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**INFLUENCE OF FAMILY AND PEERS ON INDIVIDUAL'S DECISION TO STARTUP A NEW BUSINESS VENTURE****VEESAM CHANDRA REDDY** MBA, M.Sc., NET

Entrepreneur and Business Consultant,

Cybermedha Solutions Pvt. Ltd, Hyderabad-50038, India.

**ABSTRACT**

Much of the research into entrepreneurs' intentions to startup a new business venture focuses upon the entrepreneurs' personality traits or the external economic environment. These theories largely ignore socio-cultural factors like social relationships between the entrepreneur and others who influence him and his behavior. In order to fully understand entrepreneur's intention to startup a new business venture, it is necessary to understand his relationship with his family, peers (a person of the same age, status), friends, funders, advisers etc. The study found that, most of the time, entrepreneur's decision to startup a new business venture is not driven by his ability considerations, rather it is influenced by his parents or peers and their entrepreneurial experiences. If the person does not get proper support from their family or peers, they may not get into entrepreneurship or else fail in it.

**Keywords:** role of family and peers in startups, new business venture, entrepreneur personality.

**1. INTRODUCTION**

The word "Entrepreneurship" is derived from the French verb '*entreprendre*' which means "to undertake". Entrepreneurship is a practice and a process that results in creativity, innovation and enterprise development and growth. It refers to an individual's ability to turn ideas into action involving and engaging in socially-useful wealth creation through application of innovative thinking and execution to meet consumer needs, using one's own labor, time and ideas. Existing businesses may remain confined to the scope of existing markets and may hit the glass ceiling in terms of income. New and improved offerings, products or technologies from entrepreneurs enable new markets to be developed and new wealth created. With the advent of globalization and liberalization, every country seeing the potential of entrepreneurship not only as an entry-level employment generator, but also as a means of wealth creation.

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venture focuses upon the entrepreneurs' personality traits or the external economic environment. These theories largely ignore socio-cultural factors like social relationships between the entrepreneur and others who influence him and his behavior. In order to fully understand entrepreneur's intention to startup a new business venture, it is necessary to understand his relationship with his family, peers (a person of the same age, status), friends, funders, advisers etc. Most of the time, one's intention to become an entrepreneur is not driven by ability considerations, but rather influenced by many socio-cultural factors.

## 2. OBJECTIVE

The study tries to find out the role played by entrepreneur's family and peers in his decision to startup a new business venture.

## 3. METHODOLOGY

The article is written based on the secondary data sourced from books, journals, articles, newspapers, interviews and websites etc.

## 4. EXISTING LITERATURE

A study conducted by National Knowledge Commission, New Delhi, India (2008) determined that a successful Entrepreneurship ecosystem is the function of a number of factors working in tandem. These are classified as 'Entrepreneurial Triggers'.

Those are as follows:

- Individual Motivations for Entrepreneurship
- Socio-cultural Factors
- Access to Early Stage Finance
- Education and Incubation
- Business Environment for Entrepreneurship

The NKC study explored the degree of family support (Socio-cultural Factor), and found that, overall, as many as 74% of the entrepreneurs were supported by their families at the time of business startup.

His rich & Brush (1984) mentioned that, majority of entrepreneurs in a sample of 468 told that, they received significant support from their spouse in starting up of the venture. Marian Holienka, Milos Mrva, Peter Marcin (2013) suggest that students with family entrepreneurial role models show significantly higher intention to become an entrepreneur than those without. Therefore, it's asserted that the association between exposure to family role model with positive experience in business and students' entrepreneurial intention is significantly positive. Ronstadt and Peterson (1988), actors in an entrepreneur's social network may provide significant support in helping the entrepreneur recognize their own abilities or limitations, first generation entrepreneurs generally face strong opposition from their parents as occupation

pursued by the family so far is different from what is going to be done by the entrepreneur.

Oliver Falck, Stephan Heblich and Elke Luedemann (2009), an entrepreneurial identity results from an individual's socialization. This could be parental influence but, as argued in their paper, also peer influence. Based on the data in which students reported their entrepreneurial intentions at the age of 15, they found that having an entrepreneurial peer group has a positive effect on an individual's entrepreneurial intentions.

Falck, Heblich and Luedemann (2010) showed that adolescents importantly shape their peers' entrepreneurial intentions and attributed that finding to the transfer of entrepreneurial identity across peers. By contrast, in their study of Harvard Business School peers, Lerner and Malmendier (2011) found that exposure to a higher share of peers with a pre-business-school entrepreneurial background reduced entrepreneurship rates. Their finding was driven by the rate of unsuccessful entrepreneurs; students exposed to a higher number of pre-MBA entrepreneurs were less likely to start unsuccessful ventures.

According to survey conducted by Simeon Djankov, Yingyi Qian, Gerard Roland and Ekaterina Zhuravskaya (2007) in Brazil, 81% of entrepreneurs have relatives who are businesspersons, compared to 55 % among non-entrepreneurs. Researchers also asked people in the survey to remember their 5 best friends from school and then asked who became an entrepreneur. and found that 70% of entrepreneurs had school friends who became entrepreneurs compared to 48% for non-entrepreneurs. The same question about university friends yielded a positive answer with 78% of entrepreneurs compared to 33% for non-entrepreneurs. A larger share of failed entrepreneurs claim that their career choice was influenced by decisions of their friends (9% compared to 3% for active entrepreneurs).

Ramana Nanda and Jesper B. Sorensen (2010), researchers argue that coworkers can increase the likelihood that an individual will perceive entrepreneurial opportunities as well as increase his or her motivation to pursue those opportunities, an individual is more likely to become an entrepreneur if his or her co-workers have been entrepreneurs before. Peer influences also appear to be substitutes for other sources of entrepreneurial influence, they also mentioned that peer influences are strongest for those who have less exposure to entrepreneurship in other aspects of their lives.

Estimates from Burton, Sorensen and Beckman (2002) and Gompers, Lerner and Scharfstein (2005) suggest that over 90% of founding team members are employed at an established firm prior to founding their start-up. Given the significant time spent by employees at the workplace, in close proximity with their colleagues, one might expect that the work-environment, and in particular their peers, would be an important factor influencing individuals' career decisions, including transitions to entrepreneurship.

## 5. RESULTS

Results suggest that, person from a family which has a business or have relatives who are businesspersons show significantly higher intention to become an entrepreneur than those without and receive financial and non-financial support from them. It's found that, first

generation entrepreneurs may face strong opposition from their family members as they feel it risky to start a business without prior business experience. Sometimes, size of the family, financial need or financial stability of the family effects individuals' decision to startup a new business venture.

Having an entrepreneurial peer group at school or university level has a positive effect on an individual's intentions become an entrepreneur, but has negative effect if they are unsuccessful in their businesses. Most of the time peers' influence at school or university arises from social interactions rather than the institutional impact of the school or university. Entrepreneurial entry is also influenced by prior work experiences of an individual's co-workers; an individual is more likely to become an entrepreneur if his co-workers were successful in their businesses and have more influence on those who have less exposure to entrepreneurship in other aspects of their lives.

## 6. CONCLUSION

Many factors may come up in the way of starting a business venture. Encouragement of the family elders and friends is very much needed in the process of starting a new enterprise. If they are reluctant, it is difficult to expect support from others. If the person does not get proper support from their family or peers, they may not get into entrepreneurship. The study concludes that, most of the time, entrepreneur's decision to startup a new business venture is not driven by his ability considerations, rather it is influenced by his parents' or peers' and their entrepreneurial experiences.

## 7. AREA OF FURTHER RESEARCH

The study found a good amount of literature on role of family and peers in the process of new firm formation, but could not find relevant literature on their role in other phases of business like scaling up, development and winding up etc., so the studies can be extended to include their role in other phases of the business.

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