

Does parental socio-economic status matter for the success of start-ups of first-time founders? Evidence from Germany

Alexander Roth ¹⁺ and Ivana Blažková ²

¹ Faculty of Business and Economics, Mendel University in Brno, Czech Republic

² Faculty of Regional Development and International Studies, Mendel University in Brno, Czech Republic

Abstract. *The aim of this paper is to establish the influence of parental socio-economic status on the profitability and growth of first-time founders in Germany. Semi-structured interviews were conducted with 20 first-time founders to establish their socio-economic status, parental influence on their success as founders, and the impact of parental socio-economic status on their financial success. The main findings showed that the majority of participants believed that the high socio-economic status of parents had a significant positive effect on the financial success of new start-ups, although those from lower socio-economic backgrounds could also succeed. The characteristics of unequal social status were often expressed and the status of German as a nation with low social mobility was confirmed. However, the extent to which financial support and context networks supported founders from high socio-economic status families was difficult to ascertain as founders were often unwilling to admit its actual influence. In contrast, the parental influences on values and positive attributes relating to their success were more freely discussed. Based on the revenues and valuation of the start-up companies, two trends for first-time founder success were identified: the most successful founders had parents with high socio-economic status; some very successful founders demonstrated high social mobility, which is contrary to the existing data that social mobility in German is very low.*

Keywords: First-time founder, social mobility, start-ups, parental socio-economic status, Germany

JEL Codes: L26, M13

1. Introduction

The influence of family background is attributed to the success of many flourishing entrepreneurs, who created their businesses as start-ups (Marks, 2021), whether they founded the business as teenagers or later in life (Rudnika, 2021). Socio-economic status represented by important family contacts, financial support and access to quality education, are among the influences cited as contributing to the entrepreneurial success (Marks, 2021). However, these claims rarely derive from empirical studies, that can be validated as being statistically representative of successful start-ups. This evidence gap is supported by a systematic literature review of 92 empirical studies published between 1989 and 2019, which investigated the connection between entrepreneurship and the family role (Cardella et al., 2020). The main reason for the growth in studies during this period was identified as attempting to corroborate a relationship between entrepreneurial intention and parental influence but none of the 20 studies conducted in the United States or the 4 studies based in Germany had this objective. The German research was focused on the influence of a role model on a young person's intention to become an entrepreneur, when the role model made the most impact during the life cycle, and how the parental profession impacted entrepreneurial intentions. The only relevant finding to link

⁺Corresponding author. Tel.: +49 171 9010101, Mendel University in Brno, Faculty of Business and Economics, Zemědělská 1, 61300 Brno, Czech Republic. E-mail address: aaroth84@gmail.com

entrepreneurial intention with the parental profession was that it was weaker if the parents were employed in the public rather than in the private sector (Fritsch and Rusakova, 2012).

Determinants of self-employment entry are a frequent topic in economic studies (Simoes et al., 2016). The review by Simoes et al. (2016) provides a comprehensive survey of the impact of individual factors, such as basic personal characteristics, family background, education and experience, health condition, nationality and ethnicity, and access to financial resources. Regarding the influence of parents, studies show that having a parent with self-employment experience is a crucial predictor of the decision to start a business (e.g., Andersson and Hammarstedt, 2011; Chlosta et al., 2012), with the influence taking place through the transfer of knowledge and skills (Barnir and McLaughlin, 2011; Pittino et al., 2018), the transfer of contacts (Kim et al., 2006), financial conditions (Hundley, 2006; Lindquist et al., 2015), or exposure to parental role models (Hoffmann et al., 2015). Parental influence is also confirmed by Soleimanof et al. (2021) and Rodriguez et al. (2009), who examined the impact of a parent's entrepreneurial passion and family capital characteristics on their children's entrepreneurial attitudes in the USA.

Regarding the success of start-ups, factors other than parental socio-economic influence are mostly emphasized and investigated (Santisteban and Mauricio, 2017; Skawińska and Zalewski, 2020; Zarrouk et al., 2021). These factors include experience in the industry (Hyder and Lussier, 2016), technological and managerial skills (Garcia-Muiña and Navas-López, 2007), experience in management (Hyder and Lussier, 2016), government support (Pugliese et al., 2016), and the organizational size of the start-up (Rojas and Huergo, 2016). Gelderen et al. (2005) also emphasize the factor of risk perception in the pre-startup phase, which can influence the start of a business and its subsequent success.

The very low proportion of studies that have been conducted in Germany on the subject of parental influence on entrepreneurial intention and new start-up success, demonstrate a significant weakness in knowledge of these relationships in new German enterprises. This is particularly relevant as there were approximately 21,600 start-ups in Germany (Startupdetector, 2022) employing approximately 415,000 people between 2018 and 2020 (Pfluger et al., 2021). Their economic importance is significant as they increase German competitiveness and innovation, and more than 20% are digital companies (Cedefop, 2018). Between 2018 and 2020, the number of employees working in start-ups increased by 55% whereas the growth in the number of employees in Dax 30 companies was just 1.3% from 2018 to 2019, and employee numbers declined by 2.2% from 2019 to 2020 (Schaible et al., 2021). Generally, start-ups generate more well-paid jobs for qualified people than established companies (Schaible et al., 2021).

Although the influence of the family environment is a highly studied topic in the field of self-employment research (Simoes et al., 2016), most studies focus on the influence of parents and socio-economic status on the decision to start a business (e.g. Eren and Sula, 2012; Chlosta et al. al., 2012), and do not take into account the success of the newly established business. Another large group of studies in this area presents analyses of the success factors of start-ups; however, these studies primarily focus on financial factors, the influence of the business environment, business experience, etc. (e.g. Gimmon and Levie, 2010; Skawińska and Zalewski, 2020), rather than a direct link between parents' socio-economic status and start-up success. In addition, the success factors of a start-up may depend on whether the founder already has business experience or whether he is a first-time founder (Feld and Cohen, 2019). Research focused on first-time founders and the success of their start-ups depending on the socio-economic status of the family is insufficient, moreover, to the best of our knowledge, it is absent in Germany. Research focused on first-time founders and the success of their start-ups depending on the socio-economic status of the family is insufficient, moreover, to the best of our knowledge, it is absent in Germany. Therefore, our study attempts to eliminate this research gap by examining the influence of parental socio-economic status on the

profitability and growth of start-ups attributed to first-time founders in Germany. The intention is to critically appraise parental influence on the success of new German enterprises and to outline the types of participation, which the founders' parents provided in the development of the human, physical and social capital associated with the profitability and growth of their first start-up

1.1. Innovation and Entrepreneurship

Entrepreneurship is frequently associated with specific personality traits and behaviours, for instance, risk taker, perseverance, energy, success focus, self-reliance, leadership, aggression, autonomy, money orientation, and desire for recognition (Gartner, 1988). Therefore, entrepreneurs have the emotional strength to accomplish their goals in highly challenging circumstances, and the cognitive capacity to acquire and apply knowledge (Pirhadi et al., 2021). Entrepreneurs founding new start-ups have specific stronger leadership behaviours, such as vision, financial acumen and networking, than non-founders who managed start-ups (Applegate et al., 2016). Entrepreneurship comprises two categories: habitual entrepreneurs that currently or previously owned several new businesses and novice entrepreneurs with no previous business experience but currently own or part-own a new business (Ropega, 2020).

The link between entrepreneurship and creativity is stressed in several definitions, whereas entrepreneurship is described as innovation management (Wee et al, 1994). Since innovation creates new value for users (Katz et al., 2010), it can be perceived as changing existing operations, introducing new technologies and generating economic growth (Schumpeter, 2010). Innovation and entrepreneurs are also linked to the stage of the business lifecycle (Tidd and Bessant, 2018), the entrepreneur identifies a new technology or a gap in the market to exploit and to create commercial and social value (Tidd and Bessant, 2021).

1.2. Start Up Companies: Economic Contribution

Start-ups are defined as new and independent, actively trading or employing a first worker (Luger and Koo, 2005) and are characterized by the vision of what the start-up should accomplish, the objectives it should meet, close relationships with customers and innovative, energetic employees (Giulati, 2019). Start-ups also experience risky financial contexts, which force them to commercialize rapidly to retain competitive advantage (Ries and Hickman, 2012). They are described by Startupdetector (2020) as “innovative, mostly digital companies no more than ten years old, that have significant growth and scaling potential and mostly address digital target markets.” Therefore, start-ups may be categorised as hardware or software start-ups (Westerheide, 2016). The Global Entrepreneurship Monitor (GEM) describes company formation as comprising three stages: nascent entrepreneurship, before the start-up is officially formed and registered; owning and managing the firm when it begins to operate officially; up to 3.5 years afterward. The 3.5 year stage is when the start-up becomes an established business (GEM, 2021). The failure rate is high overall 90% fail, and 20% within a year (Minaev, 2021).

In the German sector, new business founders are predominantly male, 82.4% of the total, whereas the proportion of female entrepreneurs is 15.1%, 0.5% lower than the EU average. Additionally, 88.8% of founders have a university education (Monitor.eu, 2021). Diversity in German start-up companies is also low, 82.6% were all male, 14.2% comprised mixed teams and 3.2% were all female (FFM, 2020). First-time founders are not necessarily very young, many establish companies after completing their Master's degrees at approximately 26 years old; 27.9% of founders were older than 36 years (Rudnika, 2021). Their major activity is the Business to Business (B2B) sector, 72.9% of the total (Monitor.eu, 2021).

1.3. Socio-economic Status

Socio-economic status is measured in terms of an individual's level of human, social and financial capital (American Psychological Association, 2021). It is complex, comprising subjective and objective elements (Navarro-Camillo et al., 2020) so that perspectives of socio-economic status assume that all societies have an unequal status structure (Hollingshead, 2011), which emphasises acquired wealth, status, reputation, respect, and residential location, rather than a person's age or ethnic origin (Villaba, 2014). Hence social inequality has increased over decades, marginalised the poor, and made access to education and technology more difficult. Additional barriers to upward mobility, improving an individual's life situation and well-being, include race, gender, cultural prejudices and social status (Jarman and Lambert, 2018). Entrepreneurship is found to enhance the social mobility of individuals and therefore reduce poverty (Solimano et al., 2013).

OECD ranking suggested that social mobility in Germany was lower than the OECD average of 38% and continues to decline. Downward mobility from the top earnings in Germany was one of the slowest globally, and a child in a poor German family was forecast to require 180 years to attain an income equivalent to the average German wage (OECD, 2018).

1.4. Entrepreneurs and Parental Influence

Parental influence on entrepreneurship is attributed to the transfer of knowledge, skills, values and attitudes required; knowledge of contacts; transfer of the information regarding financial matters; exposure to entrepreneurial role models (Simoes, Crespo, and Moreira 2016).

A range of empirical studies was appraised to identify the specific influences that encourage individuals to become entrepreneurs. For instance, Velez-Grajales and Velez-Grajales (2014) used data collected for the 2006 ESRU Social Mobility Survey, which was restricted to male children. The main finding was that a child was most likely to become an entrepreneur if his father had been an entrepreneur or worked in a large firm, or if the child's first employment was in a micro-enterprise. The social mobility of sample participants was also analysed for four factors: completed years of education, social class, income mobility and wealth as associated with long-term investment potential. Upward mobility was highest for entrepreneurs, but it was harder to achieve if parents came from lower social classes. This research is useful because entrepreneurship is linked to parental influence and higher social class but educational attainment was not found to be a factor. The limitation of Velez-Grajales and Velez-Grajales' (2014) is in the comparability of the findings since it was conducted in a developing country, whilst this study is based in a developed country.

A study conducted by Tarling, Jones and Murphy (2016) investigated how family business and exposure to family business ideas from family and extended family influenced final-year undergraduate students to become entrepreneurs. The major findings were that parents were very influential as positive business role models from a very early age, providing the kind of values that first-time entrepreneurs would possess; motivation to develop interests, career, and personality traits such as confidence, honesty, work ethic, accountability, high social capital and educational achievement. When the family relationship was characterised by high levels of trust, family members acted as mentors and encouraged/supported the new entrepreneur (Tarling, Jones, and Murphy 2016). The validity of this research is limited by the small sample and no information was sought to link parental influence with entrepreneurial success level when trading.

Male and female entrepreneurs are often attributed specific characteristics, skills and behaviours (Gupta, Wieland, and Turban 2019) for instance males were associated with successful enterprises whilst women were not (Cardella et al 2020). Males were considered more competent than women in leadership, less risk-averse, more change-orientated, less emotional and more independent (Buttner and Rosen 1988). Self-belief was the underlying reason why fewer women considered entrepreneurship as a career choice (Thébaud

2010). Societal stereotyping, career expectations, and socialisation processes were also barriers to entry to entrepreneurship for women, (Sullivan and Meek 2012). However, women entrepreneurs, whose families were part of their contact network, had a higher probability of gaining innovative or original information and support to launch and operate a new business (Greve and Salaff 2003). Social stereotyping of females is also frequently mentioned as a barrier to market success; accessing information, finance and labour was more difficult than for men, although this was mitigated when families were in their network (Sullivan and Meek 2012).

The existing research into parental influence on success, focuses on multiple countries and perspectives, whilst this study is specific to Germany. Therefore, the research question of this study is as follows:

RQ: To what extent does the socioeconomic status of parents predict the profitability and growth of the start-ups created by first-time founders in Germany?

2. Research Elaboration

2.1. Sample

The sample that comprises this research was provided by the German company Startupdetector, a provider of market data and information on the German start-up market (Startupdetector, 2020). The details of a total of 501 start-ups, which had been founded between 1 December 2017 and 31 December 2020, were made available. According to A. Bräutigam, the managing director of Startupdetector, this sample is derived from a total of 8136 German start-ups founded in the period, of which 5312 were first-time start-up companies. The final sample was randomly generated for this research by Startupdetector (personal communication, November 21, 2021). The first-time start-up companies as defined by Startupdetector (2020) are detected by reference to the German Trade Directory, which gives the name and date of inception. In addition, this research used data on the LinkedIn platform to check whether the start-up owner had previously founded a company abroad. Individuals that had held CEO positions in a passive holding, such as asset management or property, were not excluded since this experience was not relevant. The limitation in identifying a first-time start-up was a lack of knowledge regarding whether an individual co-founded a company but was not CEO. Each of the 501 start-ups was approached by email, telephone, or through professional social media LinkedIn, to ask for their participation in the research. The researcher experienced many refusals from the 501 start-ups contacted, but once 20 interviewees were identified, it was considered a sufficient cohort to gather a broad range of facts and opinions. The majority of participants are based in Baden-Württemberg and North Rhine Westphalia and their major characteristic features are the founder's age at initiation of the start-up, socio-economic status and potential social mobility represented by parents' highest qualification and current employment status.

The twenty experts in the sample (see Table 1) comprised 3 females and 17 males. When the interviews commenced, all females were aged over 30; ages were 31 years, 34 years and 38 years, and their highest qualification was Advanced Technical Certificate, Bachelor and Master's degree respectively. Their parents' highest qualifications were: secondary certificate for two mothers and one father, and a degree for another of the fathers, whilst the parents of one founder had no qualifications. A total of three parents were self-employed, both were the parents of one of the female founders.

Table 1: Characteristics of Study Participants

Code	Age Range	Gender	Highest Qualification	German State	Parents' Highest Educational Qualification		Parents' Occupation	
					Mother	Father	Mother	Father
E1	26-35	Male	Bachelor Degree	Baden-Württemberg	State Exam	Diploma	Teacher	Engineer
E2	26-35	Male	Master's Degree	North Rhine Westphalia	State Exam	State Exam	Teacher	Teacher
E3	26-35	Male	Master's Degree	Baden-Württemberg	Secondary School	Secondary School	Geriatric Nurse	Sales Representative
E4	18-25	Male	Secondary School	North Rhine Westphalia	State Exam	Secondary School	Teacher	HRM Administrator
E5	26-35	Female	Bachelor Degree	North Rhine Westphalia	None	None	Housewife	Driver
E6	18-25	Male	Secondary School	Mecklenburg-Western Pomerania	Bachelor Degree	Doctorate	Teacher	Doctor
E7	26-35	Male	Bachelor Degree	Baden-Württemberg	Vocational Training	Vocational Training	Dental Assistant	Sales Manager
E8	18-25	Male	Secondary School	Hamburg	Secondary School	Diploma	Geriatric Nurse	Bus Driver
E9	36-45	Female	Master's Degree	Saxony	Standard Education	Engineering Diploma	Dental Assistant	Engineer
E10	18-25	Male	Secondary School	Berlin	Bachelor Degree	Bachelor Degree	Legal Compliance	Sales Manager
E11	18-25	Male	Bachelor Degree	Hamburg	Bachelor Degree	Doctorate	Music Teacher Primary School	Board Director
E12	18-26	Male	Bachelor Degree	Baden-Württemberg	Secondary School	Bachelor Degree	Secretary Construction Company	Programmer at SAP
E13	26-35	Female	Advanced Technical Certificate	Baden-Württemberg	Secondary School	Secondary School	Self-employed Dental Assistant	Self-employed Therapist
E14	26-35	Male	Bachelor Degree	Baden-Württemberg	Diploma	Apprenticeship as Bank Clerk	Self-employed in HR	Banker Senior Consultant
E15	26-35	Male	Master's Degree	Bavaria	Secondary School	Bachelor Degree	Paralegal	Self-employed
E16	26-35	Male	Bachelor Degree	Rhineland-Palatinate	None	Electrical Training	Office Management	Telephone Systems Engineer
E17	36-45	Male	Doctorate	North Rhine Westphalia	Bachelor Degree	Vocational Technician	Housewife	Self-employed
E18	18-25	Male	Secondary School	North Rhine Westphalia	Secondary School	Secondary School	Beautician	Industrial Electrician
E19	26-35	Male	Master's Degree	North Rhine Westphalia	Apprenticeship	Technical Qualification	Cosmetician	Agriculture Responsible for a German district
E20	26-36	Male	Master's Degree	Baden-Württemberg	Doctorate	Doctorate	Employed by DAX Company	Doctor

The male founders comprised; eight founders initiating the start-up at 21 years or less, two were aged 16 years; 3 aged between 22 and 25 years; six founders aged between 26 and 35 years. The highest male qualifications were 6 Bachelor degrees, 5 Master's degrees, 1 Doctorate and 5 Secondary School Certificates. Their mother's highest educational level was 1 Doctorate, 4 Bachelor degrees, 4 vocational training, 7 secondary school, 1 no response. The highest educational level of fathers was 3 doctorates, 4 Bachelor Degrees, 6 vocational training, 4 secondary school. Both parents of 1 founder were self-employed, plus 2 mothers and 1 father. Nine fathers have professional employment, whilst four mothers were teachers.

2.2. Research Design

A subjective stance was taken in this research so that the research design is exploratory, reflecting the need for deep insight into a poorly understood phenomenon, and theory development employs the deductive approach (Bryman, 2016). Qualitative methods were applied for data gathering and analysis, primary data was collected using semi-structured interviews and logically sequenced open questions to elicit facts and opinions (Zikmund et al., 2013). Initially, 501 first-time founders were invited to participate, research purpose and confidentiality of contribution were explained (Ritchie and Lewis, 2013; Saunders et al., 2019). The purposive sample comprised the first 20 founders to respond; the expert knowledge of a small number of new founders was required to answer the research question; large numbers providing representative samples are not appropriate when saturation is reached, i.e. further data collection did not give new insights, as is common practice in qualitative research (Yin, 2013). The eight interview questions were pilot-tested and amended as required. The interviews were conducted between January and March 2022 using video conferencing platforms and recorded with prior permission (Saunders et al., 2019). Once the interviews had been completed, they were transcribed, translated into English and arranged by questions and sub-question; all 20 responses were amalgamated to provide greater ease of comparison. Content analysis was used to analyse the findings; systematic thematically based coding technique (Mayring, 2014), colour coding so that the different themes could be easily identified, and the findings of the research easily verified (Ritchie and Lewis, 2013). The main codes are illustrated in Table 2.

Table 2: Coding

Theme	Main Categories	Sub-Categories
Entrepreneurship (E)	Types of entrepreneur	Founder Non-Founder Habitual Novice
	Innovation	Innovation linked to entrepreneurs Open innovation Closed innovation
Start-Up Companies (SU)	Stages in start-ups	Start-up company formation Successful start-up Unsuccessful start-up Start-up performance
	Start-up types/categories	Software- and general start-up German Start-up
Socio-Economic Status (SS)	Social mobility in general	Upward social mobility Social status Barriers to upward mobility Social inequality
	Social mobility in Germany	No sub-categories
Entrepreneurs and Parental Influence (EPI)	Knowledge, skills and attitudes for entrepreneurial intent	No sub-categories
	Parental occupation	
	Parental financial support	
	Parental contact network	
	Social contacts such as peers and mentors contribute	

3. Results and Discussions

3.1. Parental Influence

The participants generally acknowledge the substantial influence that their parents had on their success as entrepreneurs in relation to personal qualities and values that supported successful new start-up enterprises. However, three were reluctant to admit that they had received financial support from the family, E1, E7, E16, which had helped them to be successful, and five insisted that their parents' contact network was not a relevant factor in establishing the start-up for instance:

"No investors and the angel investors did not come from parents' contact network." (E15)

Contact network.... That comes less from my parents, but more from my co-founder." (E16)

The most important influences whilst growing up were education, including understanding the value of qualifications, and knowing that there was always someone to rely on, especially financially, if the business failed.

"I definitely had parents who value education. Who also supported education....and come from both sides of the educated middle class. Well, my father was more of a technician, but overall, my paternal family is a bunch of academics. On the mother's side anyway...and that definitely helped that I initially had the will and the desire to study so far." (E17)

"My parents have always supported me in every way. I work a lot, so they have to be there for my daughter a lot.... supported me financially...maybe because they have always done it themselves for their own company...without my parents, I wouldn't be standing here today." (E13)

The acquisition of a range of personal qualities was repeatedly mentioned: for instance perseverance, ambition and being allowed the freedom to pursue own dreams, motivation, security and stability to be able to make mistakes and subsequently to be unafraid to do so, confidence, self-esteem and self-awareness, a sense of responsibility, respect for others, independence, the need to retain high principles and to be open to new ideas.

One participant emphasised that learning social skills had been the major influence on their entrepreneurial success and that retaining friendships from a very early age had also resulted in having good contacts for the business:

"The upbringingthe ability to act socially, to interact, to ensure early on those essential social skills are also conveyed, are educated and that you don't develop into a complete idiot from a human, interpersonal point of view, definitely has contributed to the fact that I think I still have friends from kindergarten today and that I am socially involved.....and this in turn has resulted in contacts that have actually pushed us very actively forward in our entrepreneurial development..... so... I think from that perspective it definitely helped the network of contacts work and serve the company." (E14)

Intellectual qualities were specifically mentioned by two participants, divergent thinking and creativity, and another understood the risk of learning chess from his father, and competitiveness from sports:

"Thinking outside the box and being actively interested in a wide range of topics... is very important.....my parents did it too, by teaching me chess and brain teasers early on, through a creative vein, through music, through the instrument I had learned, but also in a sporting way.. I was put in a tennis club." (E16)

"Think out of the box... I don't know if that has anything to do with my parents. They're both not really creative... well, yes, my mother is naturally creative but musically creative." (E11)

The high level of academic qualification of the two participant's parents, E11 and E17, the value they placed on education, and the support given to acquiring qualifications, instilled the ambition to achieve at school.

In addition, the family network's expectation of their success was emphasised as highly beneficial. Parental influence to encourage continual self-improvement, despite not realising how important this was at the time it was happening, and discussion with parents about how their careers had evolved were also factors.

"It was communicated to me...you have a certain personal responsibility...certain self-determination as a person, we want to give you that, but you are responsible for yourself....at some point, we won't be there anymore. Then you have to figure it out yourself... and these are just a bit of these values that have been conveyed to me. That's what I meant by liberal education. It's important to have a liberal upbringing....and if my dad hadn't had his doctorate in economics, I certainly wouldn't have been so ambitious at school." (E11)

"If I hadn't studied, if my parents hadn't urged me to get the university degree, I would probably not have created a start-up." (E3)

P3 also highlighted how learning to build stamina and to complete tasks that were not particularly liked had contributed to their success:

"My mother in particular taught me, even in the early years of my childhood, to follow through with things even if I didn't enjoy them that much...and this enabled me to develop a bit of stamina at a young age, which I now need every day." (E3)

In contrast P7 stressed that their parents' education had no influence on their success, since the parents were neither entrepreneurs nor participated in their business in any way.

A negative parental influence was mentioned twice by E4, which was being taught to please everyone so that when subjected to any criticism, their self-esteem was lost.

"What was negative, however, and I'm still struggling with this today, is that I think my mother raised me in a way that makes me always want to please everyone around me....she brought me up to be a bit too sweet...as a result, when I'm surrounded by people who say that my idea is too big, for example, I often feel bad and lose my self-confidence at that moment. This doesn't really make any sense, because that's not a negative thing...but in these moments, I somehow think that I have to please everyone. If that doesn't happen, then I've done something wrong, and then I think my self-confidence drops a bit. That's a bit of the negative side." (E4)

When specifically asked which aspects of childhood and adolescence had a negative impact on their success as an entrepreneur, the remarks varied and often none could be recalled. Amongst the significant remarks were that growing up in a small village had limited P1's self-expectation but later moving to a large wealthy location as a teenager instigated a more ambitious mindset, and school friends generating this was mentioned:

"I grew up in a small village in Brandenburg, and the people I met there, a lot of them, I would say, have rather stayed in their area or have been very... how can I best express it? Small-minded is perhaps the wrong word, but at least they don't think big or don't think beyond the horizon ...and I noticed that .. when we moved to the Weinstrasse in Rhineland-Palatinate when I was 17 years old, people there think differently. The children came from wealthy families....and they had completely different mindsets...some of the people I went to school with also started their own businesses there." (E1)

In contrast, E16 proposed that living in a small village provided the opportunity to develop communication skills, particularly in reference to potential conflict:

"My parents taught me more about how to get in touch with people. It's like this, I come from a small village and somehow everyone knows everyone...and it's so that you actually know how I react to different people. Especially in relation to the small village, where it's not so anonymous now, where you know exactly: Okay, the person is more of a hothead, you have to talk to them differently than to the calmer person. I actually learned that quite well in this microcosm of the village where I grew up. A rich network of contacts did not develop there." (E16)

The last part of the remark is also interesting and tends to align with E1's perception of inhabitants of small villages as being much less a source of the type of contact networks that support entrepreneurship success.

One participant, E9 had grown up in East Germany and as unification occurred, their mother had a high sense of insecurity, which passed to them which had implications for their approach to entrepreneurship:

"I always carry the fear with me...maybe subconsciously too....what if something goes wrong? And what do we do then?... a bit like that. So, I think it's something geographic. This East Germany issue, which has had a bit of an influence on me, comes from the development of my parents ... education, no, I don't think so. Family expectations... I think that for me it's a little bit about the pre-embossing and in East Germany, everyone is anxious anyway." (E9)

The inference from these remarks is that parental location and associated socio-economic status are significant success or failure factors.

The position of the individual in the family lineage was felt to be a strong factor by P16, who was the youngest member of the family and with a large age gap to older siblings. P16 felt that this had a negative effect on personal ambition because life was made too secure, and possibly resulted in overconfidence.

"I grew up with two siblings, both of whom are over ten years older than me, and I was born prematurely ... in the sixth month of pregnancy, which made sure that I was always very wrapped in cotton at home I was always very cared for with everything and as a result, growing up, I wasn't so much on my own that I somehow made sandwiches for myself in the morning before school. No, I got up, the cocoa was warm and my favourite jam was spread on my bread. Well, this having cared for too much might have hurt founding a company, and I then take some things too lightly." (E16).

Similarly, the negative impact of too much financial security was also inferred by two others: E17's father had high earnings and their mother was very satisfied with life; parental expectation of child working in large private/public corporate as was the case with E20 whose mother worked for DAX associated company.

Another negative effect was that E4's parents preferred not to be perceived as different from others, which raised mental doubts about the wisdom of initiating a start-up, whilst E7, who had parents that were not entrepreneurs and that felt unable to offer professional advice was considered a possible disadvantage.

3.2. Socio-economic Status

The participants were directly asked to comment on how the socio-economic status of parents correlated with the financial success of their first start-up. The socio-economic status of parents was evident from responses to several questions and P1 admitted that being given the opportunity to study at a private university, which parents needed the social status to pay for, facilitated them identifying the founders' institute of another university, which they stated would have been unlikely if they had attended a public university. In relation to the link between high socio-economic status and first success, E1 stated:

“None of the ones I know come from a weak social background....I can observe that the most successful companies in Germany have founders who come from private universities.....biggest successful founders in Germany that I know come from these schools and you can only get into these schools with a certain amount of money because they are really expensive. Or you need connections.” (E1)

However, another founder, E7, stated that they knew no founders who had become successful by using their parents’ contact networks.

Fourteen other founders considered that socio-economic success of parents had a positive effect on financial success, two also mentioned their connections, and three, E8, E10, E17, the security of knowing they would be supported if they failed. Conversely, eight participants expressed some doubt that this was true for all individuals from high socio-economic status families.

Founders, whose families were middle class rather than of higher socio-economic status, had more problems getting bank loans, whereas wealthy people had connections with potential investors according to two individuals; connections also being emphasised by two participants.

“My family maybe does not have a very high socio-economic status, but we are a normal middle class family. And in the beginning, I also had problems getting a loan from the bank. If my parents had had a few million more, getting a loan wouldn’t have been a problem.” (E3)

The opposing opinion expressed by four people, was that high socio-economic status and parental financial support was definitely not an influence on success, two suggested that it was likely to accelerate the initial stages, and would not necessarily lead to long-term success.

“I think that when the parents have more money, a little higher status, that perhaps accelerates the first steps. I do believe that a young person is more likely to found a limited liability company than a student who has little money and first has to save for their start-up, for example.” (E4)

Founders from financially poorer backgrounds learned to struggle, work hard and envisage success as a longer-term goal, one stressing the influence of parental values.

“I think that for mid to long-term success, those who don't come from such a prestigious family are more successful because they learned to struggle in their childhood. They learned to work, they learned that they don't get anything for free in life.... I believe that these people, no matter how bad the circumstances they come from, will overtake the quote-on-quote rich kids in the mid to long term. (E4)

These remarks were made by participants whose parents do not seem to have the highest socio-economic status.

These remarks are also interpreted in the context of the initial data provided by the entrepreneur regarding their parental background and the relative success of their start-up to date, Table 3. Based on the revenues and company valuations as the sole guideline, it appears that E6, E10, E11, E12, E15, E20 have all benefitted from the high socio-economic status of parents, who had gained educational qualifications and/or advantageous careers. In contrast, E3, E4, E8, E19 demonstrate examples of substantial social mobility in which parents’ influences were expressed in similar supportive, but contextually different upbringing. In contrast, it is difficult to categorize E14, whose parents do not have particularly high socio-economic status and whose significant social mobility is somewhat less evident.

Table 3: Start-Up Key Features, Progress to Date and Socio-Economic Background

Founder Age Currently	Highest Qualification	Year Founded	Employees	Revenues 2022 (Euros)	Business Valuation (Euros)	Sector	Parental Background Job/Highest Qualification
-----------------------	-----------------------	--------------	-----------	-----------------------	----------------------------	--------	---

E1	25	Bachelor	2022	9	50,000	750,000	Online Marketing	Teacher/Engineer; Diploma
E2	28	Master's	2020	6	100,000	n/a	E-Commerce	Teachers; State Exam
E3	30	Master's	2018	45	2 million	4 million	Food	Sales Representative; Secondary School
E4	22	Secondary School	2020	0	0	5 million	Social Media	Teacher/Administrator; State Exam
E5	35	Bachelor	2020	0	100,000	2.5 million	Career Platform	Housewife/Driver; none
E6	20	Secondary School	2020	12	100,000	5million	EduTech	Teacher/Doctor; Doctorate
E7	26	Secondary School	2019	0	25,000	200,000	FinTech	Dental Assistant/Sales Manager; Vocational Training
E8	22	Master's	2019	15	5 million	35 million	E-Commerce Social Media	Geriatric Nurse/Bus Driver; Diploma
E9	43	Master's	2018	8	500,000	n/a	Electronic Optical Equipment	Dental Assistant/Engineer; Diploma
E10	22	Secondary School	2020	9	0	6 million	Career Platform	Legal Compliance/Sales Manager; Bachelor
E11	21	Secondary School	2020	25	3 million	5 million	Online Marketing	Piano Teacher/Board Director; Doctorate
E12	25	Bachelor	2020	14	500,000	4 million	Travel	Secretary/Programmer; Bachelor
E13	35	Advanced Technical Certificate	2018	5	1.8 million	n/a	Healthcare	Dental Assistant/Therapist; Secondary School
E14	26	Bachelor	2019	6	>100,000	7 million	MedTech	HR/Senior Bank Consultant; Diploma
E15	28	Master's	2018	30	4.5 million	20 million	Electrical Engineering	Paralegal/Self-employed; Bachelor
E16	32	Bachelor	2019	2	200,000	800,000	E-commerce	Office Management/Telephone Systems Engineer: Electrical Training
E17	37	Doctorate	2018	0	No longer in business	No longer in business	MedTech	Housewife/Self-employed; Bachelor
E18	29	Secondary	2018	0	100,000	500,000	EduTech	Office Management/Systems Engineer; Secondary School
E19	30	Master's	2021	12	200,000	5.5 million	Electrical Engineering	Cosmetician/ Responsible for Agriculture German District; Technical Qualification
E20	34	Master's	2018	2	800,000	4.5 million	Beverage	DAX group company/Doctor; Doctorate

3.3. Discussion

The findings tend to confirm the perspectives of Baker (2014) regarding the inferences of socio-economic status on the financial success of organisations, and to a significant extent that socio-economic status is complex and multi-faceted owing to subjective opinions expressed by many participants (Navarro-Camillo et al., 2020). Many of the characteristics of unequal social status, such as wealth, status, reputation, respect, and residential location, were stressed (Villaba, 2014). The OECD (2018) findings that social mobility in Germany is low, are also indicated in this research, and disadvantaged talented children of poorer families regarding access to finance and resources such as contact networks (Dodin et al., 2021). However, the extent to which financial support and contact networks supported founders from high socio-economic status families was difficult to ascertain as founders were often unwilling to admit its actual influence. In contrast the parental influences on values and positive attributes relating to their success were more freely discussed (Tarling Jones & Murphy, 2016). This study also indicates that entrepreneurship can enhance social mobility of individuals and therefore reduce poverty in alignment with Solimano et al. (2013). The dimensions of parental support and influence on the success of the first start-ups, which result from the findings so far, are summarized in the diagram in Figure 1.

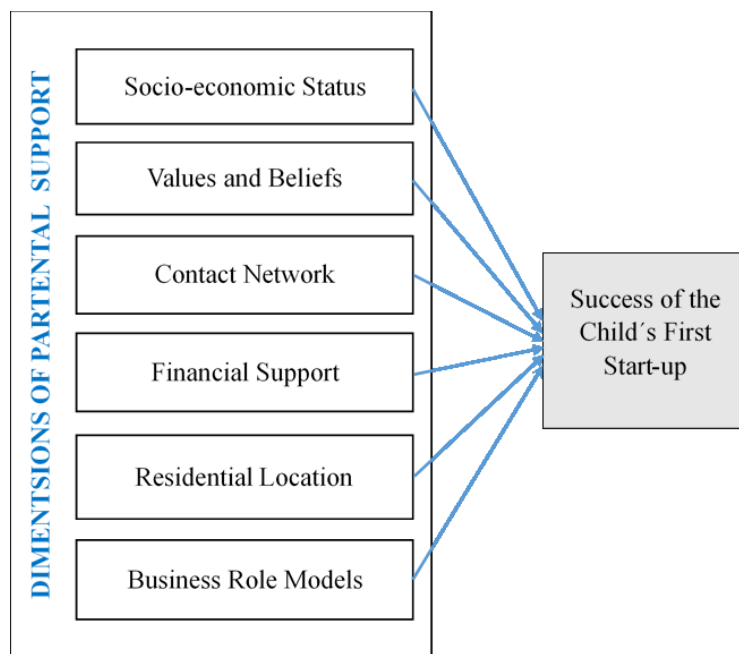


Fig. 1: Dimensions of Parental Support
 Source: Authors' own visualization

4. Conclusions

This research has made a significant contribution to enhancing knowledge about the impact of the socio-economic status of German parents on the financial success of new first-time start-ups. It has also confirmed the parental influence on the success of entrepreneurs from an early age emphasised in previous studies, and in considerably greater detail.

Based on our finding that the parental influence has a significant effect on the probability of success of a first-time founder's start-up in Germany, the following implications can be drawn. Public policy makers should be aware that programs and tax incentives for increased family support can be helpful in indirectly stimulating entrepreneurship and its success. Given that the family has considerable potential to provide first-time start-up founders with a unique form of support (which we can describe as social support), it will enable them to establish successful start-ups, which will have a positive impact on the performance of the entire economy. Investors, in turn, can use the results of this study when deciding on the choice of a start-up for their investment activities, because a good family background of the start-up founder is a prerequisite for a greater probability of an entrepreneurial success.

However, the main limitation of the study is the small sample so the findings cannot be considered representative of all new first-time German start-ups. The difficulty in acquiring convincing denials of parental socio-economic status also limits the credibility of the findings and needs to be addressed. Therefore, the recommendation for further research is to conduct a quantitative study with a representative sample of new German start-ups where the founder or co-founders are first-time entrepreneurs.

5. References

- [1] American Psychological Association (2021). Socioeconomic Status. Washington, DC: American Psychological Association. Retrieved from <https://www.apa.org/topics/socioeconomic-status>
- [2] Andersson, L., & Hammarstedt, M. (2011) Transmission of self-employment across immigrant generations: the importance of ethnic background and gender. *Review of Economics of the Household*, 9, 555–577.
- [3] Applegate, L., Kraus, J., & Butler, T. (2016). Skills and Behaviours That Make Entrepreneurs Successful. Boston: Harvard Business School. Retrieved from: <https://hbswk.hbs.edu/item/skills-and-behaviors-that-make-entrepreneurs-successful>
- [4] Barnir, A., & McLaughlin, E. (2011) Parental self-employment, start-up activities and funding: exploring intergenerational effects. *Journal of Developmental Entrepreneurship* 16: 371–392.
- [5] Bryman, A. (2016). *Social Research Methods*. Oxford: Oxford University Press.
- [6] Buttner, E., & Rosen, B. (1988). Bank Loan Officers' Perceptions of the Characteristics of Men, Women, and Successful Entrepreneurs. *Journal of Business Venturing*, 3, 249-58. doi: 10.1016/0883-9026(88)90018-3
- [7] Cardella, G., Sanchez, B., & Garcia, J. (2020). Entrepreneurship and Family Role: A Systematic Review of a Growing Research. *Frontiers in Psychology*, 10, 2939. doi: 10.3389/fpsyg.2019.02939
- [8] Cedefop (2018). Germany: start-ups - a driving force for growth and competition. Retrieved from: <https://www.cedefop.europa.eu/en/news-and-press/news/germany-s-driving-force-growth-and-competition>
- [9] Chlosta, S., Patzelt, H., Klein, S., & Dormann, C. (2012). Parental role models and the decision to become self-employed: the moderating effect of personality. *Small Business Economics*, 38, 121–138. doi: 10.1007/s11187-010-9270-y
- [10] Eren, O., & Sula, O. (2012). The effect of ability on young men's self-employment decision: evidence from the NELS. *Industrial Relations*, 51, 916–935. doi: 10.1111/j.1468-232X.2012.00706.x
- [11] Feld, B., & Cohen, D. G. (2019). *Do more faster: TechStars lessons to accelerate your startup*. John Wiley & Sons.
- [12] FFM (2020). Female Founders Monitor. Google for Startups/Deutsche Startups eV. Retrieved from: <https://accelerate.withgoogle.com/stories/how-google-for-startups-aims-to-level-the-playing-field-for-female-founders>
- [13] Fritsch, M., & Rusakova, A. (2012). Self-employment after socialism: Intergenerational links, entrepreneurial values, and human capital. Berlin: Deutsches Institut für Wirtschaftsforschung (DIW), SOEP papers on Multidisciplinary Panel Data Research, No. 456.
- [14] Garcia-Muiña, F. & Navas-López, J. (2007). Explaining and measuring success in new business: The effect of technological capabilities on firm results. *Technovation*, 27, 30-46.
- [15] Gartner, W. (1989). "Who is an entrepreneur?" is the wrong question. *Entrepreneurship Theory & Practice*, 12(4), 11-32. doi: 10.1177/104225878801200401
- [16] Gelderen, M. V., Thurik, R., & Bosma, N. (2005). Success and risk factors in the pre-startup phase. *Small business economics*, 24, 365-380.
- [17] GEM. (2021). How GEM Defines Entrepreneurship. London: Global Entrepreneurship Research Association. Retrieved from: <https://www.gemconsortium.org/wiki/1149>
- [18] Gimmon, E., & Levie, J. (2010). Founder's human capital, external investment, and the survival of new high-technology ventures. *Research Policy*, 39(9), 1214-1226. doi: 10.1016/j.respol.2010.05.017
- [19] Greve, A., & Salaff, J. (2003). Social networks and entrepreneurship. *Entrepreneurship, Theory and Practice*, 28 (1), 1-22. doi: 10.1111/1540-8520.00029

-
- [20] Gulati, R. (2019). The soul of a start-up: companies can sustain their entrepreneurial energy even as they grow. *Harvard Business Review*, 97(4), 84-92.
- [21] Hoffmann, A., Junge, M., & Malchow-Møller, N. (2015). Running in the family: Parental role models in entrepreneurship. *Small Business Economics*, 44(1), 79–104.
- [22] Hollingshead, A. (2011). Four factor index of social status. *Yale Journal of Psychology*, 8, 21-52.
- [23] Hundley, G. (2006) Family background and the propensity for self-employment. *Industrial Relations*, 45, 377–392.
- [24] Hyder, S. & Lussier, R. (2016). Why businesses succeed or fail: A study on small businesses in Pakistan. *Journal of Entrepreneurship in Emerging Economics*, 8(1), 82-100.
- [25] Jarman, J., & Lambert, P. (2018). *Exploring Social Inequality in the 21st Century: New Approaches, New Tools, and Policy Opportunities*. Abingdon: Routledge.
- [26] Katz, B., Du Preez, N., & Schutte, C. (2010). Definition and Role of Innovation Strategy. In SAIIE conference proceedings, 60-74. Retrieved from: <https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=2532048e182c03acdfff1b29232af3579a0620a1>.
- [27] Kim, P., Aldrich, H., & Keister, L. (2006) Access (not) denied: the impact of financial, human, and cultural capital on entrepreneurial entry in the United States. *Small Business Economics*, 27, 5–22.
- [28] Lindquist, M. J., Sol, J., & Van Praag, M. (2015). Why do entrepreneurial parents have entrepreneurial children? *Journal of Labor Economics*, 33(2), 269–296.
- [29] Luger, M. I., & Koo, J. (2005). Defining and tracking business start-ups. *Small Business Economics*, 24(1), 17-28. doi: 10.1007/s11187-005-8598-1
- [30] Marks, G. (2021). Entrepreneurs are great, but it's mom and dad who gave them their start. United Kingdom: The Guardian. Retrieved from: <https://www.theguardian.com/business/2021/jan/31/small-business-entrepreneurs-success-parents>
- [31] Mayring, P. (2014). Qualitative content analysis: theoretical basic procedures and software solution. Retrieved from: https://www.ssoar.info/ssoar/bitstream/handle/document/39517/ssoar-2014-mayring-Qualitative_content_analysis_theoretical_foundation.pdf
- [32] Minaev (2021). Startup Statistics (2021): 35 Facts and Trends You Must Know. Retrieved from: <https://firstsiteguide.com/startup-stats/>
- [33] Navarro-Carrillo, G., Alonso-Ferres, M., Moya, M., & Valor-Segura, I. (2020). Socioeconomic Status and Psychological Well-Being: Revisiting the Role of Subjective Socioeconomic Status. *Frontiers in Psychology*, 11, 1303. doi: 10.3389/fpsyg.2020.01303
- [34] OECD (2018). *A Broken Social Elevator? How to Promote Social Mobility*. Paris: Organisation for Economic Cooperation and Development.
- [35] Pfluger, F., Bandov, R., & Miele, C. (2021). *Economic Miracle 2.0?* Berlin: Roland Berger GmbH.
- [36] Pirhadi, H., Soleimanof, S., & Feyzbakhsh, A. (2021). Unpacking entrepreneurial alertness: How character matters for entrepreneurial thinking. *Journal of Small Business Management*, 1-33. Doi: 10.1080/00472778.2021.1907584
- [37] Pittino, D., Visintin, F., & Lauto, G. (2018). Fly away from the nest? A configurational analysis of family embeddedness and individual attributes in the entrepreneurial entry decision by next-generation members. *Family Business Review*, 31(3), 271–294.
- [38] Pugliese, R., Bortoluzzi, G. & Zupic, I. (2016). Putting process on track: Empirical research on start-ups' growth drivers. *Management Decision*, 54(7), 1633-1648.
- [39] Ries, E., & Hickman, L. (2012). *The Lean*. London: London School of Economics.

-
- [40] Ritchie, J., & Lewis, J. (2013). *Qualitative Research Practice*, 2nd ed. Thousand Oaks, CA: Sage.
- [41] Rodriguez, P., Tuggle, C. S., & Hackett, S. M. (2009). An exploratory study of how potential “family and household capital” impacts new venture start-up rates. *Family Business Review*, 22(3), 259-272.
- [42] Rojas, F., & Huergo, E. (2016). Characteristics of entrepreneurs and public support for NTBFs. *Small Business Economics*, 47, 363-382.
- [43] Ropega, J. (2020). Novice and Habitual Entrepreneurs and External Business Support Exploitation. *Interdisciplinary Description of Complex Systems*, 18(2-B), 271-85. doi: 10.7906/indecs.18.2.14
- [44] Rudnika, J. (2021). Distribution of the founders of startups in Germany until 2019, by age group. Retrieved from: <https://de.statista.com/statistik/daten/studie/573534/umfrage/verteilung-der-gruender-von-startups-in-deutschland-nach-altersgruppen/>
- [45] Santisteban, J., & Mauricio, D. (2017). Systematic literature review of critical success factors of information technology startups. *Academy of Entrepreneurship Journal*, 23(2), 1-23.
- [46] Schaible, S., Ditsche, J., & Kleipass, U. (2021). Multiplier effects in other industries make the total employment effect four times greater. Munich: Roland Berger. Retrieved from: <https://www.rolandberger.com/en/Insights/Publications/Startups-could-create-almost-4-million-jobs-in-Germany-by-2030.html>
- [47] Saunders, M., Lewis, P., & Thornhill, A. (2015). *Research Methods for Business Students*, 7th ed. Harlow: Pearson.
- [48] Schumpeter, J. (2010). *Capitalism, Socialism and Democracy*. Abingdon: Routledge.
- [49] Simoes, N., Crespo, N., & Moreira, S. (2016). Individual Determinants of Self-Employment Entry: What Do We Really Know?. *Journal of Economic Surveys*, 30(4), 783-806. doi: 10.1111/joes.12111
- [50] Skawińska, E., & Zalewski, R. I. (2020). Success factors of startups in the EU – A comparative study. *Sustainability*, 12(19), 8200. doi: 10.3390/su12198200
- [51] Solimano, A., Lora, E., & Castellani, F. (2013). *Entrepreneurship, the Middle Class, and Social Mobility: An Overview of Literature*. Washington: World Bank.
- [52] Startupdetector (2020). *Startupdetector Report 2020*. Berlin: Startupdetector UG.
- [53] Startupdetector (2022). *Alle neuen Startups entdecken - die Startup-Liste von startupdetector*. Retrieved from: <https://www.startupdetector.de/>
- [54] Sullivan, D., & Meek, W. 2012. “Gender and entrepreneurship: a review and process model.” *Journal of Managerial Psychology*, 27 (5):428-458.
- [55] Tarling, C., Jones, P., & Murphy, L. (2016). Influence of early exposure to family business experience on developing entrepreneurs. *Education & Training*, 58 (7/8), 733-50. doi: 10.1108/ET-03-2016-0050
- [56] Thebaud, S. (2010). Gender and Entrepreneurship as a Career Choice: Do Self-Assessments of Ability Matter?. *Social Psychology Quarterly*, 73(3), 288-304. doi: 10.1177/0190272510377882
- [57] Tidd, J., & Bessant, J. (2021). *Managing Innovation*, 7th ed. Hoboken, NJ: Wiley.
- [58] Velez-Grajales, V., & Velez-Grajales, R. (2014). Is Entrepreneurship Inherited? A Study Of Intergenerational Social Mobility In Mexico. *Latin American Journal of Economics*, 51(2), 247-78. doi: 10.7764/LAJE.51.2.247
- [59] Villalba, C. (2014). Socioeconomic Status (SES). In *Encyclopedia of Quality of Life and Well-Being Research* edited by A. Michalos. Dordrecht: Springer.
- [60] Wee, C., Lim, W., & Lee, R. (1994). Entrepreneurship: A review with implications for further research. *Journal of Small Business and Entrepreneurship*, 11(4), 25-49. doi: 10.1080/08276331.1994.10600470

- [61] Westerheide, F. (2016). The Difference between Hardware and Software Startups. Retrieved from:
<https://www.linkedin.com/pulse/difference-between-hardware-software-startups-westerheide>.
- [62] Yin, R.K. (2013). Validity and generalization in future case study evaluations. *Evaluation*, 19(3), pp. 321-332. doi:
10.1177/1356389013497081
- [63] Zarrouk, H., El Ghak, T., & Bakhouch, A. (2021). Exploring economic and technological determinants of FinTech startups' success and growth in the United Arab Emirates. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(1), 50.
- [64] Zikmund, W., Babin, B., Carr., & Griffin, M. (2013). *Business Research Methods* (9th International ed.). Canada: South-Western Cengage Learning.

Manuscript received: 13.12. 2022

Manuscript received in revised form: 21.03.2023

Manuscript accepted: 13.06.2023