

For Love or Money?

Understanding the dynamics of within-family finance for a
start-up enterprise. A phenomenological investigation

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Abstract

Investment into start-up enterprises by friends, family, and fools has often been referred to in academic and popular literature. Frequently assumed to be inefficient and economically irrational, the phenomenon is consistently pushed aside in favour of research regarding more formal investment practices. Yet, the behaviour is widespread and relatively common especially when compared to the total investment behaviour in start-up businesses. This thesis examined the case where financial resources are provided to a close family member for the purpose of starting a business, herein called within-family finance.

The literature review confirmed that there was a lack of understanding about this behaviour and an investigative, theory building approach, was established as suitable for the research task to find out what was going on. The principle motivation for this research was to understand why people engage in within-family finance for the purpose of starting a new enterprise. Particularly given that the chance of a:

- positive financial outcome is low, and
- negative relational outcome is high.

A literature review examined current knowledge on finance of new ventures and family finance. This resulted in development of the research question:

What are the influences on the motivations and behaviour in a within-family financial relationship that exists for the purpose of financing a new venture?

The thesis investigated this question through the philosophical lens of phenomenology. Sixteen people who either provided or received funds within a family relationship for the purpose of starting a business were interviewed. The sample included three pairs of funders-receivers, the balance consisting of receivers or providers of finance . Their stories

developed an understanding of the meanings that they attributed to this behaviour. The interviews were recorded, transcribed, and analysed through interpretive analysis and thematic development.

An initial 345 themes were identified from the data using a combination of descriptive, structural and simultaneous coding techniques. These were subsequently reduced through focused axial coding to six higher order themes and 50 sub-themes. The six high order themes were labelled; choices, consequences, funding, relationship, repaying, and risk. In order to arrive at the meanings of the behaviour, textual statements and a description of the structure of the participants experience were provided, culminating in a deeper understanding of the experience and the meanings attributed by the participants and presented in a textual-structural description. From these rich descriptions, the behaviour was examined through the phenomenological lens to ascertain the essences of the behaviour. The task was to identify the essential things that were key to understanding the phenomenon.

The thesis concluded that there were three key ontological aspects underpinning a conceptual framework to understand the phenomenon. First, participants that engage in within-family funding exhibited a level of concern to the world, their family and themselves. Second, they showed a sense of wanting to be more than they currently were and felt angst at the thought of not achieving all that they thought that they could be. Third, they all showed a level of tenacity in pursuing their goals. Finally, from a phenomenological perspective, these three underpinning beliefs drive a need to live an 'authentic life'; the life where fulfilment and satisfaction is more important than the immediate fear of failure both in a business and personal sense.

The thesis proposed that this framework could provide a valuable means of understanding entrepreneurship and recommends that it be used to expand our understanding of the lived experience of entrepreneurs and those who support them.

Declaration

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

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Finally, I owe a great deal to the participants who willingly gave up their valuable time to engage with this research. My hope is that they gained something from the experience personally, but in any case, their cooperation and assistance was vital to the outcome of this research, so thank you.

Dedication

This work is dedicated to my father, David, who passed away in 2009. I'm sure he would have enjoyed seeing the first generation of our family ever to attend university achieve a PhD. Also to my father-in-law, Lindsay, who passed away in 2011. He also understood the importance of education.

Both lives cut far too short.