects			.47* (.11)
Chi-square	36.91*	59.70*	72.21*

Cox Regression coefficients with standard error in parentheses, * = $p < .05$

observations created for each spell. Start-up attempts that were abandoned were treated as censored during the month abandoned.

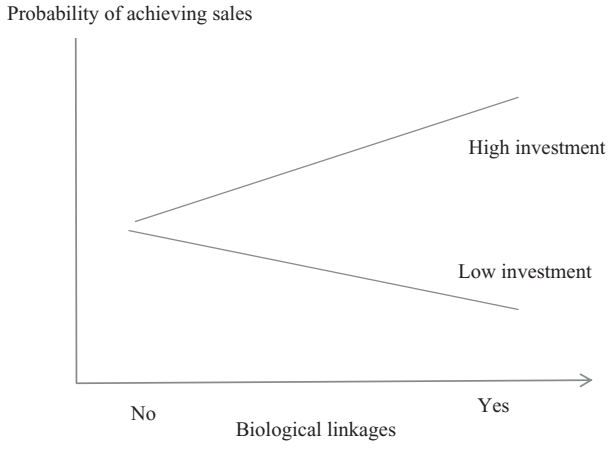
Variables were entered hierarchically into the Cox model starting with a base model containing the control variables, then entering the two dummy variables measuring family relationships (the results indicate the difference each has in comparison to the reference dummy variable—nonfamily teams) and the direct effect of investment in the second step. The third step was to examine interactions between investment and our family variables (testing Hypothesis 3). The results are shown in Table 3. We report logged regression coefficients for ease of interpretation. Negative regression coefficients represent negative effects and positive coefficients represent positive effects.

Starting with the base model (model 1) presented in the second column from the left, the overall equation is significant ($p < .05$). Examining the statistically significant variables, we note that a more fully developed product or service will create a start-up advantage for the firms. Also significant was the manufacturing variable indicating the firms pursuing this type of business were less likely to achieve sales.

In the next step, we enter the research variables corresponding to Hypotheses 1 and 2. These results are presented in Table 3, model 2. The comparison group is nonfamily teams. The coefficient for couples is positive and statistically significant ($\beta = .53$; $p < .05$), suggesting that the probability of achieving first sale is higher for teams

Figure 1

Interaction Plot of Biological Linkages and Investment



composed of couples than entrepreneurial teams without family affiliations. The coefficient for biological linkages is negative and statistically significant ($\beta = -.17$; $p < .05$), suggesting that the probability of achieving first sale is lower for teams with biological family linkages. The fact that the coefficient for teams composed of couples is positive and statistically significant and that the coefficient for biologically linked teams is negative and statistically significant means that there is a statistically significantly higher probability for teams consisting of couples to achieve first sales compared to biologically linked teams. Taken together, these findings provide full support for Hypotheses 1 and 2. We also find a positive direct effect for initial investment into the firm. Work experience, stage of development, and manufacturing sector remain significant here and in the final model.[3]

The rightmost column, model 3, presents the results of testing Hypothesis 3, stating that financial investment moderates the relationship between biological linkage and the ability of the firm to achieve first sale. A large financial investment in the new venture lessens the negative effect of biological linkage on the probability to achieve first sales. The interaction term of biological linkages and investment is positive and statistically significant ($\beta = .47$; $p < .05$). In order to determine the nature of the interaction, we plotted the effect of biological linkage on the probability of achieving a first sale at different levels of investment (Figure 1). The curve slopes upward for increasing levels of investment indicating that investment helps overcome the negative effect of biological linkages in the team. Thus, Hypothesis 3 is supported. As a robustness test of our model, we ran additional models testing for a possible interaction between couples and investment. None was found.

3. Additional analysis was performed as a robustness check for our results. For example, we ran our analysis eliminating firms without substantial investment, and the results were substantially the same as in our main analysis.

Discussion and Conclusion

Findings and Implications

We suggested at the opening of this paper that the failure to consider the implications of family relationships among new venture teams is an omission of important theoretical and empirical significance. Our findings suggest that the *nature* of the family relationship does in fact play a role in influencing important outcomes related to venture creation and start-up success. In what follows, we discuss the implications of our findings for extending—and in some cases reinterpreting—extant thinking with regard to entrepreneurial teams and start-up success.

The research presented here was motivated by the insight that most entrepreneurial teams consist of individuals that have family relations. To our knowledge, this fact has been largely overlooked in the team's literature. We confirm that the conditions under which new ventures are formed have strong imprinting effects (Aldrich & Auster, 1986). We examined how team composition influenced the ability to achieve a first sale; the resulting implications of the founding team composition and the relationships present are likely to be long lasting. Consequentially, the imprinting effects from these founding conditions can influence the performance and future directions of the venture. We examined specifically the implications of two types of family relationships—couples sharing a household and team members affiliated by blood relations. Drawing from social identity theory, we have suggested that families defined by biological linkages and couples likely react quite differently when the new identity of entrepreneur is imposed on the existing family identity.

As hypothesized, we find opposing effects on start-up performance in terms of achieving first sales. Couples were more likely than other teams in achieving first sales, whereas the opposite applied to teams with blood relations. We argue these findings relate to the suggestion that couples are likely better able to flexibly adapt both the family and the entrepreneurial roles so that they can develop a meta-identity and leverage their family relationships to incur a competitive advantage. Alternatively, families defined by biological linkages are more likely to encounter role conflict because of the salience and rigidity of that long-standing family role.

Further, we believe that our conceptualization of the deeper meanings and implications of such existing relationships provides an important contribution to the entrepreneurial teams' literature. More generally, we believe that our research considers new venture team composition in more detail. Our research suggests that preexisting relationships matter a great deal. Though we limited our study to examining two types of preexisting family relationships, we envisage that other types of shared histories and shared commitments play important roles. Future examinations of the implications of different team constellations would benefit from more than the commercial context of the new venture to the personal relationships among team members.

Finally, we hypothesized and found that financial investment moderated the relationship between biological linkages and start-up success, suggesting that the conflict between competing role identities to some extent can be overcome. Greater investment serves as a strategy to reduce the transaction cost of exiting the family identity to enter the business identity. If family members make a greater investment, then this makes more salient the behavioral expectations associated with the business role in addition to the expectations of the family role.

Although our focus has been on team composition and not on team formation, we believe that our research has implications for such studies as well. At present, textbooks

and most research on entrepreneurial teams assume that a lead entrepreneur selects individuals who possess certain skills and knowledge to form a new venture team. If this were the case, it would be highly surprising that close to 60% of our representative sample chooses to work with family members only on their teams. On the contrary, trust and familiarity seem to be of greater importance in team member selection. Social identity theory provides an excellent lens to explain why entrepreneurs select family members to create start-up teams. The family represents a very strong in-group with high levels of trust, familiarity, and support between the members of the family. These are key characteristics that entrepreneurs look for when assembling a team (Ruef et al., 2003). Thus, this theory encapsulates important theoretical mechanisms that should be of great value for understanding entrepreneurial team formation.

Our discussion and findings regarding the opposing effects for family relations on the basis of biological linkages and couples should be of particular importance to the family business literature. It appears that these two forms of family business are qualitatively different, something which has not been sufficiently considered in the family business literature. That there are implications in the successful start-up of a new venture depending on the type of family relationship speaks to its importance to family business research. In addition, our argument that the potential conflicts between the family and entrepreneur roles differ depending on family constellation should be of special relevance to this literature. Researchers in family business note that the impact of conflict is an "extremely important area for future research" (Sharma, 2004, p. 19).

Other aspects of our research should be of interest to family business researchers. First, new venture formation and early development have mainly been the domains of entrepreneurship scholars, whereas family business research has devoted efforts to later stages in the lifecycle, most notably succession. We believe that our examination of the very early formative stages of family businesses (and the role of different kinds of family relationships during these phases) provides valuable insights into family businesses that have long-term implications. We encourage family business scholars to devote more attention to these early, formative stages.

Second, and as an illustration of the previous point, in this paper we have studied contexts where the family relationships are established prior to the joint start-up of a business. We believe that the implications for role identities and conflict might be very different if, conversely, the business is in place before the family; for example, if a daughter becomes part of her father's business. Few researchers have addressed this issue and concentrate on implications of relationships on later stage performance of family businesses. This topic of whether the firm is born a family business or later becomes one has been noted as important to the theoretical development of family firms (Chua, Chrisman, & Chang, 2004). The authors note that family involvement is high in the initial stages. This supports the need to consider family relationships in new venture formation due to the potential impact on establishing a sustainable business.

Third, although no specific definition of family business has gained widespread acceptance (Sharma, 2004), the most common view focuses on ownership by the largest single family group related by blood or marriage, and self-perceptions of whether the business is a family business (Westhead & Cowling, 1998). This view corresponds to a structural perspective of the family. We believe that a more modern, transactional view that allows for a diverse concept of the family is more enlightening. Using such a lens also makes it more natural to appreciate the qualitative differences between relatives and marriage (and other forms of sharing a household) and to analyze these aspects separately.

Indeed, our more fine-grained transactional approach to what constitutes a family (and thus a family business) may help resolve inconsistencies in previous research. For

example, Rutherford, Kuratko, and Holt (2008) found a mixture of negative, positive, and nonsignificant relationships between being a family firm and firm performance. Just like the type of relationship within the family business—sharing a household or biological linkages—impacts achieving first sales differently, it may also affect later stage performance measures differently, something which has not been considered in the family business literature. It would be a natural progression for a family firm to transition from being operated by a couple to become multigenerational. Our research aids in highlighting the differing implications as this progression unfolds.

Limitations

Our sample had several benefits including a truly random sample, longitudinal design, and that it comprehensively captured many aspects of new venture teams. However, a limitation occurs in that we do not explicitly capture role identity conflict or synergy. Instead, our logic has been inferential relying upon theoretical justifications of the processes described. Future work that examines entrepreneurial teams would benefit from explicitly assessing the identity salience of both family and work identities and the differences depending on the absence or presence and nature of family relationships. Also, gender may play a role in the relationships as noted in prior research (Brush & Manolova, 2004; Powell & Greenhaus, 2010). This would be an interesting research topic on whether gender roles translate into the work setting when family couples also work together in nascent teams.

We identified investment as a variable that moderated the relationship between biological linkage and start-up success. We acknowledge that this relationship is complex and warrants more exploration. Varying levels of investment by team members, the portion of member's personal wealth contributed, and the implicit difference between married couples with shared assets versus other forms of teams are interesting topics. Also, other moderating mechanisms could potentially offset start-up disadvantages for teams. Identifying these would be of great theoretical and practical value.

Finally, our operationalization of a successful start-up as achieving first sales is appropriate for our sample and context (cf. e.g., Davidsson & Honig, 2003). A first sale is a necessary condition for becoming a successful firm. It says nothing, however, about the relative performance of new ventures that are up and running. It would be interesting to see if the advantages and disadvantages of family relationships translate into the later stages of new ventures. Given the large number of studies concerned with new venture start-up success, the inclusion of measures of possible family relationships should be an achievable task.

Conclusion

In this paper, we employ a social identity lens to consider the impact of family affiliation on entrepreneurial teams, for the subsequent performance of a new venture. Our results suggest that new ventures headed by entrepreneurial teams consisting of couples that also share a private life, realize a performance advantage as compared to ventures formed by entrepreneurial teams where family affiliation is based on a biological linkage. These results have substantial implications for new venture team research. The research presented here also has substantial implications for family business research in how the family business is defined and operationalized. It is our hope that these findings spur an increased interest in studying the relationship between the composition of entrepreneurial teams and venture start-up success, including the nature of the relationships among the

team members. We are also hopeful our findings motivate family business scholars to assume a broader yet more precise conceptualization of family relationships in future research.

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