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The Impact of Family Business Ownership and Involvement on Entrepreneurial Self-Identification

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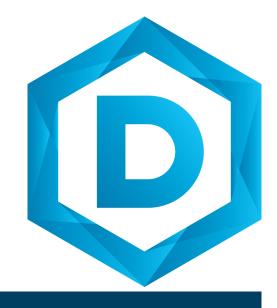
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The Impact of Family Business Ownership and Involvement on Entrepreneurial Self-Identification

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Abstract

In this study I analyze the impact that family business ownership has on the tendency of individuals to identify as being entrepreneurial. Drawing data from the 1979 cohort of the National Longitudinal Survey of Youth, I use two-sample t-tests and logistic regression models to explore the relationship between personal entrepreneurial aspirations and having come from an environment involving a family business. As part of this analysis, I control for several demographic factors, such as cognition, gender, and ethnicity. The outcomes from this research highlight the importance of family business as a key factor in fostering entrepreneurial mindsets, suggesting that the experiences and cultural context provided by family-owned enterprises are instrumental in encouraging future generations of entrepreneurship.

Introduction

This research analyzes the significant impact of family business ownership on the entrepreneurial aspirations of individuals. Utilizing the rich dataset from the 1979 cohort of the National Longitudinal Survey of Youth, the study explores the correlation between personal entrepreneurial ambitions and the influence of a family business environment. Through statistical analysis, including two-sample t-tests and logistic regression models, study takes into consideration demographic factors such as cognition, gender, and ethnicity. Additionally, it extends its analysis to a subset of individuals who not only come from family-owned business backgrounds but also actively participated in the family business, offering deeper insights into the formation of entrepreneurial mindsets.
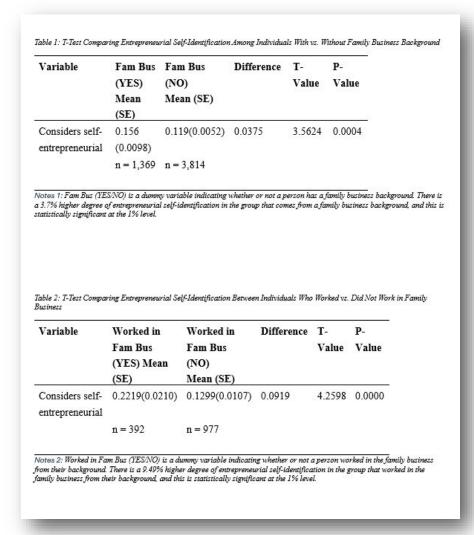
Literature Review

Several research works done show the significant influence of family background and gender dynamics on fostering entrepreneurial aspirations and skills, with Cunha and Heckman (2008) emphasizing the development of skills essential for entrepreneurship. Fairlie's (2005) exploration of self-employment outcomes also using the NLSY79 cohort highlights varied entrepreneurial outcomes, supporting this study's investigation into family business backgrounds. Mishkina (2021) reveals gender dynamics in entrepreneurial influence, an area our research extends by examining family business involvement across genders. Cardella et al. (2020) focus on parental role models shows the importance of direct family business experience in fostering entrepreneurial intentions. Expanding upon these observations, this study investigates the ways in which exposure to and involvement in family businesses impact an individual's self-identification as an entrepreneur.

Methodology

Utilizing data from 1979 cohort of the National Longitudinal Survey of Youth, the study employs both t-tests and logistic regression analysis to investigate the relationship between family business background, working in a family business, and entrepreneurial self-identification. T-tests compare mean differences in entrepreneurial self identification between groups, while logistic regression models examine the probability of entrepreneurial aspirations across various predictors, including demographic and psychological factors, with marginal effects calculated to interpret the impact of these predictors. Both t-tests and logistic regression are used for the subset.

Results and Discussion

- Family Business Background: Increases likelihood of entrepreneurial self-identification by 5.3%.
- Working in Family Business: Increases entrepreneurial self-identification by 5.9%.
- Gender Impact: Females are 6.9% less likely to identify as entrepreneurs than males.
- Ethnicity: Hispanic individuals are 4.2% more likely to identify as entrepreneurs.

Table 1: T-Test Comparing Entrepreneurial Self-Identification Among Individuals With vs. Without Family Business Background

Variable	Fam Bus (YES) Mean (SE)	Fam Bus (NO) Mean (SE)	Difference	T-Value	P-Value
Considers self-entrepreneurial	0.156 (0.0098)	0.119(0.0052)	0.0375	3.5624	0.0004
	n = 1,369	n = 3,814			

Notes 1: Fam Bus (YES/NO) is a dummy variable indicating whether or not a person has a family business background. There is a 3.7% higher degree of entrepreneurial self-identification in the group that comes from a family business background, and this is statistically significant at the 1% level.

Table 2: T-Test Comparing Entrepreneurial Self-Identification Between Individuals Who Worked vs. Did Not Work in Family Business

Variable	Worked in Fam Bus (YES) Mean (SE)	Worked in Fam Bus (NO) Mean (SE)	Difference	T-Value	P-Value
Considers self-entrepreneurial	0.2219(0.0210)	0.1299(0.0107)	0.0919	4.2598	0.0000
	n = 392	n = 977			

Notes 2: Worked in Fam Buz (YES/NO) is a dummy variable indicating whether or not a person worked in the family business from their background. There is a 9.49% higher degree of entrepreneurial self-identification in the group that worked in the family business from their background, and this is statistically significant at the 1% level.

Table 3: Logistic Regression with Entrepreneurial Self-Identification as Dependent Variable

Variable	Marginal Effect	Std. Error	Z-Value	P-Value
Family Owned Business	0.053	0.011	4.90	0.000**
Black	-0.022	0.012	-1.80	0.072
Hispanic	0.042	0.012	3.53	0.000**
Female	-0.081	0.009	-9.14	0.000**
Standardized Rotter	0.007	0.004	1.60	0.109
Standardized Rosenberg	0.010	0.045	2.19	0.029*
Standardized Cognitive Ability	-0.026	0.006	-4.50	0.000**
Risk	0.0137	0.001	9.91	0.000**
U.S. Born	0.014	0.022	0.65	0.513
U.S Citizen 1984	-0.042	0.036	-1.15	0.248
Wealth Class 1985	-0.032	0.009	-3.47	0.001

Table 4: Logistic Regression for Subsample of Those Who Have Worked in a Family Business

Variable	Marginal Effect	Std. Error	Z-Value	P-Value
Worked in Fam Bus	0.059	0.022	2.75	0.006**
Black	-0.042	0.024	-1.75	0.080
Hispanic	0.026	0.025	1.04	0.298
Female	-0.069	0.019	-3.53	0.000**
Standardized Rotter	0.011	0.009	1.09	0.274
Standardized Rosenberg	0.012	0.010	1.20	0.232
Standardized Cognitive Ability	-0.035	0.012	-3.06	0.002
Risk	0.018	0.003	5.42	0.000**
U.S. Born	-0.066	0.064	-1.02	0.306
U.S Citizen 1984	0.023	0.053	0.44	0.663
Wealth Class 1985	-0.042	0.018	-2.29	0.022*

Combined Notes 1:Significance Levels: * indicates p<0.01 (highly significant); ** indicates p<0.05 (significant). P-values are exact, other values are rounded for clarity.

Sample Sizes: Table 3 with n = 5,183. Table 4 with a smaller size of n = 1,369.

Conclusions

The research highlights the role of family business exposure in developing entrepreneurial aspirations. It suggests that experiences within a family business context, alongside various demographic and individual traits, significantly impact the identification towards entrepreneurship. These insights contribute to understanding the pathways through which entrepreneurial mindsets are developed and underscore the importance of supporting family businesses as sources of future entrepreneurial talent.