ELSEVIER
Journal of Business Venturing 18 (2003) 559–566
JOURNAL of BUSINESS VENTURING

Editorial

Evolving research in entrepreneurship and family business: recognizing family as the oxygen that feeds the fire of entrepreneurship

For millennia, scientists believed that the entire world was composed of only four substances: earth, water, air, and fire. Fire was by far the most elusive. It was searing, dramatic, and powerful, but no one knew what actually caused fire to burn. In the 17th century, physicists J.J. Becher and G.E. Stahl popularized a theory that a substance called phlogiston existed in materials that burn. Phlogiston theory held that materials that could not burn had no phlogiston and materials that had been burned were de-phlogisticated. Phlogiston theory was widely accepted until the 18th century when the great French chemist, A.L. Lavoisier, proved in the laboratory that the true process of fire involved oxygen combining rapidly with other substances to release heat and light.

Entrepreneurship is like fire—rapid, dramatic, and powerful. Sometimes its destructive side decimates standing forests of great, old industries; sometimes its power carries innovation throughout the world like a firestorm. Research in entrepreneurship has similarly sought to identify the magic substance that feeds entrepreneurship—its phlogiston. Some scholars investigated the personal characteristics of entrepreneurs, trying to find that "fire in the belly" that many ascribe to entrepreneurs; however, no personal characteristic unique to entrepreneurs has ever been found to date. Others have focused on the creative force of innovations and technology, but again, no one has identified a specific, magic ingredient.

From a contextual standpoint, these decades of investigation have, however, taught us the same lesson that Lavoisier proved with regard to fire—entrepreneurship does not take place in a vacuum. Just as fire is fed by oxygen, entrepreneurship is fed by the oxygen of financial resources, human resources, education, economic conditions, and family. Although family permeates most business ventures, surrounding virtually every entrepreneur, contributing financial and human resources for most ventures, and providing a major source and origin of education and values that are critical to entrepreneurs, research into entrepreneurship has generally sidestepped investigating family as a source of oxygen for the entrepreneurial fire, seeking instead to identify a magic, unique, phlogiston-like substance to explain entrepreneurship.

This special issue of *Journal of Business Venture* seeks to further the understanding of family as a major source of oxygen for the combustion of entrepreneurship. Without question, changes in technology, family structure, work patterns, and business creation, among others,

doi:10.1016/S0883-9026(03)00009-0

have fed and will continue to feed the major changes in the relationship between entrepreneurial business ventures and families. However, at every stage of a venture, the family connection is a key fuel. The sharing of resources, including social networks, between the family and business is a major influence on the ability of each to thrive—that is, a venture's ability to thrive along with its family remaining viable.

Over time, the growing body of research points to the fundamental guiding principle that the combustion of entrepreneurship cannot ignite and grow without the mobilization of family forces. Conversely, families who own and manage businesses thrive best when the family can effectively mobilize the business for its well-being. Businesses and families are invariably and inextricably interlocking and overlapping elements, which can best be viewed, studied, and understood in relationship to the way they interact to create and sustain one another. This is the emphasis of this special journal issue and, judging by the subject and quality of its papers, augers well for the future of research that will better accommodate issues of families and entrepreneurship.

Although research in entrepreneurship (Aldrich and Martinez, 2001; Brazeal and Herbert, 1999; Chandler and Lyon, 2001; Davidsson et al., 2001; Davidsson and Wiklund, 2001; Gartner, 1988, 2001; Shane, 2000; Shane and Venkataraman, 2000; Timmons, 1999; Ucbasaran et al., 2001; Venkataraman, 1997) and family business (Dyer and Sanchez, 1999; Sharma et al., 1996; Upton and Heck, 1997) has evolved along relatively distinct paths, the two paths share three important foci. First, both have viewed the business as the most important system under study, even to the exclusion of the family in its own right within the family business literature. Second, they focus on business by examining traditional business dimensions such as strategy, management, production, labor, and performance. Third, they both focus on time dimensions such as business stages and the transitions between them including the start-up phase, growth, maturity, and exit.

There are also key differences between family business and entrepreneurship. Family businesses are usually defined by criteria or combinations of criteria including family ownership, management by a family member, operational involvement of family members, and family member involvement across generations (Heck and Trent, 1999; Upton and Heck, 1997; Wortman, 1994). Entrepreneurship research often takes a narrow definitional view. The common and limited focus is on new venture opportunities and emergence. Some researchers use a size criteria, perhaps because entrepreneurship programs in schools are often combined with Small Business Management curricula or perhaps because the Small Business Administration defines small business as companies with fewer than 500 employees. Others believe entrepreneurship should focus on the process of identification and exploitation of business opportunities (Venkataraman 1997) or the start-up phase of business (Low, 2001). Even the most casual perusal of entrepreneurship journals will reveal that many researchers believe that any business data set being studied on any subject qualifies for inclusion under the rubric of entrepreneurship. Perhaps then, the operational definition of entrepreneur is simply evolving towards "business owner."

Although family business research has been anchored to the firm, it has underutilized the theoretical framework of family systems theory and sometimes has treated the business as secondary to the family (Cramton, 1993). Family business research often utilizes this broad systems view because many issues affect family members both in and out of the business (Cole, 1997; Dumas, 1989; Heck and Trent, 1999; Heck and Walker, 1993; Rosenblatt et al., 1985). Recently, conceptualizations, models, and empirical analyses have emerged that move beyond family systems theory (Heck, 1998a,b; Heck et al., 1995; Heck and Stafford, 1999; Stafford et al., 1999). On the other hand, entrepreneurship has grown from numerous and diffuse theoretical roots in economics, management, strategy, finance, psychology, and sociology—to name just a few, a fact which may also explain why the codification of a single definition has been so difficult.

Previous family business research has placed an overemphasis on the business enterprise relative to the family system (Dyer and Sanchez, 1999; Heck et al., 2000a; Sharma et al., 1996). Further, previous family business research consists of five major areas: (1) a systems approach/framework; (2) business succession from perspective of the founder and the succession, as well as the process of succession; (3) use of professional managers and boards of directors; (4) strategy and growth issues; (5) research modeling (Upton and Heck, 1997). In addition to the extant family business research, there exist a number of theories or areas of study which could be utilized to broaden our view of appropriate previous literature and be brought to bear on the study of families and business. These include (1) family resource management; (2) family functioning; (3) family viability; (4) interface between the family and the business; (5) the Sustainable Family Business Model (Stafford et al., 1999). Only recently has the economic contribution of family business been documented to dominate our economy in terms of prevalence, gross business revenues, and jobs, as well as important components of family incomes and assets for business-owning families (Heck and Stafford, 2001; Heck et al., 2002; Heck and Trent, 1999).

One of the most positive developments, and one that augers well for research that integrates both, is the existing and developing infrastructure for entrepreneurship and family business research, based on a variety of newly available database sources (Katz, 2000). Both the 1997 and 2000 National Family Business Surveys by Family Business Research Group (Winter et al., 1998) and the Panel Study of Entrepreneurial Dynamics, 1998–1999 by Entrepreneurship Research Consortium (Reynolds, 2000) now offer many researchers a chance to revitalize not only applied, empirical analyses, but also further development of conceptual frameworks and models.

We believe that the papers in this special issue, in addition to addressing many important specific topics, help close the gap between family business research and entrepreneurship research, and will demonstrate the degree to which families are an important source of the oxygen that fuels the fire of entrepreneurship. This special issue includes the invited paper by Aldrich and Cliff and four additional competitive papers on the topics of agency theory, ownership theory, performance theory, and satisfaction with the succession process. The Aldrich and Cliff paper causes us to think anew about a broader and more comprehensive view of entrepreneurship—that is the "family embeddedness perspective" and family life course theory. For the competitive papers, the authors either compare family firms with non-family firms and/or include specific variables in their respective analyses to reflect the effects of both the business and the family. Even the conceptual paper by Steier presents both the business and family aspects of agency theory. Again, our goal with this special issue is to offer a broader and more comprehensive approach to "The Evolving Family/Entrepreneurship Business Relationship."

Aldrich and Cliff's paper offers the "family embeddedness perspective" for the first time, and they have propelled us forward by light-years into a new era of research about families and businesses. Their paper argues convincingly that family and business are as closely connected as oxygen and fire. Aldrich and Cliff demonstrate the interrelatedness of family and entrepreneurship by tracking changes in the family and showing how these changes have altered the landscape of entrepreneurship. Their "family embeddedness perspective" makes a compelling argument for entrepreneurship researchers to recognize the importance of family to entrepreneurial ventures and to include family dimensions in both theoretical and empirical work.

There is no more important oxygen to fuel entrepreneurial ventures than financial support. Steier's paper examines issues of family-provided financial backing for entrepreneurial ventures from both theoretical and empirical perspectives. Steier argues that although family-provided finance is probably the greatest source of financial support for entrepreneurs, the complexities of this issue have been largely ignored by previous research. He proposes a continuum that runs from selfless contributions to family member ventures on the one hand, to selfish, market-like considerations on the other. In four case studies, Steier demonstrates these distinctions and combinations along this continuum which raise issues of agency theory important to researchers.

Randoy and Goel's paper deals with the important issue of how different corporate governance structures are used in family-funded and non-family-funded firms. By placing this issue within the context of agency theory, Randoy and Goel argue that firms without the burden of agency costs may be able to take advantage of different, and perhaps more lucrative, opportunities than firms dealing with outside investors and resulting agency costs. They test the resulting hypotheses on a sample of family-owned and non-family-owned firms in Norway. This study demonstrates how family involvement can have a direct influence on strategic options, governance structures, and financial returns. It also indicates how the structure of family involvement might, in and of itself, provide family firms with a key competitive advantage.

Olson, Zuiker, Danes, Stafford, Heck, and Duncan examine the interrelatedness of family and business by presenting a broad array of data on business and family success and viability. Not surprisingly, their paper demonstrates precisely the sort of family embeddedness perspective argued by Aldrich and Cliff and shows us how far beyond the entrepreneurial equivalent of phlogiston we are moving in understanding the true relationships among the variables that comprise entrepreneurship. Families and business, according to Olson et al., tend to move in parallel, with success in one leading to success in the other. Similarly, problems or failures in one result in problems and failures in the other.

Sharma, Chrisman, and Chua take an important step toward the understanding of the succession process in family firms. Building on a model presented by Sharma et al. (2001), they propose and test on a convenience sample of family firms whether factors, such as engaging in succession planning and agreement among family members to remain involved, have an effect on the perception of the success of this process. Since one of the key transitions that family firms make is to non-family management, this study should encourage other researchers in the area of firm succession to apply and further test this study's conclusions. The authors' conclusions, while needing to be replicated in more representative samples, not only explore the dimensions of this process, but they go a long way towards establishing a normative model of business succession in family firms.

This special issue would not have been possible without the contributions of many hardworking experts willing to be reviewers. We are grateful for their contributions. Specifically, the reviewers for this issue were:

Howard Aldrich, University of North Carolina at Chapel Hill
Joseph H. Astrachan, Kennesaw State University
Ted Baker, University of Connecticut
Joyce Brockhaus, The Brockhaus Group
Robert Brockhaus, St. Louis University
Jennifer E. Cliff, University of Alberta
Jeffrey Cornwall, University of St. Thomas
Byron David, City College, City University of New York
Rich Dino, University of Connecticut
Sara Douglas, University of Illinois at Urbana–Champaign
Irene Duhaime, Georgia State University
W. Gibb Dyer, Jr., Brigham Young University
John Freear, University of New Hampshire
Gary Green, University of Wisconsin at Madison
Patricia Greene, University of Missouri—Kansas City
Hany S. Guirguis, Manhattan College
Clark Hammond, Brigham Young University
Wendy Handler, Babson College
Deborah Haynes, Montana State University
Dan Hoy, Benedictine College
Frank Hoy, University of Texas, El Paso
Ji-Hee Kim, Minot State University
Sandra King, California Polytechnic University at Pomona
Richard Koppelman, Baruch College
Scott Kunkel, University of San Diego
Myung-Soo Lee, Baruch College
Yoon Lee, Utah State University
Suzanne Loker, Cornell University
Justin Longenecker, Baylor University
Greg McCann, Stetson University
Stan Mandel, Wake Forest University
Charles Matthews, University of Cincinnati

Most previous family business and entrepreneurship research suffers from an omitted relevant dimension—that is, the family dimension. Our future research agenda is full and demanding. There is a great need to replicate or reconceptualize most business research to date and to replicate and reconceptualize family studies research if business assets are involved in the financial assets of the family. As Aldrich and Cliff encourage us to do, we need to rethink the importance of families in entrepreneurial ventures and family business by adding a family dimension when conceptionalizing and modeling, when sampling, when analyzing, and when formulating conclusions and implications. Moreover, our research might be better informed if action research were more fully embraced (Heck et al., 2000b; Poza et al., 1998). We trust that there are those among us who are equal to this challenge.

After decades of looking for the phlogiston of entrepreneurial fire, researchers are now beginning to identify one of the sources of oxygen that truly feeds the flame of entrepreneurship—the family. Families create, indeed breed, entrepreneurs by first giving them education, values, and experience. Later, families contribute financial and human resources to the entrepreneur's ventures—ultimately linking forever both the venture's and the family's viability.

References

Aldrich, H.E., Martinez, M.A., 2001. Many are called, but few are chosen: an evolutionary perspective for the study of entrepreneurship. Entrepreneurship Theory and Practice 25 (3), 41–56.

Brazeal, D.V., Herbert, T.T., 1999. The genesis of entrepreneurship. Entrepreneurship Theory and Practice 23 (3), 29–45.

Chandler, G.N., Lyon, D.W., 2001. Issues of research design and construct measurement in entrepreneurship research: the past decade. Entrepreneurship Theory and Practice 25 (3), 101–113.

Cole, P.M., 1997. Women in family business. Family Business Review 10 (4), 353–371.

Cramton, C.D., 1993. Is rugged individualism the whole story? Public and private accounts of a firm's founding. Family Business Review 6 (3), 233–261.

Davidsson, P., Wiklund, J., 2001. Levels of analysis in entrepreneurship research: current research practice and suggestions for the future. Entrepreneurship Theory and Practice 25 (3), 81–99.

Davidsson, P., Low, M.B., Wright, M., 2001. Editor's introduction: Low and MacMillan ten years on: achievements and future directions for entrepreneurship research. Entrepreneurship Theory and Practice 25 (3), 5–15.

Dyer, W.G., Sanchez, M., 1999. Current state of family business theory and practice as reflected in *Family Business Review* 1998–1997. Family Business Review 11 (4), 287–295.

Dumas, C., 1989. Understanding the father–daughter and father–son dyads in family-owned businesses. Family Business Review 2 (1), 31–46.

Gartner, W.B., 1988. "Who is an entrepreneur?" is the wrong question. American Journal of Small Business 12 (4), 11–32.

Gartner, W.B., 2001. Is there an elephant in entrepreneurship? Blind assumptions in theory development. Entrepreneurship Theory and Practice 25 (3), 27–39.

Heck, R.K.Z. (Ed.), 1998a. The Entrepreneurial Family. Family Business Resources Publishing, Needham, MA.

Heck, R.K.Z., 1998b. The entrepreneurial family: refocusing on the family in business. In: Heck, R.K.Z. (Ed.), The Entrepreneurial Family. Family Business Resources Publishing, Needham, MA, pp. 1–7.

Heck, R.K.Z., Walker, R., 1993. Family-owned home businesses, their employees, and unpaid helpers. Family Business Review 6, 397–416.

Heck, R.K.Z., Stafford, K., 1999. Reconceptualizing business performance theory within the family business context: helping high growth firms remain competitive in global markets. Paper presented at the 1999 Babson College—Kauffman Foundation Entrepreneurship Research Conference, The Darla Moore School of Business at the University of South Carolina, Columbia, South Carolina, May 13–15.

Heck, R.K.Z., Stafford, K., 2001. The vital institution of family business: economic benefits hidden in plain sight. In: McCann, G.K., Upton, N. (Eds.), Destroying Myths and Creating Value in Family Business. Stetson University, Deland, FL, pp. 9–17.

Heck, R.K.Z., Trent, E.S., 1999. The prevalence of family business from a household sample. Family Business Review 12 (3), 209–224.

Heck, R.K.Z., Owen, A.J., Rowe, B.R. (Eds.), 1995. Home-Based Employment and Family Life. Auburn House, Westport, CT.

Heck, R.K.Z., Jasper, C.R., Stafford, K., Winter, M., Owen, A.J., 2000a. Using a household sampling frame to study family businesses: the 1997 National Family Business Survey. In: Katz, J.A. (Ed.), Databases for the Study of Entrepreneurship. Advances in Entrepreneurship, Firm Emergence and Growth, vol. 4. JAI Press, Stanford, CT, pp. 229–287.

Heck, R.K.Z., McCann, G., DeMoss, M., Upton, N.B. 2000b. Building a family business research program within the Stetson holistic model. The 2000 International Applied Business Research Conference (Proceedings on CD), Puerto Vallarta, Mexico, March 13–17.

Heck, R.K.Z., Rogoff, E.G., Lee, M.-S., Stafford, K., 2002. The economic contributions of family business. United States Association of Small Business and Entrepreneurship, Annual Conference 2002.

Katz, J.A. (Ed.), 2000. Databases for the Study of Entrepreneurship. Advances in Entrepreneurship, Firm Emergence and Growth, vol. 4. JAI Press, Stanford, CT.

Low, M., 2001. The adolescence of entrepreneurship research: specification of purpose. Entrepreneurship Theory and Practice 25 (3), 17–25.

Poza, E.J., Johnson, S., Alfred, T., 1998. Changing the family business through action research. Family Business Review 11 (4), 311–323.

Reynolds, P.D., 2000. National panel study of U.S. business startups: background and methodology. In: Katz, J.A. (Ed.), Advances in Entrepreneurship, Firm Emergence, and Growth, vol. 4. JAI Press, Stanford, CT, pp. 153–227.

Rosenblatt, P.C., deMik, L., Anderson, R.M., Johnson, P.A., 1985. The Family in Business: Understanding and Dealing with the Challenges Entrepreneurial Families Face. Jossey-Bass, San Francisco.

Shane, S., 2000. Prior knowledge and the discovery of entrepreneurial opportunities. Organization Science 11 (4), 448–469.

Shane, S., Venkataraman, S., 2000. The promise of entrepreneurship as a field of research. Academy of Management Review 25 (1), 217–226.

Sharma, P., Chrisman, J.J., Chua, J. (Eds.), 1996. A Review and Annotated Bibliography of Family Business Studies. Kluwer Academic Publishing, Boston.

Sharma, P., Chrisman, J.J., Pablo, A., Chua, J.H., 2001. Determinants of initial satisfaction with the succession process in family firms: a conceptual model. Entrepreneurship Theory and Practice 25 (3), 17–35.

Stafford, K., Duncan, K.A., Danes, S.M., Winter, M., 1999. A research model of sustainable family business. Family Business Review 12 (3), 197–208.

Timmons, J.A., 1999. New Venture Creation. McGraw-Hill, Boston, MA.

Ucbasaran, D., Westhead, P., Wright, M., 2001. The focus of entrepreneurial research: contextual and process issues. Entrepreneurship Theory and Practice 25 (3), 57–80.

Upton, N.B., Heck, R.K.Z., 1997. The family business dimension of entrepreneurship. In: Sexton, D.L., Smilor, R.W. (Eds.), Entrepreneurship: 2000. Upstart Publishing Company, Chicago, IL, pp. 243–266.

Venkataraman, S., 1997. The distinctive domain of entrepreneurship research: an editor's perspective. In: Katz, J.A. (Ed.), Advances in Entrepreneurship, Firm Emergence and Growth, vol. 3. JAI Press, Greenwich, CT, pp. 119–138.

Winter, M., Fitzgerald, M.A., Heck, R.K.Z., Haynes, G.W., Danes, S.M., 1998. Revisiting the study of family businesses: methodological challenges, dilemmas, and alternative approaches. Family Business Review 11 (3), 239–252.

Wortman, M.S., 1994. Theoretical foundations for family-owned business: a conceptual and research-based paradigm. Family Business Review 7 (1), 3–27.

Edward G. Rogoff *
Ramona Kay Zachary Heck
Baruch College, New York, USA
E-mail address: Edward_Rogoff@baruch.cuny.edu

* Corresponding author.