Family Entrepreneurship in an emerging economy: 
The case of Trinidad and Tobago.

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Abstract: Entrepreneurship and the development of small- and medium-size businesses continue to be at the forefront of socio-economic development in virtually all economies today. An important aspect of this is family entrepreneurship as it has a multitude of benefits and dynamics that will be explored in this paper. Family-controlled firms are the predominant form of business in the modern society. The family business sector represents one of the most important components of the free-enterprise system. This paper will investigate the motivating factors that have led families to entrepreneurial activities and have sustained them over the years. The research methodology is quantitative in nature, with a questionnaire being administered to 250 businesses in Trinidad and Tobago that have been identified as family owned and the results analysed using SPSS. The results show that there is an ethnicity bias in family entrepreneurship with Indo Trinidadians, Caucasians and Asians having a greater proportion of family entrepreneurs compared to the other major ethnic group in Trinidad and Tobago. Exposure to entrepreneurial activities from an early age influences individuals to continue within family business and also as entrepreneurs. The implication is that, given the established ideology that SME’s are key to economic development, this paper has highlighted some of the key indicators for success in family entrepreneurial activities, in addition some of the potential barriers such as the availability of finance and collateral security have been identified; these can be addressed by the relevant authorities to encourage the spread of entrepreneurial activities within the economy.

Keywords: Family entrepreneurship, Family Business, Small and Medium Enterprises, Emerging Economies.

Word count: 5,169.
Introduction

The family is without doubt the oldest and longest running social unit in our world. Families were formed along with small communities long before commerce began. In fact, families, often in connection with the local communities, sustained themselves by self-sufficient means ranging from hunter-gathers to subsistence farming (Ponzetti, 2003). Although the business enterprise is integral to the long-run sustainability of the family firm, the family is equally important to the family firm. The family unit brings together and creates the forces enabling the emerging and sustained entrepreneurial behaviour. The conceptualization of the family business must encompass a multidisciplinary and comprehensive perspective of the complex and dynamic phenomenon of business that is owned and operated by family members. Identification with the terminology and ethos of entrepreneurship is critical to this. There is a level of prestige that is associated with the term “entrepreneur” and many small family-owned firms do not identify with this, this adds another dimension when defining family entrepreneurship, the size of the enterprise, may influence this perception. In addition to this there is the question revolving around who is the entrepreneurs; is it the leader of the business or is it as the members of the family that is involved in the business and can claim a share of the ownership of the business? Vesala (1997) suggested that all the family members involved in the business management can provide a justifiable case to be called entrepreneurs. Understanding the dynamics and idiosyncrasies of family entrepreneurship and the strength of familial ties are crucial to the efficacy of investigating family entrepreneurship within any given setting.

Throughout history, families have been critical to the creation and operation of businesses. Families are the most important sources of human capital, social capital, financial capital, and physical capital. Worldwide, from ancient to modern times, and from agricultural and cottage industries to multinational corporations, family ownership is pervasive (IFERA, 2003). Morck and Yeung (2004), for example, note that in some countries, like Mexico, family firms make up about 100 percent of all firms, in others, like Sweden, they represent about 50 percent of all firms, and in other countries such as the USA and the UK, family firms are a minority but this trend is slowly changing. The reasons why family businesses and family entrepreneurship has long been ignored stem from the fact that most business research has historically been industry based in its samples and methodologies, leaving a long legacy of segmented and disjointed studies which are most often industry or market specific.

With authors such as (Lansberg, 1988; Brockhaus, 1994; Dyer and Handler, 1994; Hoy and Verser, 1994) also prioritizing the business aspects of the family business, but did not exploring the owning family. These family business models used by these researchers were very simplistic, skewed towards the business, and limited in their depictions of the owning family. Equally myopic, early researchers in family studies rarely recognized the presence of business ownership within the families studied. This realisation is the rationale for undertaking this study to contribute to the existing literature in this field.

The setting for this study is Trinidad and Tobago. Trinidad and Tobago is a country in the southern Caribbean with a population of 1,226,383 (July 2011 est. CIA 2012) Trinidadians of Indian Decent(South Asian) 40%, Trinidadians of African 37.5%, mixed 20.5%, Caucasian 1.2%, Asian other 0.8%. Trinidad and Tobago has earned a reputation as an excellent investment site for international businesses and has one of the highest growth rates and per capita incomes in Latin America. Economic growth between 2000 and 2007 averaged slightly over 8%, significantly above the regional average of about 3.7% for that same period. Trinidad and Tobago is the leading Caribbean producer of oil and gas, and its economy is heavily dependent upon these resources but it also supplies manufactured goods, notably food products and beverages, as well as cement to the Caribbean region. Oil and gas account for about 40% of GDP and 80% of exports, but only 5% of employment. The country is also a regional financial centre, with a growing tourism sector, although it is not as important economically to Trinidad and Tobago as it is to many other Caribbean islands (CIA 2012).
Literature Review

The emergence of business entities from within families is a historical fact and a natural and logical phenomenon. Because of their desire to provide for their members, earn a living and in many cases a desire to accumulate wealth over time families have engaged in entrepreneurial activities. Family organisations have historical ties to farming, crafts, local retail operations and gastronomic outlets. So, often historically, the physical location of the business was synonymous with the actual business location and operations and the family. Even in the case of the early, small-scale storefront businesses, families often lived in the upper floors of the building with the store on the street level. There are many instances of family operated farms with the family resident on the farm locality.

Family businesses in our society and economy have strong historical presence and extensive prevalence, as well as vital economic and social contributions (Heck and Stafford, 2001; Heck and Trent, 1999). Even so, family business as a field of academic study is recent and still emerging. Scholars have begun to recognize the importance of family businesses and their connection to entrepreneurship (Rogoff and Heck, 2003; Zachary and Mishra, 2011). The prevalence of family firms as a growing business structure in the USA has been documented (Heck and Trent, 1999) and worldwide (Bosma et al., 2008; International Family Enterprise Research Academy [IFERA], 2003; Morck and Yeung, 2004). The entrepreneur is a central and vital player in the entrepreneurial phenomenon, but he or she is only part of the total picture (Zachary and Mishra, 2011). A new broader and more comprehensive view or approach, based on the concept of family entrepreneurship and the family business, may be the most accurate description of most businesses throughout the world (Danes et al., 2008; Heck et al., 2006; Rogoff and Heck, 2003; Stafford et al., 1999).

The family, with its own dynamics, is an important and fundamental entity for creating and sustaining behaviours described in the literature as entrepreneurial behaviour or experience (Cramton, 1993; Danes et al., 2008, 2010; Rogoff and Heck, 2003; Sharma, 2004; Stafford et al., 1999). Throughout history and across countries, families and business have always existed to a large extent in conjunction with each other (Heck et al., 1995; Kepner, 1983; Morck and Yeung, 2004; Rogoff and Heck, 2003). Danes et al., (2009) identified family capital as a vital resource for entrepreneurial activities. The economic necessity of earning a living and supporting a family is often the underlying motivation for starting and growing a business (Winter et al., 1998). Among other motivators, lifestyle and wealth accumulation goals play an important role in whether a particular family member or members choose to start a business. At the same time that the business supplies income to the family, the family may supply paid and unpaid labour, as well as contribute additional resources such as financial; both working capital and long term investments, space, equipment, and other factors of production to the business (Morck and Yeung, 2004; Winter et al., 1998).

The identification of the importance of family in entrepreneurship has led family economists and family studies researchers to attempt the simultaneous and comprehensive study of both the family and the business (Sharma, 2004). Heck (1998a, b) raised the idea of an entrepreneurial family and suggested the notion that both the family and the business were equal contributors to the family firm.

Family entrepreneur is a very sparingly used terminology in business literature. Pearson et al., (2008). Most definitions seem to include notions of family ownership, family control or management, family involvement, and/ or the intention to transfer the family firm (Heck and Trent, 1999). Some definitions are very narrow and limited by their inclusion of the criteria of having two generations involved in the business while others are very inclusive of any business owned by one or more family members. In trying to understand family entrepreneurship it is crucial to understanding the motivation to undertake entrepreneurial activities. There has been abundant empirical evidence that parental self-employment has a significant positive influence on their offspring's propensity to become self-employed. In particular, individuals whose parents were in self-employment or owned a family business have a much higher propensity to become self-employed than those without such a background Zahra et.al (2003). Empirical evidence for this relationship has been found in many
studies, including those from the United Kingdom (Taylor, 2001), Denmark (Sorenson, 2007), and the United States (Dunn & Holtz-Eakin, 2000).

The notion of “familiness” has sometimes been employed in the literature. Pearson et al. (2008) explored this familiness notion further, but these researchers still only recognize the family presence in the business and do not recognize the presence, importance and the role the family itself relative to the business or entrepreneurial activity. Winter et al. (1998) defined family business as a business that is owned and managed by one or more family members. These same researchers used the concept of a family household, which was defined as a group of people related by blood, marriage, or adoption, who share a common dwelling unit and participated in the ownership of a business. Specifically, the owner had to have worked at least six hours per week year round or a minimum of 312 hours a year in the business (Heck and Trent, 1999). In essence Family entrepreneurship can be seen as a firm with a combination of the family system and entrepreneurial behaviours (Heck et al., 1995; Kepner, 1983; Morck and Yeung, 2004; Rogoff and Heck, 2003).

Niittykangas & Tervo, (2005) argued that children that grew of in families with a high propensity for entrepreneurial activities are both likely to inherit business and also start new ventures. Social learning theory argues that from a young age, children perceive their parents’ work satisfaction and this perception affects their work beliefs and attitudes (Barling et al, 1998). This is supported by Dunn and Holtz-Eakin (2000) as they argued that children of more successful entrepreneurs are more likely to enter self-employment than children of less successful entrepreneurs. Having role models who exemplify possible career choices is a critical aspect of an individual’s development (Krombholz et al., 1976), including career choices (Miers et al, 2007; Schindehutte et al, 2003). Parents are most likely to serve as significant role models in their children’s career choices (Barling et al, 1998) by influencing their offspring’s aspirations and work values in adolescence and early adulthood (Halaby, 2003).

The debate on the "exposure" versus "closure" mechanisms is tied to a fundamental question in entrepreneurship: whether differences in individual propensity to enter self-employment reflect differences in access to entrepreneurial opportunities and resources or differences in the ability and desire of individuals to pursue the opportunities that arise, so is entrepreneurial activity and result of one’s social environment or is it a result of learning, Mungai (2011).

Corporate entrepreneurship is critical to family firm survival, profitability, and growth (Rogoff & Heck, 2003; Salvato, 2004). Corporate entrepreneurship refers to the entrepreneurial activities within organizations that are designed to revitalize the company’s business by changing its competitive profile or by emphasizing innovation (Kellermanns et. al. 2006). Corporate entrepreneurial activities promote the longevity and success of the family firm by contributing to growth and the overall strategy (Upton et al, 2001). It is of the utmost importance that the family entrepreneurial mindset is one that allows them to identify and exploit opportunities in their environments and that the culture is one that fosters innovation and allows for risk taking without being overly concerned with the fear of failure (Sirmon & Hitt, 2003).

There is no homogeneous structure for family enterprise and there may be multiple generations of a family involved in the business, extended family, in-laws, and non-family members may all play an integral part in an enterprise. Their involvement may be permanent or it may be on an ad hoc basis (Weigel and Ballard-Reisch 1997). There is a general tendency to associate family firms with small and medium-size enterprises, even though many large firms, too, are family-controlled (Casson 1999). But in reality many of the family controlled firm fall into the category of SME’s (Small and Medium enterprises). This size does give them some distinct advantages; decision are made more quickly and there is greater flexibility to responds to market conditions and the action of competitors and also the demands of customers (Smallbone et al. 1997). However, the smaller firm may lose some of the benefits of economies of scale.

A distinguishing characteristic of the family firm is the strong presence of an owner family that controls a large percentage of the company’s equity. High ownership stakes give the family control of
the company’s operations, defining its mission and goals, and selecting its strategy (Zahra 2003). Ownership also promotes the involvement and participation of multiple generations in the firm (Gersick et al. 1997), providing an opportunity to learn about the business. It strengthens members’ psychological identification with and involvement in the company (Pierce et al. 2001), stimulating learning. Family entrepreneurs are usually embedded in their environments and connect with their stakeholders and networks (Aldrich and Cliff 2003; Aldrich and Ruef 2006).

**Methodology**

Data on family firms are not readily available from public sources in Trinidad and Tobago. Therefore, an email survey, combined with some government data, was used to gather this information. The survey was developed based on a review of the family business and entrepreneurship literatures. To validate the accuracy of the survey data follow-up phone interviews were conducted with 20 respondents that met the criteria for the survey who did not participate in the original study.

The sampling frame consisted of the 1,000 businesses mainly in the SME category that were identified as family owned. Companies were identified from data provided by the central statistics office. 259 responses were received of which 220 were usable; this response rate compares favourably with those achieved in similar studies (see Schulze et al. 2003).

The demographics of the firms were measuring using a twelve item index. Items were adaptations from the literature including Huber (1991); Pérez-Nordtvedt et al. (2008); Zahra et al. (2000). The descriptive output is presented in the findings and analysis.

A key indicator of family firm status is concentration of control within a single family (Eddleston and Kellermanns 2007; Gersick et al. 1997). This control is reflected in the percentage of a company’s equity held by a single family. Data obtained through the survey captured this variable.

Family cohesion was measured using the ten-item index. The Items are an adaptation based on the writings of authors such as Bollen and Hoyle (1990); Chang and Bordia (2001); LePine et al. (2008). The descriptive statistics for this variable is presented in the analysis and findings.

**Analysis and Findings**

Table 1 displays the descriptive statistics for the sample. On average, responding companies has been in operation for 48.29 years this shows with within these organisations there is a great degree of continuity this was a point that was enhance by the fact that 62.7 percent of respondents didn’t see the availability of finance as an issue for their organisation Table 2. The availability of finance is one of the major difficulties encountered by aspiring entrepreneurs; the literature review indicated that family capital is a very important element in the financing matrix for organisations and this research demonstrated this empirically.
In the post survey interview there was an emerging theme that family capital is leading to a monopolisation or the creation of oligarchies in certain industries within Trinidad and Tobago, gives these firm a competitive advantage in the industries. This is an area that can be explored in further research.

Many of the respondents do not identify with the term entrepreneur, finding is consistent with the literature review, more that 50 percent of the respondent didn’t see their family as entrepreneurs Table 4; neither did they see themselves as entrepreneurs, in their view their business exploits do not warrant the grandeur associated with the term entrepreneur.
There was a similar negative response to the question whether entrepreneurship is an important aspect of ensuring organisational progress. This may be due to the fact that many of the respondents do not associate their organisation with entrepreneurship.

From conversation with many Trinidad and Tobago citizens there is a underlying feeling that Indo Trinidadian control most of the businesses within the country, the responses to the survey validated this with 42.7 percent of responses coming from Indo Trinidadian. It was also evident that the minorities in the population were also highly represented in the family business sector with Caucasian who represents only 1.6% of the population have 14.1 percent of the businesses, there is literature that suggests minorities tend to gravitate to each other and this can lead to entrepreneurial activities. When families are in a minority and they have a business idea that is working they will try to maximise the number of family members that can benefit for this operation.

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The research has revealed that even though there is not unanimity, there is a general sense of cohesiveness and interdependences within family business as indicated by a mode of 5 to the question “we support one another” and a mode of 1 to the question “We do not like doing business with each other” Table 7. Family togetherness can greatly improve the entrepreneurial experience and minimise business conflicts that have the potential to infiltrate other aspects of family life. Table 7 presents the matrix of family cohesiveness.

<table>
<thead>
<tr>
<th>Family cohesiveness</th>
<th>Cares deeply about one another</th>
<th>Supports one another</th>
<th>Are proud of being part of the family</th>
<th>Depend on each other</th>
<th>Work closely together for the accomplishment of family goals</th>
<th>Will do almost anything to remain together</th>
<th>Are always engaged in dysfunctional conflicts</th>
<th>Our only together for business activities</th>
<th>Do not like doing business with each other</th>
<th>Are in the family business for their own personal benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
<td>220</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>3.05</td>
<td>3.06</td>
<td>2.94</td>
<td>2.83</td>
<td>3.15</td>
<td>3.00</td>
<td>3.05</td>
<td>3.05</td>
<td>2.93</td>
<td>2.95</td>
</tr>
<tr>
<td>Median</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Mode</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.344</td>
<td>1.413</td>
<td>1.400</td>
<td>1.328</td>
<td>1.387</td>
<td>1.465</td>
<td>1.382</td>
<td>1.389</td>
<td>1.484</td>
<td>1.371</td>
</tr>
<tr>
<td>Variance</td>
<td>1.805</td>
<td>1.996</td>
<td>1.959</td>
<td>1.566</td>
<td>1.924</td>
<td>2.416</td>
<td>1.911</td>
<td>1.929</td>
<td>2.201</td>
<td>1.879</td>
</tr>
</tbody>
</table>

**Table 7: Family togetherness**

The research has shown that there is no great impetus in the training and development of entrepreneurial learning within the responding businesses, however they are very keen on exploring the creativeness of employees and are willing to reward them for this and are willing to consider investment in new fields. This unwillingness to explore the benefits of formal entrepreneurship...
training can be based on the fact that many of the firms are traditional and are somewhat resistant to change.

However, the research also indicated that there is a realisation of the need for diversification and growth and new venture are a viable strategy for growth.

**Conclusion**

In reflection family entrepreneurship is a vital part of the economic machinery of Trinidad and Tobago; it provides valuable employment and contributes to the overall economic stability of the country. Family capital is crucial to the survival of family businesses. This research has shown that the level of socialisation that an individual receives can greatly influence the choices that they make in their careers. This is also the case with family entrepreneurship. The difficulties of sourcing finance and other crucial resources for the establishment of an enterprise is a collective issue in family firms and is more likely to come to a favourable conclusion as oppose to a single individual in a similar position, with instances of joint collateral security being one of the major advantages in this area. However one must guard against the generalisation of the positives in family entrepreneurship because as highlighted in the Analysis and Findings a not insignificant number of respondents found being part of family entrepreneurship to a very challenging experience that at times placed strain on inter familial relationships and can lead to dysfunctional operations. The joint enterprise of decision making adds another layer of complexity to the operations of the organisation. Where professional managers are employed within family firms their decision making can be undermined if there is no clear operating rule and delegation of authority; and even where these exists there is a need to ensure that these are respected so that the positive aspects of family entrepreneurship can be accentuated while any negatives are minimised.

This research has the potential to be extended further in a number of ways; socio-financially one can explore the impact of family capital as a competitive advantage. Another possibility is comparing the finding of this exercise with a similar one on non-family (individual) entrepreneur. It will also be useful to compare the results that were generated from this study to similar studies in other developing regions also possible to ethnic minority entrepreneurship in developed countries.

**References**


