

Role of Family Members and Social Networking in Rural Entrepreneurship – A Study

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Abstract

The purpose of this article is to study the role of family members and social networking in rural entrepreneurship. Big or small all enterprises need to perform certain functions. These functions cannot be performed single handed by the entrepreneur. He or she needs assistance to help him or her in running the business. Our purpose here is to see what the rural entrepreneurs do to get this assistance. This is the conceptual study based on data collected from secondary sources on role of family members and social networking in rural entrepreneurship. Collected data were analyzed and discussed based on literature. The study concluded that family plays important role in infusing the spirit of entrepreneurship and also in giving basic lesson on running the business. Participation of family in entrepreneurship makes a profound opportunity for understanding how entrepreneurial abilities and opinions develop among the offspring. Social network plays important role for the rural entrepreneurs in day today business and for hiring the outside workers.

KEYWORDS: Business, Entrepreneurship, Family Members, Rural Entrepreneurship, Social Networking.

Introduction

The purpose of this article is to study the role of family members and social networking in rural entrepreneurship. Academic discussions and literature of rural entrepreneurship have conventionally concentrated on challenges and opportunities of rural entrepreneurship and little attention has been given to the family and household context in which the rural entrepreneur is embedded. A focus on the entrepreneurial household allows new insights into the creation or recognition of new opportunities as well as new perspectives on the role of household and existing business resources in supporting new ventures. Whether its effect is positive or negative, the family members have a profound influence on the start-up ambitions and resources of a new venture. For this reason alone, it is vital that entrepreneurship researchers start to recognize the role of the family members and social networking and incorporate a household perspective in future research studies. Therefore, in this article we are observing the role of family members and social networking in rural entrepreneurship. Big or small all enterprises need to perform certain functions. These functions cannot be performed single handed by the entrepreneur. He or she needs assistance to help him or her in running the business. Our purpose here is to see what the rural entrepreneurs do to get this assistance.

Experts vary on the issue of role of family members and social networking in family members in rural entrepreneurship. Some say human resource management in

rural area or in unorganized sector is nothing but discussing the family members and family backgrounds of rural entrepreneurs. The existing literature on human resource management practices focus on family, friends, neighbors and parents of the entrepreneurs. In fact, the major supporters for entrepreneurs are family members. Therefore, study on support from family is nothing but study on human resource. In this paper, we consider the entrepreneur within the context of the family and the household. This is not a paper about family entrepreneurship, but about family in entrepreneurship.

Problematization

Equipping ourselves with the literature on rural entrepreneurship in general and role of family members and networking in rural entrepreneurship in particular is vital to know the complex scenario of non-farm entrepreneurial activities. Non-agricultural revenues subsidize considerably to entire revenues of farming households in developing societies. Unfortunately, this part of rural development has not attracted the attention of scholars. Neglect of rural entrepreneurial process has been highlighted by Sarasvathy, when she made an observation that “unfortunately the increasing interest in entrepreneurship in cities has left rural areas under-researched”.¹ Not only physical capital even social capital and network also plays important role in the formation of non-farm entrepreneurship.

Jervell argue that “family business is a better organization of small business than corporate business, especially in rural communities”². “Despite family business potential advantages, such as higher loyalty and greater faith in long term stability, we argue that in rural family business in Russia, human capital presents a fundamental recourse that helps to develop entrepreneurial intent” (Kalendgan and Volkov)³. Young believed that “due to tighter associations among residents of rural location business networking becomes easier and more effective. Businesses cooperate based on trust”⁴. For the development of rural firms local networks plays vital role. These local networks together can spread larger markets, increase resilience, and give capacity for every member to take up extra risks. Even globally oriented rural ventures rely severely on their local networks. Social capital and networks work both ways – positively and negatively based on once position in the social hierarchy. For those who are at the lowermost of the social pyramid social marginalization can limit access to non-form activities. Individuals and households with limit access to social networks may not participate profitably in non-farm entrepreneurial activities. For the purpose of survival strategy in many instances woman-headed households or widows living alone may be forced to find employment in unprofitable occupations. Therefore, in a rural setting more than earning profit from business survival itself is a big issue. Hence, rural non-farm activities cannot be understood as one-way traffic towards profit. It acts as one of the sources of addition to agriculture income. Thus regional studies and entrepreneurship scholars have established that entrepreneurship is mainly dependent on its background. Biradar expressed “the rate of participation of workers in non-farm sectors depends on the level and quality of their education, which can be considered as a surrogate to human capital”.⁵ Nanda and Sørensen expressed that “furthermore, individuals are further likely to become successful entrepreneurs if their family members or former work colleagues have entrepreneurial

knowledge. Because with the support of family, friends and with their timely assistant one can achieve the goals easily”.⁶

The above literature leads us raise number of questions. What is the significance of human resource to rural entrepreneurs? Whether rural entrepreneurs managing the venture with the or without the help of family members? Do they require outside human resource to run the business? In order to answer all these questions an extensive study is needed. This study is an attempt in that direction and attempts to examine role of family members and social networking in rural entrepreneurship.

Objectives

The main purpose of this article is understand the role of family members and social networking in rural entrepreneurship. The specific objectives are:

1. To understand the theoretical background of human resource requisite for rural entrepreneurs.
2. To analyze the role of family members and social networking in rural entrepreneurship based on literature.

Method of Study

This is a conceptual study based on data collected from secondary sources on role of family members and social networking in rural entrepreneurship. The major secondary sources used were journals, articles, books, research papers, reports, and websites. Collected data were analyzed and discussed based on literature and conclusions were drawn.

Operational Definition

Rural entrepreneurs engaged in varied commercial and petty production activities are scattered in villages of the districts. For the purpose of the study tiny unorganized rural non-farm entrepreneurial activities were considered. Tiny non-farm activities were identified using the definition given by the National Commission for Enterprises in the Unorganized Sector, 2007 (NCEUS).⁷ NCEUS considers the following as tiny and unorganized or informal activities – “all unincorporated private enterprises owned by individual or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. The above definition applies equally to all the sectors of the economy including agriculture. However, statistical operations in India so far have been covering only non-agricultural enterprises in the unorganized sector surveys”. Based on the above definition the concepts like non-farm sectors, non-agricultural sectors, rural self-employment and rural entrepreneurship are considered in the present study.

Discussion

Rural Entrepreneurs Who Manage Alone and Who Are Assisted in Management

Existing body of literature on the role of family members and social networking in rural entrepreneurship is very less. There is a real lack of information about HR practices in small firms (Dun and Bradstreet⁸; Cardon & Stevens⁹; Gilman & Edwards¹⁰; Heneman, Tansky, & Camp¹¹; Hornsby & Kuratko¹²; Howard¹³; Mazzarol¹⁴). For too long, assumptions have been made that considered small firm Human Resources Management (HRM), as an operationally scaled down version of large firm HRM (Gilbert & Jones¹⁵; Katz, Aldrich, Welbourne, & Williams¹⁶; Kerr & McDougall¹⁷). In addition, it has also been assumed that small firms are homogeneous in terms of their HR practices, regardless of whether they have less than 4 employees or one hundred employees (Kok & Uhlaner)¹⁸. Furthermore, some early research has shown a big difference between very small firms - businesses with less than twenty-five employees - and large firms due to less formal HR policies (Wagar)¹⁹. Some studies equate human resource to human capital. The accumulation of human capital is considered the main engine of macro-economic growth (de Kok,²⁰). Human capital denotes to a set of features that provide individuals with more talents, namely, cognition, experience and information which make them more productive, provide an advanced potential for efficiency and improve the development of activities. Shane expressed “Individuals through higher levels of human capital have a higher propensity for entrepreneurial activity as a result of greater levels of self-confidence and decreased concerns over risk”.²¹ Sanders and Nee expressed that “In the case of immigrant self-employed prominence of family and friends are comparable to that of highly paid employees. They are the vital supporters in achieving business aims and who look at business survival and development”.²² Social networks play important role in fulfilling human resource requirement of entrepreneurs. Seaman argues that one family may have more than one business and conclude that family is more important than business. The author suggests exploring business families rather than family business and argues that family relations are more important for family business succession. These relations must create social net, where business will be developed. One of the main reasons to start up a family business is to create social networking (Seaman, 2015; Seaman et al. 2017)²³ As stated by Dubini, and Aldrich, “Social network studies of entrepreneurial start-up and performance frequently split network ties into strong ties and weak ties depending on the degree of faith between persons. Strong ties are often simplified to be spouse, parents, other relatives, and close friends while weak ties are business partners, (former) employers and co-workers, and other acquaintances”.²⁴ Some other studies opined that a “social network mainly containing of strong ties can be efficient for obtaining resources given the high degree of trust. On the other hand such a network can be inefficient given the assumed low diversity and high density, that is, the people share the same features and contacts outside the network”.²⁵ According to Ostgaa and Birley “Colleagues or business partners in the personal network positively affects all performance measures while more profitable entrepreneurs are found to have a denser (less diverse) personal network. However, the individual network size and frequency of communication with the personal network are not found to influence business performance.”²⁶

In spite of the above importance of social network in fulfilling human resource requirements, small enterprises depend on family members and close relatives. It is because these people are in close circle and it is likely to have more trust with these people and due to these factors relations stay longer term. This human capital movement from a variety of sources, stretching from family background, education, work experience, specific training connected to the new venture, and general human capital as well as key attitudes such as creativity, passion and self-reliance. As quoted by Purna Prabhakar Nandamuri and Gowthami “these skills contribute not only to business start-ups, but similarly to the others who often essential additional revenue sources. The business may also appeal upon family members for paid and unpaid labour, both in terms of front-line operations and back-room support, such as book-keeping, household management and mentoring. Family businesses can provide a personal touch normally not found with superior businesses. In addition, customers may have a priority for family businesses over non-family ones, a preference that can be strengthened through marketing materials in which the family is pictured prominently”.²⁷

As per Chrisman et al “growing in a household where one of the relatives and particularly parents run their own venture not only provides an inspiring and supportive environment for entrepreneurship but also helps as an opportunity to learn and experience the challenges of venture. Participation of family in entrepreneurship creates a profound opportunity for understanding how entrepreneurial abilities and perceptions develop among the offspring”.²⁸ Matthews and Moser emphasized that “family background has been found to be the most prominent aspect that affects early socialization and hence creation of attitude towards entrepreneurship. An entrepreneur parent provides solid inspiration at an early age and help to teach the independent nature of self-employment”.²⁹ Kolvereid explained like “entrepreneurs tend to have parents with entrepreneurial mind set. Thus entrepreneurs having entrepreneurial parents are more likely to act entrepreneurially and to work with higher entrepreneurial orientation than other whose parents are job oriented and finally increase firm's entrepreneurial orientation. The successful entrepreneur shapes up through family occupation. Informal relations play very important part in this context especially from family member's side because those whose family members are business oriented their participation is high. Early communication established and imbibed by an individual from the family would impact career choices by inducing individuals to choose a career in which they are viewed positively by society”.³⁰ “Social capital resulting from family background is a non-financial resources and support obtainable by family members to the entrepreneur affects positively the start-up decision making”.³¹ According to Basu and Virick “It is derived from the experiences gained through early childhood and socialization at home and in school. These experiences form the attitudes of young people towards entrepreneurship”.³² “It is since parents act as initial role models and the parents active in a family business influence the future entrepreneurial targets through changing attitudes and beliefs” stated by Krueger, Jr., Reilly, M. and Carsrud.³³

In Indian context focus on role of family members and social networking in rural entrepreneurship is found in a few studies. For instance, Gadgil and Singer, found that “the joint family provides undivided family property to invest in and expand the family firm”.³⁴ Sharma and Singh, observed that “capital creation and the confidence to

administer venture are essential for the development of industrial entrepreneurship and these are easily available with people who have a business or industrial contextual".³⁵ Family occupation and inter-generational occupational mobility are addressed in a study by Khanka, which shows that "there is a high propensity for the members of the next generation to select an occupation connected to business and industry, if the first generation belonged to the same occupation. By super imposing age and family background one could locate a section of entrepreneurs who have inherited a business legacy through familial relations in terms of tangible and intangible assets, as well as the suitable environment and expertise at a young age".³⁶ Patnaik and Pradhan found that "high relationship between the occupational background and nature of units promoted in some regions of Orissa. The study additionally shows that experience had more bearing on the performance of entrepreneurs than the educational qualification on entrepreneurial performance".³⁷

Conclusion

In this article we have discussed the role of family members and social networking rural entrepreneurship. Management of human resource of rural entrepreneurs is not at all comparable to what we read in the text books. Leaving a small fraction of the rural entrepreneurs majority depend on their family members to run the business. Among the family members wife, children and parents were the main source of assistance to the rural entrepreneurs. Most of the rural entrepreneurs using family members to run the business with intention of reducing cost of managing business. Small numbers of entrepreneurs hire outsiders to assist them. Social network plays important role for the rural entrepreneurs in hiring the outside workers. Most of the studies focused on the assistance by the family members and close relatives. In small enterprises the question of managing hired labourers comes very rarely. So a number of things which we normally discuss under management of human resource in the case of enterprises in the organized sector are irrelevant here. Rural enterprises alone cannot run the business and they do require some assistance to run the business.

In the review of literature we have seen that family plays important role in infusing the spirit of entrepreneurship and also in giving basic lesson on running the business. Growing in a household where one of the relatives and mainly parents run their own business not only provides a stimulating and helpful environment for entrepreneurship but also serves as an opportunity to acquire and experience the challenges of venture. Participation of family in entrepreneurship makes a profound opportunity for understanding how entrepreneurial abilities and opinions develop among the offspring. Entrepreneurs tend to have parents with entrepreneurial mind set. Consequently, entrepreneurs having entrepreneurial parents are more expected to act entrepreneurially and to work with greater entrepreneurial orientation than other whose parents are job oriented and finally increase firm's entrepreneurial orientation. Through family occupation the successful entrepreneur builds up his abilities. Informal relations perform very important role in this background especially from family member's side because those whose family members are business oriented their contribution is high. Initial communication received and imbibed by an individual from the family would influence career choices by inducing individuals to choose a career in which they are

regarded positively by society. Income and economic environment is also vital aspect for rural entrepreneurs to choose the family members for business.

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