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Navigating institutional challenges in Mexico: The role of social capital in entrepreneurial families

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Navigating institutional challenges in Mexico: The role of social capital in entrepreneurial families

Abstract

Purpose – Focusing on the family as the central unit of analysis, the purpose of this paper is to examine how entrepreneurial families, with more than one entrepreneur, utilise social capital in a challenging institutional environment.

Design/methodology/approach – The empirical focus of the study is the institutional context of Mexico and how it impacts on entrepreneurial families and their access to social capital. The paper employs an in-depth qualitative approach to understand entrepreneurs' perspective as being part of an entrepreneurial family. A total of 36 semi-structured interviews were conducted with multiple respondents of each entrepreneurial family.

Findings – The study shows that social capital allows members in the entrepreneurial family to access a wider pool of resources to utilise and benefit their ventures, while also helping them to operate in a challenging institutional environment. It also illustrates how social capital is used to overcome institutional asymmetries.

Originality/value – This paper contributes to research by examining the links between institutions and entrepreneurial families through a focus on social capital. It provides a nuanced understanding of how the entrepreneurial family serves as an intermediary through which social capital gives family members access to resources and capabilities to enable their pursuit of entrepreneurial endeavours and overcome the institutional challenges they face in Mexico.

Keywords Entrepreneurial families, institutions, social capital

Paper type Research paper

Introduction

The role of the family in economic development manifests itself in different ways. The institutional context determines the significance of the role that family as an economic unit plays (Estrin and Prevezer, 2011; Steier, 2009a). Just as individual entrepreneurs shape and are shaped by the institutional environment (Ahlstrom and Bruton, 2002; Williams *et al.*, 2017a), so too are family businesses (Reay and Hinings, 2009; Gedajlovic *et al.*, 2012). In the family entrepreneurship literature, there is a need to better understand how the family setting mediates the institutional context and entrepreneurial activity of the family business

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3 (Lumpkin *et al.*, 2011). As such, this paper emphasises the importance of the institutional
4 context in which family firms are embedded (Randerson *et al.*, 2015; Evert, Martin, McLeod
5 and Payne 2016).
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9 It is widely understood that entrepreneurial activity is enabled or constrained by the
10 formal institutions (i.e. statutes, laws and policies) and informal institutions within an
11 economy (i.e. norms, values and codes of conduct) (Reay *et al.*, 2015; Williams and Vorley,
12 2015; Valdez and Richardson, 2013). Institutional studies of entrepreneurship typically focus
13 on the organisation at the macro-scale (i.e. the nationally) and practice at the micro-scale (i.e.
14 the individual) (Acs *et al.*, 2008). Consequently, the influence of institutions at the meso-
15 scale or intermediary arrangements, such as the family, is still under researched (Greenwood
16 *et al.*, 2010). Previous studies have highlighted the importance of engaging in institutional
17 theory to gain greater understanding of family and family firms (Miller *et al.*, 2009; Reay and
18 Hinings, 2009; Reay *et al.*, 2015), yet the study of entrepreneurial families has been
19 overlooked. Recent calls highlight the need to focus on families owning more than one
20 business (Steier, 2015b) and to focus on the entrepreneurial processes behind their members
21 (Michael-Tsabari *et al.*, 2014). Studies of entrepreneurship and institutions typically focus on
22 the individual (Acs *et al.*, 2008) and as such the influence of institutions on family activities
23 remains under-researched.
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41 Our focus on entrepreneurial families differs from other research which examines
42 family entrepreneurial teams, where family members come together to develop portfolios of
43 businesses and where many new firms are started by teams (Discua Cruz *et al.*, 2013). In our
44 analysis individuals within a family operate separate ventures outside of a team structure and
45 do not create or generate firms together. Rather they come together to benefit from their
46 individual ventures by sharing social capital from a wider pool of experience. As such, we
47 develop Nordqvist and Melin's (2010) suggestion that entrepreneurial families can refer to a
48 collective of individuals, rather than teams.
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3 This paper focuses on how individual family members leverage the collective social
4 capital of the entrepreneurial family to further their own entrepreneurial interests and
5 navigate the weak and challenging institutional environment in Mexico. Akin to De Castro *et*
6 *al.* (2014), the paper uses the term ‘navigate’ to describe how entrepreneurs between the
7 enabling and constraining effects of their institutional environment and can utilise social
8 capital to assist them in this navigation. Nordstrom and Steier (2015) state social capital has
9 largely been overlooked within the field of family business, an oversight this paper addresses
10 in our analysis of entrepreneurial families. More specifically, the research examines how the
11 members of the entrepreneurial family act as a collective unit, by making resources and
12 networks available to other family members (Nahapiet and Ghoshal, 1998). Akin to Salvato
13 and Aldrich (2012), by focusing on ‘family-specific issues’ the paper explores how family
14 members leverage resources to overcome institutional challenges encountered through their
15 entrepreneurial activities.

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31 The majority of research in the entrepreneurship, institutions and family business field
32 has focused on developed economies, albeit with some notable exceptions (Discua Cruz *et*
33 *al.*, 2013; Khanna, and Rivkin, 2007; Mair and Marti, 2009; Miller *et al.*, 2009).
34 Contextualising entrepreneurship means highlighting the importance of diversity and nuances
35 to unexplored contexts of societies in developing economies (Ramírez-Pasillas and Brundin
36 2017). To date, however, there has been little research about how either family businesses or
37 entrepreneurial families operate in a developing economy where the institutional environment
38 is weak. In addressing calls for further research on understanding institutional mechanisms in
39 developing economies (Bruton *et al.*, 2010), this paper sheds light on how the
40 ‘entrepreneurial family’ serves as an important organisational form in Mexico to support the
41 entrepreneurial activities of their members.

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55 In doing so, this paper makes three main contributions. First, the paper contributes to
56 the literature on social capital in the family business context by focusing on the family unit

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3 beyond the structural and household perspective. This provides new insights about how the
4 entrepreneurial family, as an organisational form, enables family members to overcome the
5 challenge of a weak and challenging institutional environment. Second, the paper shows how
6 family members, by accessing the social capital of the wider entrepreneurial family, are able
7 to leverage the benefits in pursuing their entrepreneurial activities compared to individual
8 entrepreneurs. In this way the paper demonstrates how the collective social capital the
9 entrepreneurial family provides family members with the resources and capabilities important
10 for navigating institutional challenges. This is possible by combining the three dimensions of
11 social capital (cognitive, structural and relational) which enable entrepreneurial family
12 members to leverage familial resources to the advantage of individual family members.
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24 Third, the paper contributes to the under researched empirical context of Mexico. The
25 country's specific institutional challenges, such as changes in policy, weak formal
26 institutions, dependence on public sector, corruption, and insecurity, reflect a distinctive
27 environment for entrepreneurs to operate their firms. These echoes with challenges that have
28 been identified before in the country such as corruption, public insecurity and crime
29 (Gonzalez *et al.*, 2005). However they have not been addressed specifically from the
30 entrepreneur perspective. The empirical focus in a developing economy shows the
31 importance of understanding how the social capital of the entrepreneurial family can serve as
32 an enabler to increase the congruence of institutions. The setting also responded calls to
33 contextualise family entrepreneurship (Randerson *et al.*, 2015). Studying different under-
34 researched contexts remains important in entrepreneurship (Khoury *et al.*, 2015). The focus
35 on Mexico, which has a Latin American culture that is considered more collective than
36 Anglo-American cultures that dominate entrepreneurship (Discua Cruz *et al.*, 2013),
37 contributes to furthering understanding of context.
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54 The remainder of the article is structured as follows. The first section situates
55 concepts of family business and entrepreneurial families in the context of academic debates
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3 on institutions and social capital. The second section presents the empirical focus, outlining
4 the institutional environment of Mexico and setting out the methodological approach in
5 studying these entrepreneurial families. The third section analyses the findings, focusing on
6 the role of social capital in entrepreneurial families and how it is leveraged to overcome the
7 weak and challenging institutional environment in Mexico. Finally, the article concludes by
8 reflection of the key findings and highlights wider implications of entrepreneurial families in
9 sustaining a competitive advantage in their entrepreneurial activities and overcoming
10 institutional constraints.
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22 **Literature Review**

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24 Previous research on family firms has tended to focus on differentiating them from
25 non-family firms and finding relevant distinctive characteristics (Sharma, 2004). The
26 attention has shifted from studying family members owning and working in one business to
27 families that own and/or manage more than one business (Steier, 2015b); and at the same
28 time come to focus on how the relationships between family members aid the entrepreneurial
29 process as opposed to the management of family businesses (Michael-Tsabari *et al.*, 2014).
30 Habbershon and Pistrui (2002) consider families with more than one firm 'enterprising
31 families' where they have the intention to grow transgenerational wealth, while Steier *et*
32 *al.*(2015) refer to families owning more than one business as 'business families'. In coining
33 the term 'entrepreneurial family' Nordqvist and Melin (2010) move beyond attributional
34 characteristics by focusing on interactions of family members. As a social structure the
35 entrepreneurial family can enable or constrain entrepreneurial activity. Based on this
36 distinction, this research employs entrepreneurial family as unit of analysis by following this
37 definition, families where more than one family member is an entrepreneur interacting with
38 other entrepreneurial members of the same family. The interactions and support dynamics
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3 among members through social capital in their institutional environment are aimed to be
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5 studied.

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7 When the unit of analysis is the family, generally the nuclear family or the household
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9 is taken as the perspective to examine family related issues in family entrepreneurship
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11 research (Carter *et al.*, 2017; Alsos *et al.*, 2014; Steier, 2009b; Danes *et al.*, 2009). This
12
13 leaves significant gaps, particularly in terms of understanding how the family is socially
14
15 constructed, and families within developing markets where the family goes beyond the
16
17 nuclear family. As such, this study adopts a transactional view of family, beyond the
18
19 structural view of biological and or legal ties (Koerner and Fitzpatrick, 2002).
20
21 Entrepreneurial families in this research can be nuclear or extended in nature, living in a
22
23 single or multiple households, although have a shared familial context which Evert *et al.*
24
25 (2016) find to be of growing interest. The entrepreneurial activities of family members may
26
27 be an individual and/or collective endeavour, but are culturally situated within the
28
29 entrepreneurial family as they are the wider entrepreneurial environment. Since
30
31 entrepreneurial activity is shaped by the institutional context (Lumpkin *et al.*, 2011; Steier,
32
33 2009b; Wright *et al.*, 2014), the question of how family firms are able to sustain a
34
35 competitive advantage raised by Mani and Lakhali (2015) is particularly pertinent in the
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37 context of the entrepreneurial family.
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44 *The Institutional Context of the Entrepreneurial Family*

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46 Developing economies face a range of economic development challenges (West *et al.*,
47
48 2008). Understanding the institutions which shape economic activity is an important step in
49
50 fostering higher levels of productive entrepreneurship. Just as individuals and organisations
51
52 are influenced by the institutional environment (Ahlstrom and Bruton, 2002; Tonoyan *et al.*,
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54 2010), so too are family units (Reay and Hinings, 2009; Gedajlovic *et al.*, 2012). As such, the
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56 family as a unit of analysis deserves more attention (Discua Cruz *et al.*, 2012).
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3 Entrepreneurial families must navigate institutional arrangements as they launch and
4
5 grow businesses, however, the ways that families serve to mediate and mitigate the effects of
6
7 the institutional environment is currently under-researched. Indeed, while individuals are
8
9 often the unit of analysis in entrepreneurship research, entrepreneurs do not live 'in
10
11 abstracto', they live as a son/daughter of their family (Mises, 1949). Consequently, the family
12
13 can enable and constrain the pursuit of entrepreneurial activity and influence how family
14
15 members navigate the wider institutional environment. In a family context, pro-
16
17 entrepreneurial attitudes and outlook can serve to support the pursuit of entrepreneurial
18
19 activity of other family members (Nordqvist and Melin, 2010). As a tight-knit group the
20
21 family can influence the founding strategies and structures of new ventures, by sharing
22
23 resources and experience of the start-up process (Aldrich and Cliff, 2003; Adler and Kwon,
24
25 2002). Within families non-economic goals may be prevalent, with family-centred behaviour
26
27 influencing entrepreneurial activity (Chrisman *et al.*, 2014). While families may also
28
29 discourage entrepreneurial activity by exerting excessive family cohesion, this inhibits
30
31 personal goals from family members (Nordqvist *et al.*, 2011).
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35 Formal institutions are defined as the rules and regulations which are written down
36
37 and enacted to define the economic and legal frameworks of societies (Tonoyan *et al.*, 2010).
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39 Informal institutions, by contrast, are defined by the traditions, customs, societal norms,
40
41 culture and unwritten codes of conduct (Baumol, 1990; North, 1990). Research on
42
43 institutions demonstrates that formal and informal institutions interact in two key ways, with
44
45 informal institutions either complementing or substituting for formal institutions (North,
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47 1990; Tonoyan *et al.*, 2010; Estrin and Prevezer, 2011). Informal institutions are
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49 complementary if they create and strengthen the formal institutions, thereby overcoming
50
51 weaknesses in informal institutions. The net effect, therefore, is to enhance the effectiveness
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53 of institutional arrangements (Baumol, 1990; North, 1990). Where informal institutions
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55 substitute for formal institutions, individual incentives are structured in such a way that they
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3 are incompatible with or subvert and detract from formal institutions (Estrin and Prevezer,
4
5 2011). Where the formal institutions are weak or not enforced, as is the case in developing
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7 economies, this can create uncertain conditions that are not conducive to entrepreneurial
8
9 activity (Nordqvist *et al.*, 2011).
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11 Extant research suggests that weak formal institutions in developing economies create
12
13 uncertainty and increases operational and transaction costs on firms as well as increasing
14
15 bureaucratic burdens on entrepreneurs, and increase uncertainty as well as (Puffer *et al.*,
16
17 2010). Entrepreneurs in such settings can often be faced with incoherent and frequently
18
19 changing formal institutions (Manolova and Yan, 2002; Aidis *et al.*, 2008). Instead,
20
21 entrepreneurs often turn to informal institutions to compensate for the failure of formal
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23 institutions. Understanding informal institutions, therefore, is increasingly important to
24
25 entrepreneurship in terms of how entrepreneurs act as well as how societies accept
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27 entrepreneurs. Consequently, informal institutions are widely acknowledged as critical in
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29 explaining different levels of entrepreneurial activity across countries (Davidsson, 1995;
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31 Frederking, 2004).
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35 As Williams and Vorley (2015) note, institutional arrangements are characterised by
36
37 asymmetries. Such asymmetries prevail where formal and informal institutional are not
38
39 aligned, and can serve to detract from and disincentivise productive entrepreneurial activity.
40
41 This phenomena exists in all institutional environments but is commonplace in developing
42
43 economies such as Mexico. This asymmetry has typically been considered to be a question
44
45 of formal institutions, and of governments in particular; while informal institutions have
46
47 tended to be less well researched and understood. This paper focuses on the informal
48
49 institutional support dynamics provided through familial relationships and interactions of
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51 entrepreneurs to leverage the social capital of the entrepreneurial family to pursue
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53 entrepreneurial activity in the context of the (formal) institutional environment. More
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55 specifically, it is this dynamic that forms the focus of this paper, examining how the
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entrepreneurial family supports and assists family members in navigating the (formal) institutional environment and in pursuing their own entrepreneurial endeavours. In developing countries where institutional asymmetries can limit access to economic, social and technological resources (Khanna and Rivkin, 2001) the 'social capital' of entrepreneurial families can represent a particularly important intermediary and resource.

Entrepreneurial Families and Social Capital

The entrepreneurial family represents an important institutional intermediary and source of resource, particularly in terms of the collective social capital of family members. Social capital here focuses on the relationships between individuals or organisations, it is 'the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit' (Nahapiet and Ghoshal, 1998, p. 243). Sorenson and Bierman (2009) suggest that family relationships, derived from social capital, can attract family human and financial capital to the business. Nahapiet and Ghoshal (1998) emphasise two characteristics of social capital: 1) it is inherent in the relationships among actors, owned collectively and no actor is capable of having individual rights of social capital; and 2) it makes possible the achievement of an end that would be either impossible or achieved at an extra cost by actors. Consequently, social capital in entrepreneurial families is jointly owned by all the members employed towards the pursuit of entrepreneurial activities. While social capital has been linked to economic performance (Westlund and Bolton, 2003; Williams *et al.*, 2018), Staber (2007) suggests that the situational context in which social capital evolves remains under-researched. In advancing understanding of how entrepreneurial family members both benefit from and mobilise collective social capital the paper unpacks the nature of social capital in the situational context of the entrepreneurial family.

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3 Recent research has come to emphasise the importance of social capital in fostering
4 entrepreneurship (Westlund *et al.*, 2014; Williams *et al.*, 2017b). Yet little is known about
5 how social capital in entrepreneurial families in terms of how family members access and
6 leverage it in pursuing their entrepreneurial activities, and specifically in navigating the
7 institutional environment. The leverage of social capital is particularly useful to families by
8 identifying the structural, cognitive and relational dimensions (Nahapiet and Ghoshal, 1998)
9 of resources and capabilities (Pearson *et al.*, 2008). Here the structural dimension refers to the
10 interactions, patterns and strength of ties in the family; the cognitive dimension considers
11 shared vision, purpose and meaning, normally as a result of the shared history in families;
12 while the relational dimension refers to the collective trust, norms, obligations and identity
13 (Nahapiet and Ghoshal, 1998).
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26 In the case of entrepreneurial families, the social capital exists as a result of the strong
27 ties and relationships between family members (Granovetter, 1973). There are often
28 considered to be two forms of social capital: ‘bonding capital’ is the relationships *within* a
29 close/heterogeneous group while ‘bridging capital’ is the relationships *between*
30 close/heterogeneous groups (Putnam, 1995; Adler and Kwon, 2002). Studies in family
31 business have tended to focus on the internal social capital within the family (Arregle *et al.*,
32 2013; Sirmon and Hitt, 2003; Pearson *et al.*, 2008). The entrepreneurial family provides an
33 ideal setting to extend the study of social capital relating to the entrepreneurial activities of
34 the family. More specifically the paper focuses the two-way flow of social capital contributed
35 by entrepreneurial family (different entrepreneurs) to their various entrepreneurial activities,
36 and the use of resources acquired from different firms that serve to other entrepreneurs in the
37 family. This interdependence is comprised of ‘familiness’ (Habbershon and Williams, 1999),
38 the influence family exerts on business; and ‘enterpriseness’ the effects of business in family
39 (Frank *et al.*, 2010). As such, as a pool of resources built in relationships, social capital is
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3 appropriate to look at the dynamics and support within entrepreneurial families (Nahapiet and
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5 Ghoshal 1998).

9 **Research methodology**

11 *Empirical focus*

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14 The empirical focus of this article is the institutional environment in Mexico and its
15
16 impact on entrepreneurial families. Mexico is an upper middle income-country with a
17
18 population of approximately 124 million people in 2014 (GEM, 2014). Most firms in the
19
20 country are small- and medium-sized enterprises (SMEs), and they have great importance in
21
22 the Mexican economy as they constitute 99.8% of all businesses most of them being family-
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24 owned (INEGI, 2013). In Mexico, family firms are owned by either one or a group of
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26 families, or by following generations of the family (Aguiló and Aguiló, 2012). According to
27
28 Gupta and Levenburg (2010), it is common to have family and business intertwined in Latin
29
30 American countries, like in Mexico. In fact, the separation of both entities becomes more
31
32 complex in such a collectivist culture. Despite their importance, the totality of information
33
34 about family businesses in Mexico refer to large firms; for medium, small and micro
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36 enterprises there is no official agency that registers the firms as family businesses nor a
37
38 census that defines them as family or non-family (Trevinyo-Rodríguez and Bontis, 2007).
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40 The World Economic Forum (2015) ranks Mexico as 109th out of 140 countries in terms of
41
42 institutions. The country is living in a time of political, fiscal and economic changes, there
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44 have been important structural reforms adopted over the past years (Presidencia de la
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46 Republica Mexico, 2015); however, the proper functioning of institutions yet has a long way
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48 to go. Business owners must navigate these challenges, sometimes unaware of new
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50 regulations and procedures they are required to comply with.
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57 *Research design*

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3 This research aims to examine how entrepreneurial families utilise social capital in a
4 changing institutional environment. As such, the paper employs an in-depth qualitative
5 approach to understand the entrepreneurs' perspective as being part of an entrepreneurial
6 family. Qualitative research has the ability to explore new depths in entrepreneurship that are
7 in constant change and shaped by the experiences and behaviours of entrepreneurs
8 (Neergaard and Ulhøi, 2007). In the family business field there are still several
9 underdeveloped areas better answered with in-depth studies (Chrisman *et al.*, 2009). Through
10 qualitative research the interactions between family and business, often hidden, can be
11 discovered to provide significant insights (Reay, 2014). This approach is appropriate for
12 researching entrepreneurial families as the dynamics and interplay within and outside the
13 family context can provide rich insights. The paper draws on interviews as means to gather
14 our empirical data since they represent an appropriate method to address our focus on a 'how'
15 research question (Reay and Zhang, 2014; Reay, 2014). As this type of family remains
16 relatively unexplored (Nordqvist and Melin, 2010), qualitative research allows the
17 examination of the experiences lived by entrepreneurs within the family to analyse their
18 interactions in regards to social capital. To examine this, the research adopted an interpretive
19 and inductive approach allowing the interplay between our empirical findings and theory
20 through an iterative analysis (Hall *et al.*, 2005; Suddaby, 2006). While the empirical study is
21 not intended to create generalizability, the perceptions of the entrepreneurs provide in-depth
22 reflections of the institutional environment.
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48 *Data collection and data analysis*

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50 Using the definition of entrepreneurial families outlined above, contacts from the
51 Enterprise Incubator in Toluca were employed as an initial step to make the first contact with
52 entrepreneurial families. Through this first stage, 8 entrepreneurial families were contacted
53 and invited to take part in the research; further to this, because entrepreneurial families are
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3 hard to locate in the sense that there is no single database for them, snowball or chain
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5 sampling was employed as sampling instrument to help mitigate this limitation. The use of
6
7 snowball sampling technique is consistent with that of past family business studies which
8
9 have been limited by the unavailability of a database on family firms (for example,
10
11 Farrington *et al.*, 2012, Bettinelli, 2011; Lambrecht and Lievens, 2008). Once an
12
13 entrepreneurial family was identified, they were invited to participate in the research study,
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15 and in total 14 families were selected as being suitable for the study as they fulfilled our
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17 entrepreneurial family definition. According to Creswell (2013) in qualitative studies a
18
19 general guideline for sample size is not only about the study of a few individuals but also to
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21 gather extensive detail about them. The research ultimately examined 14 entrepreneurial
22
23 families which fit our definition and interviewed 36 individuals. The number of
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25 entrepreneurs within the families ranged from two to five members within the same family.
26
27 As the research progressed, taking each entrepreneurial family at a time, a saturation level
28
29 was reached, demonstrated by interviewees who expressed recurring responses; hence
30
31 sufficient high-quality data had been collected (Reay, 2014). All respondents' businesses
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33 were based in Toluca. Table 1 provides an overview of the participants regarding the number
34
35 of entrepreneurs in the family, size of firms, age of business and diversity in firm sectors.
36
37 Interviews were conducted from February to May 2015 and lasted an hour on average. All
38
39 interviews were conducted in Spanish, the first language of the interviewees and the
40
41 interviewer, and then translated into English for analysis.
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48 Insert Table 1 about here
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52 While much existing research in the field has normally depicted a single respondent,
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54 in-depth semi-structured interviews were conducted with multiple respondents of each
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56 entrepreneurial family. All interviews were conducted in person following an interview
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3 guideline; this guideline was iteratively modified throughout the data collection process. The
4
5 nature of semi-structured interviews allowed the emergence of relevant topics not in the
6
7 interview guideline but mentioned by respondents and further explored in the study (Reay
8
9 and Zhang, 2014). The common structure of the interview guideline followed questions
10
11 regarding: a) general background of the entrepreneur's firm and interactions with other
12
13 members and firms; b) institutional challenges and current situation in Mexico; and c) social
14
15 interactions between entrepreneurs in relation to institutional challenges (see Table 2).
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17 Multiple respondents were fundamental in this research to gain more insight about the
18
19 experiences and perspectives lived within an entrepreneurial family. It also contributed to
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21 better understanding regarding family interactions of the entrepreneurs and to mitigate flawed
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23 memory limitation.
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35 The inductive nature of the study aimed to discover themes and patterns. In line with
36
37 Bryman (2012) the reliability of the coding was consistent and structured to avoid coder bias.
38
39 Firstly, the data was analysed by creating individual entrepreneurial family summaries,
40
41 analysing and comparing interview transcripts along with notes gathered after each interview.
42
43 Transcripts, summaries and notes were used employing an open coding process undertaken
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45 independently by the authors (Creswell, 2013) to understand family resources and
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47 capabilities employed, and the dimensions of social capital families were drawing upon. The
48
49 detail of structure and ordering of data is illustrated in Figure 1. The open coding process
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51 supported the interpretative approach of the study and continuous iteration throughout the
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53 process (Hall *et al.*, 2005). As such, this coding scheme was conducted by the authors,
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55 comparing results and identifying any discrepancies between the coders so that they could be
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revisited and agreed upon. This comparative method ensured inter-coder reliability and involved continually identifying emergent themes against the interview data and employed analytic induction to identify the nature of a relationship and develop the narrative (Silverman, 2000). The remainder of the article examines the dimensions of social capital within entrepreneurial families and their interaction with the institutional environment.

Insert Figure 1 about here

Analysis and findings

The remainder of the paper seeks to unpack how and why entrepreneurial family members seek to leverage the social capital of the wider family, and how this can serve to mediate the impact of the institutional environment. The findings draw on the interviews, with quotes providing insight and giving voice to the study. As Figure 2a demonstrates, the individual entrepreneur is typically subject to the institutional environment, however, as Figure 2b shows where the entrepreneur is part of an entrepreneurial family this can serve to mediate the impact of the institutional environment. Where entrepreneurial family members benefit from social capital of the wider family in terms the emotional, financial and practical resources and support it can help overcome the perils of weak and challenging institutional environment. This in turn reduces the risk and exposure associated with entrepreneurial activity, which if effective serve to foster more productive entrepreneurship of family members.

Insert Figure 2a and 2b about here

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3 As noted above, the institutional environment in Mexico is subject to a number of
4 challenges, which are part of the significant political, fiscal and economic reforms that
5 Mexico has experienced in recent years. The interpretive analysis of the empirical data in this
6 study identified five key institutional challenges. The key institutional challenges are:
7 changes in policy, where business owners have started to deal with this situation experiencing
8 the need to comply with new regulations and procedures they are unaware of ; weak formal
9 institutions, where laws and judicial systems are not upheld; dependence on the public sector,
10 whereby public money underwrites many businesses; corruption, which detracts from and
11 undermines economically productive entrepreneurship; and security, whereby the risk of
12 doing business is perceived to be higher. In navigating, if not overcoming, these institutional
13 challenges the entrepreneurs interviewed identified four primary resources or capabilities that
14 they sought to employ or leverage, such as financial resources, non-financial resources (i.e.
15 assets), information and knowledge; and networks and connections. The resources and
16 capabilities of each individual entrepreneur are limited, and constrain their ability to pursue
17 entrepreneurial activities and respond to institutional challenges. However, as shown in
18 Figure 3, where individual entrepreneurs are able to access and leverage the social capital of
19 the entrepreneurial family to access and share additional resources and capabilities as
20 suggested by Adler and Kwon (2002).
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44 Insert Figure 3 about here
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48 The cognitive, structural and relational dimensions of social capital in the
49 entrepreneurial family create enduring relationships (Nahapiet and Ghoshal, 1998) and
50 enable the accessibility and sharing of resources and capabilities. These three key dimensions
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3 were used in order to set out the findings of the study and to show the importance of social
4 capital to entrepreneurial families.
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9 *Cognitive dimension: How entrepreneurial families share and mobilise financial and non-*
10 *financial resources across firms*
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13 The shared vision and shared identity in the entrepreneurial family facilitates access to
14 financial resources, flowing both ways: from the family to business (bonds); and from the
15 business to the family (bridges) for entrepreneurs to utilise. For example, at the venture
16 creation phase the norm is that family allows access to financial resources for entrepreneurs
17 in different ways. Another reason to ask for financial resources is consequence of the weak
18 institutional environment. In specific economic sectors, entrepreneurs have trouble with
19 liquidity predominantly if their main client is the government. To overcome this dependence
20 where the relationship between businesses and public administration is high (Gonzalez *et al.*,
21 2005), they go to family members to ask for loans instead of going to a bank and obtain a
22 credit. Members in these families give loans without any interest rate or if they impose an
23 interest is much lower than borrowing from a bank. In line with this, some second-generation
24 respondents obtained the capital to open their businesses from their family instead of asking
25 for external loans or credits. Conversely, another illustration of the investment dynamic
26 between family members relates to the existing insecurity in the country, one respondent
27 stated that she and her mother decided to invest in another family business rather than keep it
28 in the bank because they could be victims of card fraud if they get their card cloned for
29 example. Entrepreneurs within the family discuss about the best practices to keep their
30 money secure, possibilities include investing in other family businesses to gain a profit
31 afterwards or investing in real estate properties to maintain family wealth. On this a
32 participant stated: *'I am selling a house to my son, I told him the money you could pay to the*
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3 *bank you can give it to me without interest... He skips a month sometimes, but he always pays*
4 *me back even when we haven't signed a contract, he couldn't do that with the bank'*
5 *[INT11/FAM4].* It is common in Mexico to have these informal agreements originating from the
6 shared language and codes in the family supported by trust. This highlights that shared vision
7 and purpose to maintain family wealth, which is common in Latin American countries such
8 as Mexico, enables family members to act together in the decisions they make (Mani and
9 Lakhal 2015). The difference in the entrepreneurial family is that the existence of multiple
10 businesses creates more possibilities on how to maintain survival and continuity of the firms
11 by sharing financial resources. The cognitive dimension also aids sharing and mobilising
12 non-financial resources like assets, achieving higher family goals. Insecurity in Mexico also
13 manifests in other ways, another family entrepreneur has experienced four criminal assaults
14 in his business. As a consequence, he is now investing in a security company in order to offer
15 their services to businesses. This shows that family entrepreneurs engage in other ventures
16 and then become portfolio entrepreneurs not only as a result of business opportunities but
17 also because of the institutional environment, evidencing how new entrepreneurial processes
18 emerge (Khoury and Prasad, 2016), in this case creating a new firm acting as self-protection.
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There are other circumstances when the directionality of resources occurs from the business to the family, available to other entrepreneurs. The characteristics of weak formal financial institutions and the ready-made network of support in the family make this dynamic more common. Entrepreneurs in the family invest their business profits in other firms because they conceive it is an unsafe practice to keep the money in the bank and that the return of investment in the bank is much lower than to have it 'working' in another business in the family, while other entrepreneurs struggle with money matters in their businesses. An illustration of this being a respondent who stated *'I can gain more investing in my father's project than if we had that money saved in the bank., moreover I trust him more because it is*

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3 *my father' [IN3/FAM1]*, this is complemented by her statement about the lack of trust in
4 banks in Mexico *'we also decided to invest with my father because it is safer, we could be*
5 *victims of fraud if our card gets cloned for example' [IN3/FAM1]*. It is a win-win situation
6 for both family members; on one hand the entrepreneur investing her money gaining profit,
7 while the other entrepreneur solves his liquidity problem because his business is highly
8 dependent on the public sector. This is a clear example of how family and business bridges
9 overlap in the entrepreneurial family. It also reinforces the family as an entrepreneurial
10 family and their shared identity; resources developed through the outcomes of entrepreneurial
11 activity are brought back to the general family pool of resources. The alignment of values is
12 more evident when members act collectively, which is associated with Latin American
13 contexts such as Mexico (Discua Cruz *et al.*, 2013), as an interviewee stated: *'We know that*
14 *we are going in the same boat, we go hand by hand to the same place. We don't have to say*
15 *it; it is how it is... Even when the government put bumps on the road we are on the same*
16 *track [INT14/FAM4]*. With this mutual understanding, the entrepreneurial family gives
17 function to the institutional environment where formal institutions are weak with a lack of
18 access to finance and lack of trust in banks. The entrepreneurial family through the cognitive
19 dimension of social capital performs to compensate for the institutional context with the
20 possibilities multiple entrepreneurs bring to other members, while benefiting several firms in
21 the family. Selling to the government in Mexico also forces family entrepreneurs to find ways
22 to get more contracts, an example of this is registering two companies engaged in the same
23 economic sector. Entrepreneurs manage two different enterprises as one, the distinction
24 between the two is only made for certain government procedures and tax compliance
25 processes. Or on the contrary, same business registration serves as the name for two different
26 economic activities. This is, one entrepreneur "lending" his company name for his sibling so
27 he can operate and legally invoice customers for his services.

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5 *Structural dimension: How strong ties in entrepreneurial families enable access to external*
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7 *networks and connections*

9 The structural dimension of social capital was showed in the entrepreneurial family by
10 high interactions and relations, frequent communication and the use of internal networks to
11 access external networks. The process of accessing and leveraging social capital normally
12 occurred with interactions in the informal setting of the family, as one interviewee stated
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18 *'there is a dynamic in my family, we arrive home every night and over dinner discuss*
19 *business matters that require discussing' [INT1/FAM1].* The social capital of entrepreneurial
20 families demonstrates examples of bonding capital. Because of the weak institutional
21 environment in Mexico, informal activity is possible in certain occasions entrepreneurs in the
22 family helping other members to sell their products in their formal businesses. That is the
23 case in this family, *'my mum has always been a housewife but she is the most entrepreneurial*
24 *of all in the family... she has always sold something (informally)' [INT9/FAM3].* This shows
25 that perceptions of informality in the country are positive and even socially accepted as being
26 entrepreneurial. The family is an important component to networks to informal entrepreneurs,
27 giving access to commercial opportunity, for example. *My husband lets me sometimes have*
28 *my things displayed in his business' [INT11/FAM3].* This contrasts with past statements that
29 family is not a necessary component of the informal entrepreneurs network (Webb *et al.*,
30 2013). The emphasis in entrepreneurial families in Mexico is that informal entrepreneurs not
31 only leverage home-based resources but also business-based resources from other firms in the
32 family. In emerging economies, informal businesses navigate along the enabling and
33 constraining forces of the institutional environment (De Castro *et al.*, 2014). In the majority
34 of the cases, informality in the entrepreneurial family happens when the financial sustenance
35 in the family comes from the main family business or other entrepreneurial ventures within
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3 the family. This dynamic of informality in Mexico contrasts with previous research on the
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5 positive relationship between low quality of institutions and unproductive entrepreneurship
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7 mainly motivated by necessity (Amorós 2009). Another consideration of informality is that
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9 from the responses it can be interpreted that there is no embarrassment in mentioning that
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11 some members of the family contribute to the shadow economy, the perception is that
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13 members have a very entrepreneurial attitude towards finding ways to obtain more income. In
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15 entrepreneurial families, in some way, informal economic activity complements the formal,
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17 this contrasts with past research in which informal activity is considered shameful for the
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19 ones who practice them, especially women (Kantor 2009). In a study in Mexico, Argentina
20
21 and Brazil, entrepreneurs decide to operate informally to be able to manage their own
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23 resources to survive and because they value more the salary they can get without considering
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25 benefits and pension (Maloney 2004). In entrepreneurial families, the reasons behind
26
27 informality fall more into lifestyle entrepreneurship for housewives like in cases *FAM1*,
28
29 *FAM3* and *FAM5* giving more value to family than wealth creation. Or in case *FAM8* that
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31 both entrepreneurs make products to sell informally in their respective formal businesses,
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33 there is a clear dynamic of the interrelation between formality and informality. These
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35 findings provide a new perspective into informality when looking at the entrepreneurial
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37 family.
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42 With business and politics highly intertwined in the country, the use of connections or
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44 influences is a common practice and is another institutional challenge to overcome by
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46 leveraging social capital: *'in Mexico friendships and connections to government matter a lot,*
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48 *otherwise you don't have work, it is a very important factor in our country' [INT7/FAM2].*
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50 Members in entrepreneurial families employ internal networks to access external ones, for
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52 example in the government, for the benefit of the different firms in the family, proving that
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54 networks can become powerful tools in Mexico (West et al. 2008) In an entrepreneurial
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3 family the son had to face challenges more rapidly than his father as he was only starting his
4 trading and distribution business, selling mainly to the government. His father advice helped
5 him gain contacts of suppliers which in turn had also worked for the government before and
6 had knowledge on the special characteristics of products requested by government agencies;
7 this bridging capital proved to be useful to the son with his new company. Also one
8 interviewee explained that his father's network was leveraged to get a connection to
9 government when seeking a contract.
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18 Within entrepreneurial families, the benefit of these influences is passed between
19 members. This was the case of a family, a participant illustrates *'Like my father had the
20 opportunity in his time for me to continue with this business after having a friend in the
21 government; now I want my daughter to continue with my business with the help of this other
22 friend'* [INT21/FAM7]. A combination of a strong bond between father and daughter, with
23 succession plans already in place for her, and the bridge between the father with external
24 government connections was valuable for the daughter to be able to continue with the
25 business. In similar fashion, these bridges are useful for other members in the family for the
26 creation of businesses that could not be possible without connections. As it can be noted,
27 business and politics are highly intertwined and the use of connections or influences is a
28 common practice. Within entrepreneurial families, the benefit of these influences is passed
29 from generation to generation nurturing the inefficiencies in the institutional environment
30 (Gupta and Levenburg, 2010).
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46 Because of the nature of some businesses, connections to government give
47 entrepreneurs the opportunity and exclusivity to have the license to operate their companies.
48 These businesses have a direct relationship with the government because they offer
49 services/products from public companies or they offer services related to legal activities that
50 citizens need to comply with. In Mexico, only through an appointment from the government
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3 through connections a person can be designated to have a business of this nature. Normally,
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5 more established entrepreneurs with their businesses are able to provide more resources from
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7 outside the family, bridging networks developed in their business to serve other entrepreneurs
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9 in the family. An example of this, *'my son now has his own enterprise because we took an*
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11 *opportunity from the government as a concession to open this kind of company that offers*
12
13 *government services'* [INT19/FAM6]. This shows the bridging advantage of entrepreneurial
14
15 families as opposed to stand alone entrepreneurs, members in the family offer support to
16
17 others by providing other members with a wider pool of resources to use in their new or
18
19 existing businesses. Internal linkages and interactions through the structural dimension foster
20
21 cohesiveness and collective action (Adler and Kwon, 2002), in entrepreneurial families these
22
23 linkages enable collaboration but also bridges between internal networks to gain external
24
25 contacts. This is particular helpful in Mexico where appointing people for government
26
27 positions or business advantage is a common practice (Gonzalez *et al.*, 2005). Contrasting
28
29 past research in family business (Salvato and Melin, 2008; Sirmon and Hitt, 2003), the
30
31 entrepreneurial family allows the examination of both bonding and bridging social capital
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33 because the focus does not rely in one single firm.
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39 *Relational dimension: How entrepreneurial families foster information and knowledge*
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41 *exchange*
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44 In many respects the social capital of entrepreneurial families is premised on the
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46 relational dimension that includes trust and an appreciation of family members about each
47
48 other's individual entrepreneurial endeavours and the challenges they collectively face as an
49
50 entrepreneurial family. As one participant illustrates *'from my brother I get huge amounts of*
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52 *support, there is nothing written on paper, is informal because we trust each other'*.
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54 [INT7/FAM2]. Moreover, where the businesses do cooperate one interviewee explains, *'...a*
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3 *lot of advantages from the support in the family. Because we trust each other and all these*
4 *[businesses in the family] are for the benefit of all of us' [INT10/FAM3].* This in itself helps
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6 provide stability and reduce dependence on the state, which perpetuates the practice of
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8 productive entrepreneurial activity. Trust in environments such as Mexico is particularly
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10 important given the changing nature of institutions as it provides entrepreneurial families
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12 greater levels of stability when navigating such complexities.
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16 Along with trust, Winter (2000) highlights the importance of reciprocity in accessing
17
18 and leveraging social capital within families. A number of interviewees highlighted the
19
20 importance of reciprocal support among the members in the entrepreneurial families, the son
21
22 takes over the branches of the family business, when his own firm is not having enough
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24 contracts because of its dependence on the public sector, while the father resolves the need
25
26 for someone 'trustworthy' to manage the branches and expand the family business. Junior
27
28 generation expanding the family firm is a consequence of the norms and obligations in the
29
30 family. Namely, members helping in the family business since childhood (Danes *et al.*,
31
32 2009). Knowledge obtained from early involvement in the family firm can be made available
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34 for the benefit of that business (Sorenson and Bierman 2009).
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38 In times of uncertainty like when policies change, entrepreneurial families share
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40 information within the family, members asking for advice or sharing experiences on how
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42 they have dealt with the reforms in their own businesses. Among the new processes targeting
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44 SMEs is the fiscal reform aimed to regulate business activities, promote job formality and
45
46 increase tax collection. Frequently, important decisions related to changing reforms are
47
48 discussed within the family. In this sense, entrepreneurs in the family have to deal together
49
50 with the regulatory and bureaucratic burdens of the country. As one participant illustrated:
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52 *'My daughter reneged on all the paperwork and bureaucracy to get her business in*
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54 *operation, I had to step in with my little or much enterprising knowledge, I tried to guide her'*
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3 [INT2/FAM1]. Family members share information about how they have dealt with certain
4 issues, transferring knowledge on how to cope with institutional barriers for their businesses.
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6 This highlights the diffusion and exploitation of information and knowledge in the family,
7 beyond the creation stage of the business (Nahapiet and Ghoshal, 1998). The natural process
8 of sharing of information is useful for other entrepreneurs across the family who experience
9 reforms with more knowledge. This differs from individual entrepreneurs whose family
10 members might lack understanding of business operation and policies, providing blind
11 encouragement in many cases causing wasted resources and capabilities for the entrepreneur
12 (Arregle *et al.*, 2013).
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22 To overcome the struggle in obtaining some permits it is all about how the
23 entrepreneur presents the information to the government, playing with formal institutions to
24 the extent they can be conducive of entrepreneurial activity. An example of a participant
25 opening her business with an incorrect permit, while not fully matching her business, she
26 opted for that permit to legally operate because it was easier to obtain and because her
27 parents both entrepreneurs advised her. She stated '*It is like this in Mexico, I know people
28 who do not comply with all the permits needed*' [INT3/FAM1].
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37 A key manifestation of the institutional challenge is corruption. Mexico is among the
38 most corrupt countries in the world, ranking as 103 of 175 countries in the Corruption
39 Perceptions Index (Transparency International, 2014). Several respondents stated that
40 instability in formal institutions created space for corruption to exist. A participant stated: '*It
41 is a problem in this country to get construction licenses, we started a project together with
42 my wife from our personal savings and resources from the family, but it took us a year to get
43 these licenses to start building*' [INT2/FAM1]. In such circumstances, it is common practice
44 in the country to ask for favours to known powerful connections, and then show gratitude in
45 the form of gifts or compensations to speed up processes or gain contracts. An example of
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3 this 'When you go to see officials you realise everyone comes with gifts. Mexican business is
4 like that. Then what do we do? We also arrive with gifts so officials don't skip our turn'
5 [INT33/FAM12]. This supports the notion that the possibility to be involved in corruption is
6 higher depending on the entrepreneurial perception that other individuals are engaged in
7 corrupt transactions; hence, informal institutions supporting corruption among entrepreneurs
8 (Tonoyan et al. 2010). This shows how corruption in Mexico is widespread among different
9 actors in economy, being relevant to entrepreneurs as those who work in the public sector
10 (Gonzalez et al., 2005). The relational dimension in the entrepreneurial family through norms
11 and obligations provides opportunities for the junior generation mainly, to also obtain
12 enterprising knowledge in early years with the family business or obtaining knowledge to
13 deal with the institutional challenges such as corruption. Building on past views, this
14 knowledge can be applied in the existing family business (Sorenson and Bierman, 2009) but
15 also in the creation and management of new firms. While trust enables members to be open to
16 share information to help each other and transfer knowledge across firms in the family to
17 cope with institutional challenges together. This is particularly important in countries such as
18 Mexico where family serves a as cushion in hard times (Fukuyama, 2002).
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40 Discussion

41 Where family members benefit from the dimensions of social capital within the
42 entrepreneurial family, the effect is to increase the congruence of institutions (see Figure 4).
43 This is achieved by giving entrepreneurs access to resources and capabilities that enable them
44 to pursue their entrepreneurial endeavours and overcome the institutional challenges they
45 face. In this way the entrepreneurial family can help mitigate the challenges of a changing
46 institutional environment and contribute to economic and social development. This shows the
47 complexity lived by the entrepreneurial family as organisation in the institutional context
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3 where they operate, contributing to understanding how organisations cope with conflicting
4 institutional pressures (Greenwood *et al.*, 2010).
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9 Insert Figure 4 about here
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15 Drawing on social capital provides them with advantages over individual
16 entrepreneurs, who have traditionally been the focus of analysis in institutional theory.
17 Access to social capital strengthens the competitive advantage of the ventures within the
18 entrepreneurial family, as it provides ease of access to a wide pool of social capital including
19 both bonding and bridging varieties. Furthermore, it provides entrepreneurial families with
20 access to further resources and capabilities, including financial resources, information and
21 knowledge, and networks and connections. The findings highlight how entrepreneurial
22 families are making use of their social capital to access resources and support from other
23 family members who are also entrepreneurs and part of the same family. The evidence
24 highlights previous debates considering both that either family ties can provide ‘blind
25 encouragement’ for business (Arregle *et al.*, 2013) or that family members outside the firm
26 can give valuable business advice (Anderson *et al.*, 2005). It also moves from past notions of
27 the entrepreneurial family such as the one from Nordqvist and Melin (2010) where an
28 entrepreneurial family is defined as a social structure ‘that can both drive and constrain
29 entrepreneurial activities’ (p.214). In fact, the entrepreneurial families studied in this paper
30 show that trust and openness, reinforced by their social capital, are determinants for the
31 support that members have in relation to their firms.
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As the paper shows, individual entrepreneurs face constraints in accessing resources,
whereas entrepreneurial families have a ready-made pool of resources to overcome
institutional challenges which stems from ‘entrepreneurs knowing other entrepreneurs’

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3 (Estrin *et al.*, 2013) with the advantages that come with being family and the strong social
4 capital they share. Contrasting with prior research (Nahapiet and Ghoshal, 1998; Arregle *et*
5 *al.*, 2013), the research demonstrates that the entrepreneurial family accesses social capital
6 which provides its members with diverse resources and capabilities which are advantageous
7 within and outside the family circle. Discua Cruz *et al.* (2013) explore the membership of
8 family members in the entrepreneurial team, and the individual ventures of members were
9 considered outside the team. In contrast, in this study members who create individual
10 ventures in entrepreneurial families can also be part and benefit from the strong internal
11 social capital in the family. When looking at the whole entrepreneurial family it is found that
12 the structural, cognitive and relational dimensions of social capital also affect individual
13 ventures, in fact affecting them positively by receiving support from other members.
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26 In challenging institutional environments such resource endowments become more
27 important as families circumvent traditional formal institutional rules by accessing resources
28 through family members. The paper finds that entrepreneurial families utilise their social
29 capital as access to further financial capital rather than seeking external finance. In such
30 cases, the informal institutional norms and values in entrepreneurial families act to
31 complement the formal institutional rules in place, showing the strength of informal
32 institutions. This contrasts with recent research in less developed economies where informal
33 institutions are inhibited and the opportunities to leverage social capital are limited (Khoury
34 and Prasad, 2016). While institutional asymmetries are evident, over time change is possible
35 as norms and values inform the development and improvement of formal institutional
36 arrangements.
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50 As Eddleston *et al.* (2010) suggest, trust is an integral dynamic within families, and is
51 why entrepreneurial families are able to effectively access and leverage social capital. Trust
52 and reciprocity among members in the family is crucial to share resources and collaborate
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3 with each other across the multiple businesses (Alsos *et al.*, 2014), which is regarded as
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5 important in overcoming institutional challenges. As opposed to research on individual
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7 perspectives of entrepreneurial activity in which policy changes create predictable costs on
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9 businesses that entrepreneurs should consider (Estrin *et al.*, 2013), the entrepreneurial family
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11 acts to reduce the effects of an unstable environment where the government is not actively
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13 guiding entrepreneurs; as a result, entrepreneurs in the family guide each other.
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16 17 18 **Conclusion**

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20 The aim of this paper is to examine how entrepreneurial families, defined as those
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22 with more than one entrepreneur, share and mobilise resources through social capital in order
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24 to navigate institutional challenges and develop entrepreneurial ventures. While the role of
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26 institutions in family entrepreneurship has begun to be addressed (Reay *et al.*, 2015), there is
27
28 currently no research which examines how the social capital endowment of entrepreneurial
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30 families differs from other individuals and groups and the advantages of this in navigating
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32 institutional challenges. The entrepreneurial family provides a different setting and focus
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34 compared to family firms where ‘family members can be expected to interact more on a daily
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36 basis within the firm context’ (Arregle *et al.*, 2013, p. 24), or members within the household
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38 where not everyone has entrepreneurial knowledge (Alsos *et al.*, 2014; Rodriguez *et al.*,
39
40 2009). In contrast, members in the entrepreneurial family benefit from each other’s
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42 experiences and interactions with their different firms, even when members do not share a
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44 household. The benefit they get from those interactions reflects in multiple firms rather than a
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46 focal firm or a focal individual. The entrepreneurial family focuses on family ties between
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48 entrepreneurs who can provide more relevant support to navigate institutional challenges than
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50 traditional family members. The three dimensions were analysed separately in the findings
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52 section but they are interdependent influencing the creation, utilisation and mobilisation of
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3 resources and capabilities within the entrepreneurial family. The different utilisation of
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5 resources and capabilities allows a more nuanced understanding of the family-related issues
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7 in family business and entrepreneurship research (Salvato and Aldrich, 2012). Given that
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9 studies of family businesses should offer contributions in the form of new units of analysis
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11 and mediating variables (Reay and Whetten, 2011), the paper advances the focus of
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13 entrepreneurial families and how they relates to the institutional environment. In this respect,
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15 the paper draws out how the entrepreneurial activities of individual entrepreneurial family
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17 members are mediated by the entrepreneurial family in the context of the institutional
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19 environment. In this way that can lessen institutional challenges where shared resources can
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21 be accessed to overcome the challenges inherent to Mexico as weak institutional
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23 environment.
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27 This article contributes to knowledge in family entrepreneurship and institutional
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29 theory by focusing on the entrepreneurial family. It shows how social capital enables access
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31 to different types of resources to overcome or reduce the impact of wider institutional
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33 challenges on entrepreneurial family members as they pursue their respective entrepreneurial
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35 activities. The advantages to entrepreneurial families in relation to their social capital in their
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37 institutional context are the following. First, members offer each other valuable and diverse
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39 support enhanced by their shared vision (cognitive dimension) to access and mobilise
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41 financial and non-financial resources. Second, the immediateness of support through
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43 interactions (structural dimension) to access external networks and connections; and third the
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45 strong level of trust and commitment among its members (relational dimension), makes
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47 exchange of information and knowledge easier in the family to be applied in the multiple
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49 firms. This shows that in entrepreneurial families strong ties can also be of great value as
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51 compared to weak ties in individual entrepreneurs or traditional families (Granovetter, 1973).
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53 Because of the variety of resources in entrepreneurial families with multiple firms, not
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3 restricted to the family circle, the support is more relevant and diverse for the use of other
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5 stand-alone entrepreneurs.
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7 While this research was conducted in Mexico, important lessons can be taken for
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9 contexts characterized by weak or unstable institutional environments. It is a common factor
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11 that where institutions are less developed, as in in developing economies, there will be a
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13 higher level of family involvement in business activities in comparison to economies with
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15 stable institutions (Steier, 2009a). Positioning entrepreneurial families in an institutional
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17 environment helped to contextualise entrepreneurship (Ramírez-Pasillas and Brundin 2017),
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19 family business (Reay *et al.*, 2015) and family entrepreneurship (Randerson *et al.*, 2015) . By
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21 focusing in a developing economy such as Mexico, this research enabled to ‘un-westernize’
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23 research (Ramírez-Pasillas and Brundin 2017); for example, when looking at the informal
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25 economic aspect of some entrepreneurial families where informal activity complements the
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27 formal. By understanding the nature and scope of family business better, policies can be
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29 introduced to promote links between and also within the family, by using role models and
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31 examples of good practice to demonstrate to others how entrepreneurship can succeed.
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33 Strengthening business support associations can also help networking, enabling social capital
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35 to be shared among individual entrepreneurs and entrepreneurial families, and in
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37 consequence improve and thicken institutions.
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41 Finally, it is important to acknowledge that the research has limitations. The empirical
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43 focus of this article is the entrepreneurial family in the capital city of the state of Mexico and
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45 involved a relatively small number of in-depth interviews with entrepreneurs in the family.
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47 The study also used snowball sampling which makes it difficult to generalise our findings to
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49 a wider population. As such, the responses of participants cannot be considered
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51 representative of all family entrepreneurs in Mexico. However, the value of our research lies
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53 in providing new insights regarding entrepreneurship within families. A further limitation is
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3 that interviews were conducted within a relatively short timeframe, and it would be valuable
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5 to apply longitudinal case study research to examine how the social and other forms of capital
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7 develop over time within entrepreneurial families. It would be worthwhile to investigate the
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9 effect of institutional change in other developing economies that can often act collectively in
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11 their family setting, conducting comparisons between countries with similarities and
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13 differences in institutional frameworks will provide a rich avenue for future research. It
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15 would also be worthwhile to examine how institutional change impacts on different countries,
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17 undertaking comparisons between developing and developed economies by focusing on the
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19 role that entrepreneurial families play in the adoption of a rapid institutional change.
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Table 1 Profile of participants

Respondent	Family	Relationship	Business type	Size of business (Number of employees)	Age of business
1	1	Daughter	Shoe manufacturing	1-10	1-5 years
2	1	Father	Construction (Non-residential for government)	11-50	10+ years
3	1	Daughter	Beauty Services	1-10	1-5 years
4	1	Mother	Construction (Residential)	11-50	10+ years
5	1	Daughter	Textiles	Self-employed	1-5 years
6	2	Sibling	Construction (Non-residential for government)	11-50	10+ years
7	2	Sibling	Marketing Services	1-10	10+ years
8	3	Father	Pharmaceutical	11-50	10+ years
9	3	Daughter	Media	1-10	1-5 years
10	3	Son	Construction (Non-residential for government)	1-10	1-5 years
11	3	Mother	Informal	Self-employed	6-10 years
12	4	Father	Construction materials (Paints)	11-50	10+ years
13	4	Son	Construction materials (Sealers)	11-50	10+ years
14	4	Son	Construction materials (Sheetrock)	1-10	10+ years
15	5	Father	Construction (Residential)	11-50	1-5 years
16	5	Mother	Financial Services	1-10	Less than a year
17	5	Sibling (to father)	Construction equipment rental	1-10	Less than a year
18	5	Daughter	Informal	1-10	1-5 years
19	6	Father	Automobile Services	51-250	10+ years
20	6	Son	Petrol services and distribution	1-10	1-5 years
21	7	Father	Legal Services	11-50	10+ years
22	7	Daughter	Education	11-50	10+ years
23	8	Sibling	Automobile parts retailing (Ford)	1-10	10+ years
24	8	Sibling	Automobile parts retailing (Chrysler)	1-10	1-5 years
25	9	Father	Graphic design services and merchandising	1-10	10+ years
26	9	Son	General retailing	1-10	1-5 years
27	10	Sibling	Residual waste recycling (Plastic with transformation processes)	11-50	1-5 years
28	10	Sibling	Residual waste recycling (Plastic)	11-50	6-10 years
29	11	Sibling	Food services	1-10	10+ years
30	11	Sibling	Education	11-50	1-5 years
31	12	Father	Petrol services and distribution	51-250	10+ years
32	12	Son	Real state	1-10	1-5 years
33	13	Sibling	Education	51-250	10+ years
34	13	Sibling	Baking industry	11-50	10+ years
35	14	Father	Petrol services	11-50	10+ years
36	14	Son	Venue rental and event organisation	1-10	1-5 years

Table 2. Interview guideline

<p>General background information about the firm the interviewee owns/manages (History of the firm, sector, size, life-cycle, successions if any).</p> <ol style="list-style-type: none"> 1. Background of the different firms that other entrepreneurs in the family own 2. How do you interact with other members in your family? Members that own or manage another firm 3. Do you receive any type of support from them? What type of support? 4. Are you involved in any other firm in the family? 5. Do you support others with their businesses? What type of support do you give?
<p>Institutional challenges and situation of Mexico</p> <ol style="list-style-type: none"> 6. Can you reflect on the current situation of Mexico in relation to managing your firm? 7. Would you reflect on the challenges you have faced with your firm and what were the impacts? 8. How have you dealt with them?
<p>Entrepreneur interactions to respond to institutional challenges</p> <ol style="list-style-type: none"> 9. Have other entrepreneurs in the family been part of dealing with the challenges you face or have faced? How have they participated? 10. How would you describe the relationships and interactions between family entrepreneurs? And how they affect the way you deal with challenges in Mexico? 11. What is the impact you see of that on your firm? 12. Are there any specific interactions that you think are unique in your family because of the existence of different entrepreneurs in the family?

Figure 1. Data structure

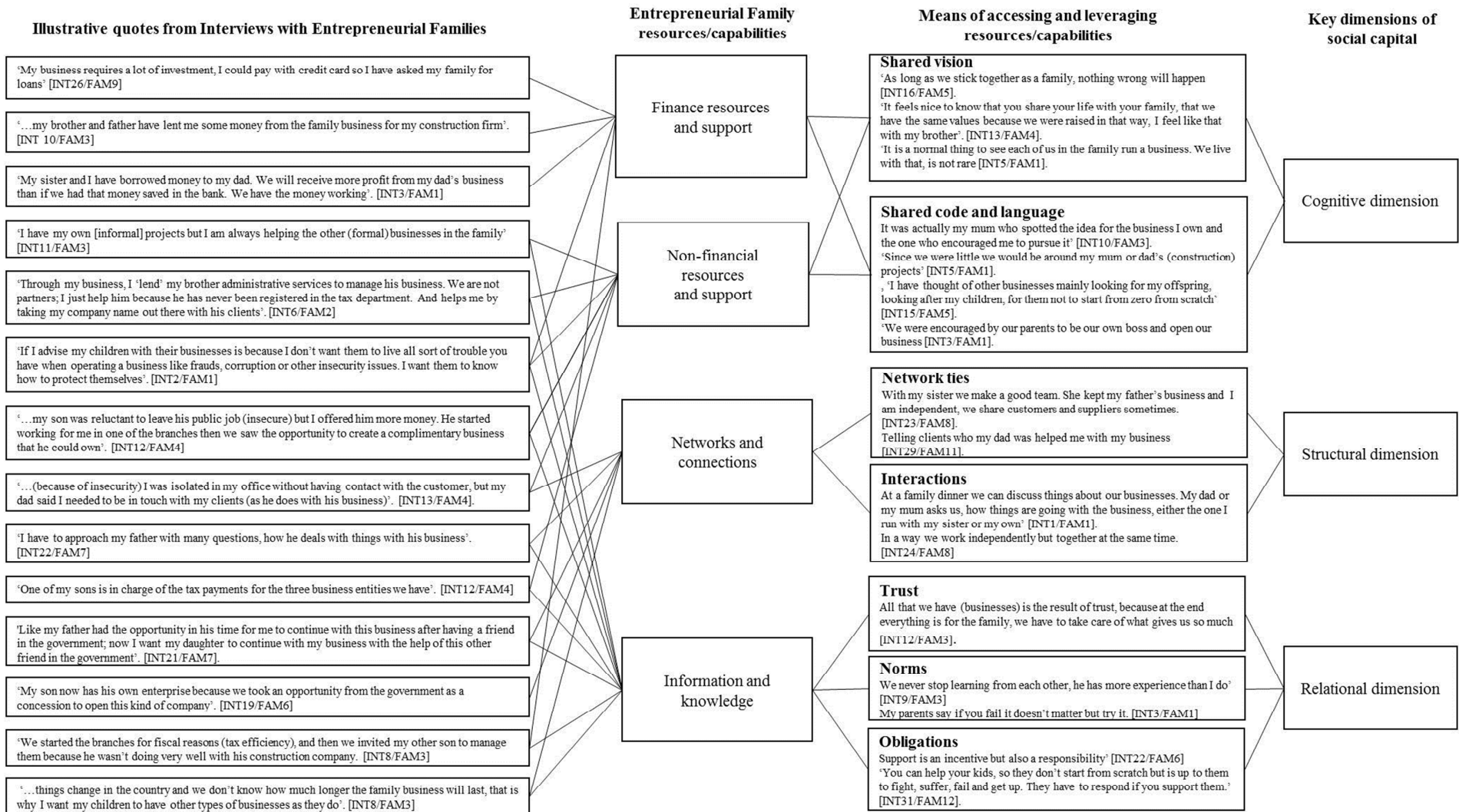


Figure 2a: The entrepreneur and the institutional environment

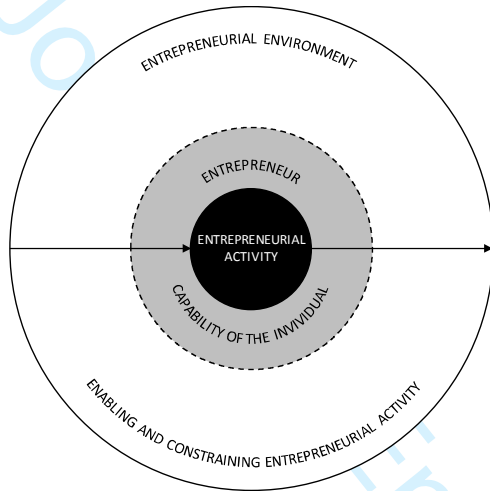


Figure 2b: The entrepreneur, entrepreneurial family and the institutional environment

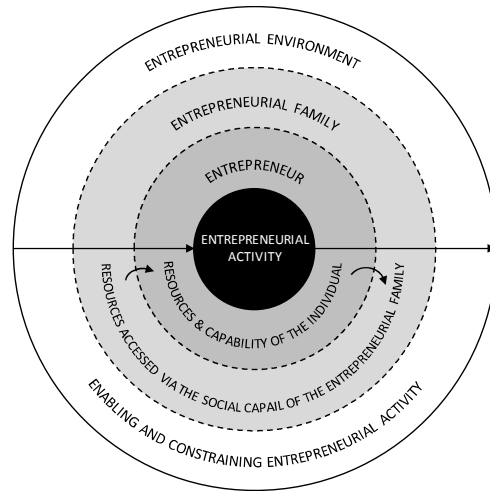


Figure 3: Resources and capabilities of individual entrepreneurs vs. Resources and capabilities accessed via the social capital of the entrepreneurial family.

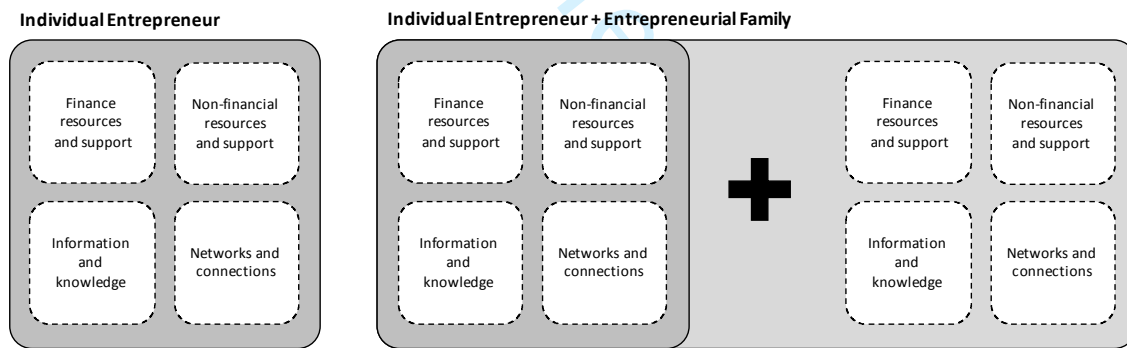


Figure 4: Depicting how the social capital of entrepreneurial families enhance institutional alignment

