



Carter, S., Kuhl, A., Marlow, S. and Mwaura, S. (2017) Households as a site of entrepreneurial activity. *Foundations and Trends in Entrepreneurship*, 13(2), pp. 81-190.

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Deposited on: 25 August 2020

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**FOUNDATIONS AND TRENDS IN ENTREPRENEURSHIP**

**HOUSEHOLDS AS A SITE OF ENTREPRENEURIAL ACTIVITY**

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## HOUSEHOLDS AS A SITE OF ENTREPRENEURIAL ACTIVITY

### 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 ~~are interwoven with~~ and household strategies ~~interwoven, and~~ business decisions ~~are and~~ 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 of the effects of entrepreneurship on business-owning households.

### KEYWORDS

Households, household strategy, household resources, kinship, entrepreneurship, business resources, business growth

## 1. INTRODUCTION

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 ~~the~~ 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), and; household strategies “can help to elucidate the social factors underlying economic behavior” (Wallace, 2002: 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 is a~~-substantial~~ly~~ influence~~d~~ ~~upon by~~ the business and ~~crucially~~, business decisions are ~~often~~ shaped by household routines, choices and behaviours. Regardless of ~~the venture's physical~~ location, decisions surrounding start up, resourcing, ~~and~~ 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 behaviours 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, 1992). 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, Breitzkreuz and James, 2013).

Thus, a household approach to entrepreneurship enables the conceptualisation 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, Bechhofer and Gershuny, 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: 1-2). While ~~not~~ 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, Kitching and Rouse, 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.

While the household remains a relevant, often central, concern within related subject ~~disciplines~~~~domains~~, within the entrepreneurship domain it is ~~mainly~~ ~~most often~~ regarded ~~either~~ 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 more 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, typically evaluations of the impact of micro-credit or analyses of peasant and agricultural sub-sectors as sources of economic opportunity. While [most](#) 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's (1994: 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 behaviour 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 ~~taking~~ an even larger share of households within the developing world (Kelley, Singer & Herrington, 2016). 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](#) [address](#) 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 behaviour 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 [while](#) ~~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 chapters. Following this introduction, we commence by conceptualising the entrepreneurial household and define the term (Chapter Two), before considering theoretical constructs of households that have been developed within other subject domains and have evolved into the modern era (Chapter Three). In Chapter Four, 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 Chapter Five we review the effect of business ownership on households and families. Chapter Six concludes the monograph, reviews some of the implications of a household perspective on entrepreneurship and outlines a future research agenda.

## 2. CONCEPTUALIZING ENTREPRENEURIAL HOUSEHOLDS

### **The Household as a Unit of Analysis**

Although the family and household context have been identified as beneficial to the analysis of entrepreneurial behaviour, this approach is not without its difficulties and some conceptual issues require clarification. Households and families are not universal in form and the process of identifying and setting a boundary around the household or family unit depends upon the cultural context (Wilk, 1989). The cultural context similarly determines the form and nature of the household's relationships with other households and with the wider economy. Moreover, the ways in which decisions are undertaken and resources allocated and shared are 'logically inseparable from the issue of household boundaries' (Wilk, 1989: 27). Given the diversity of household forms, functions and membership, a universal definition of a household is challenging, though they are commonly described as residences containing 'a group of people who pool resources or eat from the same pot' (Beall and Kanji, 1999: 1). A household may include close family, wider kin and unrelated individuals such as lodgers or may be entirely composed of a group of unrelated individuals. Hence, concepts of household and family are not coterminous, but in practice they share common elements.

Wheelock and Oughton (1996) outline two definitions that provide a useful working guide to the characteristics and roles of the household. The first, based on function, views the household as "the basic unit of society in which the activities of production, reproduction, consumption and the socialisation of children take place" (Roberts, 1991: 61). The second characterises the household as a "group of people, their relationships and activities, who acknowledge a common authority in domestic matters, a 'budget unit', or a group who have a common fund of material and human resources and rules for practices and exchange within

it” (Messer, 1990: 52). While these concepts are universal, in practice households will present differently and will contain individuals with different kin and non-kin relationships, depending on place, culture and history (Wheelock and Oughton, 1996). Hence, the household-family framework is flexible and permeable; it expands and contracts over time. The fluctuating composition of the household-family unit reflects social and demographic conditions, including prevailing rates of births, mortality and life-expectancy, marriage and remarriage conceptualised as a household lifecycle (Tadmor, 1996).

An alternative definition focuses on households as institutions with a legal dimension, offering an explanation for their persistence as a social and economic form. Describing a household as “a set of institutional arrangements, formal or informal, that govern relations among the owners and occupants of a particular dwelling space where the occupants usually sleep and share meals”, Ellickson (2008: 1) identified their three “core liberal entitlements” as private ownership, freedom to exit from the household, and freedom of contract. While household size and composition varies according to cultural context, it has been argued that the small size of most households, typically based around a family unit, provides an optimum scale for efficient transaction costs and smooth governance based upon informality, reciprocity and homogeneity of taste (Ellickson, 2008; Swedberg, 2011).

### **Defining the Entrepreneurial Household**

In focusing upon entrepreneurial households, we recognize these fundamental definitions but are concerned only with those households in which one or more members are occupied in self-employment or business ownership and where the households depends, at least in part, on current or future resources generated by these business activities. A focus on

entrepreneurial households explores how families and households interact with and influence business decisions offering equal prominence [both](#) to the role of family and [to](#) business strategies in understanding the development of the family in business. In considering the role of the household in entrepreneurial activities, we encompass family firms and firms physically based in the home, [as well as plus](#) the role of the household as a resource base for new venture creation. We pay most attention, however, to the intermingling that occurs between the household and the business. In so doing, we show how a focus on the entrepreneurial household can illuminate aspects of the entrepreneurial process that have hitherto been hidden by a focus on the individual or the (family-owned) firm as the typical analytical unit. A focus on entrepreneurial households is intended to complement, not replace, existing approaches in entrepreneurship studies.

Our goal is to demonstrate that analyses of individual actions and firm level decisions become clearer and deeper when considered them from the perspective of the household. The aim, therefore, is to look at the entrepreneur's world *outwards* from the household. Unlike other (employee) households, entrepreneurial households are differentiated by their central role in determining entrepreneurial choices, actions and outcomes. Entrepreneurial decisions and conduct can be seen to be rooted in the socioeconomics of the household in several ways. The initial motivations to start up, the provision of ongoing business resources, and the establishment of business decisions and routines may all be predicated on the needs and deeds of the household (Dyer and Handler, 1994; Brush and Manolova, 2004; Steier, 2009). Within this highly intertwined context, the demarcation between business and household may become blurred, as the culture and evolution of the business itself will correspond to that of the family as household routines, membership dynamics, and resource constraints and conveniences change over time (Mwaura and Carter, 2015).

### **The Intertwined Business and Household**

The role of the household as a context for entrepreneurial action and a conduit for entrepreneurial resources has been acknowledged (Aldrich and Cliff, 2003; Steier, 2009; Alsos et al., 2014; Shepherd, 2016), but is not yet a mainstream consideration. That the entrepreneurial household remains under-researched to a large extent reflects a broader distinction within the management literature in which business and household have been traditionally regarded as separate institutions encompassing the different spheres of economic and family life. In contrast to businesses which supposedly make objective decisions and are results-oriented entities, families are characterised as motivated by biological and emotional imperatives and social norms that often appear irrational and unpredictable (Mwaura and Carter, 2015). While other business and management research domains can justify their lack of interest in the household by their focus on managerial activities undertaken solely within the firm, there has been a longstanding recognition of the socially embedded nature of entrepreneurship (Granovetter, 1985; Davidsson and Honig, 2003). This has been coupled with persuasive calls to embed research within the context of the family (Aldrich and Cliff, 2003; Steier, 2009; Jennings, Breikreuz and James, 2013). Not only does the household provide a specific context “where normative systems (affect, altruism, tradition) and utilitarian systems (economic rationality) are combined” (Brannon et al, 2013: 111), it is well established that household and family dynamics “affect fundamental entrepreneurial processes” (Aldrich and Cliff, 2003: 574).

This is not to say that little is known about the economic importance of the household.

Sociologists have long [identified argued the importance of the household in administering economic resources that the household is the smallest social unit where human and economic](#)



~~resources are administered~~ (Wheelock and Oughton, 1996), and ~~have argued~~ that a focus on households ~~can assist in understanding the social dimensions of economic behaviour “can help to elucidate the social factors underlying economic behavior”~~ (Wallace, 2002:275).

Detailed sociological studies have provided a wealth of evidence on household economic behaviour. These include household strategies (Anderson et al, 1994; Wallace, 2002; Swedberg, 2011), livelihood development (Beall and Kanji, 1999), the organization of resources (Horrell, 1994), allocative processes within the household (Pahl, 1983; Vogler, 1994), as well as the effects of household structure, dynamics and kinship relations on economic actions (Mulholland, 1996, 1997; Ram, 2001). Despite the interest in household economic behaviour, most sociological studies have not differentiated between entrepreneurial, employed or workless households. Arguably, the sustained growth in the number of individuals engaged in entrepreneurship - self-employment or business ownership - implies a need to better understand the role of households associated with this specific and increasingly common form of economic behaviour (Wheelock and Mariussen, 1997).

Adopting a household perspective implies that one views entrepreneurs within the context of their immediate family unit, implicitly recognizing the blurred boundaries between the business and private sphere. ~~These two spheres are often inextricably linked for entrepreneurs; domestic and business decisions are both made within the household whilst in turn, business and household strategies are interwoven~~ (Aldrich and Cliff, 2003). Hence, the decision to found a new business, start an additional enterprise or invest household resources to grow an existing enterprise may be the outcome of a household, rather than an individual or business strategy (Alsos, Carter and Ljunggren, 2014). As Steier (2009: 274) argued, “Households perform a more consequential function in the incubation of new ventures than is commonly understood”. Unpacking the relationship between the business and the household

may also help illuminate complex situations where household wellbeing is profoundly enmeshed in the economic choices and activities of the entrepreneur (Carter, 2011). This may in turn enable the formulation of more conceptually grounded empirical studies as well as more instructive inferences and policy implications on the role of entrepreneurship in enhancing the wellbeing of households, within broader spatial and societal development. Hence, focusing on the entrepreneurial household addresses some of the omissions of the entrepreneurship subject domain by focusing attention on household dynamics and strategies, kinship relations, and the role of the household in recognizing opportunities and providing resources to new and existing ventures (Alsos et al, 2014).

Although there are obvious links between entrepreneurial households and family businesses, there are notable differences, not least because a focus on entrepreneurial households claims the household rather than the business as the analytical unit, even when the business is family-owned and operated. In focusing upon the entrepreneur within the context of the household, we are deliberately not focusing on family businesses, but we do examine the family in business – an important distinction. ~~There is also a need to make a distinction between a household and a family. While the two concepts overlap, a~~ focus on the household allows consideration of economic activities and resources, work and residence, while a focus on the family is often confined to issues such kinship and affinal relationships that bind individuals together (Gullestad, 1984; Wiborg, 1995; Chua, Chrisman and Sharma, 1999). As Swedberg (2011: 23) explains “one does not have to identify the household with a family household ... the household can be seen as a social institution that goes well beyond it”. Household structure is a broader unit of analysis than family structure and while it includes people that may or may not be family members, it typically comprises the nuclear or extended family (Brush and Manolova, 2004).

The use of the household as a unit of analysis has strong theoretical roots within the entrepreneurship domain. Aldrich and Cliff's (2003) call for a family embeddedness perspective in entrepreneurship research has become one of the classic texts within the domain, cited as a justification for a focus on the family as a key influence upon entrepreneurial attitudes and behaviours. In presenting a socio-historical analysis of changes in family size, structure and composition, roles and relationships and considering the likely effects of contemporary families on business ventures, Aldrich and Cliff (2003) recognise the inherent difficulties in defining and operationalizing the term 'family'. Within studies of organizational founders, they recommend using as wide a definition as possible as historical conceptions of what constitutes a family have changed dramatically over the past century. They conclude ~~by advising that~~ researchers interested in studying the effects of family on businesses and business on family ~~to should actually~~ focus on the household. "We suggest focusing on households, regardless of size, and not simply multi-person units in which two or more people are related. Many of the new business opportunities that will emerge in the twenty-first century will reflect a changing mix of household forms, which increasingly include single people and multiple unrelated people under the same roof. Similarly, patterns of family formation and dissolution have created extensive kinship networks that cut across household boundaries, creating 'business families' that may include multiple single-person households and family members living elsewhere" (Aldrich and Cliff, 2003: 592). Despite ~~their considered is~~ recommendation, few researchers adopting the family embeddedness perspective have focused on households, preferring to focus on either the individual or the family business. As a result, there are still relatively few studies of the entrepreneurial household.

While we concur with Aldrich and Cliff's (2003) recommendation for using the household as a mechanism for examining the effect of family on business formation and growth and in understanding the effect of business ownership on families (Jennings, Breitzkreuz, and James, 2013), it is [also](#) important that the entrepreneurial household is not viewed uncritically. The household is clearly instrumental in start-up decisions and activities and may provide access to low cost resources that reduce the risk and uncertainty of new ventures, but the household can also act as a potential hindrance to entrepreneurial action (Alsos et al. 2014). In analysing the role the household plays in the emergence of new ventures and in encouraging further research into the household-business relationship, it is not our intention to present an overly optimistic or romantic view of household-business dynamics. Studies have demonstrated that while entrepreneurial households are a source of business opportunities and resources, these resources may be inappropriate or insufficient [and so](#), may prove to be liabilities (Alsos and Carter, 2006; Steier, 2009). Our knowledge of the effect of households on business development and growth is limited, as is our understanding of the effect of the businesses on household's social and economic well-being (Carter, 2011; Jennings et al, 2013). [Regardless of whether](#) its effect is beneficial or detrimental, [it is clear that](#) household dynamics have a profound influence on the creation, sustainability and growth of the venture (Steier, 2009; Brush and Manolova, 2004).

### 3. THEORETICAL CONSTRUCTS OF THE HOUSEHOLD

#### **The Household as an Economic Unit**

Historical analysis characterises household production as commonplace, small scale, private and opaque (Tadmor, 1996; Kay, 2009). Before the emergence of capitalist production, traditional economic activity was based on the model of the household and its integration with the economic system through the modes of production, distribution and exchange. As Swedberg (2011:22) reminds us, Max Weber's classic text *Economy and Society* described the modern firm as emerging from the family household. These considerations, and a focus on the household as the fundamental economic institution, are apparent in many studies examining the origins of family and household formation, even within early societies. For instance, anthropological studies of indigenous societies revealed the household as a simple economic organisation with divisions of labour, specialisation and barter exchange (Malinowski, 1921; Reid, 1934). In ancient Greece, the economic analyses of everyday life were formulated around the subjects of household resource management (*oeconomic*) and related to profit-making and exchange (*chrematistic*) (Swedberg, 2011). Ancient Roman society has been characterised as an early form of an agricultural capitalistic system, selling surplus goods through a network of trade relations (Reid, 1934; Tenney, 2006), while in medieval England many urban households comprised specialised craftsmen with workshops attached to the home (Reid, 1934; Rees Joes et al, 2007). In her critical analysis of women's contribution to household economies from the 17<sup>th</sup> Century to the 1930s, Rowbotham (1976) describes the household as a site of joint venturing. Prior to the advent of industrial capitalism, the roles of men and women as social and economic actors were necessarily intertwined to generate household incomes. With the advent of capitalism, 'work' became a

waged activity undertaken outside of the household; this prompted the gradual exclusion of women from the public sphere of waged work and their association with the home which became a devalued feminised site of consumption, rather than production. Despite evidence of the continued, if increasingly hidden, role of women as household producers making an essential contribution to the family income largely through home based self employment, the assumptions of a separation between the domestic [household] and productive [employment] sphere has become embedded in normative assumptions (Spaargaren and Van Vliet, 2000) .

The disconnection of the household from its economic function was a focus for early sociological analyses. Weber contrasted 'householding' and its related concern with consumption, satisfaction of needs, budgetary management and wealth, with the 'profit-making' firm oriented towards control over goods, capital and capital accounting. While householding and profit-making constitute different types of economic action, they were not necessarily exclusionary. Swedberg (2011: 22) quotes Weber's description of an individual's action where householding and profit-making are "so intimately intertwined, and in the past have typically been so, that only the concluding act – namely the sale or the consumption of the product - can serve as a basis for interpreting the meaning of the action". Parsons (1944) described how progressive industrialisation and urbanisation significantly changed the structure of modern families from extended with strong ties that bound together multiple generations, to nuclear with decreased size and composition. Viewing the nuclear family as the natural consequence of the new economic system, Parsons argued that industrialisation introduced a specialized division of labour with certain skills required in different places at different times. Nuclear families, freed from the obligations of wider kin, were more flexible and geographically mobile and therefore, better able to adapt to the requirements of modern industrial society. The transition in the size and composition of families also impacted upon

their primary role, changing it from social-institutional to emotional-supportive. Within Parsons' framework, nuclear families retained only two 'basic and irreducible functions'; the socialisation of children through the reproduction of values and norms and the stabilisation of the adult personalities within its boundaries. The economic function was taken over by other agencies, and the nuclear family was no longer seen as an economic unit of production and instead emerged as a unit of consumption. Within this functional model, clear sex role divisions emerged; women were positioned as the most appropriate carers – socialising children into behaviours reflecting normative standards. In addition, they supplied emotional support for male partners undertaking an economic function. Thus, women undertook a caring and restorative function whilst men acted as primary wage earners motivated to provide for their family and comforted by the solace of the household.

A focus on the household's economic function was revived by Becker's (1965) work on New Home Economics (NHE), analysing decisions made by households regarding resource allocation, including consumption, labour supply, transportation, fertility and health (Mincer, 1962; Becker, 1965). Home production became the central focus of interest within NHE, and theoretical and econometric methods of analysis developed for the study of production by firms were applied to the household (Becker, 1965). Within the household, production was seen to have a dual nature; that which was specialised and competitive, and where the means of production and subsistence was purchased, was best characterised as simple commodity production (Friedmann, 1978). In contrast, NHE drew attention to self-consumption (non-market production) by the family unit, i.e. the direct production of commodities and services within the household by self-provisioning (e.g. by preparing food) and self-servicing (e.g. child-care) (Becker, 1960, 1965; Mincer, 1962; Anderson et al, 1994).

According to Pahl (1984) and Mingione (1985), household work can be broken down into domestic work consisting of housework and caring, and extra self-consumption (non-market production). Extra self-consumption is distinguished by the fact that although these goods and services could be purchased on the market, the work is undertaken within the household on an unpaid basis (Wheelock and Oughton, 1996). Thus, the traditional view of the household as the place for consumption and as the decision unit for factor supply was abandoned in favour of a focus on the household as the production place of the basic commodities (Becker, 1960; Mincer, 1962; Becker, 1965). Moreover, female labour supply was no longer seen as an isolated decision, but as a result of an optimal time allocation within the household utilising comparative advantages in production of all family members (Wheelock and Oughton, 1996).

As a primary indicator of living standards, consumption within a household sphere requires further examination. The original referent for the term 'consumption' was to those basic processes through which humans keep themselves alive (Campbell, 1995), whereas in conventional economic terms consumption is considered a good providing positive utility, so that spending income becomes a proxy for obtaining well-being (Oughton and Wheelock, 2006). Individually as well as within a household, consumption fulfils a wide range of personal and social functions. For example, it commonly satisfies needs or indulges desires, it compensates the individual for feelings of inferiority, insecurity or loss, or symbolises achievement, success or power and communicates social distinctions or reinforces relationships of superiority and inferiority between individuals or groups. Consumption can also, on some occasions, express attitudes or states of mind, or communicate specific messages from one person to another, and may be instrumental in creating or confirming an individual's sense of self or personal identity (Campbell, 1995).



The study of household consumption is of particular interest as it helps to unlock the ‘black box’ of the household (Campbell, 1995). The idea that the modern family’s relationship with the economy operates to a large degree through its function as a unit of consumption has been accepted by a wide range of scholars and observed across different fields (Parsons, 1944; Close and Collins, 1985; Wheelock and Oughton, 1996). This implies that the family or household is regarded as a single unit of consumption; whilst this approach is typically adopted in classical economics where households are effectively treated as if individuals, it ignores complex intra-familial processes which in practice directly affect consumption (Campbell, 1995). This debate has focussed attention on the economic interactions within the household, complementing sociological debates on the power relations between household members.

The idea that households behave as a single unit within which resources are shared unproblematically among members was challenged by Jan Pahl’s (1989) pioneering studies of money and marriage. Deconstructing the unified view of the household and raising fundamental questions as to who decides how household income is divided, who spends it and who benefits from expenditure, revealed deep and gendered inequalities in the control, management and distribution of household resources (Pahl, 1989). The household is now widely understood to be a unit in which each member has different interests, power bases, and goals, which are reconciled through complex processes including negotiation, coercion and bargaining (Sen, 1990; Wilk, 2001). Hence, it is necessary to understand decision-making processes within the household as a power relationship channelling resource flows in order to fully understand how it functions as a consumption site (Charles and Kerr, 1988).

### **Household Decision-Making**

In a traditional economic sense, production performs the instrumental function of bringing in a household income; consumption involves using that income; whereas the distribution of consumption goods within the household is based on a calculus of economic gain (Mincer 1962; Becker 1965). Hence both consumption and production are governed by formal rationality. When people behave according to the rules of formal rationality they are calculating the best way of meeting given needs by quantifiable means, that is, they are behaving according to instrumental values (Weber 1968). However, when production and consumption are viewed in terms of social relations, a new kind of substantive rationality, the use of particular values to determine actions, can be introduced as an additional analytical tool (Oughton and Wheelock, 2006). When people act in terms of substantive rationality, there is space for intrinsic values to be included. Both production and consumption incorporate social relations; hence, both can be viewed in terms of social relationships - relationships that are embodied in work.

Production and consumption each have both instrumental and intrinsic value, and are therefore, difficult to differentiate. Individuals, drawing on substantive and formal rationalities, make decisions about their production and consumption activities taking both aspects of value into account. These decision-making processes are framed within the context of household membership. Although this adds complexity to the analysis, Oughton and Wheelock (2006) suggest that it is more appropriate to investigate the mix of formal and substantive rationality which guides individual action in both market and household spheres. This holistic approach offers insights in terms of both the choices about and the distribution of paid and unpaid work within and outside the household.

We have suggested that the household is a primary and basic unit which specialises in the areas of production, distribution, consumption, socialisation and reproduction of the members of a society (Pessar, 1988; Agarwal, 1997). It is also “an arena of social relations organised along generational, gender, and kinship lines. These relations generate and are reinforced by a structure of power, ideological meanings, and sentiment” which build inner hierarchy and inequality within the domestic unit (Pessar, 1988: 197). In such a complex household structure constituted of multiple actors with varying preferences and interest, it is reasonable to assume that conflicts and struggle among the family members may occur at many levels of analysis including the sphere of power and authority control over decision making, the division of labour, and the allocation of household resources (Pessar, 1988; Agarwal, 1997).

Understanding the characteristics of power relations in the household requires a sociological perspective. In this regard, power is viewed as a property of the social relation, rather than an attribute of the actor (Emerson, 1962). Theorising this phenomenon referring largely to the concept of dependence and defining it as a function of the reliance of one actor on another, Emerson (1962, 1972) claimed that social relations commonly entail ties of mutual dependence. These ties imply that “each party is in a position, to some degree, to grant or deny, facilitate or hinder, the other's gratification” (Emerson, 1962: 32), therefore, the power to control or influence others resides in control over resources they value. Sociologists have argued that power relations exist when the actions of one person have an effect on others, “one has more power to the extent that one's objective situation allows the advance of one's own wishes even when this is detrimental to another person's wishes” (England and Kilbourne, 1990: 164). More recently, Sturm and Antonakis (2015: 139) defined power as “having the discretion and the means to asymmetrically enforce one's will over entities”.

Hence, power is not a characteristic of a particular family member, but exists as realm of social interaction. Men, women and children are socially assigned to particular roles in the household and therefore, different forms of their interactions are largely socially constructed (Vogler, 1998). As such households are hierarchically structured whereby members have differential access to power; this is influenced by issues such as age, gender and status plus, economic leverage through income differentials.

Parallel to a growing research interest in the intra-household economy, scholars across different fields have proposed a variety of theoretical and methodological frameworks in order to gain insights into the sphere of household resource allocation practices and decision making processes. These attempts have resulted in the development of a range of often competing approaches which vary in terms of their underlying assumptions, explanatory mechanisms and variables. These frameworks include a range of bargaining models from the field of economics, resource theory and the role of gender and power asymmetries from the field of sociology.

### **Economic Perspectives on Household Decision-Making**

Although concepts of power relations and inequality in the household resonate more with sociologists and political scientists, their underpinnings are also embedded in and shaped by economic theories (Sen, 1985, 1999; Pollak, 1994; Burton et al., 2007). Indeed, historical considerations of household distribution practices and decision making processes date to the 1950s, in particular to the period when a branch of neoclassical economics, New Household Economics, was developed (Mincer, 1962; Becker, 1965). As Table 1 indicates, the two main approaches which provide insights into the multiplicity of decision makers within the

household are the unitary and non-unitary models of the household behaviour (Pollak, 1994; Lundberg and Pollak, 1996; Burton et al., 2007, Chiappori and Donni, 2009).

**Table 1 Economic Models of Decision-Making Processes in the Household**

UNITARY MODELS	NON-UNITARY MODELS
Consensus model (Samuelson, 1956) Altruist model (Becker, 1974, 1981)	Cooperative bargaining models <hr/> Nash bargaining model (Nash 1950; Manser and Brown, 1980; McElroy and Horney, 1981; Lundberg and Pollak, 1993) Collective model (Chiappori, 1988; Bourguignon and Chiappori, 1994) <hr/> Non-cooperative bargaining models <hr/> Ulph (1988), Wolley (1993)

Source: Kuhl (2015)

The unitary or common preference model dates to the period from the 1950s until the 1980s (Lundberg and Pollak, 1996). One of the fundamental assumptions of this approach was the disregard of power differentials within the household, as neoclassical economists omitted the possibility of internal conflicts and inequalities between family members (England and Kilbourne, 1990; Pollak, 1994). Instead, the household was treated as a cooperative and altruistic unit in which either each member has the same preferences or one individual takes decisions under the constraints of a single pooled budget. As a result, the household forms a unitary structure where the joint utility function aggregates the individual utilities of each family member (Pollak, 1994).

The unitary approach to family behaviour is theoretically underpinned by two distinct models, the consensus model (Samuelson, 1956) and the altruist model (Becker, 1974, 1981). The consensus model analyses the issue of intra-family allocation and distribution by postulating a family social welfare function. Samuelson (1956) argued that family behaviour could be rationalised as the outcome of maximising the single utility functions of each household member. Thus, despite having their own preferences, by consensus, they agree to pool resources and work to maximise the common utility function (Lundberg and Pollak, 1996). The altruist model (Becker, 1974, 1981) provided an account of how resources are distributed within the family. According to Becker's 'Rotten Kid Theorem', the family consists of a group of purely selfish but rational 'children' and one altruistic parent whose utility function reflects a concern for the well-being of other family members. The presence of an altruistic parent who makes positive transfers to each member of the family is sufficient to induce the 'selfish kids' to act in an apparently unselfish way. The altruistic parent will adjust transfers so that each 'rotten kid' finds it in his or her interest to choose actions that maximize family income, and as a result, the altruist's utility function. The main implication of Becker's (1974, 1981) concept of altruism is that even if the household lacks a joint utility function, it behaves as though it has one, reaching a conclusion similar to that of the Samuelson's consensus model (Lundberg and Pollak, 1996; Chiappori and Donni, 2009).

While the unitary (common preference) model provides some insights into consumption behaviour and labour supply in the household, later critiques highlighted its deficiencies within a changing society (Lundberg and Pollak, 1996). Evidence from empirical studies did not support the specific restrictions imposed on the joint utility welfare function rejecting, for example, the family income pooling assumption (Chiappori and Donni, 2009). There was also a growing recognition that economic self-interest may actually operate within household and includes not only 'rotten kids' but also 'rotten parents' who are not necessarily wholly

altruistic (Folbre, 1986). Finally, the approach proved too restrictive, failing to acknowledge intra-household negotiation over assets and potentially severe inequalities within households separating gender dynamics at the microeconomic level from the known external dimensions of gender differentiation and asset distribution (Dwyer and Bruce, 1988; Chiappori and Donni, 2009).

The scarcity of convincing empirical support of the unitary model and its relative lack of theoretical foundations led to the development of alternative visions of household dynamics, based on a non-unitary description of household behaviour (Burton et al., 2007). The non-unitary framework of the household includes cooperative and non-cooperative bargaining models, which to varying degrees “seek to incorporate the social reality of the family as described in anthropological and sociological writings” (Agarwal, 1997: 4). These approaches differ in terms of their assumptions and mechanisms used to uncover the decision making rules and processes, but share one common feature: a form of bargaining between the household members (Sen, 1999; Doss, 1996; Agarwal, 1997).

Non-unitary models recognise that intra-household interactions contain both cooperation and conflict. In the cooperative bargaining approach, household members cooperate insofar as these arrangements are beneficial to them. Many different sets of cooperative outcomes are possible amongst which, some are more favourable to particular parties (Pareto efficiency assumption). Which outcome emerges depends on the relative bargaining power of the household members. Bargaining power may be defined by a range of factors which vary between different non-unitary approaches. Cooperative bargaining models perceive the strength of agents in their fall-back position or “threat point”. The fall-back position can be explained as the outside options which determines how well-off actors would be if

cooperation failed, for instance in the situation of divorce (Manser and Brown, 1980; McElroy and Horney, 1981). Better alternatives outside marriage may lead to an improvement in the deal the person gets within the household. Non-cooperative bargaining models relax many of the assumptions of the unitary model, including Pareto efficiency, income pooling, and enforceable and binding contracts (Agarwal, 1997). Each individual within the household is considered to maximise his or her own utility, relative to his or her own budget constraints, taking the actions of other household members as given (Wooley 1988). It allows for individuals to make consumption and production decisions based on their own labour and access to resources, making these decisions independent but also interrelated (Doss, 1996).

While the unitary model of household behaviour neglected the notion of power differentials within the household, non-unitary models address this concept to some degree but omit several important factors. For example, some models characterise the household dynamics as a form of bargaining but say little about the complex, qualitative range of factors that might determine bargaining power (Agarwal, 1997). Moreover, only a few studies explicitly recognise the importance of social norms, ideologies, individual preferences, or gender differences in the exercise of self-interest (Sen, 1999; Lundberg and Pollak, 1993; Folbre 1995). To understand these dynamics in more depth requires insights from sociology and social psychology.

### **Sociological Perspectives on Household Decision-Making**

A large literature on the intra-household economy has also emerged within the sociological domain, largely in response to concerns about household financial allocation practices and



gender inequalities (Sonnenberg, 2008). One set of studies draws on the resource theory of power which perceives the institution of marriage as a set of exchange relations in which marital power in general, and power over decision making in particular, rests with the partner who contributes most resources to the household (Ferree, 1990; Vogler, 1998). While there was an assumption that the increase in women's access to waged work in the latter part of the twentieth century would enable a greater contribution to household budgets, with a concomitant increase in household power (Blood and Wolfe, 1960), contemporary studies contest this thesis. Whilst women have increased their participation in waged work, this has not however, led to corresponding equality regarding shared economic resources or power in the household (Klasen and Lamanna, 2009). Such contradictory findings have provoked discussion between scholars about the factual explanatory power of the resource theory acknowledging major problems with this approach.

A key criticism of the resource theory of power refers to its tendency to treat the intra-household economy as sociologically neutral which isolates it from wider systems of gender inequalities (Vogler, 1998, Sonnenberg, 2008). Given the differing employment patterns between men and women (Bradley, 2007), wage discrepancies affect the level of economic resources individuals are able to bring to a marriage positioning male partners in a dominant position (Fine, 2010). The resource theory of power has also been criticised for downplaying ideological and cultural aspects and disregarding both historical and contemporary evidence demonstrating that male and female economic contributions to the household are perceived and treated differently (Bowden and Mummery, 2010; Klasen and Lamanna, 2009). Male incomes are deemed to be of greater value than those of women, regardless of actual income differentials; female incomes are more likely to be deemed secondary even when essential for family subsistence (Bittman, England, Folbre et al., 2003). It has also been argued that the

ideology of the male breadwinner remains a major source of hierarchy in the household which prevents women's income from increasing their power in direct proportion to increases in their earnings (Zelizer, 1997; Grunow, Schulz and Blossfeld, 2012), and the major opponents of the resource theory of power also postulate that because it overlooks the impact of intra-household relations on economic behaviour, it cannot explain the contradictions and persistent gender inequalities in household financial practices (Sonnenberg, 2008).

In contrast to the resource theory of power, the sociology of gender (Bradley, 2007) recognises that the economic situation of individuals within a household cannot be determined in isolation from social norms of behaviour. Men, women and children are socially assigned to particular roles in the household, and the division of labour and income within the household is seen as socially, rather than biologically, determined (Fine, 2010). Studies of the way in which married couples organise money within the family (Vogler, 1994, 1998; Vogler and Pahl, 1993, 1994) appeared to support a gendered construction of household allocative practices. While the resource theory viewed power over decision making as determined by the partner who contributes most resources to the marriage, Vogler and Pahl's (1993, 1994) findings showed that monetary practices were more strongly related to ideological and cultural factors, particularly with regard to the male partner's education, attitudes, and socialisation, than to the female partner's characteristics.

Although each of these approaches has helped shape our understanding of the factors that may influence power relations and decision making process within households, there are still many areas which require further consideration. Neither the resource theory of power, nor the notions of 'entitlement' and 'ownership' alone, can explain why and how considerations of economic contribution override the notion of equal sharing in marriage (Sonnenberg, 2008).

Moreover, the mechanisms by which female breadwinners, unlike their male counterparts, often appear to forgo their apparent entitlement to a greater control over and access to household finances remain under-explored (Tichenor, 1999; Drago, Black and Wooden, 2005).

### **Household Decision-Making: The Child as Decision-Maker**

Studies of family decision making practices typically centre on the husband-wife dyad, overlooking the possible influence of other household members. As a consequence, children have been mostly excluded from household behavioural models and relatively little has been written about their involvement in decision mechanisms (Basu, 2006). In practice the presence of children influences household decisions and from an early age children have their own preferences over consumption and their parents' labour supply (John, 1999; Roy, 2004; Dauphin et al., 2011). However, within the family decision making literature, the nature and extent of children's influence over decision-making remains under-researched.

The economic literature is predictably silent on the role children may play in the family decision processes (Dauphin et al., 2011). There is, moreover, an ongoing discussion between economists whether children can be actually treated as potential economic agents, questioning the rationale for their incorporation into the modelling of family decision making processes. Basu (2006) and Bourguignon (1999) suggest that a woman tends to internalise her children's preference, implying that her utility function reflects the child's interest, while Blundell et al. (2005) perceive children only as household public goods. In the field of sociology a tendency for children to be treated as 'human becomings' rather than independent actors in their own right (Gram, 2007) has been replaced by a sociology of childhood with

respect to an emphasis on children's voices, their capacity to be agents and their status as social actors (Gram, 2007; Moran-Ellis, 2010; Mayall, 2013). Despite this visible research advancement, many areas of children's activity remain unexplored, including their involvement in the family decision making process.

While economists and sociologists have largely neglected the role and influence of children, a great deal of attention has been devoted to children as consumers assessing directly the nature and extent of their influence on family purchase decisions (Lee and Beatty, 2002; Flurry and Burns, 2005). While there is clear evidence that children participate in family decision making, studies suggest that their involvement and influence varies by product class, stage of the decision making process and by various decision areas (Gram, 2007). Moreover, children have developed a variety of techniques and approaches to influence parental decisions. While children have passive or indirect ways of indicating what they do and do not like, more direct approaches are also observable including, bargaining, compromising, persuasion, and pestering. As Gram (2007: 21) notes "the influence of children is not just a one-way unsophisticated process with a screaming child in a supermarket, as the process is thought of stereotypically, but a two-way communicative and multifaceted process between the child and an adult often encouraging the child's participation."

**Table 2: Implications of Changes in Family Structure**

<b>'TRADITIONAL' FAMILY</b>	<b>'NEW' FAMILY</b>	<b>POSSIBLE IMPLICATIONS</b>
Families as Producers	Families as consumers	Children encounter consumption decisions earlier
Multi-member households	Limited member households	Due to the changing family structure (postponed childbearing, single parents, etc.), households are smaller
Hierarchical relationship	Horizontal relationship	Family decision making is more egalitarian, with children having more equality in the family; children are taking on more decision making responsibility
Collective values	Individual values	Children form values as a result of external influences
Biological family ties	Social family ties	Families are no longer necessarily biologically related, changing traditional familial roles
Unpaid care	Paid care	Children encounter non-family socialization agents earlier
Differentiated relationships	Fused relationships	Stereotypical family decision making forms are declining
Rights	Responsibilities	Children are achieving equal-shareholder status
Belonging	Isolation	Children make more decisions autonomously

Source: Flurry (2007)

The profound changes in the structure of the family unit in recent decades has been accompanied by changes in the role and position of both women and children and the nature of family decision-making (Belch and Willis, 2001; Flurry 2007). Table 2 presents some of the implications of the transformation of the family unit from traditional to new. Within the modern family, children are involved in a decision making process from an earlier age, taking greater roles and responsibilities than in the past (Flurry, 2007). Their influence also extends far beyond what is traditionally thought to include areas where children were primary product users, as the marked pace of technological change combined with educational development

has ensured that children are often more knowledgeable than their parents (Francisco, 1999; Meyers, 2004; Roy, 2004). The growth of single-parent households also allows children to be positioned as equal participants in family decisions, as they have not been socialized to understand clear role distinctions between parent and child (Flurry, 2007). As Flurry (2007: 323) reports, changes in the structure, composition, role and ideology of the family collectively suggest that children have increased “the child’s status as an active decision-maker. In fact, children may have more absolute decision-making influence than ever before.” There are also assumptions of distinct age and maturity hierarchies between parents and children in households. However, recent changes such as increasing divorce levels, cost of housing, shifts from [higher paid] manufacturing to [lower paid] service sector work have seen a new generation of ‘boomerang’ children – adult children returning to the parental household (Koslow and Booth, 2013). Such generational blending, which brings adult children and parents back into proximity, will again add a new dimension to decision making, resource management and household dynamics.

### **Household Financial Allocation Practices**

How income is distributed between members of a family unit was a central question in Jan Pahl’s (1989) pioneering works which drew on sociological and ethnographic approaches to explore household financial allocation practices. These small-scale studies of married couples in the south of England led to the identification and delineation of different strategies of how household members organise and manage their incomes. While Pahl’s (1989) five-fold typology of allocation practices is now dated in its focus on marriage, heterosexuality and its depiction of women as secondary income earners, her identification of distinctive approaches

to financial management within the household remains relevant, and later studies updated her initial categories (Vogler, 1994; Sonnenberg, 2008).

1. The *female whole wage system* refers to the situation when a male partner passes his salary to a female partner usually retaining some personal spending money (pocket money). The female partner adds her own salary, if any, and carries the sole responsibility for managing household finances and expenditure.
2. The *male whole wage system* indicates a strategy where a male partner retains his own earnings, but is solely accountable for managing household finances and expenditure. In this case however, a non-earning female partner may be left without any personal spending money; a strategy that may lead to female poverty even within relatively well-off, middle-class households.
3. The *housekeeping allowance system* focuses on the role of a breadwinner, traditionally a male partner, who hands over to his female partner a specific amount of money (fixed or variable) for day-to-day housekeeping expenses (housekeeping allowance), whilst maintaining control over the remainder.
4. In the *pooling system*, both spouses pool, have access to and share all (or nearly all) household income. Initially, each partner was regarded as equally responsible for managing the common pool, but later work by Vogler (1994) subdivided this group into three further categories, the male-managed pool (where one or both partners claimed husbands were responsible for management), the female-managed pool (where one or both partners claimed wives were responsible for management), and the joint pool, depicting households where both partners agreed they were equally responsible for management).
5. The *independent management system* characterises couples where each partner has his or her own independent source of income and is responsible for specific items of

expenditure. Earnings are usually kept in separate bank accounts to which the other partner has no, or limited, access.

Pahl's (1989) categorisation of the financial arrangements of married couples into what she termed 'household allocative systems' drew attention to the different dynamics that exist within households, and shed light on who in the relationship distributes the household income within the family, and who is responsible for different items of household expenditure, and to what extent. Household allocative systems distinguish between the mechanisms of management and the control of household funds, in as much as dealing with routine, day-to-day financial matters does not necessarily entail real control over money and the purposes for which it is used (Vogler, 1998; Laurie and Gershuny, 2000). Pahl's work also cast doubt on notions of the household as a unified institution within which resources are shared unproblematically among its members; instead the gendered nature of household monetary practices was highlighted. For example, in households with higher levels of income, sufficient to allow for discretionary spending, it is more likely that the husband both deals with day to day financial matters and has the 'final say' in these decisions (Vogler and Pahl, 1994; Vogler 1998). However, if income levels are low, typically the wife takes responsibility for the management of the household budget (Pahl, 1989; Vogler and Pahl, 1994), but the lack of resources in these households means that "the task is likely to be a chore or a burden rather than a source of power" (Vogler, 1998:692). Later studies also revealed that if a man possesses a higher degree of financial control in the lower-income household, it is more likely that his wife experiences financial disadvantage and greater economic deprivation (Vogler and Pahl, 1994). On the other hand, if a woman is the breadwinner, she will typically uphold her husband's status as the head of the household, regardless of the actual level of his financial input (Stamp, 1985; Vogler and Pahl, 1993;



Vogler, 1998; Tichenor, 1999; Vogler, Brockmann and Wiggins, 2006). Gendered monetary practices are also seen in ‘the relative financial contribution of the respective partners’ (Sonnenberg, 2008). It has been observed that even within the pooling system of money management, which is based on the underlying notion of equality and sharing, female partners tend to feel constrained when they use money for personal expenditure, especially if the proportion of their contribution to the common budget is smaller than their male partners (Burgoyne et al, 2006, Burgoyne et al, 2007).

While contemporary social trends have shown a growth in female participation in the labour market and their greater contribution to household budgets as well as greater awareness of diverse households, household allocative practices have proven more resistant to change (Dixon and Wetherell, 2004; Sonnenberg, 2008). The system of pooling in a joint banking account is still the most frequently used approach (Pahl, 2008; Sonnenberg, 2008), though fewer couples prefer this form and more decide to keep at least some part of their earnings in individual accounts to which their partner does not have access. Independent money management is steadily increasing, particularly among re-married or cohabiting couples, and among younger and more affluent couples, usually before they have children, but is still less frequently used than other management systems, though advances in electronic banking and the individualisation of debit and credit cards may spur greater use of independent money systems (Vogler et al., 2006; Ashby and Burgoyne, 2008).

Household allocative practices remain gendered with regard to relative contribution, management and control, access to financial resources, as well as lifestyle and living standards of individuals within the same household (Sonnenberg, 2008). Gender-based asymmetries have contributed to (often self-imposed) restrictions in accessing household

financial resources, placing women and children in a potentially more vulnerable financial position than men (Burgoyne et al., 2006, 2007). Even within the pooling system, based on the underlying notion of equality in sharing, female partners tend to feel constrained when they use money for personal expenditure, especially if their contribution to the common budget is smaller than their male partner's (Burgoyne et al., 2006, 2007). Individualised systems also reproduce gender inequalities, in so far as expenditure can be concealed from partners, substantially decreasing levels of money control within the household and permitting unequal living standards between individuals within the same household (Pahl, 2008). Overall, it would appear that gender has a powerful effect upon financial allocation practices. Given gendered income differentials, women have, on average, lower levels of personal financial resources (Coleman and Robb, 2015) and given gendered power hierarchies within households, lower discretion over the allocation of such resources.

### **Approaches to Household Strategy**

As we have shown, household economic behaviour has been an important focus both for economists and sociologists. Economic approaches to the household, particularly those associated with New Home Economics (Becker 1965), assume that each household has a strategy, even if it is not evident to members of the household, and that households behave rationally, for example pursuing strategically optimal approaches to labour market participation. Household strategy was also a central component of Chayanov's theory of peasant economy, in which he argued that a peasant's labour would increase until it met the consumption needs of the household, at which point there would be little incentive to continue - the consumption-labour balance principle. However, the idea that households are able to develop and pursue strategies which take account of individual motivations and

agency and relate to how people plan and attempt to structure their lives, with at least a degree of consciousness, has been fiercely contested, particularly among sociologists (Crow, 1989; Anderson et al, 1994; Wallace, 2002).

The concept of household strategy was notably applied to understand and analyse economic behaviour among the urban poor in Latin America and Africa in the 1970s and 1980s; contexts in which participation in the informal economy had a central role in individual and household decisions (Hart, 1973; Castells and Portes, 1989). People in marginal socio-economic positions, “peasants, small business and farm families or immigrant entrepreneurs” were described as having strategies, often for coping or survival (Wallace, 2002: 2). The concept was later associated with individuals facing economic change within transitional economies (Kolankiewicz, 1996; Piirainen, 1997), as well as within empirical studies of economic precarity in Britain, in particular Gershuny and Ray Pahl’s (1979) analysis of unemployment in Sheppey and Anderson, Bechhofer and Gershuny’s (1994) analysis of the social and political economy of the household.

Household strategies were seen as an effective means of analysing responses to the economic and social changes caused by shifts in the industrial infrastructure, commonly described as the decline of Fordism, which were accompanied by increases in flexible employment, growing informalisation of large parts of the economy, and the sustained entry of women into formal employment (Anderson et al., 1994; Wallace, 2002). The loss of traditional patterns of life-long, full-time, predominantly male employment and its associated welfare resources ensured that individuals and households needed to adapt to a new socio-economic order, based at least in part on income patch-worked from the efforts of household members

participating in a portfolio of part-time and full-time employment - and increasingly participation in self-employment (Grint, 2005).

Among sociologists, debates about household strategy centred largely on “whether the rationality or active agency implied by the word ‘strategy’ was justified” (Wallace, 2002: 3), while the term’s military and business derivation and the associated power discourses and practices were roundly rejected by structuralist and post-structural theorists. As Knights and Morgan (1990: 475) argued, the term strategy “has been treated as though it were an unproblematic concept, whereas in fact it is embedded within specific discourses and has particular social effects ... the concept of strategy needs understanding in terms of its role in reproducing specific sets of hierarchically organised social relations”. Reviewing the debates concerning the conceptualisation and use of household strategies in social research, Wallace (2002) highlighted three sets of circumstances in which the use of household strategies would be particularly beneficial for social analysis. These included first, situations where more women enter the labour force and where new decisions are required about the allocation of household tasks; second, situations of rapid social change where households face increasing risk and uncertainty, as in the case of post-Communist countries as well as under certain post-Fordist conditions; and finally, situations in which large parts of the economy are informal or becoming informalised, forcing households to draw on a range of resources inside and outside of the household in order to manage their social and economic reproduction.

The degree of choice and constraint evident within household economic behaviour was a key theme within the UK Economic and Social Research Council (ESRC) funded programme of work on Social Change and Economic Life Initiative. In these large-scale studies, the focus on household strategy was justified on the basis that the organisation of household economic

behaviour implies that allocative choices have to be made about the use and distribution of resources, and that these decisions are inextricably bound with strategies (Anderson et al., 1994). Household strategies, therefore, were regarded as “more or less rational principles which actors can articulate and describe: higher order constructs which form general descriptions for actions leading towards desired medium or long-term goals” (Anderson et al., 1994: 65). In focusing on the manner in which people plan and attempt to structure their lives, different sets of strategies were evident for the public world of work and for the private world of family and household. Both were regarded as constructs with which people make sense of their world, constantly being reviewed and amended, often inconsistent and frequently unfulfilled. Individuals and households were found to be continuously involved in adapting to changing circumstances; articulating plans and strategies helped people to make sense of events and demonstrated their desire to achieve a sense of control over their lives within an uncertain world (Anderson et al, 1994).

The relationship between individual plans and household strategy is often blurred, but Anderson et al's (1994) large-scale study helped tease out the structure and dimensions of this relationship. Households were found to develop complex sets of rules governing, for example, acceptable behaviour such as membership and rights of membership; develop working practices about the allocation of tasks or bringing in resources necessary to maintain the household; evolve mechanisms to order the time-sequencing of behaviour; and develop shared expectations over member rights to property and other rights within the household. These sets of rules, emerging through social interaction and not belonging to any one individual, help coordinate and accommodate the attitudes, beliefs and behaviours of household members. At the same time, aspirations and plans for the future help individuals to structure at least some parts of their present activity, by opening or closing particular options

as acceptable lines of action. However, individual plans typically take account of, and only rarely disregard, the household, its members and its complex rules and behaviours that evolve over time (Anderson et al, 1994).

Debates about household strategies also focused attention on which types of household were more or less likely to develop strategies. The concept originally emerged in studies of poor households in developing economies and appeared to be a feature of poor (Hart, 1973) and rural (Blim, 2001) households struggling to survive. However, in their study of British households Anderson et al (1994) and McCrone (1994) argued that better-off households were more able to perceive themselves as having sufficient control over resources to make choices and plan strategies. An attempt to reconcile these two perspectives emerged in the distinction drawn between strong and weak definitions of strategy (Warde, 1990), where strong definitions could be applied to households that actively plan their activities and explain their rationality, while weak definitions, focused on practices and behaviours, could be applied to households where strategy could be inferred from particular household outcomes without the need for rational explanation (Wallace, 2002).

The distinction between strong and weak strategies not only highlights different conceptions of the role of structure and agency in social life, it also draws attention to methodological distinctions. Wallace (2002) explains that face to face interviews where individuals could articulate, discuss and rationalise their actions, were more amenable to gathering data that complemented strong definitions of strategy, while (postal) surveys were more likely to produce data that suggested weaker definitions of strategy. These methodological distinctions draw attention to the complexity of household strategy which is not only a (contested) *concept* taking account of individual motivations and agency, it is also a *unit of analysis* that

focuses on households rather than individuals, and a *method of analysis* through which “the intersection of different economies in household behaviour” can be examined (Wallace, 2002: 1). A key complexity in household strategy, as a concept, a unit of analysis and as a means of analysis, is that it shifts over time in response to changes in household membership and structure (Alsos et al, 2014; Valdez, 2016). Families evolve over time as new members are born, grown-up children marry and may leave the family home, couples may separate, adult children return to the household and older generations die. As household size and composition changes, needs and resources also change with consequent shifts in household economic behaviour (Anderson et al, 1994; Alsos et al, 2014).

While sociologists have contributed a wealth of insights regarding household economic behaviour, particularly with regard to household strategy, decision making and allocative practices, very little work has been undertaken in recent years. This is particularly unfortunate given the changing economic trends apparent within most developed economies that have led to a growth in the number of individuals engaged in entrepreneurial activities (Kelley et al, 2016). Entrepreneurship scholars have developed substantial specialist knowledge with regard to the individual entrepreneur and the firms they create, but the entrepreneurship domain has paid little attention to the households from which these entrepreneurial activities emanate. Yet, as sociologists and economists have shown, individual actions have consequences for the household and decisions made within the household have an impact on individual actions. While the current lack of sociological focus on households may be explained by a number of factors, it is hard to avoid the conclusion that one of the reasons for this may be *because* there has been a widespread growth in entrepreneurial activities and the challenges this brings to existing conceptions of the role of structure and agency in social and economic life. Regardless of the cause, the limited focus

upon households within contemporary sociology is an undoubted loss. The insights that could be gained from a sociological analysis of entrepreneurial households, not least in terms of our understanding of resource decisions and financial allocative practices, would be considerable.

In a recent article documenting the 'near disappearance' of family science and the simultaneous rise of family business research, James, Jennings and Breitzkreuz (2012) call for a resynthesis of the two subjects, through a combined approach of informed pluralism and disciplinary integration. As they explain, "renewed attention to integrating ideas from the two disciplines is likely to enrich both" (James et al, 2012: 87). A parallel may be drawn between the family science / family business research divide identified by James et al (2012) and the apparently disparate arenas of household economic sociology and the business owning households identified by entrepreneurship scholars. In the same way that James et al (2012) demonstrated that long standing theories from the family science literature could be effectively combined with the predominant perspectives from the family business literature, so too is there potential for integrating the theoretical and methodological insights from household economic sociology with entrepreneurial perspectives on households. Bridging these two disparate perspectives on households may result in rich insights and new directions for both subject domains.



#### 4. THE HOUSEHOLD IN ENTREPRENEURSHIP RESEARCH

##### **Household Perspectives in Entrepreneurship**

A household perspective on entrepreneurship implies that entrepreneurs are viewed within the context of their immediate family unit, implicitly recognizing the blurred boundaries between the business and private sphere (Aldrich and Cliff, 2003). These two spheres share complex links for entrepreneurs; household decisions and business decisions are made in tandem within the home; business strategies are interwoven with household strategies (Ram et al, 2000; Wallace, 2002; Alsos et al, 2014). Adopting a household perspective introduces a range of novel issues into the research process. These include the effect of household structure and composition on decisions to start and grow an enterprise; the number of entrepreneurs within the household; the allocation of household resources to businesses and vice versa; the effects of resource provision and resource depletion on both business and household; the degree of financial intermingling between household and business; the effects of entrepreneurship upon household social and economic well-being. In addition, there are well-rehearsed issues relating to gender, class, ethnicity and educational dimensions that influence household economic behaviour.

Within the entrepreneurship domain, the household is most often regarded either as a data-source to analyse and measure individual entrepreneurial actions whilst largely ignoring the household setting, or as a context for studies that focus on entrepreneurship within developing economies or on ethnic business niches within advanced economies. As mentioned in the introduction, 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 192 focused on aspects of entrepreneurship within a variety of developing

economies, including studies of micro-credit and analyses of peasant and agricultural sub-sectors as sources of economic opportunity, where the (typically undefined) household is assumed to be the main beneficiary, if not the instigator, of new economic activity. The idea that the household is a property of and a legitimate element of study within developing and proto-industrial economies and within studies of ethnic businesses, but is largely irrelevant for more mainstream populations within advanced, industrialised and Western economies is a particular characteristic of the entrepreneurship domain. It is hard to avoid the conclusion that the household is both relevant for the analysis of entrepreneurship but simultaneously, largely disregarded as a site for entrepreneurship research.

An example of the use of the household within studies of entrepreneurship within developing economies is provided by Gras and Nason's (2015: 546) detailed examination of the "embedded role of the family household in governing firm performance in an impoverished setting". Drawing on detailed data gathered from over one thousand business-owning households in slum areas of Hyderabad, India, and using bricolage as the theoretical lens, this study postulated that household diversity leads to business creativity. It was found that shared business experience improves business routinisation; business performance however, was found to be strongest where there were moderate levels of both household diversity and shared business experience. While Gras and Nason (2015) make a very clear theoretical and empirical contribution to our understanding of the manner in which households underpin entrepreneurial behaviours and activities and how they are, in turn, are shaped by their economic behaviour, they specified that these results could not be easily transferred from one context to another. The study's participants were "desirable microloan borrowers: impoverished, yet had the potential to generate income and repay loans ...poor, but not 'the poorest of the poor'" (p.553), while the small enterprises that they owned and operated "bear

little resemblance to the large publically traded forms or fast growing gazelles, which may be more familiar to scholars in developed economies (p.560). Gras and Nason (2015) tentatively allude to the fact that such businesses “represent a more prevalent organization form than the very large public firms that have dominated strategy studies” (Gras and Nason, 2015: 560). Perhaps understandably, it appears that researchers are reluctant to generalize findings derived from studies of entrepreneurial households in developing country contexts to those within more developed economies.

Studies of ethnic minority enterprise have similarly emphasised the centrality of the household. An insight into the ethnic household economy and in particular, the family’s composition and collectivist ideology, was provided by Kibria’s (1994) ethnographic study of Vietnamese refugees who had recently arrived in Philadelphia. This study observed that those households that were most heterogeneous in age and gender composition were well placed to gather a variety of resources from diverse social and economic arenas, and that this ‘patchworking’ strategy deployed by Vietnamese-refugee households mitigated the instability and scarcity of available resources (Kibria, 1994: 82). The role of household composition and household ideology in shaping intra-group differences was also the focus of Valdez’s (2016) study of Mexican-origin entrepreneurs in Texas. Concluding that the structure of the household economy has different effects on individual economic opportunities and outcomes, Valdez (2016: 1632) argued that “a diverse household composition and collectivist family ideology facilitates entrepreneurship by providing opportunities and family-based resources that increase family members’ likelihood of entrepreneurial activity”. The effects of household resources were also the focus for Smith’s (2005) analysis of self-employment among African Americans, which found that being married and also having additional sources of household income increases the likelihood of entrepreneurship.

Describing the focus on the household economy within the ethnic minority enterprise research literature, Valdez (2016: 1620) argued that “scholarship on ethnic enterprise indicates that familism, defined as family ideologies and practices that privilege collectivism, characterizes ethnic households and influences their socioeconomic incorporation”. The role of the family and household in determining business strategy was a key finding in Ram’s (1994) ethnography of employment relations in small, ethnic-minority owned firms in the UK. During the course of the study, one of the three firms examined suddenly split into five separate companies; the need to accommodate seven male family members being the impetus for this division. As one brother explained: “The company was split not because there was any demand from the market for such a move, it was just to give them [the brothers] something to do” (Ram, 1994: 89). In a similar vein, Mulholland’s (1997) analysis of the entrepreneurial, managerial and preservation strategies characterising successful family businesses drawn from majority white and minority ethnic communities in the UK, described the case of an ethnic minority family where business expansion coincided with the incorporation of the founder’s five siblings. Mulholland (1997: 695) argued that the employment of male siblings is consistent with the management practices characteristic of industrial family capitalism, “providing career paths, while also safeguarding against labour market discrimination” that ethnic minorities potentially face.

Beyond studies of ethnic minority enterprise or those set within the context of developing economies, the adoption of a household perspective remains relatively unusual within the entrepreneurship research domain. [One notable exception lies in Parker’s \(2005\) analyses of entrepreneurship among married couples in the US. As Parker \(2005:3\) notes, “the literature has largely ignored the possibility that an individual’s decision to be an entrepreneur might](#)

both affect and be affected by the entrepreneurial propensities of their marital partner”. Building on the observation that married couples are frequently found to be in business either in a jointly owned enterprise or within independent firms, Parker’s study identified the role of knowledge about business ownership and business conditions being easily and efficiently shared between spouses. Knowledge spillover effects were found to be considerably stronger than alternative theories, such as assortative mating, role model effects, risk diversification, and intra-household wealth transfers, in explaining the propensity of married couples as business owners.

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While the burgeoning research literature on family businesses has been one of the recent success stories of the subject domain, we have argued previously that the focus of the family business research stream tends to be the firm rather than the entrepreneurial household. Across the subject domain as a whole, there has been a growing interest in issues such as family embeddedness (Aldrich and Cliff, 2003) and socioemotional wealth (Gomez-Mejia, Haynes, Nunez-Nickel, et al., 2007). It is also the case that studies incorporating these perspectives also use the individual or the firm, rather than the household, as the unit of analysis. While Aldrich and Cliff’s (2003) call for studies adopting a family embeddedness perspective recognised that the family construct is fraught with methodological difficulties and made an explicit recommendation to focus on households as the operational proxy for the family, most studies responding to their call ignored this advice and continued to use either the firm or the individual as the unit of analysis. Hence, studies adopting a household perspective and that also use the household as the unit of analysis remain relatively unusual within entrepreneurship studies based on majority populations within developed country contexts.

While entrepreneurial households remain an atypical focus, family-owned businesses are an important and distinctive element of the entrepreneurship research domain. Family businesses are constructed on the basis of the aspirations and capabilities of family members, and these remain key vectors that persistently influence decisions about strategy, operations and structure (Chrisman, Chua and Steier, 2005). The concept of familiness describes the resources and capabilities resulting from family involvement and interactions in the business (Habbershon and Williams, 1999; Pearson, Carr and Shaw, 2008), and while familiness encompasses the intersection of family and business, it is originally a firm-level construct (Habbershon and Williams, 1999). Taking a household perspective extends the concept of familiness by focusing not only on the single family business, but on all business activities controlled by the household, i.e. taking into account that one business strategy of the household can be to diversify its business activities into different enterprises (Alsos et al, 2014). A household perspective includes all of the business activities that are embedded in the household, rather than a single enterprise or entrepreneur. In practice, the resources and capabilities of family members are not only provided from the family to the firm, but can also be moved between business activities even if these are formally owned by different household members. Hence, a household perspective also responds to calls to examine additional levels of analysis related to familiness (Pearson, et al., 2008) and to focus on enterprising families rather than family enterprises (Discua Cruz, Howorth and Hamilton, 2013).

### **Household Composition and Kinship**

Household transitions, sometimes labelled household disruptions or household dynamics, capture the process of households evolving over time as changes occur in family size and

composition. The entry and exit of family members through birth, marriage, separation or death, offers both new possibilities and also challenges to the existing social and economic order of any household. New family members joining through marriage may provide new resources or new employment needs, while the exit of family members through death or divorce or because grown up children move out of the family home implies both loss of resources and emotional strain. As household size and composition change over time, so too do the household's needs and resources. Kinship and marriage are central to household transitions. Kinship is defined as the "network of genealogical relationships and social ties modelled on the relations of genealogical parenthood" (Holy, 1996:40). Kinship is hallmarked by a distinctive moral order which is "at odds with the amoral logic of markets" (Stewart, 2003:385) and the place where these differing sets of morals meet is in the household or the family businesses. Kinship relations allow one to share 'without reckoning', resources are contributed without immediate or indeed any obligation for repayment, a feature that is usually impossible in market-based exchange systems (Alsos, Ljunggren and Carter, 2014).

From an entrepreneurship perspective, there are many benefits associated with kinship (Stewart, 2003; Alsos et al, 2014). These include, *inter alia*, access to resources such as capital and in covering living expenses during the business start-up, long-term social support, mentoring, access to business channels, markets, networks and information. It is widely appreciated that households contribute to an entrepreneur's business venture by providing a source of capital as well as encouragement and affirmation (Aldrich and Cliff, 2003; Brush and Manolova, 2004). With regard to more tangible business resources such as finance, studies have shown that household income levels have an impact on the monetary resources available to a business start-up (Rodriguez, Tuggle and Hackett, 2009). It is similarly known

that family members provide intangible business resources, such as emotional support and to some extent also business guidance (Renzulli, Aldrich and Moody, 2000). The role of emotional support has garnered considerable interest among the family business research community in recent years (Gomez-Mejia et al, 2007; Shepherd, 2016). Unlike externally provided business resources, kinship relations typically consist of stable social units tied by emotional bonds and high levels of trust and hence kinship-based resources and support may be sustained over a long period of time.

### **Children in Entrepreneurial Households**

A household perspective of entrepreneurship implies understanding the effects of business ownership on all members of the household, including children and adolescents whose emotional and material well-being may be intricately bound to the fortunes of the business. Very few studies have considered the effect of business ownership on children, [though studies have suggested](#) ~~yet anecdotal evidence suggests~~ that the experience of growing up in an entrepreneurial household may be formative, influencing future choices made in adulthood. Indeed, most of the studies that have considered the effects of entrepreneurship upon children focus on the increased likelihood of them also becoming entrepreneurs later in life. A large cross-national study of 40,000 individuals from fifteen countries that investigated the inter-generational transmission of entrepreneurial intentions found that parents and grandparents had a direct or indirect influence on their offspring's future career choice as business owners (Laspita, Breugst, Heblich and Patzelt, 2012). However, the precise mechanisms associated with such intergenerational transmission are unclear. While Nicolaou and Shane (2009) argued that genetic predisposition (nature) played an important role, more often scholars have asserted the importance of household socialisation (nurture), exposure to a family owned business, and the development of knowledge and skills relevant



for a future entrepreneurial career (Laspita et al, 2012). [A more recent study, using Swedish adoption data, revealed that biological and adoptive parental entrepreneurship significantly increased the probability of children's entrepreneurship, although post-birth effects were stronger than pre-birth effects – suggesting that while genes and upbringing were both important, role modelling was more influential than genetic factors –\(Lindquist, Sol and van Praag \(2015:269\). In a further study, Lindquist, Sol, van Praag and Vladasel \(2016\) examined the potential interactions between siblings. While little evidence of sibling effects was found, brother correlations were larger than sister correlations and mixed-sex correlations were smaller than same-sex correlations. The study concluded that while siblings often share an entrepreneurial occupation, the main causes of this lie in parental entrepreneurship and genes, rather than the peer-effects of siblings.](#)

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A different but related theme within the entrepreneurship research domain focuses on whether the presence of children affects their parents' – particularly their mother's - likelihood of business ownership. Given the near universal policy focus on encouraging more women into self-employment and business ownership, this issue has received considerable policy attention, with some arguing that women's access to self-employment is constrained by a lack of childcare facilities and others arguing that the flexible working strategies available to the self-employed offers parents of young children better opportunities than in formal employment (Rouse, Treanor and Fleck, 2013). A recent study of the effects of children and family on self-employment rates in Norway found that having children was not a barrier to female self-employment rates; on the contrary, "mothers seem to be more inclined to be self-employed than in wage employment when their children are small" (Ronsen, 2014: 347). Self-employment rates among mothers were found to be positively influenced by their partner's status as self-employed and negatively affected by their partner's long working

hours (Ronsen, 2014). Unsurprisingly, a survey of entrepreneurial parents in Ireland similarly reported that mothers (rather than fathers) adopted flexible working strategies, took on disproportionate caring responsibilities and experienced greater role conflict in combining parenting and business ownership (Drew and Humbert, 2012).

While recent studies have called for greater research attention to be afforded to the well-being of children and adolescents within entrepreneurial households (Jennings et al, 2013), this remains a woefully under-researched area. While it is tempting to explain this as a function of a broad lack of interest in children's experiences, reflecting a prevailing view of children as human 'becomings' rather than independent actors in their own right (Gram, 2007), it is just as likely to be a reflection of ethical standards in research that constrain the participation of vulnerable groups, including children. Regardless of the reasons why children have been largely excluded from research studies, it is clear that a complete understanding of the effects of business ownership on households and families will not be achieved until children's perspectives are included.

### **Family Embeddedness: Household Influences on Entrepreneurship**

Household influences on entrepreneurship form the core of Aldrich and Cliff's (2003) seminal paper identifying the need for a family embeddedness perspective in entrepreneurship research. The family embeddedness perspective is presented in a framework that captures the process whereby family system characteristics, including household transitions, resources, and family norms, attitudes and values, influence key elements of the venture creation process, including opportunity recognition, launch decisions, resource mobilisation and implementation. Collectively, these elements influence new venture

outcomes. The outcomes of the new venture, in turn, influence family system characteristics. In identifying the intertwined character of the family household and the business, Aldrich and Cliff (2003:591) outlined a research agenda for future studies pertaining to “the impact of family system characteristics on venture creation processes ... [and] the impact of new venture outcomes on family system characteristics”.

The research questions Aldrich and Cliff (2003: 591) suggest that could explore and explain the impact of family system characteristics on venture creation processes include: whether venture creation is more prevalent among individuals who have experienced a major family transition; whether new venture creation rates are more associated with resource-rich families; the effect of family norms, values and attitudes on different elements of venture creation; and how changes in family system characteristics affect the venture creation process. Conversely, the research questions they suggest to better understand the impact of new venture outcomes on family system characteristics include: whether new venture outcomes influence family transitions; the effect of venture failure and resource loss on the family; whether new venture performance can trigger changes in a family’s norms, attitudes and values; and, in cases of venture failure, whether the relationship between venture performance and a family’s norms, attitudes and values depends on the extent of family resource loss.

Some of these research questions, particularly those relating to the effect of the family on the new venture, have started to be addressed by researchers keen to pick up the baton proffered by Aldrich and Cliff (2003). The growth of the family business research field in recent years has ensured that substantial inroads have been made in our understanding of the influence of the family upon the business. However, questions relating to the effect of the new venture

upon the family have attracted less research attention. Indeed, the relative lack of advancement in understanding the effects of business ownership on the family provoked a more recent call to arms by Jennings, Breitzkreuz and James (2013: 472), in which they called for “family scholars to join us in an important and timely quest – enhancing knowledge about the implications of entrepreneurship for family well-being”. Below, we highlight some of the research evidence relating to the effect of family households on opportunity recognition, venture creation and business growth, while in a later section of this monograph we review some of the studies that have examined the effects of the business upon the entrepreneurial household.

### **Household Influences on Opportunity Recognition and New Venture Creation**

The question of where and how business opportunities are derived has generated significant debate within the field of entrepreneurship (Alvarez and Barney, 2007; Sarasvathy, Dew, Velamuri et al., 2011). Some scholars view opportunities as ‘recognized’ through deductive processes of either proactive or reactive information search and analysis, while others view opportunities as ‘discovered’ by individuals who are alert to possibilities (Davidsson, 2012). Recently, it has been argued that opportunities are ‘created’ by the entrepreneur through abductive processes (Sarasvathy et al., 2011). These three distinctive perspectives on opportunity are predicated on different assumptions and are related to different situations; however, they all share the view that individual entrepreneurs are at the centre of how opportunities emerge. It is the individual entrepreneur who searches for and recognizes opportunities, who is alert and discovers opportunities, and who is creative and creates opportunities (Davidsson, 2012).

Although it is tempting to view the individual entrepreneur as the main progenitor of new venture creation opportunities, studies have consistently shown the importance of teams of people working together in order to identify and pursue opportunities (Lim, Busenitz and Chidambaram, 2013; Schjoedt, et al., 2013). Taking the household or the family as the unit of analysis, it becomes clear that opportunities may also emerge as a result of joint efforts of several connected individuals. In their study of family entrepreneurial teams, Discua Cruz et al. (2013) found that the search for entrepreneurial opportunities was a collective effort in which both the senior and the junior generation participated, and that it was the joint efforts of family members that led to the specific opportunities. While the older generation had seniority and strong influence over the family businesses, the opportunities sought were highly influenced by the skills and interests of the younger generation. If the younger generation's education and experiences were in areas similar to the family business, opportunities tended to be explored in the same area. If their education and skills were in areas unrelated to the family business portfolio this led to opportunity identification outside existing areas of business and the diversification of business portfolios. This suggests that the characteristics and strategies of the family may be important to business development.

In a study of business households, Alsos et al (2014) also found that opportunities emerged from the interests and competence of family members, were typically discussed and developed 'around the kitchen table' and involved a range of family members. Family members were seen to take different roles in this process. In one case, an older woman typically initiated opportunity identification; these opportunities were then formalized and developed by her husband and grown-up children. The deep trust and shared knowledge between family members provided an environment for open discussions of potential

opportunities. It has been argued that serial and portfolio entrepreneurs are particularly good at identifying opportunities due to their prior experience as entrepreneurs (Ucbasaran, Westhead, Wright and Binks, 2003). In a similar vein, Alsos et al (2014) argued that children growing up in a family where opportunities are discussed around the kitchen table learn from this experience. It could also be speculated that, for some children growing up in enterprising households, the experience acquired during their childhood may enable them to become more aware of entrepreneurial opportunities and emergence in adulthood. So for example, Greene, Han and Marlow (2013) found within households where mothers were self-employed, either as sole or lead business owner, daughters were significantly more likely to enter self-employment given the impact of positive female role models.

While early studies focusing on the family firm highlighted the dominant role of the senior generation in opportunity search, often in relation to succession (Handler, 1990), later studies focusing reveal that new business opportunities may be identified in the family household through more collective action (Discua Cruz et al, 2013; Alsos et al, 2014). Opportunities may also be identified as an alternative to succession, when an off-spring is grown up and ready for the responsibility of taking an entrepreneurial role (Discua Cruz, et al., 2013), when resources become available and can be put into alternative, productive and profitable use (Alsos, et al., 2014), or when the skills and interests of the younger generation are processed through the entrepreneurial actions of the enterprising family (Discua Cruz, et al., 2013).

Nevertheless, it is also apparent that individuals have differing priorities and that disagreement and diverse interests are also a feature of entrepreneurial families (Steier, Chua and Chrisman, 2009). Family teams that include in-laws, different generations or family members with dissimilar levels of commitment may fracture given tensions between different

parts of the enterprising family (Schjoedt et al, 2013). Such fault-lines may constrain opportunity identification as they introduce distrust and disengagement among family members. In other circumstances, disagreements may lead to productive processes, as subgroups of the enterprising family may be formed to identify opportunities and start new ventures (Discua Cruz, et al., 2013; Schjoedt et al, 2013).

Despite potential conflicts and indifferences, it has been noted that entrepreneurial households often have a shared and collectivised vision, though not necessarily related to one single business. This shared vision may be related to the stewardship of the family's assets and reputation and a collective commitment to build them through entrepreneurship, a feature particularly apparent within studies of farm families within the agriculture sector (Alsos and Carter, 2006; Discua Cruz, et al., 2013). Combined with such a vision, these assets may be a source of new opportunities. In a series of studies of business ownership within farm families, Gry Alsos and her colleagues found that opportunities identified to start new business activities arose from the recognition of spare resources in an existing family business (Alsos, Ljunggren and Pettersen, 2003; Alsos and Carter, 2006; Alsos, Carter and Ljunggren, 2013; Alsos et al, 2014). An example of this involved a family owned dairy farm located on one of Scotland's Western Isles. Excess milk was used as the main ingredient for farm-based cheese production, the wife's main business activity, and the whey by-product used to feed pigs, one son's main business activity. Similarly, a redundant farm building was used as source of storage space for another son's award-winning biscuit factory, while the farm's meat and cheese produce formed a main part of the menu for a third son's hotel restaurant. Studies have shown that there can be extensive resource transfer from existing to new business activities (Alsos and Carter, 2006) and, in many cases, these resources are crucial for the initiation of the new business. While there can be liabilities (Kim, Longest and Aldrich,

2013), resources accumulated from relationally embedded ties, such as family ties, can be extremely important for new business initiation (Newbert and Tornikoski, 2013). Hence, entrepreneurial households may actively invest in human and social capital across generations in order to exploit new business opportunities (Sieger, Zellweger, Nason et al., 2011).

It has also been noted that while some cases show that opportunities are identified first and then an entrepreneurial team of family members exploit it, in other cases the team and decision to start an additional venture comes first, and opportunities are then subsequently sought (Alsos et al, 2014). When an opportunity is identified and the decision made to develop it, this can be organized within an existing business unit or as a separate firm, often referred to as mode of organizing (Wiklund and Shepherd, 2008). One of the advantages of entrepreneurial households is the opportunity to develop new business activities within existing firms which acts as a seedbed, or incubator, of new ventures (Ucbasaran et al., 2008). The new venture can rely on the tangible and intangible resources of the existing business, reducing the risk and uncertainty associated with new venture development. In an early study of entrepreneurial households within the UK farming sector, Carter (1996) identified a three stage continuum of business development; mono-active farmers, who had no further business activities beyond their farm; diversified farms, where several business activities were organized within the same firm; and portfolio entrepreneurs, who established new business activities as separate firms located on or off the farm. Hence, moving from organizing a new venture within an existing firm to the establishment of a separate formal entity may be seen as a process depending on the stage of venture development. Of course, there may also be other reasons behind the choice of mode of venture organizing, related to the experience of the entrepreneur (Wiklund and Shepherd, 2008), the resource endowments needed to



establish the new venture, as well as issues related to ownership involvement, tax and fiscal considerations (Iacobucci and Rosa, 2010). The development of a business portfolio as a growth mechanism within an entrepreneurial household is considered further below.

### **Households, Kinship and Business Growth**

In line with Aldrich and Cliff (2003), several scholars have argued that understanding the context for entrepreneurial growth requires a focus on the business-family nexus, as family issues have a major impact on strategic decision-making, and that business decisions are influenced both by family circumstances and the economic conditions facing the business (Carter and Ram, 2003; Chrisman et al., 2005; Habbershon and Williams, 1999; Gedajlovic and Carney, 2010; Wright and Kellermanns, 2011).

While business growth is normally viewed as confined to the small number of high growth firms that contribute the bulk of new employment, innovation and wealth creation (Shane, 2008), it has been argued that firm-level analysis fails to capture a significant proportion of entrepreneurs who achieve growth by developing a portfolio of businesses (Iacobucci and Rosa, 2010). This raises questions not only about growth strategies, but also the level of analysis that should be applied when exploring issues relating to business growth. Early studies of portfolio entrepreneurship focused on the individual entrepreneur noting that business growth could be achieved either by increasing the size of an existing firm or through the start-up of new firms (Scott and Rosa, 1997; Wiklund and Shepherd, 2008). Research into the formation of business groups, i.e. a set of companies run by the same entrepreneur or entrepreneurial team, suggests that portfolio entrepreneurs create groups of businesses that are tied together through joint ownership, management and/or board memberships (Iacobucci

and Rosa, 2010). Studies have demonstrated that existing firms may function as seedbeds for new business ventures (Ucbasaran, Westhead, Wright et al, 2003), allowing new ventures to utilize resources of an established business during the risky start-up phase and at a later stage being spun out into separate business units. Through ownership of a group of businesses, the portfolio entrepreneur can operate as a larger corporate group as required and still retain the advantages and control of the small owner-managed business (Rosa, 1998). Such business clusters are complex in the sense that they can involve partnerships between different owners, and that they develop over time (Iacobucci and Rosa, 2010). Complexity increases further if ownership involves several people tied together within an entrepreneurial household.

If one examines the entrepreneurial household, it becomes clear that portfolio strategies are not only the domain of the individual entrepreneur, but are apparent at the household level, with multiple businesses being operated by individuals, or jointly by family members. Hence, discussions of business growth through the development of a cluster of enterprises united through ownership by an individual or a family group are particularly relevant for entrepreneurial households. While entrepreneurial growth practices in family businesses are typically associated with one dominant entrepreneur, the entrepreneurial household context provides other family members with the opportunity to observe successful entrepreneurial practices (Plate, Schiede & Von Schlippe, 2010). The household is also particularly useful for exploring the complexity of portfolio entrepreneurship. The strategies of portfolio entrepreneurs are seen as tightly connected to those of the household; ownership, management and governance can be divided between household members, adding further complexity. Drawing on four case studies, Sieger et al. (2011) developed a model of how portfolio entrepreneurship evolves in family firms, focusing on resource deployment in the portfolio process. Generating important insights into the strategic development of business

portfolios in a family firm context, this study suggested that the family develops human, reputational and social capital from their enterprising experience and that these valuable resources are further developed through the creation of new ventures. Variations in resource deployments related to an enterprising family can be crucial for the development process of a portfolio family business, but do not explain why the family chose to develop a portfolio of businesses. While Sieger et al. (2011) acknowledged the importance of family members for new business development; they did not examine the interaction between household members and the business portfolio.

A more recent qualitative study of business growth in entrepreneurial households addresses this issue finding that even when organized as separate and independent firms, the businesses owned by members of these households were highly interconnected. This was evident from the extensive resource borrowing and sharing between firms, and the coordination of activities, supplier-customer relationships and joint networks (Alsos et al, 2014). Decisions about the mode of organizing opportunities did not appear to determine separation or interconnection of different business activities; rather family relations were the mechanism through which business interconnections were organized. Through four in-depth case studies of entrepreneurial households originating in the agricultural sectors but diversified well beyond the original business, Alsos et al (2014) sought to understand how household strategy influences the development of new businesses. This included the manner in which household characteristics and dynamics influence business growth strategy decisions and how business portfolios were managed and developed by the household. A summary of the four cases is presented in Table 3. The analytical themes that emerged from this study help to illuminate the process of new enterprise creation and provide a nuanced account of the interaction between household, kinship and business growth strategies.

**Table 3 Entrepreneurial Households: business portfolios of four cases**

<b>Business 1</b>	<b>Business 2</b>	<b>Business 3</b>	<b>Business 4</b>	<b>Business 5 and further</b>
<b>Case 1 The Island Dairy farm</b>	Cheese factory	Tea house (now closed) Pig farming (using the whey)	On farm shop (daughter-in-law)	Two siblings running businesses using farm storage space, labour Swimming pool used by the community
<b>Case 2 The Island Pedigree farm</b>	Self-catering accommodation	B&B- serving farm produced food	Coffee-shop serving farm produced food Art gallery	Abattoir co-owner Butchery co-owner Plans for green electricity Pottery business run by others Off-farm bakery
<b>Case 3 The Valley Pig farm</b>	Electricity production	Let of boat and accommodation facilities to fishing tourists		
<b>Case 4 The Valley Goat farm</b>	Green house together with farm neighbour	Horse breeding Job as machine operator	In the process of starting a dairy cheese factory together with others	Plans for electricity production and tourist business using horses

Source: Adapted from Alsos, Carter and Ljunggren (2014: 97)

The first theme identified by Alsos et al (2014) centred on the inter-connectedness of the business and the household, seen in cross-subsidies and resource sharing, the evolution of activities as families grow and new opportunities are identified, and the commodification of self-fulfilment as personal interests are exploited as business opportunities. The case households demonstrated the complex, integral links that exist between new small ventures and the households that create them. These links were most clearly seen in the degree of resource-sharing that existed between the inter-linked businesses and between the businesses and the household. In each case, there was a co-dependence of the original (farm) venture and new business activities, with each of the additional ventures, to some extent, dependent on other businesses created by the household, such that each household could be seen as a complete system of co-developed businesses. In each case, a sustainable livelihood was

maintained by developing different business activities, using and allocating resources to match the new opportunities. Cross-subsidies between businesses, in terms of material support, were supplemented by shared market development. Crucially, the central link between all the businesses was the household, as also demonstrated in studies by Mulholland (1997) and Wheelock and Mariussen (1997). The household provided business resources, labour and support, such that household resources formed a common pool that could be accessed if necessary. Although support and resources, particularly for businesses started by adult off-spring, may be given out of a sense of altruism, it was also clear that economic necessity was an important factor. While the material resources and emotional capital given to each new business venture helps support individual and collective entrepreneurship, emotional capital also controls the behaviour of individual family members and serves to keep adult off-spring close to the household (Renzulli et al. 2000).

New business activities were started in response to spare resources, often the additional labour capacity of a household member generated, for example, when children reached school age, freeing up a parent's capacity and time to spend more time developing businesses. When new business activities themselves generated surplus capacity, this was reinvested in business activities. Each case showed how business activities evolved as families evolved through the family lifecycle, providing both a greater human resource pool and a broader set of skills and interests that could be exploited. Alsos et al (2014) reported that the inter-connectedness of business and household could be seen in at least four different ways. *Resource sharing* between businesses in the portfolio controlled by the household and between household and business; *opportunities arising from business – household interactions* spinning out from existing businesses and farm resources, and from household member interests, competences and resources; *cross-subsidies* where existing and profitable

businesses support new ventures and established business activities which temporarily is unprofitable, particularly through free household labour gaining income from other activities, or through free resource sharing; and finally, through the *household as an organizing hub* connecting the business activities, rather than through a corporation structure or through the ownership of one single entrepreneur.

The second theme focused upon family and kinship relations as a business resource base, highlighting the different entrepreneurial roles of family members and, again, the linkage between business and family lifecycles. Larger families were able to provide a potentially larger resource base for business activities than smaller families. New family members, introduced through marriage, brought a new set of kinship relations further extending the family's pool of human capital, labour and social connections. Hence, an individual's choice of marital partner assumed a greater importance for the wider household economy, as spouses contributed varying levels of labour and expertise; however, a divorce had the potential for ramifications for the wider household, not only the couple involved. Because of the dependence upon family and kinship relations within the entrepreneurial household, the business lifecycle was strongly related to the family lifecycle; as children became adults, they contributed labour and developed their own business activities. The family also played a role in the entrepreneurial process, with each family member recognising, evaluating and exploiting new business opportunities. Kinship bonds secure control over activities but could also be used to sanction unwanted behaviour. Emotional capital such as support and trust, in addition to labour and other resources, contributed to the business start-ups. Hence, the entire household contributed to building a business portfolio and the knowledge and resources of the family and their businesses were used to develop the portfolio further, even if new business activities were formally owned by other individuals.

Alsos et al (2014) highlighted the various ways in which family and kinship relations play an important role for business growth, through: the *family life cycle* which was closely matched to business development; *kinship ties* brought into the family through marriage were significant to the development of new business activities; *a division of entrepreneurial roles* was important as each family member played different roles within the entrepreneurial activities of the household, some being more involved in identifying opportunities, others in various parts of bringing identified opportunities into viable business activities; *emotional capital* provided through family and kinship relations was an important support for business development, but it was also used to control and sanction behaviour.

The third theme identified by Alsos et al (2014) focused upon risk, uncertainty and control in which resource sharing between ventures increased efficiencies across the different businesses, risk lay in the opportunity cost of pursuing one venture over another idea and the ideology of self-sufficiency led to controlled and inconspicuous, often frugal, consumption. Interestingly, the major risk perceived by these families was not the creation of new business ventures, but the initial decision to take over the farm business. Once that decision had been made, the creation of additional new business ventures was regarded as relatively risk free, as resources at hand were used to develop new business activities in an evolution of the enterprise. Family time and labour was viewed as a free resource, and pursuing new business opportunities often required little financial outlay. Resource sharing between businesses, the use of spare capacity, and financial bootstrapping coupled with incremental increases in financial and time investments also controlled the risk of new venture creation. Using spare resources to create new business opportunities was an integral part of the evolution of new business activities, as new ventures create their own by-products or spare capacity which

could then be allocated to new ventures. This bricolage type approach brought little risk, but also reduced the capacity for large profits (Baker and Nelson, 2005). These entrepreneurial households minimized financial risk by reducing financial outlay, using resources at hand such as spare floor space, redundant buildings, released time, excess production, new competencies or a new person in the household.

Uncertainty was further reduced by actively controlling the new venture. Opportunities were pursued that closely matched owner skill and interests; larger scale expansion was seen as unwelcome, especially if it meant losing control. This low-risk low-profit approach is most suggestive of an ideology of self-sufficiency, where consumption is carefully controlled and mainly inconspicuous. Alsos et al (2014) highlighted three distinct ways in which entrepreneurial households take control rather than considering risk and uncertainty in business development: *orientation towards available resources* by focusing on resources at hand, new business activities are developed without taking on noticeable risk, similar to that seen in bricolage (Levi-Strauss, 1966) or in Sarasvathy's (2008) "bird-in-the-hand-principle"; *control orientation*, new business activities were not seen as risky, simply as an evolution of existing businesses of the household utilizing existing capacity, competence, resources and networks in new activities; *portfolio of ventures as one entity* business activities were viewed as a single entity with different parts, with each required to contribute positively to be considered viable though not necessarily profitable in its own right.



## **5. ENTREPRENEURIAL HOUSEHOLDS: RESOURCES AND CONSEQUENCES**

### **Household Resources for Entrepreneurial Activities**

Resource transactions are central to the relationship between the household and the family's various business activities. Indeed, it is their role in determining business resources that distinguishes entrepreneurial households from other types of households. As Brush and Manolova (2004: 39) explain, "Household structure has an impact on venture creation because it is a direct determinant of the starting resource base for the entrepreneur". Households administer the family's economic and human resources (Wheelock and Oughton, 1996; Brush and Manolova, 2003), and entrepreneurial households allocate resources between the various business activities operated by the family (Alsos and Carter, 2006; Alsos, et al., 2012; Sieger et al., 2011). As we have shown above, studies have also demonstrated that within the entrepreneurial household, existing firms may function as seedbeds for the new business ventures allowing new ventures to utilize resources of an established business during the risky start-up phase and at a later stage being spun out into separate business units (Dyer and Handler, 1994; Carter, 1998; Alsos and Carter, 2006).

Resource access and resource scarcity are both influential in the way new businesses are created. A study of the effect of family and household capital in new venture start-up rates found a strong positive relationship between household wealth and new venture start-up, with wealth attributed to a reduction in borrowing constraints as well as to an 'intergenerational momentum that passes through economically successful families (Rodriguez, Tuggle and Hackett, 2009: 269). Others have pointed to the importance of more intangible resources, particularly the emotional wealth endowed to the entrepreneur and the business from family

and kinship groups, in the new venture creation process (Cruz, Justo and De Castro, 2012; Shepherd, 2016). Nevertheless, most new ventures are resource constrained and the issue of acquiring and organizing resources is a central part of the start-up process (Davidsson, 2012). The interconnectedness of household and business leads to flexibility in resource availability, as households can release resources from other household activities and make them available for business development when required or agreed. However, households can also withdraw resources from the business when they are needed for other purposes. Hence, resources available for a business activity are not fixed in size, scale and availability. Resources develop over time as new knowledge is achieved, new people arrive, or surplus is created from on-going activities (Alsos, et al., 2012). The household plays a role in determining resource provision and withdrawal, and this crucial resource determining role needs to be taken into account in understanding venture creation and business ownership.

While in other types of households it is assumed that wages and salary earned outside of the household subsidize the domestic and family sphere, in entrepreneurial households the 'inextricably intertwined' relationship between business and household (Aldrich and Cliff, 2003:573) suggests a more complex scenario regarding resource provision - particularly financial resources. Studies reveal that in a large proportion of entrepreneurial households, financial resources are derived from multiple sources, not only business ownership. Other sources of income include the employment of household members, the purchase of commercial and domestic property for onward rental, the ownership of multiple businesses, share-holding and equity portfolios, pensions, grants, and social security transfers (Devine, 1994; Carter, Tagg, and Dimitratos, 2004). The diversification of household income over a broad range of economic activities reduces household dependency on the enterprise, enabling the household to 'patchwork' incomes from a number of sources (Kibria, 1994; Mulholland,

1997). At the same time, multiple income sources within the household offer advantages to the business, both by relieving the pressure to generate household income and by providing a source of readily available external finance when required (Gentry and Hubbard, 2004). This suggests that there is great potential for cross-subsidy between the business and the household, highlighting financial resource interactions in which each institution supports the other.

The use of household resources within entrepreneurial households was evident in the Alsos et al (2014) study, described above, where resources were found to play a central role in three different processes related to the building of the family business portfolios. Resource supply, sharing and withdrawal were central to the process in which business and household were inter-connected. It became clear that while the households were financially dependent on the businesses, the opposite was also true as businesses were frequently supported by the household, for example when family money is sent back to the firms, during crisis or when new opportunities arise, or when homes were re-mortgaged in order to keep the business afloat. Family and kinship relations are clearly a business resource base from which the businesses could draw resources when needed for further development, including money, work force, equipment, facilities, premises and other tangible resources, but also competence, reputation, networks and other intangible resources. Resource sharing between ventures and resource flexibility between household and business were fundamental to the ways in which entrepreneurial households took control over uncertainty and risk related to business venturing. The ability of households to flexibly transfer and share resources between their businesses and between household and business can be seen as a way of managing resource scarcity and allowing business activity to grow through the development of new ventures, while simultaneously controlling insecurity.

Similar findings were reported by Sieger et al (2011), who developed a model of resource deployment in building business portfolios within family firms. The wider household provides access to a variety of resources, as well as knowledge, skills, social norms and attitudes applicable to enterprise development. As the family develops human, reputational and social capital from their enterprising experience, these valuable resources are further developed through their investment in new venture creation. The relationship of the entrepreneur's family to the new enterprise can be a significant contributor to its success or failure. Embedded relationships, such as family and kinship relations, may provide nascent entrepreneurs with access to low cost resources (Newbert and Tornikoski, 2013), though resource transfer between households and businesses may have negative consequences for both. The family's willingness to support the venture financially may be critical for the possibility to acquire sufficient funding for a new start-up. The family may also provide other enabling resources such as access to markets, sources of supply, technology or new ideas or a background, expertise and connections in business. The use of social networks, inevitably more extensive among the household than for an individual, may be particularly crucial. Long (1979:148), provided a detailed anthropological account of a successful Latin American entrepreneur from humble origins who benefited both from growing up within a close-knit kin network and developing a set of affinal relationships through marriage, which opened up "new fields of participation, making available new types of material and non-material resources".

Spare resources in the household or in existing business activities are not only important resources for new ventures; they can also be the source of new business opportunities. Family members may use their intimate familiarity with available resources as a way of dealing with

opportunities or challenges as they arise. Spare floor space, redundant buildings, released time, excess production, new competence or a new person in the household all represent resources available for profitable use. Awareness of such resources may lead to the identification of new opportunities to be exploited by one or several family members. Alsos et al (2014) reported that in one case of an entrepreneurial household, a young woman was able to develop significant new activities such as a stud and a glasshouse flower production business as a consequence of her children reaching school age enabling her to invest more time in entrepreneurial activity. In other cases, additional ventures were seen to develop from the commodification of personal interests and skills of household members (Alsos, et al., 2012). Households are the core connection between the different family businesses in the portfolio, providing business resources, labour and support, such that household resources formed a common pool that could be accessed by all members as and when necessary.

Although support and resources, particularly for businesses created by adult off-spring, may be given from a sense of altruism, they are also the result of common household decisions as to how resources should be utilised. In this regard, household allocative decisions regarding the provision or withholding of resources can be seen as an explicit demonstration of the existence of a household strategy. Notably, household resources are rather different from externally sourced resources, in as much as they may be accompanied by emotional controls. While material resources and emotional capital given to a household's new business venture help support individual and collective entrepreneurship, emotional capital also controls the behaviour of individual family members and serves to tie adult off-spring to the household.

There may be other liabilities associated with household resources given to business activities. Not only is it possible that the resources available within the household are

inappropriate or insufficient for the business's needs, the effects of business ownership upon the household are largely unknown and may be socially and economically detrimental. Questioning the effects of entrepreneurship upon family well-being, Jennings, Breitzkreuz and James (2013) exhort scholars to pay greater attention to the implications of business ownership for the family and to critically scrutinize the view that 'all enterprise good, more enterprise better'. The diverse effects of business ownership upon households and families are discussed further below.

#### **Is Entrepreneurship Good for Households and Families?**

As the preceding sections have demonstrated, entrepreneurship research has begun to focus on the role of the household in guiding individual and firm level entrepreneurial decisions and processes. Although there is a growing appreciation of the role of the household in determining entrepreneurial activities and outcomes, there is a second, equally important, element of the household entrepreneurship nexus, which is the effect that entrepreneurship has on households, particularly household well-being. The issue of whether entrepreneurship is good for families was explicitly questioned by Jennings et al., (2013) calling for a critical analysis of the effects of business ownership on families. In describing five overlapping areas where the impact of entrepreneurship on families and households might be explored, Jennings et al (2013) provide a comprehensive approach to exploring this issue. Hitherto, the main focus has been upon exploring the effects of business ownership upon individuals whilst households were considered only in terms of incomes derived from entrepreneurship and the financial consequences of business ownership (Carter 2011; Astebro and Chen, 2014).

The financial effects of business ownership were described by Jennings et al (2013) as, “arguably the most obvious domain in which to examine the impact of business ownership on family well-being” (p.481), but were excluded from their framework, partly because researchers were already exploring this issue. The areas described by Jennings et al (2013: 482) as those in which business ownership had an effect upon families and households, and the key foci of existing research, were identified as:

1. work-family integration, including work-family conflict/ balance; linkages between work, family and health; under and over employment; work-family policy;
2. gender roles, including interconnections between gender ideology, resource dependence, time use, and the division of labour within the home
3. marital relationships, including the impacts of cohabitation, parenthood, and relationship processes on marital quality, satisfaction and outcomes;
4. child well-being, including linkages between child well-being and maternal employment, poverty and socioeconomic status, family fragility, parenting quality and work-family conflict; and,
5. intergenerational family ties, including the support that adult children provide to aging parents, the support provided by grandparents, intergenerational relationships in transnational families.

While some of these issues, for example, gender roles, have been well rehearsed within the research literature, others have been afforded very little research attention within the entrepreneurship subject domain. Rather than reiterate the areas extensively covered by Jennings et al (2013), we focus below on the ‘most obvious’ but excluded element, and consider the financial effects of business ownership on entrepreneurial households.

### **The Financial Effects of Business Ownership**

The financial effects of business ownership, as Jennings et al (2013) described, may be the most obvious topic to pursue in researching the effects of business ownership; however, in practice, entrepreneurship scholars have only belatedly shown interest in the financial consequences and rewards of entrepreneurial action for the individual. Thus, the financial ramifications of entrepreneurship for the individual and the household are largely unknown. A key explanation for the lack of scholarly attention devoted to the financial rewards of business ownership is the obvious difficulties in researching this issue: measures of financial rewards are not immediately obvious, data collection requires the probing of sensitive information; and the unit of analysis is ambiguous (Carter, 2011). The insights that have been generated around the financial rewards of business ownership have largely been undertaken by labour economists studying the comparative incomes of the self-employed. Their work has highlighted the dramatic and sustained loss of income an individual may anticipate moving from employment into entrepreneurship (Hamilton, 2000; Blanchflower, 2004; Blanchflower and Shadforth, 2007). Sophisticated studies of incomes derived from self-employment have shown that median incomes from entrepreneurship are lower than equivalent incomes from employment, and that the earnings difference increases over time (Hamilton, 2000). The picture that emerges stresses the evident precarity of entrepreneurship, where individual risks are rewarded by volatile, often meagre returns (Shane, 2008).

Yet, contradictory evidence exists which challenges these findings. In contrast, research has shown entrepreneurs to be significantly wealthier than those in paid employment having disproportionately higher levels of household assets and total net worth (Quadrini, 2000; Cagetti and De Nardi, 2006; Nanda, 2008). As opposed to studies focused only on incomes, studies of wealth capture the stock of economic resources in the form of accumulated



personal assets (Mwaura and Carter, 2015). The use of incomes as a measure of entrepreneurial success is now recognised as a highly problematic measure, prone to under-reporting and mis-measurement (Astebro and Chen, 2013). More importantly, studies of incomes derived from entrepreneurial activities fail to capture either the financial rewards of entrepreneurs or the economic well-being of the household. Contrary to the depictions of precarity and impoverishment, studies that focus on *comparative* wealth reinforce the popular stereotype that entrepreneurs enjoy higher living standards than those typically observed amongst the majority of employees. Furthermore, entrepreneurship researchers are now challenging the use of narrow and static measures, such as incomes, as being inaccurate and inappropriate for studying the financial effects of business ownership. It is recognised that the financial rewards of business ownership are likely to vary dramatically over the business life-cycle (Carter, 2011; Carter and Welter, 2016). It has also become clear that studies focused on enumerating incomes do not explain, at a fundamental level, how entrepreneurial households manage to survive and often prosper given presumptions of uncertain and irregular financial rewards.

One of the defining characteristics of entrepreneurship is the ability to determine the form, the value and the timing of financial rewards that are extracted from the business. These include direct financial rewards (such as drawings, net profit, shareholder dividends and equity sales), as well as indirect financial rewards (such as goods and services nominally owned by the firm but available for personal and household consumption). The extraction of these financial rewards can be adjusted to suit prevailing business conditions as well as the entrepreneur's personal requirements. The close, often inseparable, relationship between the entrepreneur and the firm suggests that decisions about financial rewards are seldom based solely on business logic, but also take account of personal and household needs (Carter and

Welter, 2016). Hence, frugal entrepreneurs may extract only notional weekly drawings, but the amount will vary depending on personal needs and business affordability. Larger rewards, such as dividends and profit, may similarly be varied, in order to maximise personal and business advantage. Consequently, it has been argued that understanding the financial effects of business ownership requires an approach that captures the multi-faceted nature of the rewards, the processes of reward decision-making over the business lifecycle, while contextualising reward decisions within the entrepreneurial household (Carter, 2011; Carter and Welter, 2016).

The multi-faceted nature of financial rewards can be seen in Table 4 which presents six main dimensions of entrepreneurial reward structures which contribute towards economic well-being within entrepreneurial households (Carter, Alsos and Ljunggren, 2015). First, there is the *definitional* aspect, that is, the items that should be included in the assessment of financial rewards. Second, there is a *distributional* aspect that includes the potentially large variations in entrepreneurial earnings. Third, there is the *economic status* aspect which considers the living standards and lifestyle of the household. Fourth, the *business-household* aspect highlights the permeability of the boundaries between the business and the household with regard to earnings, wealth, expenditure and consumption, and requires consideration because of the possibility of cross-subsidies between the business and the household spheres. Fifth, there is the *multiple income* aspect which accounts for the multiple sources of income from which an entrepreneur's household may benefit. Finally, the *non-financial rewards* also require consideration as these are an inseparable aspect of entrepreneurial activities. While non-financial rewards pose problematic measurement issues, these clearly have both value and importance for individuals and households engaged in entrepreneurial activities.

**Table 4: The Dimensions of Economic Wellbeing in Entrepreneurial Households**

<b>Reward Dimensions</b>	<b>Measure</b>
Business Income	Financial rewards, including drawings (wages), salary, net profit, capital gain for each business owned – measured over time
Income Distribution	Sectoral variations between firms in different industry sectors Regional variations between high and low paying regions Temporal variations between new start, growth, mature and declining firms
Economic Status	The living standards, consumption and lifestyle of business-owning households Accrued from businesses owned or from alternate sources? Accrued by nominal ‘business owner’ or other household member?
Business-Household	Permeability between business & household Cross-subsidies in both directions measured over time
Multiple Incomes	Multiple sources of income from businesses, directorships, shareholding, property rental, employment, pensions, social welfare and those of other household members
Non-Financial Rewards	Non-financial rewards, including components of job satisfaction, autonomy and happiness, emotional well-being and family harmony, non-material ‘psychic’ income, codified and valued. Sectoral variations in provision of non-financial rewards Regional variations in non-financial rewards and quality of life indicators Temporal variations in non-financial rewards between new start, growth, mature, declining firms Relationship between non-financial benefits and financial rewards

Source Carter, Alsos and Ljunggren (2015)

Research focused upon the financial rewards of entrepreneurship immediately highlights the centrality of the entrepreneurial household as a key influence on reward decision-making. The household is influential not only in terms of extracting rewards from the business, but also in allocating financial and non-financial resources to the business. While in some situations, the allocation of resources from the household occurs only at the start-up phase of the venture. However, as argued earlier, household level studies are now demonstrating that the allocation of household resources to entrepreneurial ventures is a persistent occurrence

evident throughout the lifecycle of the venture (Alsos et al, 2014). The wider influence of the family and household can be seen in other ways, including in the management of uncertain and irregular rewards from the business to the household; in distinctive patterns of consumption and savings at the household level; and, by providing a subsidy for entrepreneurship through waged employment of household members (Marlow and Swail, 2014).

In comparison with wage and salary rewards derived from employment, the financial rewards of entrepreneurship are uncertain and irregular, and not only effect the individual, but have wider repercussions for the family who also sacrifice income certainty and regularity (Kuhl, 2015). How these uncertain, irregular rewards are managed, and their potential effects within the entrepreneurial household have yet to be explained. In general, there is little detailed understanding of the relationship between income and expenditure at the household level. While Pahl's (1989) pioneering studies of household allocative systems provide some insights into how households manage money, these were undertaken with employee households with reasonably regular (if constrained) incomes. Mulholland's (1996) analysis of wealthy, multi-generational entrepreneurial families provided further insights into household resource management, challenging the stereotypical view of men as the central agents of wealth creation and women as beneficiaries and consumers. However, these findings may not apply to the everyday experiences of more typical, resource constrained entrepreneurial households. Clearly, there will be merit in examining the financial allocative practices of entrepreneurial households in order to better understand how resource and money management practices, at the level of the household, impact upon business growth and development over time.

There is evidence that, within many entrepreneurial households, incomes are derived from multiple sources. These include the ownership of multiple businesses, the purchase of commercial and domestic property for onward rental, further employment of household members, shareholding and equity portfolios, pensions, grants and social security transfers (Carter, Tagg and Dimitratos, 2004; D'Haese, De Wildt and Rubens, 2008). The diversification of household income over a broad range of economic activities reduces household dependency on the enterprise, enabling the household to 'patchwork' incomes from a number of sources (Kibria, 1994). Multiple income sources also allow households to smooth the income flowing into the household, enabling more effective planning for regular household outgoings, such as rent or mortgage payments. The ownership and onward rental of domestic or commercial property is a particularly attractive source of additional income for entrepreneurial households. It both provides rental income, which typically covers the cost of mortgage payments, and also provides a saleable asset which increases in value in line with property values. Such a strategy may also be used as a form of savings for future retirement, replacing the occupational pension that is more typically associated with employment, rather than entrepreneurship.

Multiple income sources within the household also offer advantages to the business, by relieving the pressure to generate household income and by providing a source of readily available finance when required (Gentry and Hubbard, 2004). Studies of female self-employment rates have found that these are higher among women whose spouse is in paid employment (Devine, 1994; Ronsen, 2014). Devine (1994) explained that within conventional, two partner households, the regular wage or salary income and the fringe benefits of employment, for example health insurance, earned by one partner, provide financial security to the household, allowing the other partner to pursue their entrepreneurial

ambitions. Hence, waged employment undertaken by a household member acts as a subsidy to entrepreneurship by removing the burden of household income generation. Evidence of this type of household subsidy to entrepreneurship has mainly focused on self-employed women 'subsidized' by employed spouses (Devine, 1994); however, given the relatively higher rates of male self-employment, a female waged employment subsidy to male entrepreneurship may be more common. The relationship between household and business incomes suggests a strong potential for financial intermingling and cross-subsidies between the two institutions (Yilmazer and Schrank, 2006), although the extent to which this occurs and the impact of this type of interaction on the business and on the household is not well understood.

In an analysis of the influence of gender upon business exit and closure decisions, Marlow and Swail (2015) argue that the dependence of the household upon the income from entrepreneurial activity will delay or expedite the decision to close a firm. So for example, using the case of the small-scale female owned firm based in the home, utilised as a stop gap to accommodate domestic labour with a sub-optimal or marginal performance, the enterprise may persist in the market if cross subsidised from other sources of household income. This argument is based upon the premise of a persistent disparity between male and female incomes - where in the UK for example, men earn approximately 13.9% more than women and this increases expeditiously for part-time employees to around 40%, (The Fawcett Society: 2016) - so, as a source of a secondary income, it is not essential for these firms to generate a profit. Alternatively, this scenario might be equally applied to a male-owned business and in fact, Carter (2011) advances a strong argument that given the relatively higher rates of male self-employment, a female employment wage subsidy to male entrepreneurship may in fact be more common. In effect, the primary household wage earner

(whether male or female) financially subsidises the entrepreneurial business such that maximising returns may not be a priority. Moreover, particularly for women, where better quality employment opportunities may be limited by domestic/caring responsibilities, the attractions of sub-optimal entrepreneurship increase if subsidised via a primary [male] household income.

One consequence of the financial uncertainty that accompanies self-employment or business ownership is the need to engage in markedly different patterns of expenditure and savings at the household level. This is a key difference between entrepreneurial households and employee households and adds further weight to the need to reconsider and update Pahl's (1989) analysis of household money management to understand how entrepreneurial households adjust to and continue to manage irregular and uncertain income flows. Drawing from Chayanov's (1986) theory of peasant economy, it has been assumed that entrepreneurial households adjust consumption in the form of direct expenditure to suit prevailing economic conditions; however, even in periods of relative economic prosperity, personal consumption is tempered by the need for substantial savings in order to offset large future earnings risks (Kuhl, 2016). In comparison with employee households, entrepreneurial households appear to be typified by frugal consumption and higher savings (Quadrini, 2000; Cagetti and De Nardi, 2006). Yet, the reasons why some households are prepared to accept financial uncertainty and frugality, while others prefer the more apparent certainties of employment, are largely unknown. It is likely that individual entrepreneurial households perceive and attend to the management and negotiation of entrepreneurial rewards differently, but the precise dimensions that underpin these variations between households are uncertain. As we have seen, entrepreneurial households are distinctive from employee households in so far as they are able to make decisions about the type, value and timing of financial rewards, and to

negotiate expenditure and savings patterns at the household and business level. But the manner in which these resources are controlled - and by whom - remains entirely unknown (Carter and Welter, 2016).

Despite apparently low incomes, business owners typically describe high levels of personal satisfaction accruing from a sense of independence and autonomy in their working lives. Indeed, labour economists who question why so many are attracted to self-employment despite low incomes and long hours, explain this apparent paradox by suggesting that non-financial benefits, such as independence, flexibility and job satisfaction, compensate for low financial rewards (Hamilton, 2000; Blanchflower, 2004; Shane, 2008). As Hamilton (2000:629) explains, “The self-employed earnings differential reflects entrepreneur willingness to sacrifice substantial earnings in exchange for the non-pecuniary benefits of owning a business”. Surprisingly few studies of entrepreneurial earnings have collected data concerning the precise nature of the alleged differential that compensates for low earnings. Most assume its presence circumstantially, citing studies that report higher levels of autonomy, satisfaction and happiness among entrepreneurs as explanation for the entrepreneurial earnings anomaly. This argument is persuasive, given the apparent financial irrationality of the individual’s decision to pursue entrepreneurship as a career option, coupled with studies that have stressed the personal benefits associated with being one’s own boss.

Studies that have considered the non-financial dimensions of work highlight four core job characteristics that contribute towards job satisfaction: autonomy, task identity, task variety and performance feedback. The search for enhanced levels of job satisfaction and hence, an improved quality of life, often cast as ‘work-life balance’, has preoccupied organizational and



human resource management theorists in studies of the organizationally employed (Eikhof, Warhurst and Haunschild, 2007; Warhurst, Eikhof and Haunschild, 2008). Such analyses have rarely considered entrepreneurs as a distinct group requiring separate consideration. One explanation for the exclusion of entrepreneurs from such studies may be that entrepreneurship, unlike organizational employment, provides individuals with the means of controlling the critical dimensions of job satisfaction. There is ample scientific evidence to support this view, as it is widely understood that a key motivating factor in the decision to pursue an entrepreneurial career is a desire for independence and gain control over one's working life (Kolvereid, 1996; Bradley and Roberts, 2004). As such, it is likely that with the high levels of autonomy and job satisfaction that have been observed among entrepreneurs, comparing the work life balance of entrepreneurs with that of employees may prove to be spurious.

A more appropriate focus for analysis when considering the linkages between the business and the household may relate to issues of cooperation and conflict within the household regarding business activities including: the use of financial resources for the business; the time spent on the business; strategic decisions regarding growth, diversification or market development; the use and remuneration of family labour, including children's labour contribution; issues relating to over-employment and under-employment; and the use of domestic space for business related purposes. These research issues require a focus on the entrepreneurial household and the adoption of a household perspective in which the entrepreneur is viewed *outwards* from the household in order to understand the origins of strategic decisions that may affect the business. One of the implications of adopting a household perspective to entrepreneurship research is attaining deeper insights into core issues relating to issues such as strategic business growth.

In summary, therefore, it is apparent that researchers have begun to recognise the obvious importance of understanding the financial effects of business ownership upon the individual and the household. Yet, we are far from understanding either the financial rewards of entrepreneurship, the money management systems that are deployed by entrepreneurial households, or the manner in which entrepreneurial households both subsidise and are subsidised by business ownership. It is clear that a consideration of the financial effects of entrepreneurship on households and families raises important questions that are fundamental to understanding both the nature and the consequences of entrepreneurial action. Some questions for future research posed by Carter (2011) include:

1. What are the components of economic well-being in entrepreneurship? To what extent do the relative financial components of wellbeing vary over time, and between entrepreneurial ventures? What dimensions underpin any potential variance?
2. What is the relationship between entrepreneurial rewards and venture performance? How does venture performance translate into rewards at the individual and household level?
3. To what extent does overall economic wellbeing achieved through entrepreneurship over the lifecycle of the venture compare with, or compensate for, the financial returns from alternative occupations?
4. What is the nature of the 'intertwined' relationship between entrepreneurial household and entrepreneurial venture with regard to the construction of economic wellbeing?
5. How are uncertain rewards managed; how are consumption and savings patterns negotiated between the household and the venture? How do the negotiated outcomes vary across the business and household lifecycle?

6. What is the relative role of the household and the venture in reward decision making processes and controls?

### **Housing Assets, Neighbourhoods and Home Based Businesses**

While a household perspective implies a focus on what takes place *inside* the home, in particular the interaction between household members and the effect that these may have on business start-up and growth, we recognize that the home itself is not only a site of social relations, but may also be significant capital asset and resource base that influences entrepreneurial activities. In particular, housing wealth can alleviate credit constraints for potential entrepreneurs, by enabling home owners to extract equity from their home to invest in a business start-up. An analysis of the effect of housing wealth on new business creation in the US found a strong correlation between house prices, home equity and business ownership, concluding that a “10% increase in home equity increases the probability that a non-business-owning household will switch to entrepreneurship in the future by around 7%” (Corradin and Popov, 2015: 2425). Studies from the UK appear to support the connection between housing market activity and new firm formation; in effect, owner-occupation and the value of housing equity both increase an individual’s probability of being self-employed (Henley, 2004; Reuschke and MacLennan, 2014). Research examining the use of home ownership as a financial resource for micro-businesses found that 25% of business owners who were also home-owners, had used housing equity to fund their business with the use of personal housing equity more prevalent among businesses with more staff, indicating their relatively higher start-up costs (Reuschke and Houston, 2016).

While the connections between home-ownership and business-ownership have become clearer, particularly with regard to the role of housing equity in relieving credit constraints, the relationship between the residential neighbourhood of the entrepreneur's home and business ownership remains obscure. Detailed ethnographic studies of embeddedness within a community indicate that the relationship between entrepreneur and place may be tightly-knit. Analyses of entrepreneur engagement within depleted communities in rural Ireland highlight the influence of communities on entrepreneurial practices and outcomes. McKeever, Jack and Anderson (2015) reveal how entrepreneurs not only draw upon community resources to operate their ventures but also reciprocate through business contributions to wider community activities. Others suggest that community embeddedness and local interaction is not a universal feature; indeed, it may vary substantially. Reuschke and Houston (2016) argued that, as housing is spatially nested within the neighbourhood, it may be assumed that home-based firms are more likely to use neighbourhood resources and amenities. Counterintuitively, the opposite was found in a detailed survey of businesses in Scotland; businesses located in commercial premises were more likely to use neighbourhood resources (Reuschke and Houston, 2016).

Sobering insights into the connections between residential area and entrepreneurship have been generated by studies examining contemporary patterns of residential segregation and ethnic and racial self-employment, building on early studies of ethnic and racial enclaves (Boyd, 1991; Hiebert, 1993; Portes and Jensen, 1989). Using 1990 US Census data to examine the effect of residential clustering, Fischer and Massey (2000: 420) found that a high degree of residential segregation interacting with poverty led to spatially concentrated deprivation, creating "ghettos of intense disadvantage that offer supremely unfavorable entrepreneurial environments". Fairchild's (2008:69) examination of the influence of

residential segregation on the likelihood of black and white self-employment in the US, found that “blacks are less likely to have access to the factors that are associated with self-employment at the individual, household and neighborhood level”. It was concluded that segregation processes influence entrepreneurship independently and higher rates of segregation were “negatively associated with the likelihood of entry into self-employment” (ibid)

Research attention has also focused on the growing prevalence of businesses that are based within the home (Mason, Carter and Tagg, 2011; Mason and Reuschke, 2015). A recent study in Scotland demonstrated the economic significance of home-based businesses, reporting that 56% of businesses are home-based, accounting for 17% of all private sector employment and almost 10% of private sector turnover (Mason and Reuschke, 2015). Home-based businesses are found throughout the economy, but are not evenly distributed by sector. Industries such as agriculture, hotels and retail have a long tradition of owners ‘living above the shop’, but a majority of businesses in newer industries such as computer and related activities and business services are also home-based businesses (Mason et al, 2011). Indeed, digital entrepreneurship will certainly expand in the future; the relative ease and low cost of digital start-ups suggest ‘anyone’ can create a business with only ‘a laptop, something to sell, and your imagination’ (LeBlanc, 2015). On line trading has expanded significantly in recent years; approximately 12 million people, or 31 percent of UK Internet users, engaged in digital venturing in 2011, representing a 50 percent year-on-year increase from 2010 (Williams, 2011). Considerable heterogeneity exists among digital businesses: some are heavily tech-based (e.g. web design, e-retail) while others can be classed as digital simply because marketing and communications occur predominantly online. The degree of technical knowledge and resources required, as well as possibilities for scalability, vary significantly

between such businesses. Yet, given the popular rhetoric that digital venturing is particularly suited to low income and marginalized populations requiring only low cost entry and a home based operation, it is likely to expand significantly (Dy, Marlow and Martin, 2016).

While it is increasingly apparent that the home is a significant business incubator - the majority of businesses that operate from commercial premises started in their founder's home, moving out when the business began to grow (Mason and Reuschke, 2015), recent studies show that home-business trends are becoming more complex. Rather than home-based businesses being associated only with new, start-up ventures that move to commercial premises when they achieve scale, studies have recently shown that some mature businesses hitherto based in commercial premises are moving into back the home. Some business owners no longer require or expect expensive commercial premises, and instead prefer the convenience and comfort of working from home (Reuschke and Houston, 2016). The growth of businesses based within the home, whether start-ups or mature enterprises, has not only blurred the boundaries between home and business, it has challenged long-held assumptions on the separation of business and household functions.

## 6. CONCLUSIONS

Entrepreneurship is an essentially social process which realises a diverse range of socio-economic outcomes (Steyart, 2007). Consequently, trying to analyse, evaluate or describe entrepreneurial activities without acknowledging the context within which it occurs can only offer partial account (Welter, 2011). In recognition of such, within this monograph, we have explored the interactions between business activities and entrepreneurial households. In so doing, we question the normative focus upon the individual entrepreneurial actor as the dominant unit of analysis within contemporary research (Ogbor, 2000; Welter, 2011). While acknowledging the growing interest in family firms whereby the role and contribution of family members is foregrounded (Chrisman, et al., 2005; Stewart and Hitt, 2012), we progress this debate by embedding families within households. In addition, we analyse the household as a *site* of entrepreneurial activity which generates an iterative relationship between the venture and household members. Consequently, we consider how household members, including those not directly involved in the firm, impact upon the business, but we also flip this relationship when exploring how the business shapes the lives, well-being and fortunes of the household. In so doing, we critically evaluate the notion of the 'lone entrepreneur' and recognise the importance of families upon entrepreneurial behaviour, but extend this analysis by offering a more complex overview of the relationships between individuals, families, households and entrepreneurship.

Defining a household is challenging; they are dynamic in terms of individual members and subject to contextual influences. Drawing together a range of definitions (see Chapter Two); we suggest they constitute units of production and consumption comprising of individuals living in proximity within a space which reflects a culturally specific household. When we

transpose this definition to an *entrepreneurial* household, we factor in self-employment and/or business ownership. Such households may, therefore, host firms which employ all family/household members; or be the site of operation for a solo entrepreneur; or contain a firm which employs some family members (where others are in employment) drawing upon both formal and sporadic inputs from a range of household incumbents. Such firms may, or may not, be home based. In effect, the household itself will, in some way, be affected by forms of entrepreneurial activity blurring divisions between the domestic and business sphere.

In considering the historical evolution of the household (Chapter Three), we have outlined how the advent of market capitalism instigated a division between production and consumption (Marx, 2005). As capitalism developed, work was redefined as an economic activity rewarded by a wage; it was separated from the home and undertaken in collective sites of production, such as factories. This saw increasing numbers of people 'going out' to work as previously, in addition to economic activity, work consisted of tasks divided between men, women and children within the household to ensure continued subsistence. The evolution of *waged* work, undertaken in dedicated spaces such as factories, not only positioned the household primarily as a site of consumption, but also created a new sexual division of labour. As such, men were afforded roles as primarily economic actors within the public sphere while by the early twentieth century the private sphere of the home was deemed a feminised site of domestic and caring labour (Janssens, 1997). Such divisions became normative. Sociological analyses by those such as Parsons (1944) for example, mooted the notion of the 'functional family' (male, economic actor; female, emotional supporter and child-carer), ignoring gendered power disparities and evidence that many women particularly those in poorer families, had maintained a vital role as waged workers. **Alternative economic**



explanations for household divisions of the 1960s developed resource allocation models (Becker 1965) focused upon the utility of dual forms of production and consumption. Again however, the focus was upon allocative utility, ignoring the social structures and hierarchies which permeate household units and family groups.

Such analyses were critically challenged through the work of Jan Pahl (1984) exploring the differential dynamics of households in terms of member interaction, and particularly how issues of class, gender, power and wealth shaped the manner in which resources were allocated. Moving forward from Pahl's insightful analysis, the household was repositioned as a complex space whereby production and consumption overlapped with relationships pivoting around consensus, coercion and negotiation. Developments from this analysis questioned unitary models of rational household decision making or functional divisions of labour and in so doing, introduced a sociological critique which engaged with issues of gender hierarchies, altruism, bargaining power and access to resources. In particular, this debate illuminated the disadvantaged position of women in families and households. The historical assumption of the functional benefits of a sexual division of labour within households failed to recognise the manner in which this fuelled gendered discrimination (Oakley, 2015). In positioning women in the devalued domestic space of the home, compared to the enhanced status of the masculinised economic sphere, by association feminised activities were afforded detrimental status. While in contemporary developed societies, female economic participation rates are now only slightly lower than those of their male counterparts and women attain higher levels of education, the status deficit of femininity persists (Fine, 2010). This manifests as an enduring income gap between male and female incomes (Fawcett Society, 2016), while continued associations between femininity, caring

work and domestic responsibilities ensure women retain primary responsibility for devalued domestic labour, in addition to their economic activities (Bradley, 2007).

In assessing diverse influences upon household decision strategies, we have also recognised the role of children. The manner in which the presence of children affects household decision making has rarely been acknowledged. Rather than simply being an unproductive source of consumption, children sway household strategies merely by their presence but also, given the contemporary visibility and growing power of children within households, they are afforded a greater voice in decision making (Powell and Greenhaus, 2010). Moreover, as has been noted, the contemporary trend for adult children to either remain in parental households due to the inability to meet the costs of independent living, or returning after divorce, has expanded noticeably (Koslow and Booth, 2013). Such shifts in the life course will have a considerable impact upon the dynamics of the household as we see the emergence of more adult inter-generational living within households.

In reviewing the overall evidence regarding how contemporary households operate, we have focused upon strategies, allocation practices and decision making. However, a notable shortcoming in such analyses has been a generic presumption that individuals are waged workers, dependents, workless or retired. Little acknowledgement has been afforded to the entrepreneurial household; this is a serious oversight given the global expansion in self employment and business ownership (Kelly et al., 2016). In the UK, for example, current rates of self-employment (including business ownership) are at a record level with approximately 4.61 million (15.5%) of the economically active population engaged in entrepreneurial activity (Labour Force Survey, 2016). This, of course, does not include informal forms of enterprise such as e-bay traders, undeclared self-employment and hybrid

entrepreneurs who engage in self-employment in addition to salaried employment; such activities are likely to expand given initiatives such as Uber and Airbnb. Consequently, understanding how entrepreneurial households manage resources, develop strategies, generate and allocate income and wealth is critical if we are to fully comprehend the impact of self-employment and business ownership upon society.

As we have acknowledged, some attention has been afforded to enterprising households; this is more evident in developing economies where the role of the household as a site of *both* production and consumption has been explored (Gras and Nason, 2015). Within developed economies, attention has also been afforded to entrepreneurial activity within ethnic minority households given assumptions of stronger kinship and social embeddedness in such communities (Ram, 1994; Valdez, 2016). However, a more encapsulating household perspective is lacking despite a growing body of research upon family enterprise. As we have noted, the literature on family firms (James et al. 2012) has expanded such that it engages with all aspects of entrepreneurial activity from opportunity development to exit strategies. Consequently, our knowledge of the role of families as business owners has grown considerably; yet, how such family enterprises are nested in households and their impact upon such, and vice versa, remains under-explored.

Underpinning our critical analysis of the influence of the household upon entrepreneurial activity is a sense of how integral it is to all aspects of business ownership and management. Thus, recognising that the majority of new ventures are created through social engagement between partnerships, teams or family start-ups, we argue that the socio-economic profile of the household will shape opportunity emergence. Given the scope offered through the proximity of members to develop concepts, exchange ideas, debate proposals and evaluate

viability drawing on embedded experience, knowledge and resources, the household is a rich seedbed. Such discussion and debate can draw upon the input for those who will have no involvement in the firm and indeed, as we have shown, may own other enterprises within the purview of the household or, be employees elsewhere. One novel effect of such ‘opportunity debates’ to which we draw attention, is the impact upon children; those who are raised in entrepreneurial households may be more alert to opportunities and crucially, have greater confidence to enact new ventures (Greene et al., 2013).

We have also noted that adopting a household perspective offers scope to develop a more diverse and complex analysis of firm growth patterns (Alsos, 2015). While notions of incremental and linear firm growth trajectories have been questioned (Levie and Lichtenstein, 2010; Storey, 2011), there is an assumption that growth is something that occurs to, and within, the individual firm. Within this monograph, we question this notion. Rather, using the household as a unit of analysis enables us to adopt more diverse approaches to analysing growth pathways. For example, we suggest that in addition to market opportunities, changing household profiles can be the impetus for business growth. Thus, as members join or leave the household due to marriage, divorce, death etc., the profile and role of the business will change and adapt accordingly. Using empirical examples (see Chapter Four) we illustrate how growth may occur as new household members bring a novel stock of resources to the enterprise, or as slack resources are picked up and diverted into portfolio venturing to the benefit of various household members. In this manner, it is not only substantive shifts in market demand and the formal accrual of investment and human capital into a firm which enables growth, but also the changing rhythms of household profiles, strategies and ambitions which guide this process (Alsos et al., 2014). Attention is also drawn to the influence of household dynamics upon business exit decisions; while some attention has been afforded to

succession and stewardship issues in family firms (Le Breton-Miller and Miller, 2009), we suggest that the flow of resources within households is critical to the decision to close or exit the firm. Where there are numerous income pathways into the household, which may arise from employment, self-employment and returns on investment, sub-optimal firms for example operating as hobbies or merely to provide employment for family members, may persist given household support. Such cross subsidisation requires further analysis particularly, if as we have noted, gender is influential in this process (Marlow and Swail, 2015).

When unpacking resource issues (Chapter Five), a central aspect revolves around wealth and incomes; we argue that these notions should be deemed analytically separate while acknowledging their intimate relationship. Taking a household perspective sheds light upon the debate regarding incomes from self-employment and business ownership; while evidence is mixed, there is emerging evidence that suggests median incomes to self employment are lower than those in employment while incomes of business owners are greater (Sorgner, Fritsch and Kritikos, 2014). Within this monograph, we used a household perspective to interrogate this critical issue focusing upon the importance of wealth stocks in addition to income. Carter (2011) argues that entrepreneurial households have greater stocks of wealth for example, as property ownership, investments, business portfolios, all of which add to financial security but may not return high incomes into the household. Moreover, incomes from entrepreneurship are uncertain given varying market conditions. This will, we suggest, prompt a conservative approach to income extraction while encouraging investment generating wealth for future harvest. Indeed, taking a consistent level of income from the business, as is the case for salaried employment, is likely to be an inefficient and

inappropriate strategy for entrepreneurial households given varying returns from the business and, in addition, the complex and changing needs of members.

Finally we considered spatial issues and entrepreneurial households. As noted, while a business venture may be a household activity, this is not coterminous with home-based enterprise. Thus, a household focus explores resource flow dynamics across allegedly distinct spaces such as private and public spheres. While recognising distinctly differing physical sites of operation, it suggests entrepreneurial activity bridges such divides challenging the notion of dichotomous models of business and households. Given the shift to service based businesses and digital entrepreneurship, an increasing number of ventures are now home based and likely to remain so even as they mature (Mason et al., 2011). This trend is likely to lead to a shift in how homes are used - jointly as commercial and domestic sites of operation - which generates far more scope for flexible and intermittent contributions from a diverse range of household members. Relatedly, an expansion in home based household ventures will change local geographies and use of space. Within this monograph, we have focused particularly on examples of farm diversification whereby household members have used the existing produce and infrastructure to generate new opportunities creating a diverse range of businesses (Alsos et al., 2014). We see therefore, stock barns, dairies, traditional pasture land etc being reconstituted as shops, cheese production units and stud farms. Such patterns of changing and diverse uses of local and regional space will be shaped by increasing numbers of household ventures, particularly if located within the home.

It is apparent that adopting a household perspective upon entrepreneurial activity offers much scope for future research. An obvious pathway here is analysing how the stock of resources that households members hold informs all aspects of firm emergence, strategy, management

and development. Of considerable interest is further analyses of the iterative relationship between the dynamics of the firm and the shifting profile of the household; thus, focusing upon resource exchanges and the conditions which affect such flows offers intriguing possibilities for new insights about the fundamental nature of entrepreneurship.

One particular context where this stance could be potentially transformative is in the analysis of the influence of gender upon entrepreneurial activity. As Marlow (2016) argues, within the entrepreneurial domain, gender has become synonymous with women; this has led to a focus upon the eponymous female entrepreneur as the unit of analysis within current debate. This partial analysis ignores the prevalence of team, family and copreneurial ventures; it ignores masculinity and presumes upon heteronormativity. Shifting this analysis to focus upon how gender informs the accrual and exchange of resources within the entrepreneurial household would enable a far more nuanced exploration of gender effects. Equally, how same sex partnerships shape entrepreneurial household activities and strategies has largely been ignored. By taking the household as the unit of analysis, this opens possibilities to generate a more intricate critique of gendered hierarchies and power relations which in turn, will reveal how they shape entrepreneurial intentions and activities.

Another strand of research which offers considerable scope for further consideration revolves around the relationship between entrepreneurship, personal income and household wealth. As we have noted (Chapter Five), distinguishing between these two constructs within the context of the household is essential to shed further light upon the debate surrounding the returns from entrepreneurship. And, as we noted, although the individual entrepreneur is usually the unit of analysis when assessing income, given that in most instances they are

situated within households where systems of cross subsidisation from other ventures, interests, employment and investments operate, more research is required to unpack this relationship.

Within current debate, greater attention is now being afforded to decisions surrounding business closure and exit (De Tienne and Wennberg, 2015). Nuances between voluntary closures, strategic harvests and financial failures are now recognised; however, the focus of this debate has tended to pivot upon business owners – as individuals, teams, boards or families – but again, we would argue that the wider household has a significant role to play in such decisions. Of considerable importance for financial failures will be the impact on the household if property has been used as collateral or conversely, the manner in which harvesting or closure decisions are taken may be influenced by the profile of the household. So, for example, if a venture creates income, employment and meaning for a diverse range of household members, this may sway the lead entrepreneurs harvest/closure decision as it will form part of a household strategy. This emerging area of entrepreneurship research would therefore, benefit from analyses using a household perspective and incorporating household as well as business strategy.

Finally, one theme to which we have alluded that offers potential for further analysis is the negative impact of the household upon the business. As we argued, the need to create employment for household members through diversification and portfolio developments may be detrimental to the core business; equally, household members not directly connected to the business may be co-opted or coerced to contributing to the venture. As Marlow and Swail (2015) noted, for example, as a confluence of resources, household members may cross subsidise businesses and so enable sub-optimal ventures which are essentially draining resource stocks, to persist beyond their viability. And while siting firms within the home may



be beneficial in terms of cost savings and as an accessible work space, collapsing home and work into one space has potentially negative implications. For example, Dy et al. (2016) critically evaluated the alleged benefits of digital entrepreneurship (low cost entry, flexible trading, home based activity) for women in poorer, marginalised households. It was found that such trading was highly intrusive in a number of ways; for instance, operating a home based firm affected the amount of time available for other household tasks and child care. Given the perpetual presence of the business, its needs were prioritised over those of the household as meeting customer demands eroded alleged flexibility while space previously used by the household was given over to the business.

We have only outlined a few suggestions for further research here. However, given our thesis that the nature, structure and dynamics of the household are highly influential upon all facets of entrepreneurial activities and outcomes, there is clearly much scope for future development. Fundamental aspects such as opportunity recognition, resource accrual, management strategies, business growth and decline should be evaluated from a household perspective. Consequently, this monograph offers an initial introduction to a debate which is critical to our understanding of entrepreneurial behaviour while offering exciting prospects for future exploration.

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