

## **Non-Technical Summary**

**Title:** Family Interactions in the Making of Entrepreneurs in Latvia

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### **Abstract:**

This paper examines relationship between entrepreneurial behaviour of parents and their children in a post-Soviet economy of Latvia.

Many studies from different countries have found that individuals whose parents were business owners are more likely to become entrepreneurs than those from families without such entrepreneurial experience. However, the nature of the causal relationship between entrepreneurship of parents and their children is not clear.

In this paper two hypotheses explaining the nature of this relationship are tested. The first hypothesis states that observed relation is due to children's access to financial capital of parents. The second attributes relationship to the effect of unobserved external factors influencing entrepreneurial behaviour of the whole family.

A post-Soviet economy provides a special setting in which these hypotheses can be tested. The change in the regime allows to model entrepreneurial experience of older generation using different set of explanatory variables than those determining occupational decision of younger individuals. Parental characteristics in the end of Soviet time period are used to instrument parental decision to engage in entrepreneurship after 1990.

The research is based on a representative sample of adult population in Latvia collected for the Global Entrepreneurship Monitor (GEM) survey in 2007 (see <http://www.gemconsortium.org> for the details on GEM project and its methodology). The standard GEM questionnaire in Latvia was complemented with a set of questions about individual demographic characteristics and skills related to entrepreneurial ability, parental background and experiences, respondents' access to capital through family links.

The present research contributes to the literature on the determinants of entrepreneurship in post communist countries. The results suggest that a substantial part of the effect of having parent-entrepreneurs can be explained by financial transfers from parents to children. However, no evidence is found in support of existence of unobserved factors influencing the entrepreneurial behaviour of all family members.

**Key words:**

determinants of entrepreneurship, post-Soviet economy, parent-entrepreneurs, family background, access to finance