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The Influence of Family Firms on the Sustainability of Start-up/Nascent Enterprises

Louise Scholes, Loughborough University London

Mathew Hughes, Loughborough University, School of Business and Economics

You Yi, Hubei University of Technology

Xiaoti (Raymond) Hu, University of Portsmouth

Paul Hughes, De Montfort University, Leicester Castle Business School

Abstract

The article examines the influence of family and family businesses on the sustainability (ability to become self-sufficient after initial input from family) of seven start-up/nascent enterprises set up by family members. Family firms can expand by setting up new enterprises so that their offspring or siblings can start their own business and can experiment with novel products or processes. This has many advantages for the established and for the new firms and for society as a whole. For the established firms the funds provided for the start-up can be ring-fenced so the established firm can effectively expand with reduced risk. It also provides family firms with a means of training the younger generation, a form of apprenticeship, before they take over the whole business from the incumbent generation. For new firms it can provide sustainability that would otherwise not be easy. For society family firms can be regarded as the seedbed of larger firms that can add to GDP, generate income tax and employment. Sustainability can come from the provision of additional resources that start-ups/nascent firms often lack such as additional funding, access to its networks of stakeholders such as a skilled workforce, customers, and suppliers, and management expertise. However, there may be some disadvantage for the fledgling firm with this arrangement if there is conflict in the decision-making process between a dominant family firm founder and the new CEO of the fledgling business. Our findings show that family members are involved in the decision-making process of the fledgling firms, they provide not only finance and access to their networks but also advice and emotional support. Most combinations of parent/child have managerial/entrepreneurial mindsets and we propose this will enhance sustainability of new ventures as the parents are effectively performing due diligence on the proposed business ideas and picking the best. Sustainability can be diminished if parents do not understand the new venture and withhold funding. Another key influence on sustainability was timing, that is how close the child entrepreneur was to succeeding the family business. This manifested itself in the form of request to return to the family firms and imposed conditions in return for funding. Path dependence of the child entrepreneur, a child with a managerial mindset, an exclusive reliance on parental networks, no additional team members or partners, or a very dominant child personality could have a negative influence on sustainability. We contribute to the literature on family firms and entrepreneurship and in particular to the little explored area of how family firm foster the creation of new companies.

Key Words: Decision-Making, Cognition, Entrepreneurship, Start-up, Family Firm, Sustainability

The Influence of Family Firms on the Sustainability of Start-up/Nascent Enterprises

Introduction

The article addresses the influence of family and family businesses on the sustainability of start-up/nascent enterprises set up by family members from a cognition and decision-making perspective.

Sustainable entrepreneurship, especially in relation to start-up/nascent enterprises, is a vital issue for researchers, practitioners and policy makers because start-ups are the seedbed of all firms and can contribute significantly to long-term economic development (Westhead and Wright, 2011). Sustainability is particularly important for start-ups as they have limited resources yet resources are needed for innovation and new product development. Strategic decisions and resource orchestration at this stage of the business are crucial to venture success (Li, Hughes and Yin 2014). Yet, while a significant body of research focuses on the resource requirements of start-ups (Lee, Lee and Pennings, 2001), there is little research on the context in which the entrepreneurship is occurring (Westhead and Wright, 2011; Wright and Stigliani, 2012; Zahra and Wright, 2011) or on the decision-making processes themselves (Unger, Rauch, Frese and Rosenbusch, 2011).

One vital context for entrepreneurship is the family firm where “the vanguard of radical change” is a priority for family firms seeking to achieve sustainability and longevity (Zahra, 2010, p.345). Radical change can be brought about by setting up new ventures in related or unrelated industries where the risk of failure can be mitigated by ring-fencing funds to protect core activities (Miller, Wright, Le Breton-Miller and Scholes, 2015). This has many advantages for the established and for the start-up/nascent enterprise. For the established firm this can provide a means of new product development with reduced financial risk (the risk being ring-fenced by the parent company). It can also provide family firms with a means of training the next generation, a form of apprenticeship, before they take over the whole business from the incumbent generation (Le Breton-Miller, Miller & Steier, 2004). For the start-up/nascent enterprises it can provide sustainability through the provision of additional resources that start-ups/nascent firms often lack such as additional funding, access to its networks of stakeholders (such as a skilled workforce, customers, and suppliers), and management expertise and advice (Zahra, 2010).

The type of advice from the founder of the family firm, if some is given, will be related to whether the founder is entrepreneurially or managerially oriented in terms of mindset. These different cognitions/mindsets could lead to ‘good’ strategic decisions leading to sustainability or ‘bad’ strategic decisions curtailing the life of the start-up/nascent firm. Decision-making is crucial for establishing a successful strategic direction for the firm and for appropriate orchestration of resources, and family firms provide the context in which this decision-making is taking place. This raises interesting questions about how a family firm's founder's entrepreneurial or managerial mindset can affect decision-making in the start-up/nascent enterprise, and how this in turn affects its sustainability in the longer term.

The project therefore aims to examine the influence of the family firm on the sustainability of start-up/nascent enterprises, set up by the offspring of the family firm founder, from a cognition/decision-making perspective. By examining the influence of the family firm on start-up/nascent companies from a decision-making perspective we address the following two research questions:

RQ1: Will the family firm founder influence decision-making in the start-up/nascent company?

RQ2: If there is an influence, will it enhance or diminish the sustainability of the start-up/nascent company?

Conceptual Background and Literature

Sustainability

Sustainability is discussed in the management literature but its meaning sometimes varies depending on the context of the research and often refers to environmental sustainability. Here we are interested in a start-up/nascent firms' sustainability which means whether the young company can begin to be self-sufficient after initial input from the parent family firm. The decisions made and resources required to do this are critical. Resources such as human, social, organizational, physical and financial where for example hiring the right people, leveraging available networks, and attracting external funding will enable the firm to sustain itself beyond just ‘family’ influence (Greene, Brush and Brown, 1997; Leung, Zhang, Kam, Foo, 2006). There are also those resources that are directly connected to entrepreneurship such as opportunity recognition in the market and resource orchestration where these are also key to the sustainability of the new venture (Alvarez

& Busenitz, 2008). Decision-making and appropriate resource orchestration will lead to a business that is not wholly reliant on the parent family firm but one that is self-reliant.

The Importance of Decision Making and Human Cognition

Sustainability in start-ups/nascent firms will be related to the strategic decisions made, and these decisions in turn will depend on the cognitive characteristics of the individuals involved and the influence these individuals have over each other. Little research attention has been paid to organization decisions and cognition (Gavetti, Levinthal and Ocasio, 2007) so we will examine both the decision-making processes that take place in the start-up/nascent enterprise and the cognitive characteristics of the individuals involved in the family firm and in the start-up/nascent enterprise.

Decision-making theory is categorized as either normative (planned) or descriptive (improvised). Planning requires processing of information to make rational choices (Wiltbank, Dew, Read, Sarasvathy, 2006) whereas improvisation is adaptive and intuitive based on incomplete information (Bakken, 2008; Wiltbank, Dew, Read, Sarasvathy, 2006). Decision-making is an important part of entrepreneurship, of new business creation, and is critical to our understanding of how opportunities are identified and exploited (Shepherd, Williams and Patzelt, 2015).

The cognitive theory of decision-making can then be helpful in order to understand the way managers think, their mind-set, and the impact this may have on strategic choices. Managerial cognition leads to decisions that are made systematically based on accountability, compensation schemes, and quantifiable budgets (Wright, Hoskisson and Busenitz, 2000) whereas entrepreneurial cognition is associated with the use of heuristics (simplified decisions) based on limited information to best manage complex situations (Baron, 1998; Wright, Hoskisson and Busenitz, 2000). How an entrepreneurs cognitive process enables them to acquire appropriate resources and capabilities is important to understand (Wright and Stigliani, 2012).

Family Businesses and New Ventures

Family firms can be very entrepreneurial and therefore research that combines family firms with entrepreneurship is important in order to understand more about the phenomenon, not only in terms of how family firms can compete with others in their industry, but also how they can be a catalyst for new firm development (Nordqvist and Melin, 2010). Research to date has focused on the former for example in terms of internal corporate entrepreneurship (Sharma and Chrisman, 1999; Zahra, 2003; Zahra, Hayton and Salvato 2004) and entrepreneurial orientation (EO) (Boling, Pieper, and Covin, 2016; Nordqvist and Melin, 2010; Zellweger, Nason and Norqvist, 2012) where EO and corporate entrepreneurship are sometimes being used interchangeably (Le Breton-Miller, Miller, and Bares, 2015) but there has been very little research on the latter in terms of new venture creation by family firms (Nordqvist and Melin, 2010; Steier, 2003; Steier 2007). It has been recognized that for the next generation family members training is important (Le Breton-Miller, Miller & Steier, 2004) and it could be argued that new venture creation is possibly the best 'training ground' for them.

The Influence of 'Family' on the Sustainability of Start-ups

We propose that the combination of mind-set and decision-making can ultimately lead to a more or less sustainable business (Fig.1) where the optimum sustainability for start-up/nascent enterprises are for a founder with an entrepreneurial mind-set and improvised decision making (quadrant D), or a founder with a more managerial mind-set and planned decision making (Quadrant A). If the leaders of the family firm and the start-up/nascent company are both entrepreneurially-minded, using improvised decision-making, the parent family firm is enhancing the sustainability of the fledgling firm (Quadrant D). If the two leaders are managerial-minded, using planned decision-making, the parent firm is once again enhancing the sustainability of the fledgling firm (Quadrant A). If there is clash of mind-sets or decision-making, sustainability of these fledgling ventures could be compromised (Quadrants B or C).

INSERT FIGURE 1 HERE

Our study aims to deepen the understanding of how the family is actually involved in the process of starting-up a new company by the offspring of that family, and specifically the role that decision-making plays in this process including the effect on the sustainability of the new venture. Our study contributes to the entrepreneurship literature by exploring the influences on, and complexities of, the decision-making processes in start-up/nascent enterprises (Shepherd, Williams and Patzelt, 2015; Unger, Rauch, Frese and Rosenbusch, 2011) as well as the role of cognition/mind-set in this process (Wright and Stigliani, 2012). It contributes to the current debate in the entrepreneurship literature on the context in which entrepreneurship is occurring by

looking at the context of family firms (Westhead and Wright, 2011; Wright and Stigliani, 2012; Zahra and Wright, 2011; Zahra, Wright and Abdelgawad, 2014). It also contributes to the field of family firms and specifically adds to calls in the family firm literature to extend our understanding of the heterogeneity of family firms, and how context influences the processes used by them (Kotlar and De Massis, 2013; Wright, Chrisman, Chua and Steier, 2014).

Methodology

To explore the role of decision making and mindset on the sustainability of nascent enterprises we use an exploratory, multiple case study approach. Eisenhardt and Yin (2013) suggest that this approach is particularly useful for in-depth investigations of specific phenomena. The research follows a subjective/interpretive philosophical approach where understanding the differences between actors is key to answering our research questions, accepting that the presence of the interviewer may certainly influence the outcomes (Saunders et al., 2012). The research method is inductive where we draw conclusions from a combination of interviews, observations and document analysis in order to explore the influence of the family firm on the sustainability of start-up/nascent enterprises.

Case selection

We chose to interview the founders of seven start-up/nascent enterprises where the founder was also the successor or potential successor of an established family business. Some of the start-up/nascent firms were located in a university incubator to which we were given access and some were based outside of the university and were identified by members of the research team. The university incubator is at HUBEI University of Technology, Wuhan, China, and all firms not attached to this were also based in Wuhan, China, except Cases 1 and 7 which were UK based. All families were Chinese except Case 7 which was Nigerian. All start-up/nascent companies were less than three years old, all of the founders were successors of their established family business. The characteristics of the seven companies and the associated established family firms are shown in Table 1.

INSERT TABLE 1 HERE

Data collection and analysis

All interviews were semi-structured, and used an interview protocol in order to facilitate some level of standardization and cross-case analysis (Eisenhardt, 1989). Most of the interviews were conducted in Chinese, each interview lasted approximately 60 to 120 minutes and was digitally recorded then later transcribed. Coding was structured around the themes of the research questions that is the relationship between the parent/child decision making and mindset on sustainability. Data were analyzed in accordance with the techniques described by Miles and Huberman (1994). First, a short case history for each parent and child case firm was compiled. Second, all relevant data relating parent/child decision making, mindset and sustainability were collected. Third and finally, the relationships between family firm, decision making and sustainability were identified. At this stage, regularity, patterns, explanations, and causalities relating to the phenomena of interest were noted and as a result of this additional 'context' variables emerged from the interviews that have been categorized and described here.

Results

Our study seeks to explore the influence of family firms on the sustainability of start-up/nascent firms through an exploration of the decision making processes of the actors involved. Respondents were asked to discuss themselves, their start-up companies, the decisions they made, and the involvement of their family. Our observations in terms of family firm influence and sustainability are discussed in the following sections, and are supported by comments from the interviewees themselves. They include not only themes related to decision making and mindsets of parent and child but also themes related to context variables that emerged during the interviews, that are also play a vital role in sustainability of the start-up/nascent enterprises. The findings in relation to context have been arranged in terms of industry/market, temporal, spatial, social networks, and organizational as outlined by Zahra et al., (2014). The findings from the seven interviews are also summarized in Table 2.

Decision-Making and Sustainability

The results on decision making indicate that both types of decision-making, improvisation and planning, are used by some of the children during the development of their firm and that these firms are sustainable. This combination of decision making types is often associated with the type of decision whether day-to-day operational decisions or bigger decisions about for example whether to expand the business:

"I think my decision making is between planned and improvised, depending on different situations and changes. Sometimes what you want is completely different from what you actually do. ... For big decisions I tend to do more planning, but for small decisions I am more improvised." (Case 1)

"For a small start-up like us, it's meaningless to create many rules and boundaries; this (business) is just a field for experimentation." (Case 2)

"When I was a university student, I could do whatever I wanted, completely free. But after I've got 2 million investments to run the business, I couldn't do that anymore. ... Now if I come up with an idea, I will firstly go to my partners and discuss it with them privately, some of them will give me some feedback or suggestions...." (Case 3)

Parents often allow a trial and error approach to the start-up/nascent firm despite the fact that they often have a different mindset compared to the child (more managerial) and are willingness to take the risk and the possible 'affordable' loss. This is seen as a positive approach by both parent and child and seems to enhance the sustainability of the business possibly due to reduced psychological pressure to succeed.

Path dependence and its effect on decision making are seen as a negative influence on sustainability. For example Case 7 where the child copies the parent business even though the final products are different and against the advice of the parent. Another negative influence on sustainability of any new start-up/nascent firm is a complete lack of fear of failure. This is demonstrated in Case 6 where the child uses highly improvised decision making with very little formal planning, and has admitted to doing this because the parent is very wealthy and will always provide funds. This can lead to the creation of poorly though through businesses and in fact the child already has one that has not been a success.

Mindset and Sustainability

There is evidence that both managerial and entrepreneurial mindsets can be present in the same individual and that this can enhance sustainability. The first statement indicates a level of understanding about the industry and market:

"Normally we may compare a cafe with a tearoom ... in Wuhan, cafe will have a much better culture in providing public space, and many tearooms are just a place for Miajiang, that's the fact. So young people like me, ... when we want to find a place to meet, we would choose a place like cafe." Case 2

And the second statement from the same individual highlights a strong desire to be independent and an indication of self efficacy which are both cognitive characteristics of entrepreneurs (Shane, Locke and Collins, 2003):

"My family gave me a platform, without it, I would have no chance to start this cafe. But it also depended on myself to grew, to be independent and strong. ..." Case 2

The third statement in relation to passion is part of motivation and also alludes to the entrepreneurial mindset of this individual (Shane, Locke and Collins, 2003):

"My initial motivation was that I love coffee." Case 2

The combination of an entrepreneurial mindset with early experiences of running small business and making profits can also be linked to sustainability. For example in case 1 the participant had been trading film tickets since high school and in Case 3 the participant had started a business as a first-year undergraduate (rented houses for parties and karaoke), which was sold later to start the new business.

Acting on advice from parents with a more managerial mindset can also play a positive role in sustainability as evidence in case 4 where parent warned the participant in the beginning that a business should only have less than three shareholders (when there was 8). Soon the participant realised the problem and took steps to buy out four of the shareholders with the agreement of the remaining shareholders.

In terms of the possible negative influences on sustainable we have evidence that a managerial mindset of the child is likely to have a negative effect (Case 7) as is clash of mindsets between parent and child where managerial minded parents may demand a greater use of planning and can withdraw financial support. This situation is prevalent when parents lack knowledge of child industry (Cases 1,3).

Context and Sustainability

Context emerged as an important consideration that could not be overlooked. We found that the contexts of industry/market, temporal, social/networks and organization were very important among our cases (see Zahra, Wright, and Abdelgawad, 2014 for an in depth description of these contexts).

The industry/market of the start-up/nascent firm compared to the parent firm had both positive and negative effects on sustainability of the former. Is likely that too much similarity is a result of path dependence and this can have a negative effect on sustainability (Case 7). Some similarity is useful as it gives the start-up/nascent firm access to the parent's contacts and networks (Case 5).

The temporal context in this case refers to the how close the development of the start-up/nascent firm is to the succession event of the main family business. If the children are called back to the family business then the start-up/nascent firm will only sustain if resources have been put in place by the child founder. In Case 4 the child was being drawn back to the family, with succession only a few years away. He was a dominant individual who could perhaps not be replaced, so sustainability of his (multiple) business was not certain. In the other cases this was not an issue as the succession event either had not been discussed or way many years in the future.

Social/network context has a very important role to play in these start-up/nascent firms. The parent can provide encouragement to start the new company (Case 1), funds (Cases 1,2,5,6), advice on strategy rather than the data-to-day operations (Cases 1,5,6), psychological support (cases 2,4), and business contacts/networks (Cases 4.6).

Case 1 demonstrates this parental encouragement which also reveals the 'managerial mindset' of the parent leading to an expectation that the child will conduct some serious research before approaching the parent for funding

..now I (have a business plan after I) complete my market research, although he is still my father, but he is acting like my investor in this commercial relationship." (Case 1)

An exclusive reliance on the contacts and networks of the parent firm is questionable. While this may help the start-up/nascent firm in the first instance it may also backfire if for some reason those contacts evaporate. Case 6 is heavily reliant on parent contacts and adding this to the other evidence from the case that the child has absolutely no fear of failure, and has already started a business that is not particularly successful, it suggests a certain lack of independent thinking and possibly lack of an entrepreneurial mindset in the child.

The evidence on the context of organization indicates that sustainability will be enhanced through development of teams and partners in the start-up/nascent firms (Cases 2,4) and through the parent willingness take a loss (an affordable loss) for the sake of training the child (Cases 1,2,4). On the other hand sustainability is diminished by team breakdown (Case3) and dominant child personalities that may make continuation of the business without that person difficult (Case 4).

INSERT TABLE 2 HERE

Discussion/Conclusion

We set out to understand the decision-making processes and the mindsets of entrepreneurs with start-up/nascent firms and their parents who owned and ran an established family firm, and whether family got involved in the decisions making and if they did what impact would this have on the sustainability of the new venture.

In answer to the first research question *Will the family firm founder influence decision-making in the start-up/nascent company?* we find that the parent does sometimes influence the decision-making but mainly for larger strategic decision rather than the day-to-day operational decisions. We also find that sometimes the

parent has little involvement in decisions of any kind preferring to leave it the child, and this is especially the case when the parents have little understanding of the business. Family influence on decision-making is not solely connected through the provision of funds and business networks, but also through the provision of encouragement and emotional support.

In terms of the second research question *If there is an influence, will it enhance or diminish the sustainability of the start-up/nascent company?* We find that there is often a difference between mindsets or decision-making styles of parent and child, where the parent often has a more managerial mindset, and the child is more entrepreneurial, but that this does not necessarily mean conflict. We suggest therefore that this will not necessarily diminish the sustainability of these businesses. The parents do influence decisions, with their (often) more managerial mindsets, and seem to be driven by their desire for the potential family business successor to learn about business in general, a trial and error approach, before taking over family business in the future. We find that managerial parents often expect the children to demonstrate the potential of the new venture or the health of an existing venture before they invest financially. In the former situation the combination of managerial mindset of parent and entrepreneurial mindset of child works in favour of sustainability acting as a form of due diligence, guiding the child to design/set-up a business that is more likely to be sustainable.

In the latter situation, which was typically the case when the parents did not understand the child's business, funding was initially withheld, and this could inhibit sustainability of any new venture unless another sources of funding can be accessed.

The general context of the family influence on decision making was also very important in sustainability of the start-up/nascent firm where we categorize context as industry/market, temporal, social and organizational (Zahra et al., 2014). In particular the timing issue, part of the temporal context is very important. This relates to whether the expected succession to the family firm interferes with the future successor starting-up his/her new company. This can put some pressure on the entrepreneur or add some conditions that have to be met before family finance is provided. In the social context family are important for providing advice, encouragement and business contacts as well as funding. In the organizational context team formation/working with partners could be important for sustainability as when family withdraw from the firm or when the child entrepreneur wants to sell the company, a management team is in place to take over. Path dependence of the child entrepreneur, a child with a managerial mindset, an exclusive reliance on parental networks, no additional team members or partners, or a very dominant child personality could have a negative influence on sustainability.

We found some additional interesting evidence that sustainability of a new venture will likely be enhanced when the entrepreneur has the ability to switch between decision-making styles and mindsets. This ability to adapt is most important when considering the type of decision to be made (operational vs strategic) or the life cycle stage of the firm (start-up vs expansion).

Implications for the Family Firm

A successful succession is the goal of many family firms so encouraging potential family members to start their own company is an ideal way to 'train' the next generation. Allowing a trial-and-error approach to business start-up by offspring can be used to good effect. Family firms can provide funds for start-ups but should not supply limitless funds time after time as this has the effect of making the successor too reliant on the parent and ensuing businesses many not be so sustainable.

Implications for the Start-up Firm

Start-up firm entrepreneurs should be adaptable in terms of decision making during the lifecycle of the firm, using improvised decisions all of the time may not be in the best interests of the firm. Taking advice from the parents may help to hone the business idea before attempting to start. The parents can provide useful contacts but these should not be used exclusively and it is important for new contacts/networks to be developed independently.

Limitations and Future Research

The obvious limitations here are that we have only interviewed a handful of cases and only at one point in time but nevertheless this has given us some idea of what is worthy of future exploration. First, most of these cases were Chinese so the question arises about culture and whether this has had some bearing on the results. Second, we have some evidence that mindsets can possibly be flexible, so how do mindsets 'change' and what precisely is the relationship between the different states of mind and entrepreneurial behaviour, decision-making, firm sustainability. Third, the timing of succession is also key, the child founder being drawn back into the business could affect the sustainability of the new venture. This aspect could be explored in more depth

with event studies looking at the outcomes when a family firm successor has to leave the business s/he started. Is the child company sustainable? what has been put in place to make it sustainable? does it become part of the broader family firm or become an independent firm? does it still remain somehow linked? This helps to address the question of to what extent can family firms be seen as the seedbed of larger firms in an economy. Fourth, team formation may be important for sustainability so a more in-depth exploration of this in terms of how team members are chosen, their motivation, and their roles would enable a better understanding of the importance of teams. Fifth, we found evidence of a certification effect i.e. a parent investing in the child business once someone else had invested. This type of phenomenon has been reported widely in the venture capital literature (Cumming and MacIntosh, 2001) and signals a certain quality of an investment opportunity to outsiders. How this certification effect works in this context and what the expectations of a 'quality' investment are, are two of the questions that need to be answered with respect to certification. Finally, what other contextual factors may be relevant for family firms/start-ups and sustainability; for example all but one of our child entrepreneurs was male so gender is something that can also be explored. Very finally we hope this research has raised more questions that it has answered and stimulated some interest in this poorly explored area.

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Figure 1. Cognition/Mindset versus Decision Making

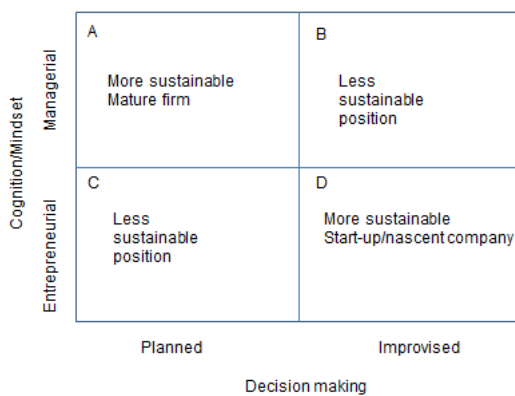


Table 1. Key Characteristics of Sample Firms.

	Case 1*	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7*
Industry	Chinese food delivery app	Coffee Shop	Party organizer	Multiple Businesses	Automotive	HR Outsourcing	Fashion clothing
Entrepreneur Educational Background	Postgrad	Postgrad	Bachelor	Bachelor	Bachelor	Bachelor	Postgrad
Year Founded	2016.03	2014	2015.05	2015.07	2017.03	2017.02	
Location	Beijing/UK	Wuhan, China	Wuhan, China	Wuhan, China	Wuhan, China	Wuhan, China	UK/Global (internet)
No. Partner(s)		1	8	7	1	0	0
Parents' Company Industry		Construction	Logistics	Food	Construction	Construction	Clothing
Location of Parents' company	China	Wuhan, China	Guizhou Province, China	Xi An Province, China	Shan Xi Province, China	Wuhan, China	Nigeria
Parents Educational Background		High School/Secondary Vocational School	High School/Secondary Vocational School	High School/Secondary Vocational School	High School/Secondary Vocational School	High School/Secondary Vocational School	
Establishment of parent Co.		1999	2008	2016	2007	2002	
No. employees in parent co.		About 100	About 30	About 20	About 50	About 100	
Approx. turnover of parent co. last year		RMB 1 - 10 Million	RMB 1 - 10 Million	RMB 1 - 10 Million	RMB 5 - 10 Million	RMB 100 - 800 Million	
Approximate assets of parent co. last year		≥ 10 million	5 million -10 Million	5 million -10 Million	≥ 10 million	≥ 10 million	
No. children		1 boy	2 boys	2 (1 boy and 1 girl)	3 (2 boys and 1 girl)	2 (1 boy and 1 girl)	4 (3 girls, 1 boy)
How successful is firm compared to competitors		Same	Same	Better	Same	Same	
Child expected to succeed fam. bus.		No	No	Considering	No	No	No

* data to follow

Table 2. Summary of the Thematic Analysis of Interviews with Start-up/Nascent Firm Founders: The Influences of DM, Cognition and Context on Sustainability (case number in parentheses).

	(potential) Positive Effect on Sustainability	(potential) Negative Effect on Sustainability
Decision Making Imp/Planned	<p>Child</p> <ul style="list-style-type: none"> To be able to operationalise both types of decision making. For example planned when taking big decisions (business planning, expansion) versus improvised for day-to-day decisions and operations (1,2,5) Capacity to change from improvised to planned decision making in line with growing business and responsibilities (1,3) <p>Parent</p> <ul style="list-style-type: none"> Willingness to take financial risk (regardless of mindset differences), and allowing a trial-and-error approach (1,2,4) 	<p>Child</p> <ul style="list-style-type: none"> Path dependence. If the child does not have an exhibits systematic thinking with lack of entrepreneurial mindset then there may be a tendency to copy the parent (7) Being too improvised – this can happen if there is absolutely no fear of failure, for example when parents are very wealthy and will fund any new venture (6)
Cognition Man/Ent	<p>Child</p> <ul style="list-style-type: none"> Ability to operate between mindsets (flexibility) (2) Entrepreneurial mindset combined with early experiences of business and making profit (1,3,5) Entrepreneurial mindset combined with the desire to be independent (2,4) and passion for the business (2) Managerial mindset when assessing industry and market from outset (2) Managerial mindset when making decisions with business partners (2) Acting on advice from more managerial mindset parent (different mindsets) (4) 	<p>Parent/child clash of mindsets</p> <ul style="list-style-type: none"> Parents demanding more use of planning, combined with lack of knowledge of child industry, resulting in lack of support (1,3,4) But advice from parent not taken leading to business failure (7) <p>Child</p> <ul style="list-style-type: none"> Pure managerial mindset problematic for a start-up (7)
Context	<p><i>Industry/Market</i></p> <ul style="list-style-type: none"> Related to parent industry may mean access to contacts, extension of product ranges (5) <p><i>Temporal</i></p> <ul style="list-style-type: none"> Child – timing - no pressure to succeed family business while starting up new company (1,2,5,6) <p><i>Social/Networks (parent)</i></p> <ul style="list-style-type: none"> Provide finance for the new venture (1,2,5,6) 	<p><i>Industry/Market</i></p> <ul style="list-style-type: none"> Too close to parent industry may be symptomatic of path dependence (7) <p><i>Temporal</i></p> <ul style="list-style-type: none"> Child-Timing - being drawn back to the family to take over the family business (4) Parent-Applying conditions to be met by child in return for their support (3)

	<ul style="list-style-type: none"> • Advice on strategy (1,5,6), mental support (2,4) • Encouragement from parents to start own company (1) • Useful business contacts and networks (4,6) <p><i>Organizational</i></p> <p>Child</p> <ul style="list-style-type: none"> • Developing business partners (2) • Team building capability, stable management team (4) <p>Parent</p> <ul style="list-style-type: none"> • Willingness to take a loss for sake of child 'training' (affordable loss) (1,2,4) 	<p><i>Social/Networks (parent)</i></p> <ul style="list-style-type: none"> • Not providing funding if don't support the idea (3)* • Heavy (total) reliance on parent contacts and networks (6) <p><i>Organizational (child)</i></p> <ul style="list-style-type: none"> • Team breakdown over time (3) • Too dominant in personality, hard to replace (4)
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*Evidence from Case 3 supports a 'certification' effect where parents invest only after others have invested – a signifier of quality.