

Family Social Capital, Venture Preparedness, and Start-Up Decisions: A Study of Hispanic Entrepreneurs in New England.

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Abstract:

Using insights from the resource-based view, social capital, and network theories, the authors develop a model of how family social capital, as well as an entrepreneur's knowledge capital and external social capital, influences the venture creation process. The model is tested on a sample of 85 nascent Hispanic entrepreneurs. Results indicate that family social capital, measured as family support, contributes to venture preparedness and the start-up decision, suggesting that it has both a direct and an indirect influence on venture creation.

Keywords: family business | Hispanic entrepreneurs | new venture creation | entrepreneurship

Article:

Executive Summary

This study develops and tests a model about the influences of family social capital on venture creation. Recent theoretical arguments suggest that family social capital—a form of appropriable social capital embedded in family relationships—can contribute to the development of competitive advantage for established firms (Arregle, Hitt, Sirmon, & Very, 2007; Carney, 2005; Hoffman, Hoelscher, & Sorenson, 2006; Salvato & Melin, 2008; Sirmon & Hitt, 2003) and may also play a vital role in new venture development (Aldrich & Cliff, 2003; Chang, Chrisman, Chua, & Kellermanns, 2008; Chrisman, Chua, & Steier, 2002). Although venture creation is

affected by multiple factors, this study's focus on family social capital is important because its role is neither well understood nor extensively documented.

Prior to the decision to start a venture, preparations must be made by the entrepreneur. We hypothesize that both the preparedness of an entrepreneur for venturing and the start-up decision are affected by family social capital, personal knowledge capital, and external social capital. We also hypothesize that the start-up decision is further influenced by the extent to which an entrepreneur is prepared for venturing.

The hypotheses were tested using structural equation modeling (SEM) on survey data from a sample of 85 nascent Hispanic entrepreneurs in a New England state who completed a course in small business management. The results suggest that the start-up decision is positively affected by family social capital, measured by family support, and venture preparedness but not by an entrepreneur's knowledge capital or external social capital. Preparedness is, however, positively related to all three sources of capital. Thus, the results show that family social capital may have both direct and indirect impacts on venture start-up as hypothesized.

These findings show that the role of family social capital in venture development activities should be further investigated. The tests conducted here measured the influence of family social capital mainly in terms of family members' willingness to contribute nonfinancial resources and support to the entrepreneur. The possible influences of other types of family capital, such as providing access to the family's ties with external actors (Hoffman et al., 2006), direct involvement of family members in the firm, or family financial support for the venture were not tested. Thus, as suggested by Hughes (2004), all of the dimensions of family capital, and how those dimensions influence goals, strategies, structures, and access to resources, should be examined. For example, venture creation should benefit from the financial and personal resources contributed by family members, and the family's approval implied by such contribution may provide entrepreneurs with the emotional strength needed to endure the rigors of business start-up. Alternatively, a lack of resources and moral support plus the potential for family conflict may dissuade entrepreneurs from taking the plunge even if the business idea is viable. Finally, the influence of family capital may be stronger among Hispanic entrepreneurs (Chang, Kellermanns, & Chrisman, 2007); thus, comparative studies of other ethnic groups also appear warranted.

In terms of public policy, government programs used to promote venture creation tend to focus on access to financial capital and development of personal business knowledge. The results of this study indicate that programs enabling potential entrepreneurs to further leverage their family and external social capital also deserve attention.

Introduction

Social capital is created through the investment of resources, such as time, money, and energy in building relationships and can increase the productivity of existing resources (Coleman, 1988;

Dollahite & Rommel, 1993). Researchers refer to the special form of social capital developed through the interactive, dynamic, and trusting relationships of family members and available only to family members as family social capital (e.g., Hoffman et al., 2006; Salvato & Melin, 2008). Family social capital is seen to be appropriable in the sense that it can be used for purposes other than the ones for which it is created. Thus, although family social capital could have been developed initially to enhance family members' satisfaction with family life or to nurture the next generation (Bubolz, 2001; Dollahite & Rommel, 1993), researchers have proposed it as the potential source of competitive advantage for family firms (Arregle et al., 2007; Carney, 2005; Hoffman et al., 2006; Pearson, Carr, & Shaw, 2008; Salvato & Melin, 2008; Sirmon & Hitt, 2003).

Being appropriable, family social capital may have an influence on venture creation (Aldrich & Cliff, 2003). This is because nascent entrepreneurs interact with multiple actors, such as family members and outsiders, during the venture creation process to gain knowledge and resources, and these network interactions tend to influence start-up intentions and venture creation (Minniti & Bygrave, 1999; Shapero & Sokol, 1982).

Other researchers propose that the extent to which family social capital is appropriated through family support can affect an entrepreneur's career (Dyer, 2003; Dyer & Handler, 1994) as well as the goals, strategies, perceptions, and initial performance of a new venture (Chrisman et al., 2002; Sharma, Chrisman, & Chua, 1997). Chang et al. (2008) argue that family social capital contributes to the prevalence of family firms in economically disadvantaged regions. The fact that a significant proportion of ventures are started as family firms (Chua, Chrisman, & Chang, 2004) can be interpreted to mean that family involvement provides advantages in venture creation. In fact, preliminary case evidence suggests that family social capital can influence new venture development even when the family is not directly involved in the business (Steier, 2007).

In terms of venture creation, researchers have focused on the human capital of entrepreneurs in terms of their knowledge, abilities, and intentions (Baron & Ward, 2004; Carter, Gartner, & Reynolds, 1996; Carter, Gartner, Shaver, & Gatewood, 2003; Chang et al., 2007; Katz, 1992; Krueger, 1993; Krueger & Carsrud, 1993; Krueger, Reilly, & Carsrud, 2000). How entrepreneurs use their human capital during the venture creation process may have longterm and hard-to-change effects on a venture's development (Chrisman & McMullan, 2000). Therefore, more research is needed on the factors that influence the preventure preparation and start-up phases of venture development (Aldrich & Cliff, 2003; Anderson, Jack, & Dodd, 2005; Chrisman, 1999; Greve & Salaff, 2003).

To start to fill this gap in the literature, this study develops and tests a model about the sources of human capital and social capital that nascent entrepreneurs use when starting a new business. These sources include family support, the entrepreneur's knowledge base, and support from external actors. Our model specifically examines the effects these sources of capital have on both

preparedness for venturing and venture creation decisions. We test the model with a sample of nascent Hispanic entrepreneurs in a New England state.

Our study provides important contributions to both the family business and entrepreneurship literatures. First, the study contributes to the family business literature by highlighting the direct and indirect effects of family social capital on new venture creation. In this respect, we measure family social capital as family support, which represents the extent to which an entrepreneur is able to draw from the social capital account he or she previously established with family members. Second, the study contributes to the entrepreneurship literature by increasing our understanding of how support and knowledge affect venture creation both directly and indirectly through their influence on an entrepreneur's preparedness for venturing. Third, because the sample is composed of Hispanics, our understanding of ethnic entrepreneurship is enhanced through this study. Furthermore, the results provide impetus for investigations of the applicability of our findings to the broader entrepreneurial and family business populations. Finally, the results contribute to knowledge concerning the interrelationship between entrepreneurship and family business and help explain why family businesses continue to be so prevalent in the economy (Aldrich & Cliff, 2003).

Theory and Hypotheses

New businesses are created by entrepreneurs who seek to exploit potentially profitable opportunities (Kirzner, 1973; Shane & Venkataraman, 2000). Wilken (1979) explains that to establish new enterprises, entrepreneurs need to develop the business concept, plan the venture, and engage in establishment actions. This study focuses on the last two parts, which we refer to as venture preparedness and start-up decisions. Venture preparedness is the extent to which an entrepreneur has engaged in research, planning, and other activities needed for start-up (Chrisman, McMullan, & Hall, 2005). Start-up decisions are conceptualized as whether the entrepreneur has engaged or intends to engage in definitive actions to establish the business.

To build our theoretical model, we draw from the resource-based view, social capital, and network theory to explain factors influencing preparedness and start-up decisions. Previous models of entrepreneurship have focused on an individual's intentions, behavior, and personal endowments (Carter et al., 1996; Katz & Gartner, 1988; Krueger, 1993; Krueger et al., 2000; Krueger & Carsrud, 1993; Shapero & Sokol, 1982). Our model adds the interactions an entrepreneur has with family members and external actors during the process of venture creation (Granovetter, 1985, 2004; Greve & Salaff, 2003).

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Application of the principles of the resource-based view of the firm to new venture development would suggest that the resources that an entrepreneur is able to muster while preparing for start-up might influence whether start-up actually occurs as well as the survival and success of the venture after it has been created (Chrisman, Bauerschmidt, & Hofer, 1998; Penrose, 1959;

Wernerfelt, 1984). Entrepreneurs need to accumulate or otherwise obtain access to both tangible and intangible resources during the new venture creation process (Alvarez & Busenitz, 2001; Barney, 1991; Dierickx & Cool, 1989). As the process of resource accumulation is path dependent and cumulative, entrepreneurs will find that they need to use their human capital and interact within the social environment to accumulate resources and that this interaction must begin during the venture preparation and start-up phases (Sirmon & Hitt, 2003).

An entrepreneur's knowledge is a critical resource for venture development and will therefore influence entrepreneurial intentions (Chang et al., 2007; Krueger & Carsrud, 1993). However, the support of family members and external agents can also influence entrepreneurial intentions as well as the acquisition and management of the resources needed for venture launch (Granovetter, 2004; Nahapiet & Ghoshal, 1998; Nonaka, 1994). In other words, being able to use the social capital an entrepreneur has developed through his or her network of contacts is critical for venture development (Granovetter, 2004; Greve & Salaff, 2003; Nahapiet & Ghoshal, 1998). As shown in Figure 1 and discussed below, our model emphasizes the contributions of an entrepreneur's personal knowledge and the support of family and external actors to both venture preparedness and start-up decisions.

The Entrepreneur's Knowledge Base

Nonaka (1994) points out that knowledge is created and organized through flows of information that accrue to an individual. Thus, knowledge is a personal human capital endowment (Alvarez & Barney, 2004; Nonaka, 1994) that entrepreneurs gain from (a) collecting usable information (Walsh, 1995); (b) personal events, education, and work experience (Shane & Venkataraman, 2000); and (c) being exposed to entrepreneurial activities within their community (Minniti & Bygrave, 1999; Shapero & Sokol, 1982). Alvarez and Busenitz (2001) explain that this knowledge influences how entrepreneurs accumulate and combine the resources needed to develop and operate their ventures. Researchers suggest that entrepreneurs may have not only a different but also a richer knowledge base than nonentrepreneurs (Baron & Ward, 2004).

As knowledge represents a critical and specialized resource (Alvarez & Busenitz, 2001), it is expected that the entrepreneur's knowledge can influence preparedness for venturing by facilitating the accurate and rapid retention and processing of new information needed to make decisions. Furthermore, during the business development process, knowledge can influence perceptions of the feasibility of starting a business as the entrepreneur becomes more aware of his or her capabilities vis-à-vis the requirements for successful venturing (Chang et al., 2007; Chrisman & McMullan, 2004; Krueger, 1993). Consequently, as expressed below, the entrepreneur's knowledge base affects the extent to which he or she is prepared for venturing as well as influencing whether positive start-up decisions are made.

Hypothesis 1a: The entrepreneur's knowledge base is positively associated with venture preparedness.

Hypothesis 1b: The entrepreneur's knowledge base is positively associated with start-up decisions.

Family Support

In addition to their own knowledge and skills, entrepreneurs usually need to draw from the social capital they have developed with other individuals, particularly, family members. Based on Coleman (1988), Hoffmann et al. (2006) propose that family social capital has two main components: information channels and family norms. Family norms include obligations and expectations, collective trust, identity, and moral infrastructure. Recent conceptualizations of family social capital stress the importance of information access through efficient action and exchange; associability through collective goals, actions, and emotional support

(Pearson et al., 2008); and balanced flows between the family and firm (Sharma, 2008). More specifically, access to family social capital is thought to facilitate entrepreneurship through information diffusion and access to markets and resources (Arregle et al., 2007; Sirmon & Hitt, 2003). In fact, research has shown that family is an important source of encouragement and support to entrepreneurs (Anderson et al., 2005). In this article, we focus on the support a family provides to entrepreneurs during the venture development process in terms of resources and encouragement as a demonstration of family social capital.

Greve and Salaff (2003) argue that entrepreneurs use close contacts, such as family members, to help them prepare for venturing. Family can also play a critical supporting role to aspiring entrepreneurs not only at the venture preparation stage but also at the business creation stage. On one hand, family members may provide entrepreneurs with the use of the family's financial assets (e.g., seed money) or help in securing external funding sources (Aldrich & Cliff, 2003; Anderson et al., 2005; Dyer & Handler, 1994). On the other hand, family members constitute a source of labor and support that can be used before, during, and after start-up (Dyer, 2003; Karra, Tracey, & Phillips, 2006; Teixeira, 2001). Indeed, family members represent important resources to entrepreneurs who lack access to other networks of support during the venture development process (Greve & Salaff, 2003). This is especially true when family members have an entrepreneurship background, because those members become role models and mentors to aspiring entrepreneurs not only during the venture preparation process but also during the business creation process (Aldrich & Cliff, 2003; Minniti & Bygrave, 1999; Shapero & Sokol, 1982). Furthermore, family members may be altruistically involved with the entrepreneur and the venture (Arregle et al., 2007) owing to a feeling of obligation toward kin (Karra et al., 2006), which increases their willingness to assist in the venture development process.

Thus, as expressed in the following hypotheses, we suggest that family support positively affects the entrepreneur's preparedness to venture and his or her start-up decisions.

Hypothesis 2a: Family support is positively associated with venture preparedness.

Hypothesis 2b: Family support is positively associated with start-up decisions.

External Support

Although family members constitute the entrepreneur's inner circle of contacts, support from external parties may also be required during the venture development process. We describe external support as the knowledge resources that entrepreneurs obtain from individuals outside the family. Entrepreneurs use external social relations to get information; obtain financial, physical, and human resources; and gain legitimacy (Aldrich & Cliff, 2003; Granovetter, 1985; Greve & Salaff, 2003). They contact people in their networks to discuss business opportunities and plans (Greve & Salaff, 2003) and attempt to expand those networks. For example, entrepreneurs obtain external support from counselors in public programs (e.g., Small Business Development Centers [SBDC]), professionals in the private sector (e.g., consultants, lawyers, and accountants), and venture capitalists to obtain new ideas, secure capital, expand their network of contacts, and develop the skills needed to launch a new business (Chrisman, 1999; Chrisman & Carsrud, 1991; Chrisman & Katrishen, 1994; Chrisman et al., 2005).

Using these external networks of support constitutes a social resource that lowers risks and elevates capabilities. These networks also provide information, access to opportunities, and motivation (Peredo & Chrisman, 2006). In addition, entrepreneurs can obtain resources from these networks that increase preparedness and start-up (Nahapiet & Ghoshal, 1998). Therefore, we expect that entrepreneurs would benefit from obtaining diverse information and resources through external support rather than limiting themselves to the boundaries of their own knowledge and the help of their family members.

Hypothesis 3a: External support is positively with venture preparedness.

Hypothesis 3b: External support is positively associated with start-up decisions.

From Preparedness to Start-Up

The final part of our model presents the direct relationship between venture preparedness and start-up decisions. As explained earlier, Wilken (1979) suggests that establishing a new venture consists of several stages, where venture preparation is one of the last steps before the entrepreneurial act (i.e., starting a business) takes place. Entrepreneurship models have emphasized the differences between possessing entrepreneurial intentions and engaging in actual business start-ups (Carter et al., 1996; Chang et al., 2007; Chrisman, 1999; Krueger et al., 2000; Krueger & Carsrud, 1993). Empirical evidence has shown a direct link between entrepreneurial intentions and venture creation (e.g., Carter et al., 1996; Chrisman, 1999), even though not all start-up activity is predictable by measuring stated intentions (Katz, 1992). Venture preparation involves planning and acquiring resources using personal knowledge, family support, and external support (Chrisman et al., 2005; Chrisman & McMullan, 2004; Greve & Salaff, 2003). Hence, as expressed below, the extent to which an entrepreneur is prepared to venture should be related to positive start-up decisions.

Hypothesis 4: Venture preparedness is positively associated with start-up decisions.

Method

The research design consisted of a questionnaire aimed at participants in a small business management course designed for Hispanic entrepreneurs that was offered by an SBDC in a New England state. The course covered material related to business plan creation and functional aspects of running a business. We were able to obtain the mailing list of former participants in the course from 1999 to 2004. Because the participants took the course to obtain knowledge about small business management, their completion of the course represents an initial propensity to engage in future entrepreneurial events (Krueger & Carsrud, 1993; Shapero & Sokol, 1982). However, the course did not require the participants to write, develop, or present a business plan to attain their certificate of completion.

The questionnaire contained dichotomous questions, items in 5- and 7-point Likert-type scales (from strongly disagree to strongly agree), and open-ended questions. Three mailings were sent during a 4-month period in spring of 2005 to 383 participants. The time lag between the time the course was taken and when the study was conducted is similar to that of other assessments of the impact of SBDC counseling over time (Chrisman, 1999; Chrisman et al., 2005). The mailing included a cover letter to inform the participants about the nature of the survey. Both the cover letter and the questionnaire were mailed in English and Spanish. The participants were assured anonymity and confidentiality.

To increase participation, in the second and third mailings, the Spanish versions of the letter and the questionnaire were put on top of the English ones. A total of 85 questionnaires were received. This resulted in a 22.5% response rate, which is in line with that achieved in other studies of minority entrepreneurs (e.g., Chrisman & Carsrud, 1991; Teixeira, 2001).

Males accounted for 51% of the respondents. Ages ranged from 22 to 69 years (average = 42.4, SD = 9.3 years). Sixty-two participants (73%) answered the Spanish version of the questionnaire; indeed, 65 participants (76%) indicated that they did not grow up in the United States. As this could indicate that some of the respondents had not yet been fully assimilated into mainstream society, we used a control variable pertaining to the version of the questionnaire completed by the respondents (Spanish or English) to account for possible differences in cultural backgrounds. Researchers have suggested (cf. Bonacich & Modell, 1980; Chaganti & Greene, 2002; Chang et al., 2007) that ethnic entrepreneurs tend to concentrate in enclaves in their communities, and it is reasonable to assume that immigrants would be more likely to do so than the American-born Hispanic population.

ANOVAs indicated that there were no significant differences among the responses in the three mailings. Because later responders could be expected to be more similar to nonrespondents than earlier respondents (Kanuk & Berenson, 1975; Oppenheim, 1966), these tests suggest that there is no reason to suspect bias along any of the variables used in this study.

All data for this study were obtained from a single source. Therefore, we tested for common method bias by performing a factor analysis on the items corresponding to all the variables used in the study (Podsakoff & Organ, 1986). The unrotated factor analysis extracted a five-factor solution that accounted for 74.7% of the variance. The first factor accounted for 32.5% of the variance. Because no common method factor emerged and the factors separated cleanly, we concluded that common method variance did not pose a problem.

Measures

Our constructs were adapted from previously validated scales; however, modifications were made to account for the setting with Hispanic entrepreneurs. In particular, we asked the respondents several questions about the course material to assess their knowledge before and after taking the course and about their perceptions of the course. Because of the cross-sectional nature of our study, we ran confirmatory factor analysis to attain construct, convergent, and discriminant validity for the measures. All items were measured on a 7-point Likert-type scale unless otherwise indicated. In the case of multiple item measures, the sums were used to represent the variables.

Start-up decisions was measured as a single item in which participants were asked about the development of their proposed ventures after taking the course. Responses were coded in the following manner: values of 0 were assigned to those who had abandoned attempts to start a business, values of 1 were assigned to those who still had intentions to start a business in the future, and values of 2 were assigned to those who had actually started a business. There were 11 respondents (13%) who had abandoned start-up activities, 50 (59%) who had future start-up plans, and 24 respondents (28%) who had started a business. Venture preparedness captures the extent of venture preparation of respondents after taking the small business management course. We asked the respondents if they “had a strategy for achieving their business’s goals,” “knew how to create a business plan for their firm,” and “had decided what their business objective should be.” We adapted these items from Gould (1979). The alpha was .867.

Entrepreneurs’ knowledge base considers the level of business expertise that the participants believed they obtained during the course. We created the items in coordination with staff members of the SBDC to assess 12 areas of expertise that represented topics covered by the course. Those areas were creating a business plan, creating contacts and connections (networking), logistics, operations, marketing and sales, service activities, record keeping, communication skills, financial management, legal issues, human resource management, and accounting. It is important to note that the open-ended comments provided by some respondents suggested that the course was primarily helpful in giving them a theoretical overview of the different functional aspects of a business rather than in providing them with either practice in applying the knowledge or counseling assistance in the venture development process. The items used were consistent with those used in previous research of the SBDC program (Chrisman & Carsrud, 1991). The alpha was .947.

Family support captures how family members encouraged and helped the respondents during the venture development process. As discussed previously, this represents how family social capital was used as a result of family norms. We adapted four items initially designed to measure altruism to capture the support of family members (Becker & Vance, 1983). Specifically, we asked the respondents whether “family members supported them while they tried to start their business,” “family members often volunteered to do things for them so that they had more time to do work on their business,” “family members often helped them in their efforts to own their own company,” and “family members often reduced their heavy workload while they were trying to start their business.” The alpha was .953.

External support captures the support given by people outside the participants’ families for fulfilling the respondents’ entrepreneurial aspirations. We used five items trying to capture the benefits of open idea exchange and cognitive conflict (see also Jehn, 1995; Kellermanns & Eddleston, 2007). Respondents were asked if they “often discussed ideas about the new business with people outside their family,” “talked about starting a new business with many people outside their family,” “tried to get as much feedback on their business ideas from people outside their family as possible,” “asked many people outside their family for advice how to improve the business ideas,” and “felt the Small Business Management Course influenced their decision to start a business.” The alpha was .88.

Control variables. We used five controls. The first controlled for participants who answered the questionnaire in Spanish. This was a categorical variable where Spanish responses were coded as 1.

We also controlled for the participants’ business background. Studies have shown that an individual’s prior exposure to entrepreneurship is positively associated with the perceived desirability and feasibility of starting a venture (Chrisman, 1999; Krueger 1993). For this categorical variable, a value of 1 was assigned to those who had previous managerial and/or ownership experience at some time in the past. However, no additional information about when or where participants obtained their experience was available (e.g., abroad or in the United States).

According to our responses, 26 respondents took the course prior to 2003 (30.6%), 28 took the course in 2003 (32.9%), and 31 took the course in 2004 (36.5%). We used two categorical variables to indicate respondents who took the course in 2003 or 2004. Values of zero for both variables indicated respondents who took the course prior to 2003.

Finally, we controlled for the participants’ image of an entrepreneur, as researchers suggest that individuals who develop positive images about entrepreneurship are more likely to become entrepreneurs (e.g., Minniti & Bygrave, 1999; Shapero & Sokol, 1982). We adapted four items assessing image from Moore and Benbasat (1991). Respondents were asked if they thought “people who became entrepreneurs were regarded as more prestigious than those who did not,”

“people who were entrepreneurs had a high profile,” “being an entrepreneur was a status symbol,” and “being an entrepreneur would enhance a person’s image within the community.” The alpha was .863.

Data Analysis

The model presented in Figure 1 was tested using SEM. To test structural equation models with smaller sample sizes, prior research has suggested that single indicators should be used for each latent variable (e.g., Carlson & Kacmar, 2000; Eddleston & Kellermanns, 2007). Indeed, the parceling of items is a widely used concept (Williams & O’Boyle, 2008). We summed the scale items to create the single indicators for our constructs. To correct for random measurement error (Frone, Russell, & Cooper, 1992), we fixed the error variance to the variance of the scale multiplied by 1 minus the reliability (Bollen, 1989; Carlson & Kacmar, 2000; Wayne & Liden, 1995; Williams & Hazer, 1986). To adjust for measurement error in the scale values, the path between the indicator and the latent variable was fixed to the square root of the scales’ reliability (e.g., Carlson & Kacmar, 2000; Wayne & Liden, 1995). We estimated the reliability of the categorical control variables and the single item that measured decisions to start a business to be .95 (e.g., Hayduck, 1987). The benefit of this approach is that it allows structural equation models to run with smaller sample sizes (see Eddleston & Kellermanns, 2007) while producing virtually identical parameter estimates (Netemeyer, Johnston, & Burton, 1990). This approach, however, sacrifices the unique estimation of variance of each scale, which would have been preferable if a larger sample size had been available (Williams & O’Boyle, 2008). However, to ensure that our imposed constraints did not affect the results, we confirmed our results via ordinary least squares (OLS) as suggested by Pedhazur (1997). The results were qualitatively similar to the SEM results.

Results

The correlations, means, and standard deviations are displayed in Table 1. To assess the fit of our model, we used the χ^2 statistic, goodness-of-fit index (GFI), adjusted GFI (AGFI), comparative fit index (CFI), and normed fit index (NFI). Larger values of GFI, AGFI, CFI, and NFI (0.90 or greater) denote an acceptable model fit. Additionally, the root mean square error of approximation (RMSEA) and the root mean square residual (RMR) for the models was investigated. An RMSEA and an RMR lower than 0.08 is suggested to indicate good fit (Hu & Bentler, 1995; Kline, 1998; Mulaik et al., 1989).

To test our hypotheses, we ran the SEM with all the hypothesized paths. Figure 2 presents the results of the final structural model. To arrive at the final model, we dropped the two categorical variables for the year that the respondents took the course, as they did not allow the structural model to fit the data. After doing so, the fit indices suggest that our model fit the data in a superior manner: χ^2 (4) = 4.81, GFI = 0.99, AGFI = 0.88, CFI = 0.99, NFI = 0.96, RMSEA = 0.045, and RMR = 0.0054 (Hu & Bentler, 1995; Kline, 1998; Mulaik et al., 1989). In addition, the resulting power was satisfactory (Cohen, 1988; Mazen, Graf, Kellogg, & Hemmasi, 1987).

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The squared multiple correlations (SMCs) for venture preparedness and start-up decisions were 0.39 and 0.22, respectively. In SEM, the SMC is the equivalent of the R^2 statistic (Straub, Limayem, & Krahnna-Evaristo, 1995).

Thus, the model explained a higher proportion of the variance in venture preparedness than in start-up decisions.

Table 2 presents the standardized path loadings, estimated via maximum likelihood estimation. None of the control variables was significantly related to venture preparedness. However, the control variable measuring responses to the Spanish version of the questionnaire was significantly related to start-up decisions. Thus, entrepreneurs who responded in Spanish were more likely to start a business than those who responded to the questionnaire in English.

More important, the results provide support for five of our seven hypotheses. First, the knowledge base of the entrepreneur was positively associated with venture preparedness, in support of Hypothesis 1a. However, support was not obtained for Hypothesis 1b; the knowledge base of the entrepreneur was not significantly related to start-up decisions. Second, family support was positively associated with both venture preparedness and start-up decisions. These findings support Hypotheses 2a and 2b. Third, external support was positively related to venture preparedness in support of Hypothesis 3a. On the other hand, Hypothesis 3b was not supported; external support was not significantly related to start-up decisions. Fourth, in support of Hypothesis 4, venture preparedness was positively associated with start-up decisions.

In summary, our results indicate that an entrepreneur's knowledge base, family support, and external support influence the extent to which prospective entrepreneurs were prepared for venturing. However, our findings also indicate that start-up decisions are related only to family support and venture preparedness. The implications of these results are discussed below.

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Discussion and Conclusions

Our theoretical model was based on insights from the resource-based view of the firm, network theory, and social capital. We proposed that preparedness for venturing is influenced by an entrepreneur's knowledge base, family support, and external support. In turn, we proposed that these sources of human and social capital, as well as venture preparedness, influence start-up decisions. Our findings provide empirical support for five of the seven hypotheses proposed.

An entrepreneur's knowledge base is directly related to venture preparedness but not to start-up decisions. This suggests that an entrepreneur's knowledge may be fully used in the preparations made for venturing.

However, our most important results pertain to the role in both venture preparedness and start-up decisions of family social capital as manifested in family support. Results indicate that the support of family members helps entrepreneurs become better prepared for venturing. Furthermore, family support also appears to be important in determining whether entrepreneurs carry out their plans to start a venture. In other words, because venture preparedness is related to start-up decisions, the results of this study suggest that family support plays both a direct and an indirect role in venture creation. Based on our data, this support appears to include both a psychological element, in the form of a family's commitment to and belief in the entrepreneur, and a physical element, in the form of labor that directly (by assisting in start-up tasks) or indirectly (by assuming a greater share of household duties) advances the development of the venture. The former might help entrepreneurs prepare for the rigors of venturing and makes them more willing to take the plunge. The latter might reduce both the need for external resources for venturing, particularly, financing, and the time lag between concept development and start-up.

In contrast to prior research (Chrisman, 1999; Greve & Salaff, 2003), our results provide evidence that external sources of support contribute to venture preparedness but do not contribute to positive start-up decisions. Given that the sample was composed of clients of a particular SBDC training program, it may be that all of the external support participants believed they needed for venturing had already been obtained from the prior preparation made during the training program.

Another possible explanation for our finding is that the entrepreneurs we studied lacked access to external support in sufficient quantities or qualities to make a difference in their start-up decisions. Thus, training courses are one step removed from the counseling assistance found to be associated with venture start-up, survival, and growth in previous studies (e.g., Chrisman, 1999; Chrisman et al., 2005; Chrisman & McMullan, 2004). This possibility is also consistent with open-ended comments about a lack of sufficient knowledge concerning sources of financing among respondents who were still in the planning stage of venture development.

Contributions and Implications for Theory and Research

The results of the study help us better understand the importance of venture preparation and the sources of knowledge and support necessary for effective preparation. Thus, venture preparedness is positively associated with start-up decisions and appears to be mainly influenced by an entrepreneur's knowledge base and the extent to which he or she can draw from family resources and outsiders to support those efforts. However, there is still much to be learned about how entrepreneurs prepare for venturing and how different sources of knowledge and support can improve preparatory efforts. Although Greve and Salaff (2003) suggest that family members are the initial sources of knowledge to entrepreneurs, this may not always be the case. Indeed,

some families may not be supportive of new businesses formation efforts (Arregle et al., 2007), and this lack of support might discourage nascent entrepreneurs from starting businesses so as to avoid relational conflict and preserve family harmony (Dyer & Handler, 1994; Kellermanns & Eddleston, 2004). As Hughes (2004) suggests, the human and intellectual components of family capital and how these influence family business development and success may be at least as important as the financial capital component.

Our findings also suggest that family social capital, unlike the other sources of capital studied, is important to both venture preparation and venture creation. These findings add to recent conceptualizations that indicate family social capital builds and shapes family firm social capital (Arregle et al., 2007) and that stocks and flows of social capital are important to the development of family firm capabilities (Sharma, 2008). However, more research needs to be done. For example, Pearson et al. (2008) argue that family firm social capital can lead to information and associability capabilities, but how family social capital may engender family support and shape family firm capabilities is not well understood. We also need a better understanding of the specific mechanisms that contribute to the development, transfer, and sustainability of social capital in both the family and the family firm (cf., Arregle et al., 2007; Pearson et al., 2008; Sharma, 2008; Sundaramurthy, 2008). Further investigation is therefore necessary to understand how different types and amounts of family capital generate family support and how family support influences the creation, goals, and strategies of firms. It is also important to analyze how family support and involvement evolve across the life of the venture and how these changes influence and are influenced by strategic decisions, firm performance, family relationships, and the likelihood of transgenerational succession.

As noted above, although our study indicates that family support has both direct and indirect effects on venture development, not all families may be willing to provide moral support and voluntarily take on additional tasks for the benefit of family members. Those who do must have a high level of commitment or need and derive some satisfaction or benefit from the success of family members. A better understanding of why this is so would improve our ability to explain the relationship between family involvement and new venture development. In this regard, the concepts of stewardship (Davis, Schoorman, & Donaldson, 1997) and altruism (Lubatkin, Durand, & Ling, 2007; Schulze, Lubatkin, Dino, & Buchholtz, 2001) offer theoretical frameworks that might help explain the conditions that are more conducive to the development of the social capital needed to obtain family support for venturing.

Stewardship theory examines situations where individuals perceive their interests to be aligned with those of the unit, which could include firms and/or families. A recent family business study by Zahra, Hayton, Neubaum, Dibrell, and Craig (2008) suggests that stewardship cultures are characterized by commitment, cooperation, extrarole behaviors, and helpfulness. Stewardship approaches to the study of the determinants of family support for new ventures might be revealing if family members with stewardship orientations are more likely to develop the feelings of unity, trust, and mutual obligation associated with social capital. Conversely, in

families without a stewardship orientation, relational conflict (Kellermanns & Eddleston, 2004) and agency problems (Schulze et al., 2001) might take over, inhibiting family support.

Similarly, altruism is a moral value motivating individuals to act in a manner that benefits other individuals without expecting anything in return (Schulze et al., 2001). Altruism is likely to elevate family support when it is reciprocal and diminish it when it is asymmetrical. As Lubatkin et al. (2007) explain, family relationships are path dependent; whether family altruism leads to productive or destructive behaviors is conditional on the history of interactions among family members, particularly, parents and children. Consequently, the type of altruism developed in a family is likely to have an impact on the extent to which social capital is available for entrepreneurs to draw from in support of their venturing efforts.

Moreover, family firm researchers (Carney, 2007; Salvato & Melin, 2008) differentiate between bonding and bridging social capital. On one hand, family support, as measured in this study and discussed above, is a consequence of bonding social capital, which involves the internal linkages among family members. On the other hand, bridging social capital characterizes the external ties of the family. However, the influence of a family's bridging social capital on new venture creation is not well understood. Future research therefore needs to investigate the complexity and quality of a family's network ties with external actors and how and when entrepreneurs are able to use these connections to facilitate venture development.

Aside from these more general contributions and research directions concerning family support, we contribute to knowledge about the entrepreneurial behavior of Hispanics, the largest minority group in the United States (Chang et al., 2007). Hispanics appear to depend on family members much more heavily than on external networks of support. Whether this is a result of preference or necessity requires further investigation. Whether and when the heavy dependence on family is an advantage or disadvantage also needs to be determined. Additionally, comparisons of Hispanic entrepreneurs with entrepreneurs from other ethnic groups are in order, as are cross-cultural comparisons of entrepreneurs in different countries.

Future studies of Hispanic entrepreneurs and family firms should also bear in mind our finding that respondents who completed the Spanish version of the questionnaire were more likely to make positive start-up decisions than those who completed the English version. Given the similarities in the proportions of entrepreneurs who responded in Spanish and immigrated to the United States, it is reasonable to conclude that at least among the respondents to this study, Hispanic immigrants are more likely to start businesses than Hispanics who are already American citizens. Such findings support previous literature regarding the greater entrepreneurial propensity of immigrants (Hammarstedt, 2001), owing to factors such as their relative disadvantages in securing employment (Chaganti & Greene, 2002). However, the experiences of Hispanic immigrants in their home countries prior to their relocation may provide another explanation for their greater entrepreneurial propensity. Thus, the work of Carney (2007) and La Porta, Lopezde-Silanes, and Shleifer (1999) suggests that a paucity of trust, social capital, and

legal protections in emerging economies tend to promote the formation of family firms, a propensity that appears particularly prominent among minority groups (Carney, 2007). Recent research shows that the efficiency, social capital, and noneconomic goals of family firms also provide advantages in scarce environments in the United States (Chang et al., 2008). On the basis of these insights, we speculate that the behavior of minority immigrants may also be a by-product of their prior home country experiences. If so, venture creation based on family capital is likely to be pronounced among these groups, even in environments that are more benign and opportunity rich.

Implications for Practice

In addition to the contributions of this study to research and theory, our results also provide important insights for public policy. Government programs designed to promote venture creation, such as the SBDC, have focused on providing potential entrepreneurs with personal business knowledge (Chrisman et al., 2005). As shown by the results here and by Fairlie and Robb (2008), this can have a positive impact on the entrepreneur's preparedness. Other programs, such as Small Business Administration loan guarantees, improve the entrepreneur's access to financial capital. Fairlie and Robb (2008) provide cross-sectional evidence that ventures started with more capital tend to have better performance. Our results show that programs that contribute to an entrepreneur's ability to develop social capital also deserve attention. For example, governments could develop local entrepreneurial networks, seminars, and forums with the primary purpose of further developing the social capital of entrepreneurs in the community (Malecki & Veldhoen, 1993). As Wetzel (1983) observed, networking programs require government support.

Limitations

In spite of its contributions, our study has several limitations. First, our study was cross-sectional, as we surveyed participants after taking the course. It is important to note that cross-sectional designs can infer, but never directly test, causal relationships (Tabachnick & Fidell, 1995). Future studies using longitudinal and qualitative designs are therefore necessary to fully assess how nascent entrepreneurs rely on family members and outside support during the venture process. Second, we relied on self-reported data. As outlined in the Method section, our post hoc test for common method bias did not suggest any significant concerns. However, multiple data sources would create a more powerful design for future studies. Third, we were unable to determine the intentions of respondents concerning the organizational form of the projected business (e.g., family vs. nonfamily business). Future studies should investigate whether continuous family support leads to the formation of family businesses.

Finally, our sample was composed of participants in a course offered to Hispanics by the SBDC. Fairlie and Robb (2008) show that compared to White non-Hispanics and Asian entrepreneurs, Hispanic entrepreneurs have less education, start ventures with less capital, and tend to prefer personalized sources of assistance in making business decisions (Tienda & Raijman, 2004; Triana, Welsch, & Young, 1984). As a result, social capital may be more important to Hispanic

entrepreneurs than to entrepreneurs from other ethnic groups or to entrepreneurs in general. Therefore, the results presented should be interpreted with caution, because they may not be generalizable to other entrepreneurial populations.

Conclusion

In conclusion, using a sample of Hispanic entrepreneurs in the United States, our study contributes to knowledge about family involvement in new ventures and to the determinants of Hispanic entrepreneurship by showing the important supporting role of family members in both venture preparation and decisions to start a business. Large proportions of businesses receive family support, are started as family businesses, or become family businesses at later stages in their development (Chua et al., 2004). However, the role of family in venture creation is just beginning to receive significant attention (Aldrich & Cliff, 2003). Our study suggests that this attention is not misplaced, and indeed, its principle strength is the evidence that family support is multifaceted and potentially more important than other sources of knowledge and support in venturing efforts. We therefore encourage researchers to build and improve on our findings in future theoretical and empirical investigations of how family involvement contributes to new venture development.

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