

Center for Family Business



University of St.Gallen



## The influence of family business background on next-generation entrepreneurship

A gift or a curse?

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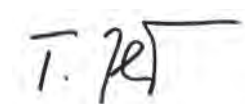
## Preface

*Young entrepreneurs whose parents control a business are often subjected to the influence of their parents when starting a firm.* These next-generation entrepreneurs may receive resources and emotional support from their parents, and parents may also influence their children's cognitive style and serve as role models for children. Today, we do not know whether such parental influence is positive or negative for children's start-up activity.

For instance, entrepreneurial parents may serve as positive role models to their children and provide them with resources that facilitate the start-up process. On the other hand, however, children from entrepreneurial parents may feel pressure to succeed as entrepreneurs, and the provision of resources from their parents for their own venture may undermine their independence.

With the present study, we hope to shed new light on an important yet understudied aspect of entrepreneurship. We hope that our findings are of interest to practitioners and researchers of entrepreneurship and family business alike.

By Josh Wei-Jun Hsueh and Thomas Zellweger, University of St.Gallen

A handwritten signature in black ink, reading "Josh Wei-Jun Hsueh".A handwritten signature in black ink, reading "T. Zellweger".

## Table of Contents

### *one*

#### **06** Key findings

### *two*

#### **09** Introduction: How do family and family business background contribute to entrepreneurship?

### *three*

#### **10** The questions we seek to answer and how we answer them in the study

### *four*

#### **14** Findings

##### 4.1 Family business background

##### 4.2 Beneficial and hindering parental resources

##### 4.3 Parental imprints

##### 4.3.1 The role of gender and birth order

##### 4.3.2 Imprinting effects on entrepreneurs' industry setting

##### 4.4 The role of entrepreneurship education

##### 4.5 Cultural background

### *five*

#### **24** Implications and conclusion

##### 5.1 Implications for parents and children with a family business background

##### 5.2 Implications for policymakers: Education and culture policies

##### 5.3 Conclusion

### *six*

#### **29** References

### *seven*

#### **30** Short author biographies

#### **31** Short profile for the Center for Family Business









*one*

## Key findings

Young entrepreneurs whose parents control a business are often subjected to the influence of their parents when starting a firm. These next-generation entrepreneurs may receive resources and emotional support from their parents, and parents may also influence their children's cognitive style and serve as role models for children. Today, we do not know whether such parental influence is positive or negative for children's start-up activity.

To explore this parental influence, we use a global survey of more than 122 000 university students from 50 countries in 2016 to examine how parents who have their own businesses influence their children's proclivity to start a firm, in addition to the performance and industry choice of these ventures. Our key findings include the following:

1. Individuals whose parents own and/or manage a business have a 10.02% higher likelihood of founding their own company compared to those whose parents do not own and/or manage a business.
2. The more successful their parents' business, the more confident children are in embracing an entrepreneurial career. That is, children whose parents run a successful business have a 2.22% higher likelihood of becoming an entrepreneur compared to those whose parents' businesses are perceived as less successful.
3. Only parents' physical support, in the form of materials and equipment, helps their children become entrepreneurs, increasing their children's likelihood of doing so by 3.42% compared to those who do not receive any support. In contrast, other forms of support, including knowledge, ideas, and money, have a negative impact on children's decision to become an entrepreneur (reducing their likelihood of becoming an entrepreneur by up to 1.54% compared to those who do not receive such support).
4. Having a father business owner has a positive influence on both sons' and daughters' likelihood of becoming an entrepreneur. However, when one's mother is a business owner, the positive effect holds primarily for sons, who have a 15.49% higher likelihood of becoming an entrepreneur than daughters in such cases.
5. Next-generation entrepreneurs tend to enter the same industry as their parents' business (36.52% likelihood). However, this tendency is weaker (i.e., the likelihood is reduced by 2.74%) when next-generation entrepreneurs receive financial support from their parents compared to those who do not receive such support as the former may wish to diversify the risks to their family wealth.

#### Summary of the key findings

	Positive effect	Negative effect
<b>Entry into entrepreneurship (i.e., starting one's own firm)</b>	<ul style="list-style-type: none"> <li>Parents with a business: 10.02% increase</li> <li>Performance of parental business: 2.22% increase</li> <li>Parents' physical support (materials and equipment): 3.42% increase</li> <li>Entrepreneurship education: 11.74% increase</li> <li>Family collectivistic culture, but only for individuals without a family business background: 31.42% increase in likelihood of obtaining parents' physical support</li> </ul>	<ul style="list-style-type: none"> <li>Parental support in terms of knowledge, ideas, and financial resources: 0.74–1.54% reduction</li> <li>Family collectivistic culture, for individuals with a family business background: 4% reduction</li> </ul>
<b>Entrepreneurship in the same industry as the parents' business</b>	<ul style="list-style-type: none"> <li>Parents own a family business: 36.52% increase</li> </ul>	<ul style="list-style-type: none"> <li>Parental financial support: 2.74% reduction</li> <li>Entrepreneurship education: 13.09% reduction</li> </ul>
<b>Performance of newly founded firm</b>	<ul style="list-style-type: none"> <li>Performance of parents' business: more than 31% increase</li> <li>Being in the same industry as their parents' business: more than 13% increase</li> </ul>	

6. When children are enrolled in an education program that is completely dedicated to entrepreneurship, their likelihood of becoming an entrepreneur increases by 11.74% compared to those who do not receive any entrepreneurial education. Entrepreneurship education further expands children's cognitive flexibility since they have more opportunities to interact with more diverse role models. That is, with entrepreneurship education, mother owners become a stronger influence, with an increase of 10.61% in their children's likelihood of becoming an entrepreneur compared to those who have a mother owner but receive no entrepreneurial education. Educated children are also more likely to found firms in a different industry than that of their parents (i.e., with a reduction of 13.09% in their likelihood of being in the same industry compared to those who do not have entrepreneurial education).
  7. In a society with a strong family collectivistic culture, individuals whose parents have a business are 4% less likely to become an entrepreneur and are instead 21.43% more likely to take over the family business compared to those whose parents do not have a business. However, individuals whose parents do not have a business can benefit from the strong family bonds in such a culture as their likelihood of obtaining parental support to start their own firm is increased by 31.42% compared to those whose parents have a business.
- In sum, an individual's family business background does not necessarily benefit his or her own entrepreneurial career. Other factors, such as the type of parental support, gender, entrepreneurship education, and cultural context, may potentially turn a family business background into a double-edged sword for next-generation entrepreneurship.





# Introduction: How do family and family business background contribute to entrepreneurship?

An entrepreneur's family typically influences the process of creating a new firm in multiple ways, including by providing critical resources (e.g., money, labor, and emotional support), shaping the founder's cognitive thinking about being a founder, and serving as role models for the founder's behavior (Aldrich & Cliff, 2003; Rogoff & Heck, 2003). These effects are particularly relevant for a firm founder whose family has a business as such families generally accumulate resources and experience through years of business operations. These familial resources, as well as the emotional support and cognitive and social influence generally offered by such families, should provide both benefits and costs for entrepreneurs engaged in starting their own firm.

On the positive side, next-generation entrepreneurs benefit from their parents and their parents' business through easy and less costly access to the resources required for firm start-up, which tend to be more difficult to obtain from other sources, such as investors, who often require interest premiums or are unwilling to invest in risky start-ups (Le Breton-Miller & Miller, 2018). Entrepreneurs can typically also count on emotional support from their parents, which is especially valuable in the start-up stage, in which entrepreneurs often face challenges from the uncertainty surrounding the success of their new venture (Bettinelli, Sciascia, Randerson, & Fayolle, 2017). Additionally, their parents' business can be a reference for young entrepreneurs about how to evaluate business opportunities, draft and execute strategic plans, and determine whether business performance is satisfactory (Sieger & Minola, 2017).

On the negative side, relying on parental resources and emotional support may undermine next-generation entrepreneurs' independence and autonomy (Brumana, Minola, Garrett, & Digan, 2017). Additionally, the presence of their parents' business and the related wish to perpetuate that business in family hands may infuse a family logic of value preservation and risk aversion into entrepreneurs, preventing them from pursuing value creation by taking risks, such as via creating a new venture (Zellweger, Nason, & Nordqvist, 2012). Moreover, when entrepreneurs compare the performance of their fledgling business to that of their parents' more established business, they may feel inferior and fear not achieving a similar level of performance as their parents (Criaco, Sieger, Wennberg, Chirico, & Minola, 2017). Such feelings could undermine their confidence and thus hinder their action to pursue entrepreneurial opportunities.

In sum, given these two conflicting sides, having a family business background seems to be a double-edged sword for next-generation family members who wish to start their own business. As such, further clarification is needed about such conflicting influences.

## *three*

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**The questions  
we seek to answer  
and how we  
answer them in  
the study**









*Table 1: Mixed views of entrepreneurs' family business backgrounds*

Family provisions	Positive impact on start-up activity by the next generation	Negative impact on start-up activity by the next generation
<b>Resources</b>	Easy access and lower cost	Parental interference that limits one's independence
<b>Emotional support</b>	Support in the beginning stage with high uncertainty and risk of failure	Moral obligations that undermine one's autonomy
<b>Cognition style</b>	Learn to sense and seize entrepreneurial opportunities	Family logic focusing on wealth protection as opposed to wealth creation
<b>Social comparison</b>	Parental role models help in evaluating the desirability and feasibility of one's own entrepreneurial career	Perceptions of inferiority and fear of failure

As seen in *Table 1*, entrepreneurship and family business studies are still debating the mixed effects described above without a clear indication about whether an entrepreneur's family business background facilitates or hinders the entrepreneurial process. To examine the mixed effects of having a family business background on founding a new venture, we first look at whether the presence and performance of a parental business shapes an individual's propensity to become an entrepreneur and later impacts the individual's assessment of his or her newly founded firm's performance. Second, we explore which types of parental support contribute to new venture foundation and whether an entrepreneur's parents' business shapes the direction of the entrepreneur's start-up in terms of industry choice. Third, we focus on family structure to determine whether the gender of parents and children and the birth order of children alter the effects of family business background on children's likelihood of becoming an entrepreneur. Lastly, we incorporate founders' formal educational and cultural backgrounds to determine whether these social factors alter the influence of individuals' family business background.

This study uses data collected from the Global University Entrepreneurial Spirit Students' Survey (GUESSS) project, supported by the Ernst & Young's Family Business Initiative. Every two to three years, GUESSS collects information on a global scale about students' entrepreneurial intentions and activities, including their family businesses background. In the main analysis, we use data collected during April to September, 2016. In 2016, 122 509 students from more than 1 000 universities in 50 countries participated in the GUESSS project. Within the sample, there were 46 680 students (38.1 % of all participants) with at least one parent who owned and/or managed a business.

*Table 2* presents the distribution of the retained sample by country. The average age of our respondents was 23.43 years, and 57.79 % of the sample was female. Regarding their educational background, 81.4 % of the sample was at the undergraduate level; 39.23 % of the sample was in the field of natural science; and 34.05 % of the sample studied in the fields of business, economics, or law. As for the stage of students' education, 45.23 % of the sample had been in their educational program since 2013 or earlier, 20.20 % of them entered the program in 2014, and 23.71 % had been in the program since 2015.<sup>1</sup>

<sup>1</sup> We use multi-level modeling to examine how an individual's family business, educational, and cultural backgrounds influence his or her entrepreneurship (i.e., firm foundation activities). Multi-level modeling allows us to more accurately estimate effects across levels, given that the data measures different-level factors, including the individual, family, firm, university, and country levels.

Table 2: Sample distributions

Country	University numbers	Number of students with a family business background	% of students with a family business background in the sample	Number of founders	Number of founders who have a family business background	% of founders who have a family business background
Albania	6	26	37.14 %	34	14	41.18 %
Argentina	47	1208	46.02 %	1077	550	51.07 %
Australia	24	1019	43.20 %	510	267	52.35 %
Austria	52	1246	33.18 %	415	153	36.87 %
Belarus	16	153	21.37 %	170	57	33.53 %
Belgium	17	284	36.84 %	83	41	49.40 %
Brazil	120	2618	35.30 %	2376	944	39.73 %
Canada	3	139	46.80 %	61	40	65.57 %
Chile	32	2378	39.13 %	1290	648	50.23 %
China	97	1671	51.04 %	1719	955	55.56 %
Columbia	13	2036	53.13 %	1538	951	61.83 %
Croatia	26	411	26.43 %	190	74	38.95 %
Czech Republic	10	453	39.91 %	259	141	54.44 %
Ecuador	5	5169	62.95 %	3009	2060	68.46 %
El Salvador	14	2353	50.57 %	1832	1074	58.62 %
England	30	396	36.87 %	190	97	51.05 %
Estonia	28	218	26.88 %	218	78	35.78 %
Finland	22	193	36.28 %	136	65	47.79 %
France	22	347	48.60 %	96	58	60.42 %
Germany	53	4700	29.40 %	1458	594	40.74 %
Greece	13	280	43.14 %	121	62	51.24 %
Hungary	32	1464	28.25 %	1236	449	36.33 %
India	11	16	43.24 %	21	8	38.10 %
Ireland	17	312	38.66 %	92	36	39.13 %
Italy	63	1658	37.29 %	476	254	53.36 %
Japan	26	367	24.63 %	195	75	38.46 %
Kazakhstan	22	80	31.62 %	92	34	36.96 %
Liechtenstein	2	82	51.57 %	52	29	55.77 %
Lithuania	37	133	31.22 %	58	24	41.38 %
Luxembourg	7	20	24.39 %	16	6	37.50 %
Macedonia	3	48	38.71 %	38	19	50.00 %
Malaysia	21	42	30.66 %	81	28	34.57 %
Mexico	18	652	54.02 %	504	323	64.09 %
Morocco	11	904	44.23 %	665	329	49.47 %
Norway	4	11	26.83 %	1	1	100.00 %
Pakistan	12	309	53.28 %	225	147	65.33 %
Panama	5	1437	43.90 %	1006	523	51.99 %
Peru	12	770	59.37 %	473	304	64.27 %
Poland	62	1558	24.39 %	2156	700	32.47 %
Portugal	98	1608	34.32 %	579	267	46.11 %
Russia	36	1103	26.57 %	1144	405	35.40 %
Slovakia	17	1104	33.80 %	577	247	42.81 %
Slovenia	46	164	28.52 %	139	57	41.01 %
South Korea	52	998	38.34 %	890	385	43.26 %
Spain	21	2356	31.95 %	802	338	42.14 %
Sweden	10	197	32.51 %	65	30	46.15 %
Switzerland	44	1096	37.24 %	266	107	40.23 %
Ukraine	4	19	26.03 %	19	9	47.37 %
Uruguay	7	747	53.51 %	358	231	64.53 %
USA	14	127	35.98 %	75	33	44.00 %

*four*

# Findings



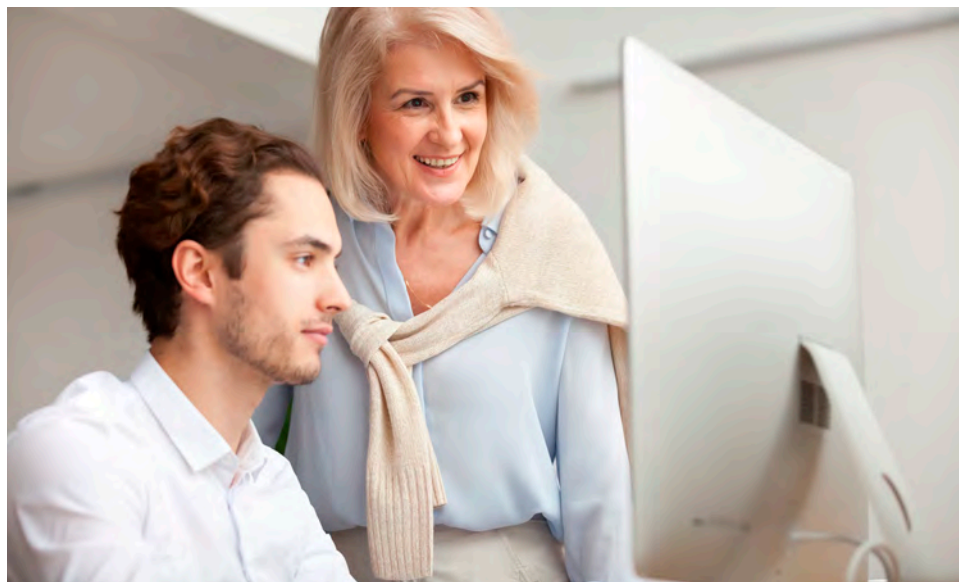
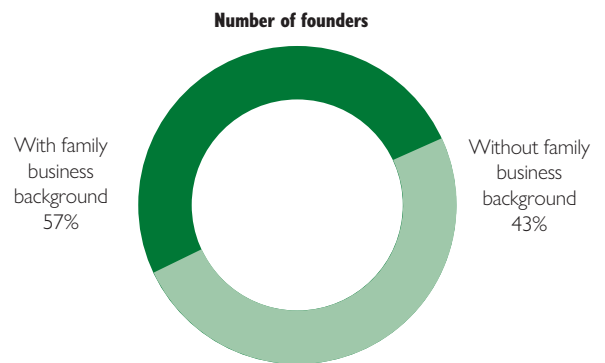


## 4.1 Family business background

We find that students who have a family business background – namely, at least one of their parents owns and/or manages a business – are more likely to found a company. When an individual's parents have a business, the individual exhibits a 10.02 % higher likelihood of becoming an entrepreneur compared to individuals whose parents have no business. As seen *in Figure 1*, there are more founders who have what we call a family business background (5 590 founders) than founders without a family business background (4 464 founders).

We further explore the governance form of the parental business, in particular whether the entrepreneur's parents are involved in ownership and/or management of the parental firm. We find that parental business ownership increases an individual's likelihood of founding a company by 8.68 % (compared to an individual whose parents do not own a business). Having parents who manage a business increases children's likelihood of starting their own firm by 7.59 % (compared to an individual whose parents do not manage a business). This difference between ownership and management may be due to children's vicarious experience of observing their parents managing a firm, which may make children aware of the difficulty and complexity of managing a business as opposed to simply owning a company.

*Figure 1: Founders and family business background*

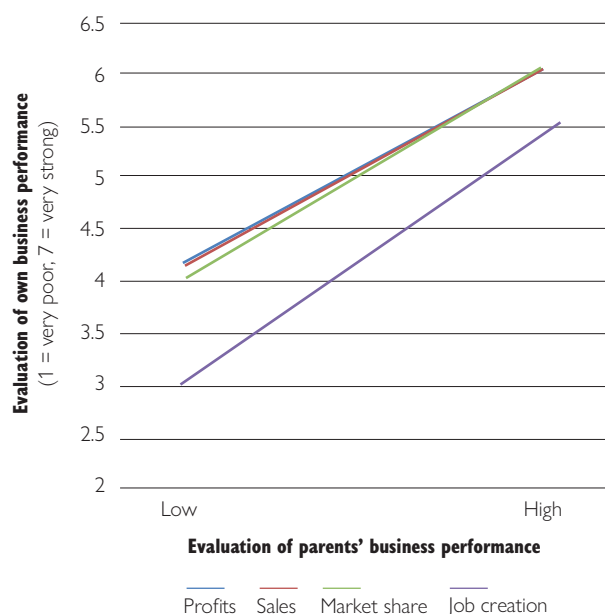




**Takeaway** – The presence and success of their parents' business makes children more likely to found their own business and more confident about being successful in doing so.

We also examine this learning mechanism by looking at whether the success of their parents' business influences entrepreneurs' decision to found a company and their evaluation of their newly founded company's performance. Parents' business success, in terms of profits and job creation, increases their children's likelihood of founding their own company by 2.22 % and 0.64 %, respectively, compared to those who evaluate their parents' business as less successful. By experiencing their parents' entrepreneurial success, children may become more confident about their own success in setting up a business. This confidence also translates into how entrepreneurs interpret their own success such that the more successful they perceive their parents' business, the more positive they evaluate the performance of their own business in terms of profits, sales, market share, and job creation, as shown in [Figure 2](#).

*Figure 2: Founders' evaluations of the performance of their parents' business and of their own business*



## 4.2 Beneficial and hindering parental resources

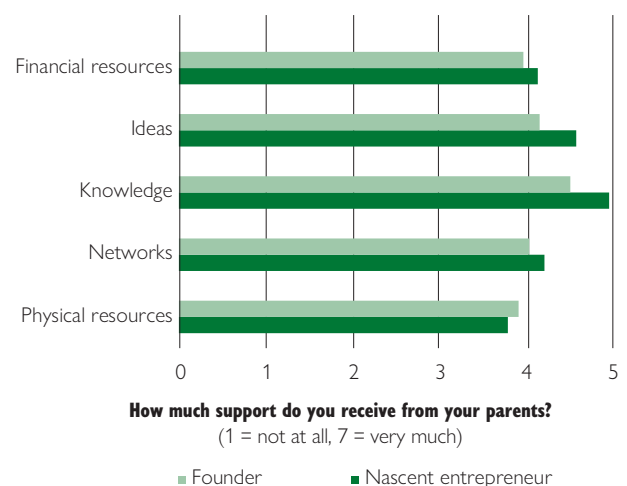
In addition to exploring learning from parents' experiences, we examine whether the resources provided by parents facilitate an individual's start-up process. These resources can include (1) physical resources, such as materials, equipment, and facilities; (2) network resources, such as through referrals of contacts; (3) knowledge and advice about how to run a business; (4) inputs in the generation and evaluation of business ideas; and (5) financial resources through either loans or equity investment<sup>2</sup>.

Among all these resources, physical resources are the only resources that have direct beneficial effects on an individual's start-up activities. Physical resources increase an individual's likelihood of becoming a founder by 3.42 % rather than remaining a nascent entrepreneur without founding a firm yet. This finding is particularly remarkable since parents are least likely to provide physical resources (*Figure 3*). These physical materials are tangible and ready to be put into use to immediately facilitate the start-up process.

The other resources, on the other hand, have negative effects on one's likelihood of becoming an entrepreneur: knowledge reduces this likelihood by 1.44 %, ideas reduce it by 1.54 %, and financial resources reduce it by 0.74 % compared to those who receive no resources. In particular, parents' knowledge and ideas may not necessarily be the most up-to-date information for the start-up process and may overlook the latest market trends (Randolph, Li, & Daspit, 2017). In addition, although parents' financial support may be an easily accessible and cheap source of capital, these financial resources seem to have an important downside: they tend to introduce moral constraints on individuals that limit their prospects as an independent entrepreneur (Sieger & Minola, 2017).

**Takeaway** – Among all the resources provided by parents, only physical material resources are beneficial for the start-up process. Other resources, such as knowledge and financial resources, reduce children's likelihood of founding a company.

Figure 3: Parental support to start one's own firm



Note: A founder is a student who already owns his or her own business. Nascent entrepreneur refers to a student who is in the process of trying to start his or her own business.

<sup>2</sup> Due to data availability, the analysis of parents' resources is based on the data collected during September 2013 and April 2014, with 109 026 responses from 759 universities in 34 countries.





### 4.3 Parental imprints

The effect of having a family business background on next-generation entrepreneurs can also be attributed to imprinting effects. Imprinting refers to the transfer of parents' values and experiences to the next generation via social interaction between parents and children, such as by living in the same household and/or having frequent communication (Hammond, Pearson, & Holt, 2016). The family structure, including the gender structure of the family and the birth order of children, will determine the degree to which children will accept these imprinting dynamics and apply their parents' experiences as guidelines for their own career path (Cruz, Justo, & De Castro, 2012).

#### 4.3.1 The role of gender and birth order

We find that children's founding choices are gendered – that is, they are influenced by whether their father or mother is the main owner of the parental firm. When the father is the main owner, this has a stronger positive effect on firm foundation by a child than when the mother is the main owner (with a 4.72 % increase in the child's likelihood of founding a company if the father is an owner compared to a 3.53 % non-significant increase in this likelihood if the mother is an owner). The highest positive impact of such role modeling occurs when both parents are firm owners, which leads to an 8.6 % increase in an individual's likelihood of founding a company compared to those whose parents do not own a firm. Such differences can be observed in *Figure 4*, which provides evidence for the stronger impact of paternal (as opposed to maternal) influence on firm foundation.

*Figure 4: Number of founders by family business background*

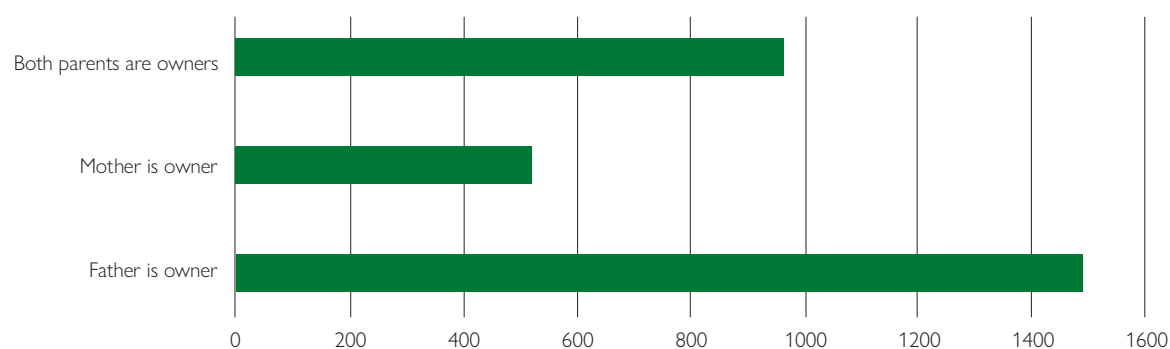
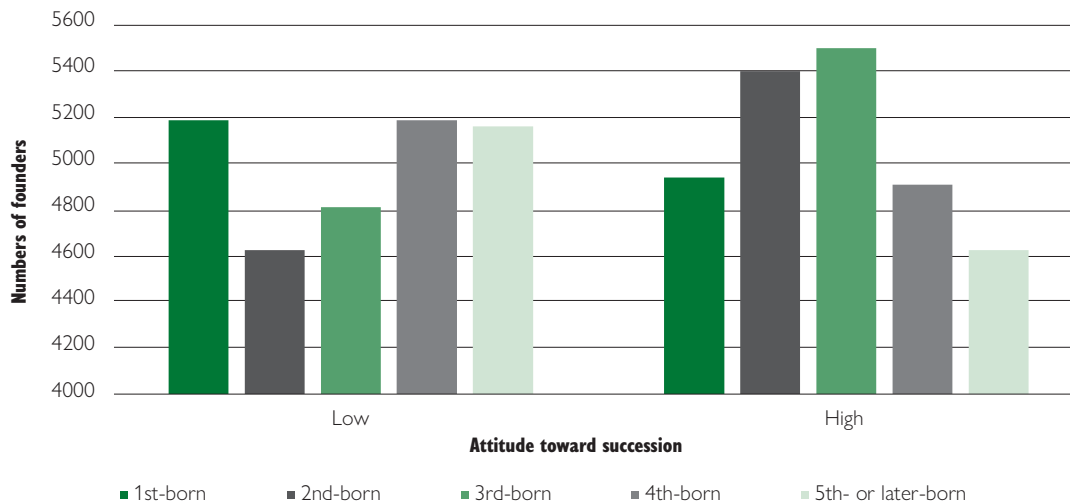


Figure 5: Number of founders by attitude toward succession and birth order



Note: Attitude toward succession refers to the children's evaluation of becoming a successor in their parents' business. The survey items include (1) being a successor implies more advantages than disadvantages to me; (2) a career as a successor is attractive; (3) if I had the opportunity and resources, I would become a successor in my parents' firm; (4) being a successor would entail great satisfactions for me; and (5) among various options, I would rather prefer becoming a successor in my parents' business.

We find that the gender of the children has a critical influence as well. Specifically, we find that the strong positive influence of fathers on their children's likelihood of becoming an entrepreneur holds for both sons and daughters. However, the positive effect of mothers being business owners is stronger for sons than for daughters: a son has a 15.49 % higher likelihood of becoming an entrepreneur if his mother owns a business compared to a daughter. Much in line with studies on family inter-generational interactions, we infer that fathers may be concerned with the professional careers of all their children, independent of their gender (Belsky, Jaffee, Caspi, Moffitt, & Silva, 2003). In contrast, mothers may pay different attention to their sons' and daughters' career choices: they tend to pay more attention to their sons' professional careers, whereas they pay more attention to their daughters' family life, such as raising children (Silverstein & Bengtson, 1997).

We further find that birth order and the children's attitude toward taking over their parents' business in the future also have roles in determining children's likelihood of founding

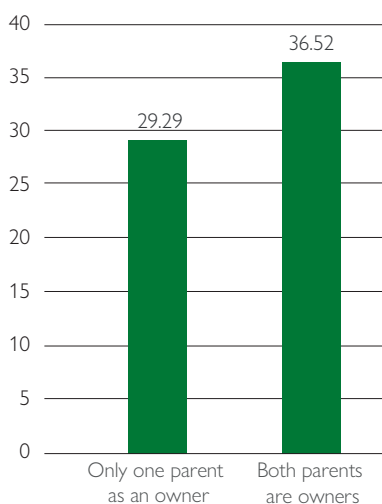
their own company. Children holding a favorable attitude toward becoming the successor in their parents' business one day are more likely to become a founder (with an increase in founding likelihood of 2.04 %) compared to those with a less favorable view of a succession career. Founding one's own firm in combination with a positive attitude toward succession can be seen as a way for children to temporarily break free from the family business. Children's entrepreneurial experience may benefit their succession process in the family business at a later stage of their career (Bettinelli et al., 2017).

As can be seen in Figure 5, among children with a pronounced inclination toward succession, second- and third-born children are the most likely to become firm founders. In contrast, this founding proclivity is lower among first- and later-born children (fourth and later-born children). Second- and third-born children may consider founding their own firm as a way to improve their qualifications and chances when it comes to the selection of successors in the future (Sharma & Irving, 2005).

**Takeaway** – Fathers are important entrepreneurial role models for children regardless of the children's gender. In contrast, mother entrepreneurs have a stronger positive influence on sons' entrepreneurial careers than daughters' entrepreneurial careers. Children who are prone to take over their parents' business in the future are more likely to found their own firm especially when they are the second- or third-born child in the family.



Figure 6: Percentage of founders in the same industry as their parent(s)



In contrast, first-born children seem to be the default successor and are often involved in the family firm at an early stage. For later-born children, their chances of being selected as successors tend to be slimmer than those of preceding siblings, leading to a lower motivation to seek entrepreneurship as a way to improve their ante in the succession-selection gamble.

#### 4.3.2 Imprinting effects on entrepreneurs' industry setting

Parents have imprinting effects not only on their children's likelihood of becoming an entrepreneur but also on in which industry their children will found their start-up. When both parents jointly own a business, their children are more likely to enter the industry of their parents' business when founding their own firm. Among founders whose parents jointly own a business, 36.52 % situate their business in the same industry as their parents' business (refer to Figure 6). In comparison, when founders have only one parent who owns a business, this same-industry percentage is lower: 29.29 %. This effect is particularly strong in the trade (including wholesale and retailing) and marketing (including advertising and design) industries.



However, if children receive financial support from their parents, they are 2.74 % less likely to enter the same industry as their parents' business compared to those who are not financially supported by their parents. Financial support may provide children the leeway and eventually the responsibility to diversify their business away from the original industry of their parents' business to reduce the risks associated with concentrated family wealth (Le Breton-Miller & Miller, 2018).

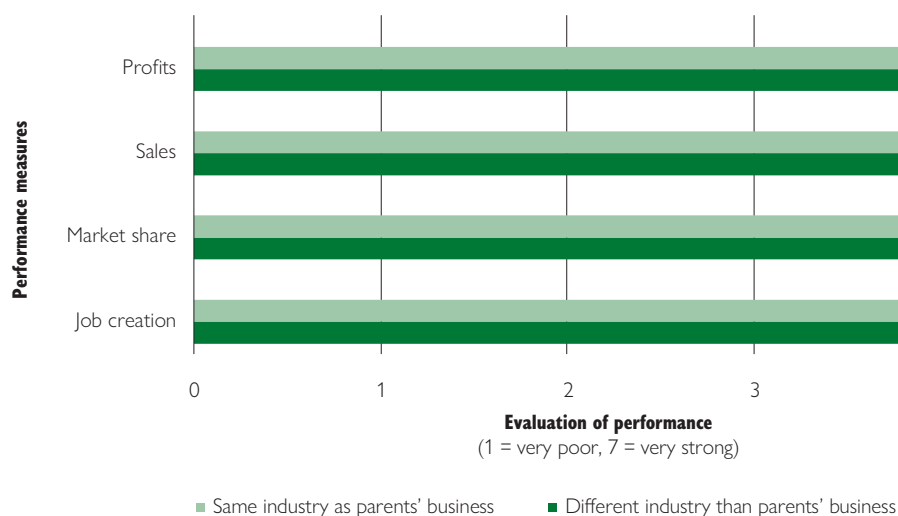
Starting the new firm in the same industry as one's parents' firm seems to have positive performance effects for a new venture. When in the same industry as their parents, children evaluate the performance of their own firm more positively in terms of profits, sales, market share, and job creation compared to those who start their firm in a different industry than their parents (see Figure 7). Even though these performance measures are not hard evidence but only subjective evaluations of superior performance, when founding the firm in the same industry as their parents' business, children may be able to leverage their parents' experience to the benefit of their own business, thus overcoming the liability of newness of the newly established firm.

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**Takeaway** – Parents who own a family business tend to direct their children to become entrepreneurs in the same industry as the parental business, which tends to improve the children's entrepreneurial performance.

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Figure 7: The effect of industry imprinting on entrepreneurs' evaluation of performance



## 4.4 The role of entrepreneurship education

Entrepreneurial intentions are influenced not only by a person's upbringing but also by the person's educational background, in particular his or her training in entrepreneurship. We thus explore individuals' university education as most students can typically attend elective courses, compulsory courses, or even a whole program dedicated to entrepreneurship. By going through a comprehensive entrepreneurship training program, in comparison to only taking one entrepreneurship course, an individual will acquire deeper entrepreneurial skills, which also likely make this person feel more confident in his or her likelihood of success with an entrepreneurial career. We indeed find that attending such a program increases individuals' chances of founding their own firm by 11.74 % compared to those who do not receive entrepreneurship education.

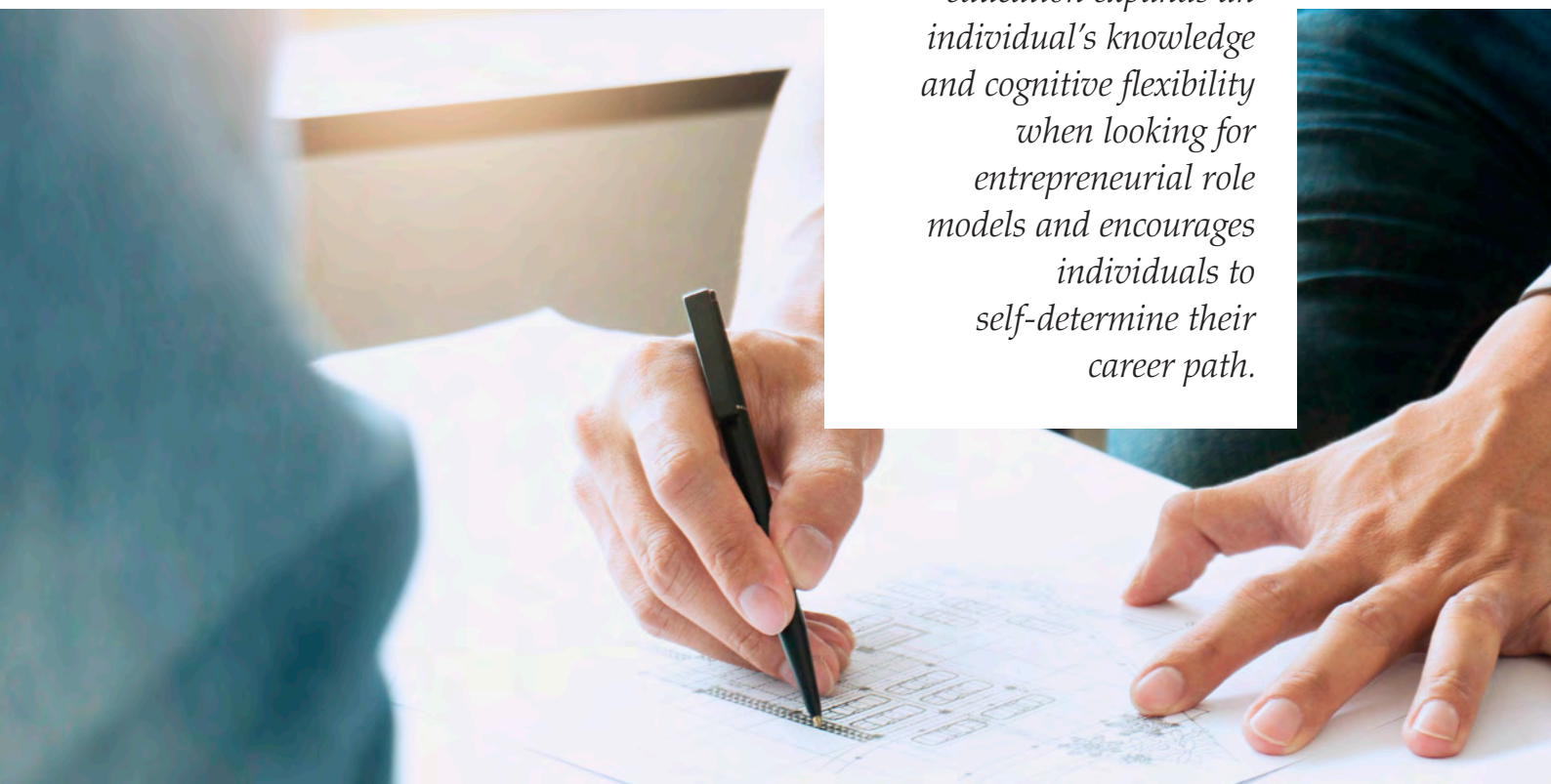
Entrepreneurship education also expands one's cognitive flexibility, such as one's willingness and ability to acknowledge more diverse types of entrepreneurial role models. For instance, as outlined above, having a mother who is a business owner does not have a strong influence on an individual's likelihood of becoming an entrepreneur, whereas

having a father who is a business owner has stronger effects on all children's proclivity to start their own firm. However, when individuals go through some entrepreneurship education (i.e., at least a compulsory entrepreneurship course), they develop a broader mindset and are more likely to consider a business-owning mother as a positive entrepreneurial role model as well (with a 10.61 % increase of their likelihood of becoming an entrepreneur compared to those who do not attend any entrepreneurship classes at all).

Moreover, by improving entrepreneurial knowledge and cognitive flexibility, entrepreneurship education encourages individuals to explore their own career path instead of following in the footsteps of their predecessors. By taking even just one elective entrepreneurship course, an individual is 13.09 % less likely to enter the same industry as that of his or her parents' business compared to those who have no entrepreneurial education at all. These findings suggest that entrepreneurship education may complement the positive effect of family business background on entrepreneurship, helping individuals to learn on their own and appreciate what it takes to run a business.

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**Takeaway –**  
*Entrepreneurship education expands an individual's knowledge and cognitive flexibility when looking for entrepreneurial role models and encourages individuals to self-determine their career path.*



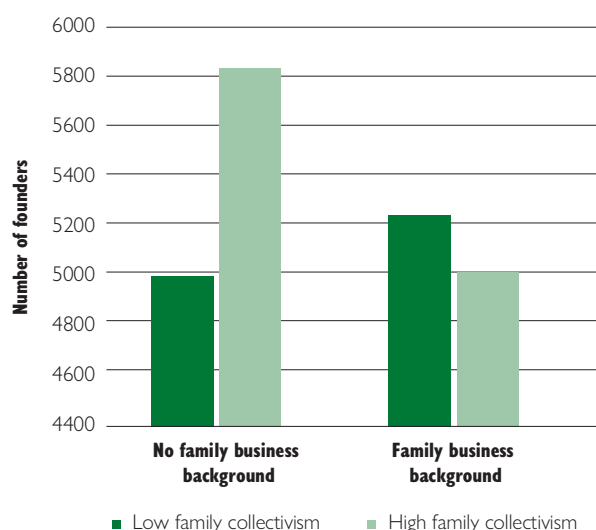


**Takeaway** – A family collectivistic culture encourages individuals with a family business background to join their parents' business. In contrast, this culture can help individuals without a family business background gain family support to start their own firm.

## 4.5 Cultural background

Cultural background is another important factor that should shape an individual's evaluation of an entrepreneurial career. Societal culture represents the normative guideline for how family members tend to interact and react to each other's behavior, such as the innovative and risk-taking behavior linked to starting an entrepreneurial career. We find that when an individual is embedded in a family collectivistic culture (i.e., where members are proud of other family members' accomplishments or where children live with parents until the children are married), the individual is less likely to be encouraged by his or her parents' business background to start a company (i.e., 4 % less than those from a weak family collectivistic culture). Instead of encouraging individuals to found their own firm, a family collectivistic culture tends to encourage individuals to take over the family business by developing a more positive attitude toward succession (i.e., individuals

Figure 8: The substitutive relationship between an entrepreneur's family business and cultural backgrounds



from such a culture are 21.43 % more likely to consider succession as an attractive career option compared to those without such a strong family collectivistic cultural background).

In comparison, for an individual without a family business background, this type of strong family culture can have a substitutive effect: it encourages individuals to start their own business, as seen in Figure 8. For individuals in a strong family culture without a family business background, familial norms of benevolence and altruism suggest that children can count on familial support to help their career development. Indeed, we find that children without a family business background who come from a collectivistic culture are 31.42 % more likely to receive parental support (which is key to founding a firm, as discussed in Section 4) compared to those who do not come from such a strong family culture.



*five*

## Implications and conclusion



The overall results from our study are summarized in *Table 3*

*Table 3: Summary of overall results*

	Entry into entrepreneurship (i.e., starting one's own firm)	Entrepreneurship in the same industry as the parents' business	Performance of newly founded firm
<b>Positive effect from</b>	<ul style="list-style-type: none"> <li>• Parents who own and/or manage a family business               <ul style="list-style-type: none"> <li>– Paternal influence is positive for all children</li> <li>– Maternal influence is positive mainly for sons</li> </ul> </li> <li>• Performance of parental business</li> <li>• Parents' physical support (materials and equipment)</li> <li>• 2<sup>nd</sup> and 3<sup>rd</sup> children who want to be successors</li> <li>• Entrepreneurship education</li> <li>• Family collectivistic culture – only for individuals without a family business background</li> </ul>	<ul style="list-style-type: none"> <li>• Parents own a family business</li> </ul>	<ul style="list-style-type: none"> <li>• Performance of parents' business</li> <li>• Being in the same industry as the parents' business</li> </ul>
<b>Negative effect from</b>	<ul style="list-style-type: none"> <li>• Parental support in terms of knowledge, ideas, and financial resources</li> <li>• Family collectivistic culture – for individuals with a family business background</li> </ul>	<ul style="list-style-type: none"> <li>• Parental financial support</li> <li>• Entrepreneurship education</li> </ul>	





## 5.1 Implications for parents and children with a family business background

- Parents who are business owners/managers and the performance they achieve with their business are role models and reference points for children to learn how to run their own newly founded business. In particular, entrepreneur fathers have a positive impact on both their sons' and daughters' likelihood of starting a firm, whereas mothers have a stronger positive influence on their sons' likelihood of starting a firm.
- Mid-ranked children in birth order, typically the second and third born, who would like to take over their parents' business are more likely to start their own firm compared to their first- and later-born siblings. For these mid-ranked children, entrepreneurship may be a way for them to pursue an entrepreneurial vision and may also increase their chances in the succession-selection process in the future compared to first-born children, who tend to be the default successor, and later-born children, who have a slim chance of being chosen as a successor.
- When children receive support from their parents, only physical support (e.g., materials and equipment) will benefit their entrepreneurial endeavors. Parents' knowledge and ideas may not provide the most update-to-date information to facilitate entrepreneurs' innovation processes. Further, financial support by parents also discourages entrepreneurship as such support may impose a moral burden on children in their future entrepreneurial career.
- Entrepreneurial parents have an imprinting effect on their children's entrepreneurial career path by directing their children toward the industry in which the parental business operates. In such cases, a child's newly established firm benefits from being in the same industry as the parental business in the form of enhanced performance.



## 5.2 Implications for policymakers: Education and culture policies

- Entrepreneurship education helps individuals broaden their cognitive flexibility by enabling them to look at a broader set of role models (in particular, maternal entrepreneurial role models) to inspire their own entrepreneurial career. Entrepreneurship education also encourages individuals to break free from their parent's imprinting effects and to enter a different industry than their parents.
- A societal culture characterized by high family collectivism has a contingent effect on entrepreneurship. Individuals embedded in such a culture and whose parents have a family business tend to enter the family business as opposed to starting their own firm. However, this type of culture can help individuals without such a family business background to obtain helpful family support in founding their own business.



## 5.3 Conclusion

An individual's family business background provides the motivation, role models, and resources to facilitate an entrepreneurial career. However, such a family business background is not a *gift* for all entrepreneurs depending on their family structure, including their gender and birth order. This family business background can even turn into a *curse* and prevent entrepreneurship, for instance, if one's parents provide irrelevant or imposing support or if the family is embedded in a society with a strong collectivistic culture.

For individuals who do not have such a gift or who want to break free from this curse, entrepreneurial education is a potential solution. Existing entrepreneurs and family business consultants can use this study as a guideline to determine how they could effectively use their family business, educational, and cultural backgrounds to support their children or their clients' children on their hopefully rewarding career paths.





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## seven

# Short author biographies

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Josh Wei-Jun Hsueh is a research associate at the University of St.Gallen, Switzerland. He completed his PhD at Bocconi University, Italy, and was a visiting scholar at IE Business School, Spain. His research focuses mostly on sustainability issues in the context of entrepreneurship and family businesses, including corporate social responsibility strategies and individuals' well-being. His publications can be found in academic journals, such as *Entrepreneurship Theory and Practice* and *Journal of Business Ethics*, and also in the publications of the Entrepreneurship Division of the Academy of Management, where he serves as the editor-in-chief of its newsletter.

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### ***Thomas Zellweger***

Thomas Zellweger holds the Chair in Family Business at the University of St.Gallen, Switzerland, where he is also the director of the Swiss Institute for Small Business and Entrepreneurship and of the Center for Family Business. After two years in investment banking at Derivative in Brussels, he completed his PhD at the University of St.Gallen. He was a research fellow at Babson College and a visiting professor at the University of British Columbia and is a permanent visiting professor at the University of Witten/Herdecke. Thomas serves on several editorial boards of academic journals and his research has been published in *Academy of Management Journal*, *Strategic Management Journal*, and *Organization Science*, among others. His research has also received several international awards and has been discussed in the international media, such in the *Economist*, *Forbes*, and the *New York Times*. Thomas is a member of supervisory boards of family firms and advises family firm owners on governance and strategic questions.

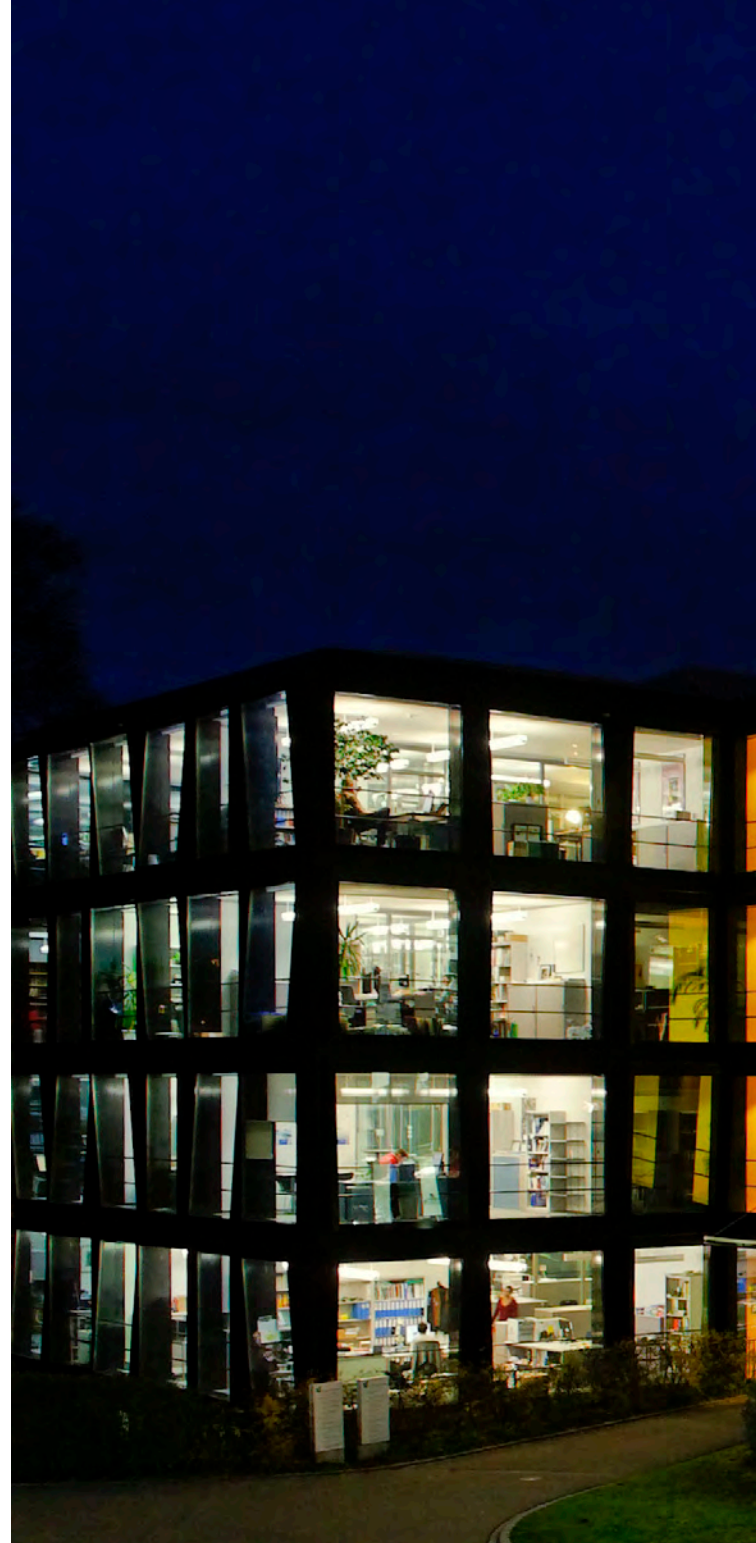
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## Short profile for the Center for Family Business

The Center for Family Business (CFB) at the University of St. Gallen (Hochschule St. Gallen, HSG) focuses on the unique nature, needs, and concerns of family firms. The purpose of CFB-HSG is to be an international and national leader in family business research, teaching, executive education and knowledge transfer for practitioners.

Further information can be found at  
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