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Households as a Site of Entrepreneurial Activity

Sara Carter  
Hunter Centre for Entrepreneurship,  
Strathclyde Business School

Aniela Kuhl  
Hunter Centre for Entrepreneurship,  
Strathclyde Business School

Susan Marlow  
Haydn Green Institute,  
University of Nottingham

Samuel Mwaura  
Hunter Centre for Entrepreneurship,  
Strathclyde Business School
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1 Introduction 2

2 Conceptualizing Entrepreneurial Households 9
   2.1 The Household as a Unit of Analysis 9
   2.2 Defining the Entrepreneurial Household 10
   2.3 The Intertwined Business and Household 12

3 Theoretical Constructs of the Household 16
   3.1 The Household as an Economic Unit 16
   3.2 Household Decision-Making 20
   3.3 Economic Perspectives on Household Decision-Making 22
   3.4 Sociological Perspectives on Household Decision-Making 26
   3.5 Household Decision-Making: The Child as Decision-Maker 27
   3.6 Household Financial Allocation Practices 30
   3.7 Approaches to Household Strategy 33

4 The Household in Entrepreneurship Research 39
   4.1 Household Perspectives in Entrepreneurship 39
   4.2 Household Composition and Kinship 44
   4.3 Children in Entrepreneurial Households 45
   4.4 Family Embeddedness: Household Influences on Entrepreneurship 47
5 Entrepreneurial Households: Resources and Consequences 60
  5.1 Household Resources for Entrepreneurial Activities . . 60
  5.2 Is Entrepreneurship Good for Households and Families? . 64
  5.3 The Financial Effects of Business Ownership . . . . . . . 66
  5.4 Housing Assets, Neighborhoods and Home Based Businesses 75

6 Conclusions 79
ABSTRACT
Entrepreneurial households have a central role in determining entrepreneurial choices, actions and outcomes. In this monograph we focus on the role of households in new venture creation and growth, arguing that our understanding of individual actions and firm level decisions becomes clearer if they are considered from the perspective of the household. A household perspective implies that the entrepreneur is viewed outwards from the context of their immediate family unit, and implicitly recognizes the blurred boundaries between the business sphere and the private sphere; business strategies and household strategies are interwoven, and business decisions are often made within the household. We review theoretical constructs of the household and examine the ways in which the household has been considered within entrepreneurship research. Not only is the household a vital component in fully understanding entrepreneurial actions, research attention should also be afforded to understanding the effects of entrepreneurship on business-owning households.
Entrepreneurship research traditionally views both the individual and the firm as decontextualized entities, with little regard for the family and household context in which the entrepreneur is embedded and from which the firm emerges. The view that the business and the household are separate institutions with few points of overlap is now being challenged. The development of family business as a separate but related field of enquiry (De Massis et al., 2012); the recognition of the importance of context in understanding venture creation and growth (Zahra, 2007; Welter, 2011); and recent studies focused upon the underpinning role of the household in business growth (Alsos et al., 2014a; Mwaura and Carter, 2015), collectively challenge the notion of separation between businesses and households.

This monograph explores the interactions between business activities and entrepreneurial households, demonstrating that new venture creation and growth often hinges on the household-business nexus, and that business decisions are influenced both by family circumstances and prevailing economic conditions (Carter and Ram, 2003; Welter, 2011). The household is the smallest social unit where human and economic resources overlap (Wheelock and Oughton, 1996); household strategies
“can help to elucidate the social factors underlying economic behavior” (Wallace, 2002, p. 275). Hence, in examining the role of the household in new venture creation and growth, we explore contextual and processual aspects of entrepreneurship (Carter and Ram, 2003; Zahra, 2007; Welter, 2011).

A focus on the entrepreneurial household does not imply that we focus only on firms whose physical base is located within the home – though home-based businesses are a growing phenomenon. Rather, we argue that the household, from which the firm emerges, whether physically located within the home or in external premises, has a substantial influence upon the business and business decisions are often shaped by household routines, choices and behaviors. Regardless of the venture’s physical location, decisions surrounding start up, resourcing, managerial strategies and routines pivot around household dynamics – so time, space and household resource availability intertwine such that the demarcation between business and household inevitably blurs. The culture and evolution of the venture will correspond to that of the family as household membership, routines, resource constraints and behaviors change over time. Where the household has been mentioned previously within studies of entrepreneurship, it has usually only been viewed as a provider of a cheap and flexible labour resource (Ram, 1994). In this monograph, we argue that the household plays a more fundamental role in the strategic decision-making of the enterprise. In focusing on the centrality of the household context to entrepreneurial choices, actions and outcomes, as well as the interactions thereof, this monograph explores the role and importance of the household dimension within entrepreneurship.

In line with Shane and Venkataraman (2000), we adopt the common understanding of entrepreneurship as the activity of organizing, managing, and assuming the risks of a business venture. Accordingly, entrepreneurial actors engage with a range of activities to create and sustain their ventures. However, they are unlikely to do so in isolation; rather, they draw from a range of tacit and substantive resource sources to enact the business and sustain it over time. While the role of the family in this process is well established (Stewart and Hitt, 2012), we
suggest this offers only a partial analysis. As such, the focus upon the influence and inputs from direct family members does not take account of the dynamics of household composition such as the entry and exit of household members through births, deaths, marriages, divorce, children leaving home or alternatively, how those in the household with no overt interest in the firm may still contribute or indeed, hinder its operation. In adopting this broader analytical framework, a household focus also acknowledges the relationship between entrepreneurship and household dynamics and wellbeing, acknowledging the impact of entrepreneurship upon the lives and livelihoods of all household members, not only those involved with the firm (Jennings et al., 2013).

Thus, a household approach to entrepreneurship enables the conceptualization of relations of people under the same roof while sidestepping the limitations of a family focus. This enables an extension of debate to analyse household capital (including financial, human, social, and cultural capital), household composition (and pertinent changes), as well as household routines (and disruptions) which may be identified as three key vectors that will directly, indirectly or interactively influence entrepreneurial choices, business conduct and the economic outcomes of a given enterprise. Of importance is that the business is closely associated with a particular entrepreneur. In turn, this link to a specific individual embeds the enterprise into the entrepreneur’s household more deeply and without necessitating co-ownership by family members or other direct family involvement, such as the employment of relatives, as in mainstream family business research.

While a focus on households as a specific unit of analysis is relatively unusual within the entrepreneurship domain, other subject disciplines, particularly sociology, rural studies and development studies, have devoted considerable attention to the role of the household in economic development. One of the most influential studies of households (Anderson et al., 1994) encapsulated the results of an entire programme of research, the Social Change and Economic Life Initiative, funded by the UK Economic and Social Research Council. Over a five year period, teams from eleven universities coordinated three major surveys in six British towns and cities focused on the social and political economy of
households, addressing “some of the ways in which households organize their economic activities . . .and the ways in which they are thus able to sustain themselves over time, by gathering in and maintaining the resources (material and human) that they use and by deploying these resources in pursuit of individual and collective ends” (Anderson et al., 1994, pp. 1–2). Whilst empirically, this large-scale study is somewhat dated, it remains theoretically relevant in terms of critical analyses of resource exchanges within households, wealth distributions and divisions of labour. The absence of any focus upon entrepreneurial activity, such as self-employment and firm ownership, as a form of economic participation with specific implications for household resource use and decision-making, demonstrates the scale of social and economic changes over the intervening years. Technological and structural changes in the wider economy have resulted both in a growing precarity experienced by individuals within what were secure employment sectors, as well as a rapid and sustained expansion of the numbers of individuals engaged in entrepreneurial activity. Changes in employment trends, particularly increases in self-employment, coupled with the sustained growth in female educational attainment and economic participation, have brought profound changes to many households (Jayawarna et al., 2013). Contemporary analyses of the social and political economy of households would have to acknowledge the effects of entrepreneurial activity which now functions as a main, or subordinate household economic activity and which in turn, has informed profound social changes.

Although the household remains a relevant, often central, concern within related subject disciplines, within the entrepreneurship domain it is mainly regarded as a data-source in studies that analyse households in order to draw out and measure individual entrepreneurial actions; however, this approach largely ignores the household setting. Alternatively, the household is frequently incorporated as a necessary context for studies that focus upon entrepreneurship within developing economies. A search of the Primo Central database for the years 1980–2016 using the keywords ‘households’ and ‘entrepreneurship’ located 320 peer-reviewed journal articles, of which a large proportion focused on aspects of entrepreneurship within a variety of developing economies,
Introduction
typically evaluations of the impact of micro-creditor analyses of peasant and agricultural sub-sectors as sources of economic opportunity. Although studies drawn from a developing economy context contained an implicit assumption that the household would be the main beneficiary of such economic activity, it was typically portrayed as having little role in entrepreneurial development. Although the household as a necessary and relevant entrepreneurial context is central to this monograph, our aim is not simply to explore the household context; rather our focus is on understanding what actually occurs within entrepreneurial households. The goal therefore, is to examine the entrepreneurial household itself. This is achieved by reviewing existing household theories and constructs as they apply to entrepreneurial households. Accordingly, we explore strategies and power relations within entrepreneurial households by, for example, examining financial and non-financial resources used for entrepreneurship, how such resources flow between or are withheld from household members and the management and allocation decisions regarding incomes and outgoings. During this analysis we recognise how social ascriptions such as gender and ethnicity critically influence this process.

It has been noted that entrepreneurship research reifies the individual actor often at the expense of contextual factors (Ogbor, 2000; Welter, 2011). In focusing upon entrepreneurial households, we run a similar risk of reification, imbuing a character to the household as a collective whole. This potentially disregards differences in actions, resources, values and the diversity of power relationships between constituent members of the household. Our justification for this is two-fold. First, we believe that a focus on the entrepreneurial household is a necessary corrective that offers a counter-weight to the dominant discourse focused largely upon individual entrepreneurial actors without regard to the household in which they are embedded. Second, we draw inspiration from Anderson et al. (1994, pp. 3–4) large scale, longitudinal analysis of several hundred households which concluded that “... it is only in a tiny minority of households that the members are seeking to behave as atomistic individuals taking no account of each other – and such situations are inherently fragile. Most households, most of the
time, develop highly complex sets of rules governing what is or is not acceptable behaviour by members. ...households in general have to coordinate and accommodate the attitudes, beliefs, and behaviours of their members. The sets of rules by which this accommodation and coordination take place emerge through social interaction and have the characteristics of an ‘emergent property’ which does not belong to any one member of the household.” Hence, it is our intention to focus on the entrepreneurial household as an entity that provides a framework of normative behavior and a network of social relations within which, we argue, most entrepreneurial decision-making—especially that undertaken at the early stage of a venture—occurs.

Given the widespread and sustained interest in entrepreneurs evident within academic, policy and popular discourses, it would be tempting to explore whether there is something special or specific about the households from which entrepreneurial individuals emerge. In fact, our intention is the opposite. The growth in self-employment and business ownership is such that entrepreneurial households now constitute a growing proportion of households within developed economies, and are an even larger share of households within the developing world (Kelley et al., 2016a). The relatively large proportion of households that depend, to some degree, upon entrepreneurial activity suggest there will be substantial variations in capabilities, resources and aspirations. Moreover, there will be variations in their structural dimensions of size, composition and life-cycle. In other words, household engagement in entrepreneurship is commonplace, rather than exceptional, special or specific.

The value of focusing on entrepreneurial households lies in the ability to explore questions that the entrepreneurship research domain, so far, has been unable to address. These include, for example, understanding the role of households and the resources either at their disposal or that can be commanded in influencing business decisions and routines from venture inception, longer term survival, growth and market exit. How entrepreneurial households construct a sense of collective economic wellbeing, given the inherent precarity of business ownership, and understanding how economic risk and insecurity is managed within the
entrepreneurial household demands attention. Moreover considerations of the nature of rational choice within the household, and how and in what ways entrepreneurial activity influences financial allocation practices within entrepreneurial households are critical. These questions are explored within this monograph. As such, the household is a normative context for entrepreneurial behavior which remains under explored. Entrepreneurship is an exchange based activity; thus, it is essentially social and so has to be analysed within a social context. Given the importance of the household as a universal setting for human activity, but one which is dynamic over time, space and place, it offers a generic foundation to study entrepreneurial activity whilst permitting particularised examinations of diversity in how it is articulated. Consequently, to progress understanding of entrepreneurship, it is necessary to acknowledge that, as a unit of analysis, individual entrepreneurs are the visible embodiment of the household dynamic.

This monograph is divided into six sections. Following this introduction, we commence by conceptualising the entrepreneurial household and define the term (Section 2), before considering theoretical constructs of households that have been developed within other subject domains and have evolved into the modern era (Section 3). In Section 4, we review existing analyses of the household in entrepreneurship research, focusing upon its influence upon the entrepreneurial process, but also considering the growth of home-based businesses and the home as an important asset in business development. Whilst most research exploring households and entrepreneurship focus upon the influence of the household and family on the business, it is also necessary to consider the opposite relationship. Hence, in Section 5 we review the effect of business ownership on households and families. Section 6 concludes the monograph, reviews some of the implications of a household perspective on entrepreneurship and outlines a future research agenda.


References


References


References


