



## Intergenerational transmission of entrepreneurial intentions

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### ABSTRACT

We draw on cross-cultural theory and the Global Leadership and Organizational Behavior Effectiveness project to develop a model for the transmission of entrepreneurial intentions within families in different cultures. Using data on more than 40,000 individuals from 15 countries, we show that beyond the transmission of entrepreneurial intentions from parents to children, grandparents – either directly or “indirectly” via the parents – impact the offspring’s intentions. Moreover, we find that parents’ and grandparents’ influences partly substitute for one another. The strength of these effects varies across cultures. Our results provide a more detailed picture of the intergenerational transmission of entrepreneurial intentions.

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### 1. Executive summary

A substantial number of studies find a positive correlation between parents’ entrepreneurial status and the likelihood that their children will become entrepreneurs later in life. However, to date, little is known about the “mechanism” underlying the transmission of entrepreneurial intentions within families. For example, existing studies neglect the fact that the parents’ own parents – grandparents – can also have a substantial impact on offspring’s career intentions. Grandparents may be particularly influential today, as changing family structures, including dual-career households, higher rates of parental separation, and divorce, often provide grandparents with an increasingly important role in the upbringing, caregiving, development, and socialization of grandchildren. Further, it appears that the impact of parents’ and grandparents’ entrepreneurial status on the development of offspring’s entrepreneurial intentions vary across cultures because the development of intra-familial relationships and the mutual influences across generations are culture dependent. Existing research has provided little insight on how the development of offspring’s entrepreneurial intentions depends on the conjoint influence of parents’ and grandparents’ entrepreneurial status and on the role of culture.

In this paper, we use a large data set on the occupational intentions of more than 40,000 students from 15 countries to address these issues and provide a more detailed picture of how entrepreneurial intentions are transmitted within families. We use data from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project to assess cross-cultural differences in the intra-familial transmission of entrepreneurial intentions. In doing so, we make the following contributions to existing literature and research.

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First, although our analysis reveals that both parents and grandparents have a weak effect on offspring's intentions to become entrepreneurs, it shows that there is an additional intra-familial effect arising from grandparents' entrepreneurial activities. We demonstrate that parents' entrepreneurial status partly mediates grandparents' influence. Further, the influences of grandparents and parents can partly substitute for one another. These findings highlight the complexity of the intergenerational transmission of entrepreneurial intentions within families. Second, we extend existing research on the cross-cultural entrepreneurship literature by investigating how the intergenerational transmission of entrepreneurial intentions differs across countries. This literature explains variance in entrepreneurship across countries based on differences in the cultural values that are conducive or detrimental to developing entrepreneurship intentions. Our finding that the (weak) effects of parents' and grandparents' entrepreneurial status (and their interaction) on offspring's entrepreneurial intentions are dependent on in-group collectivism suggests that existing research focusing on the direct influence of cultural values on individuals' entrepreneurial intentions has to some extent underestimated culture's impact, and it provides an explanation for why past research has failed to find a direct link between in-group collectivism and entrepreneurial activity across countries. Finally, existing studies rarely acknowledge that the impact of entrepreneurial parents on offspring's entrepreneurial intentions may change from childhood to adolescence. We explore this issue and find that parents' influence is stronger during adolescence than during childhood (even if it is rather weak during adolescence). This finding indicates that the transmission of sophisticated business knowledge later in adolescence may be more crucial in forming offspring's entrepreneurial intentions than the transmission of values early in the offspring's life.

Regarding practical implications, our results suggest that policy makers or universities can stimulate entrepreneurship among young people to a different extent in different countries depending on the prevalence of entrepreneurship in their parents' and grandparents' generations. Furthermore, our findings highlight that close and familial relationships can trigger the transmission of entrepreneurial intentions, which suggests that for young people without entrepreneurial families, closely working with entrepreneurs on a one-to-one basis in a friendly and somewhat familial environment might lead to the development of trusted relationships that could trigger entrepreneurial intent.

## 2. Introduction

Family influences are crucial for the development of young people's occupational intentions (Jodl et al., 2001), and studies suggest that parents' entrepreneurial status triggers their offspring's entrepreneurial intentions (Matthews and Moser, 1996; Scherer et al., 1989). For example, some scholars argue that exposure to a family business can predispose offspring's entrepreneurial intentions by increasing their perceptions that self-employment is a feasible career option (Krueger et al., 2000; Sorensen, 2007). Moreover, evidence suggests that to some extent, entrepreneurial intentions can be inherited due to a genetic disposition for entrepreneurship (Nicolau and Shane, 2010).

While the above and other studies (Schmitt-Rodermund, 2004; Wang and Wong, 2004) indicate that parents' entrepreneurial status plays an important role in the development of offspring's entrepreneurial intentions, little is known about the different transmission paths of entrepreneurial intentions across more than one generation. For example, most existing studies neglect the fact that grandparents also substantially influence the development and behavior of children (cf. Simons et al., 1991; Van Ijzendoorn, 1992). Furthermore, the structures of and communication patterns within families differ substantially across cultures (House et al., 2004), suggesting that the paths through which entrepreneurial intentions are transmitted between generations vary. An exploration of this variance is important because it can advance our understanding of family influences on the development of entrepreneurial intentions in different contexts. In this paper, we use a large data set on the occupational intentions of more than 40,000 students from 15 countries and data from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project to explore how entrepreneurial intentions are transmitted within families in different cultures. In doing so, we make the following contributions to existing literature and research.

First, we provide a more detailed picture of how family members influence children's intentions to become entrepreneurs (Dunn and Holtz-Eakin, 2000; Sorensen, 2007) by showing that besides a direct influence of parents' entrepreneurial status on children, there is an additional – albeit small – effect arising from grandparents' entrepreneurial status. Our findings that parents' entrepreneurial status partly mediates grandparents' influence and that the influence of grandparents and parents can partly substitute for one another emphasizes the complexity of the intergenerational transmission of entrepreneurial intentions.

Second, our study is unique in examining cross-cultural variance in the transmission of entrepreneurial intentions within families. Our finding that this transmission is to some extent culture-dependent adds to the literature on cross-cultural entrepreneurship research (Hayton et al., 2002; Mueller and Thomas, 2001; Stephan and Uhlaner, 2010). The literature explains variance in entrepreneurship across countries in terms of differences in the cultural values that are conducive or detrimental to developing entrepreneurship intentions. We provide an additional explanatory factor: differences in family structures and values and the subsequent transmission of entrepreneurial intentions from parents and/or grandparents to children.

Finally, existing studies rarely acknowledge that the impact of entrepreneurial parents on offspring's entrepreneurial intentions may change from childhood to adolescence. One exception are Aldrich and Kim (2007) who theoretically argue that there are strong parental influences from genetics and parenting practices during childhood, moderate influences from work values during adolescence, and weak influences from financial support during adulthood. Surprisingly, and contrarily to Aldrich and Kim's arguments, we find that parents do not have a significant influence if they are only entrepreneurs during the offspring's childhood, but they do influence the offspring's intentions if they are entrepreneurs during adolescence. Although the effect during adolescence is weak, this finding indicates that the transmission of sophisticated business knowledge later in adolescence may be more crucial in forming offspring's entrepreneurial intentions than the transmission of values early in the offspring's life.

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