

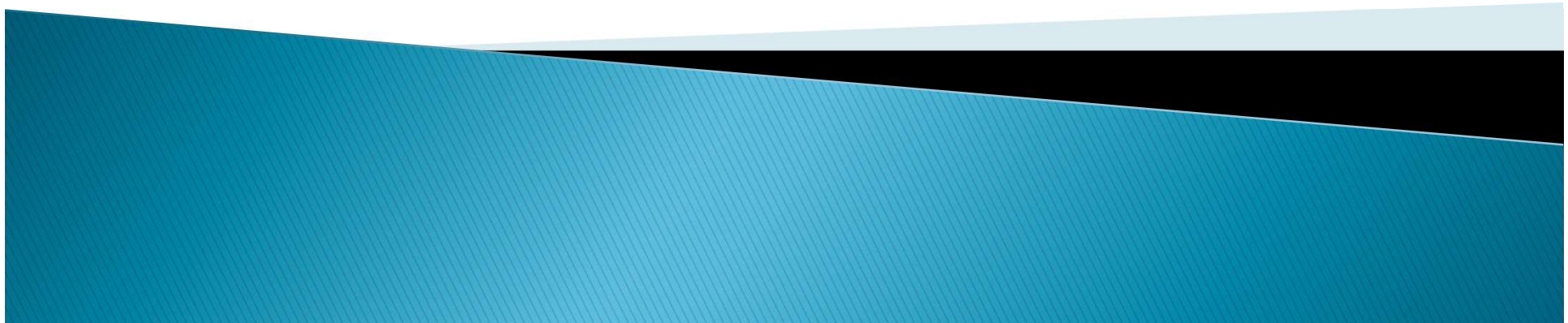
# The boy is mine. A tale of Italian society picking boys over girls as successors in their family businesses

by

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# Motivation

- ▶ In Italy almost 14.5% households run by a male engage in an entrepreneurial activity. The same is true for only 9.5% of households run by women.
- ▶ Is there an intergenerational transition factor?
- ▶ Is this factor particularly favouring boys?



# Background – doomed to succeed

- ▶ Having an entrepreneur for a parent increases the likelihood that a child ends up as an entrepreneur by a factor of 1.3 to 3.0 (Lindquist, Sol, & van Praag, 2015)
- ▶ Fairlie & Robb (2007) → more than half of business owners indicate a self-employed family member from the time before starting their business.



# Background – succession, why...?

- ▶ Primary channel for transition of business to your off-springs -> endowment effect,
- ▶ Succession → a factor enabling extension of the life of the company over the life-cycle of its founder and, simultaneously, keeping the business value within the family.



# Background – economics and family

- ▶ Five important environmental mechanisms stimulating intergenerational entrepreneurship transition (Lindquist et al., 2015).
  - Feasibility and natural character of inheritance
  - access to cheaper capital if the family business is not discontinued
  - lower cost of acquisition of managerial capital
  - lower cost of human capital
  - psychological factors associated with role modelling.



# Background – (in)vestment

- ▶ Successful succession → successor clearly vested in the company.
- ▶ Behavioural trick to achieve this goal → investment in family business by a parent owner
  - reduced fungibility of financial resources,
  - transfer of resources to a different higher level mental account (Shefrin & Thaler, 1988),
  - endowment effect and status quo bias (Kahneman et al., 1991) in subsequent assessment of business valuation by the offspring.



# Background – boys vs. girls

- ▶ Son preference at childbirth - Asia (Larsen et al. 1998),
- ▶ Differential treatment - financial affairs, especially handling over family businesses (Danes, Haberman, & McTavish, 2005; Vera & Dean, 2005),
- ▶ Some evidence – preference to dispose assets rather than passing it on to a daughter (Stavrou, 1999).



# Background – boys vs. girls

- ▶ Apparent high success of transferring businesses to boys; Dunn & Holtz-Eakin (2000) indicate much higher self-employment rates for sons if their fathers were in self-employment.
- ▶ For fathers → investing in family business with male offspring around implies higher expected rate of success of the business in the longer run.
- ▶ However, an ongoing change in the attitude observed (Nelton, 1998)





# Data

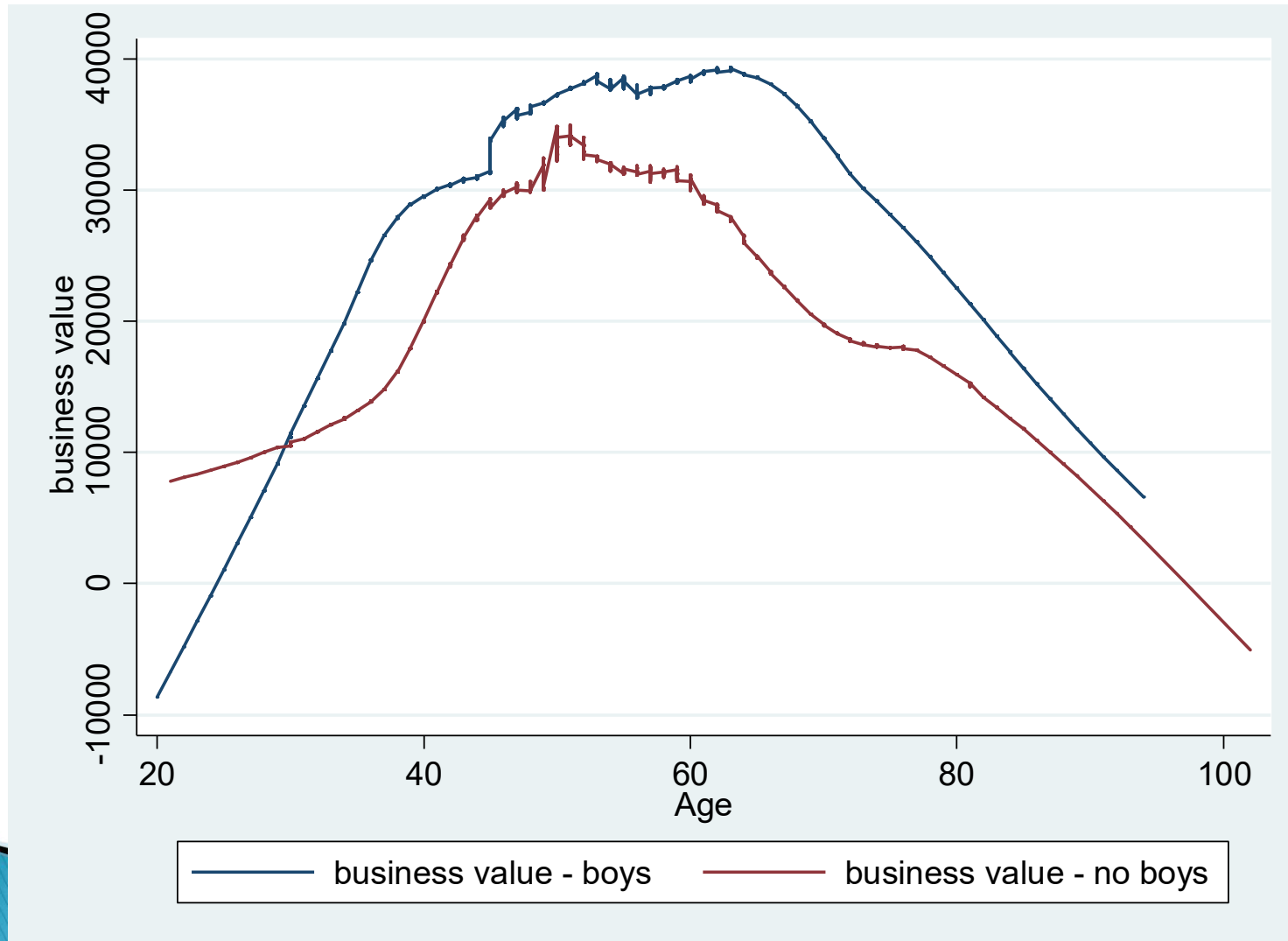
- ▶ Italian Survey of Household Income and Wealth carried out by the Italian Central Bank since 1960 - information on household composition, age, education, labour market status, incomes (for individuals and households), savings and consumption, transfers and insurance, wealth and other aspects of household economic and financial behaviour;
- ▶ Substantial information about household engagement in business activities - tracking value of its business assets;
- ▶ Three subsequent waves of the study – 2008, 2010, and 2012 – were used. The sample consisted of 7,982, 7,957, and 8,158 households in the respective waves of the study.
- ▶ More than 24 000 households.



# Basic statistics of households in the sample

	Wave 2008	Wave 2010	Wave 2012
Share of households with kids	46.0%	37.8%	37.8%
Share of households with boys	31.9%	26.2%	26.1%
Share of households with business assets	12.4%	12.0%	12.3%
Average value of business assets (among business asset holders)	170440.5	190315.5	144151.9
Percent of households having business assets with male head (proportion of male household heads in the sample)	65.6% (55.7%)		

# Do households with boys accumulate more business wealth?



# Estimation strategy (1)

- ▶ Delimiting a link between presence of off-springs (incl. boys) and presence of business assets;
  - household business activity related to the presence of kids in general and presence of boys in particular?
- ▶ Business asset accumulation (OLS, fixed effects estimator),
- ▶ Final analyses - association between real assets, financial assets and wealth in the presence of kids in the household, again with emphasis on boys.



# Results

	(1)	(2)	(3)	(4)	(5)	(6)
	Probit	OLS	Fixed Effect	ar1	af	w
At least one boy	0.080 (0.063)	0.300* (0.175)	1.646** (0.687)	0.022 (0.046)	-0.081 (0.111)	0.045 (0.082)
Household have kids	0.392*** (0.058)	0.077 (0.152)	0.333 (0.546)	-0.004 (0.040)	-0.080 (0.095)	-0.077 (0.071)
Male	0.117*** (0.042)	-0.132* (0.071)	-0.341 (0.475)	-0.014 (0.020)	0.005 (0.047)	0.007 (0.033)
Age	-0.033*** (0.003)	0.014*** (0.005)	0.035 (0.066)	0.001 (0.001)	0.005 (0.003)	0.004* (0.002)
Logy	0.853*** (0.039)	0.248*** (0.070)	1.209*** (0.270)	0.113*** (0.021)	0.243*** (0.049)	0.265*** (0.034)
Observations	15488	4627	4627	3634	3502	4437
R <sup>2</sup>		0.00758	0.02629	0.00966	0.01509	0.01614

# Discussion

- ▶ We show that parents are more entrepreneurial than people without kids
  - Two interpretations: (1) people with entrepreneurial skills are more likely to pursue the path of entrepreneurship expecting that their kids will be also entrepreneurial - genetic transmission of entrepreneurship (Nicolaou & Shane, 2010; Nicolaou et al., 2008); (2) Entrepreneurial parents stimulate development of their kids towards becoming a business person - in line with Lindquist et al. (2015) estimating the role of postbirth factors as twice as important as the role of prebirth factors.



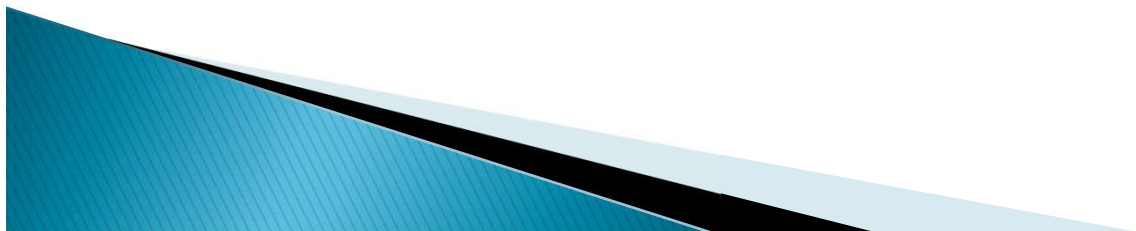
# Discussion

- ▶ Increased business asset accumulation for households with boys → in line with the argument of Labland & Lentz (1983) who show that fathers of sons who have intention to follow them in running the business tend to invest more in their business because they find it more “profitable”.
- ▶ Boys might be in favourable position when it comes to transimission of business assets because their fathers simply think of their potential success as if it were their own. Apparently no such channel exists for girls.



# Challenges

- ▶ Inherited businesses account for about 5% of all businesses (Aldrich, Renzuli, & Langton, 1998; Parker, 2009). With such a small role of inherited businesses it is hard to treat the gender patterns as universal and, more importantly, disturbing for the market.
- ▶ For the entrepreneurial activities of kids the role of business ownership by parents is overshadowed by hands-on experience of the kid (Fairlie & Robb, 2007).





# Challenges

- ▶ Effects not consistent among income groups - probability of following father's path is much higher for high earning parents (Corak & Piraino, 2011),
- ▶ Transition to self-employment is mostly stimulated by influences running along the gender lines (Dunn & Holtz-Eakin, 2000) - not confirmed in our analysis.



# Thank you for your attention

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