

Parental Divorce Affects Future Entrepreneurial Success

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A child's upbringing within his or her family often sows the seeds of entrepreneurial success later in life. Yet, families today are increasingly fragile, and many entrepreneurs have experienced parental divorce during childhood. Some say a divorce has negative consequences for children's development, while others suggest that successfully mastering this challenging experience can give children the strength and resilience needed to later succeed as an entrepreneur. For example, much has been written about how Elon Musk's experience of parental divorce in childhood became an important source of his success as an entrepreneur.

We wanted to explore how divorce affected the success of children who choose entrepreneurship later in life. We suspected that the relationship between divorce and a child's later entrepreneurial performance is more nuanced and complex than frequently assumed, and that it would indeed have both positive and negative effects.

The positive effects could be improved resilience, since the successful mastery of this challenging event can increase individuals' self-efficacy -- their belief in their ability to handle difficult situations, which in turn can help them successfully navigate the uncertain and challenging environment of entrepreneurship. On the other hand, after a divorce custodial parents often have less money and less time. They often can't afford to invest as much in children's cognitive development, and often must work longer hours, leaving them less time for supervising children's education. Constraints in this development of the children's "human capital," such as education and skills, can in turn later hinder their success in entrepreneurship, where advanced cognitive skills are needed to successfully navigate uncertainty and to detect and exploit opportunities.

We suspected that divorce would hurt children's human capital the most when it involved highly educated families, who often enjoy a privileged educational pathway and therefore have more to lose from the parental divorce – in other words, they “fall from high.” We figured that, for these families, this loss of human capital might outweigh any advantages in the form of increased self-efficacy, more than for children from a low-educated family background. Our research confirmed our assumptions.

What We Studied

We used secondary data from the U.S. National Longitudinal Survey of Youth (1979 cohort) and investigated the life courses of 1,735 self-employed individuals, comparing those who experienced a parental divorce in childhood to those who did not experience this event. The survey included data on individuals' education, family backgrounds, and employment histories as well as a retrospective survey on their childhood. Through matching methods we ensured that these two groups of self-employed were demographically similar and comparable. This allowed us to assess how those who experienced a parental divorce in childhood performed as entrepreneurs in their adulthood, compared to their peers whose parents stayed together during their childhood. We measured entrepreneurial performance by the average self-employment income that these individuals earned in their adulthood.

What We Found

Our research showed that the experience of parental divorce in childhood had long-term effects on entrepreneurial performance in adulthood. In line with our expectations, we saw that parental divorce in



childhood had both positive and negative consequences: It created performance advantages by increasing individuals' self-efficacy, but also generated performance disadvantages by constraining their development of their human capital. Furthermore, whether advantages or disadvantages dominated ultimately depended on the parents' education levels: Whereas disadvantages dominated for entrepreneurs with highly educated parents, advantages dominated in the case of entrepreneurs whose parents were less educated. Our study found that success in entrepreneurship today is a function of the entrepreneurs' past, especially the family context in which they have grown up during childhood. Events like parental divorce in childhood can have long-term effects on individuals' performance later in adulthood, suggesting that the seeds for entrepreneurial success are sown already very early in life.

Takeaways

Parental divorce is very common today, often raising fears in parents about its potential negative consequences for their children's personal success. These fears may be especially pertinent for family business owners, who often wish to equip their children with the entrepreneurial skills needed to succeed in the family business should they decide later to join the business as a successor.

Advice for Parents

Our study suggests that parents who get divorced can minimize potential negative effects and even support positive effects of the divorce on children's future success in their entrepreneurial careers. They can do so by proactively investing in developing children's human capital (education, skills) without overprotecting them after the divorce. This allows children to use the challenging time after the divorce as a chance to develop greater independence and self-reliance, which increases their chances to succeed as entrepreneurs later. Therefore, although parental divorce is a challenging event for the family, it is "manageable." By taking appropriate steps, parents can even enable children to develop entrepreneurial strength from this experience.

Advice for Future Business Owners

Our study also carries implications for current or aspiring founders and business owners. From prior research we know that individuals with adverse

childhood experiences tend to be particularly attracted to entrepreneurial careers later in life. Yet, our study suggests that they may also have lower chances to succeed as entrepreneurs if a parental divorce disrupted their education. Future business owners who've experienced these setbacks could benefit from an in-depth reflection on how well their skillset matches with what entrepreneurs need to succeed. Following this reflection, they may seek additional educational programs in business/entrepreneurship to close any potential gap in knowledge and skills. In this way, these aspiring entrepreneurs can successfully leverage the resilience they gained from mastering difficult childhood events, which gives them even a head start over other entrepreneurs who may be less prepared for the challenges.

Advice for Business Educators and Governments

More generally, our study suggests that success in entrepreneurship is a matter of privileged endowments, as individuals from privileged family backgrounds with highly educated parents tend to have better chances to succeed as entrepreneurs later. A parental divorce can make these children lose these privileges, putting them in the same boat as less privileged children with less-educated parents who are still together. Entrepreneurship education as well as governmental programs that aim to foster entrepreneurship may thus increase their impact in society by supporting individuals from all kinds of disadvantaged family backgrounds, including those who became disadvantaged after a divorce.

Conclusion

People often hold negative preconceptions about divorce. Yet, our study suggests that parental divorce can also have positive consequences for children who become entrepreneurs later: greater self-efficacy, independence and maturity. People who run startups, entrepreneur-led ventures, and family businesses that may be affected by divorce can benefit from these insights. Knowing how to support their children during and after the divorce can help entrepreneurs and business owners manage this transition in life with fewer worries and more clarity on what steps to take to ensure the children's future well-being. Ultimately, this helps them to better uphold their focus on the business despite the turmoil in their private life, supporting the stability of the business.

Because we saw that divorce hurt children from well-educated, prosperous families the most, divorce can be a potential hurdle for family businesses owned by privileged family owners who wish to pass on their business to the next generation. Their children may be at a particular risk to get thrown off their privileged educational pathway by the divorce, ultimately reducing the family's pool of capable succession candidates. For family business owners wishing to prepare their offspring for an entrepreneurial career, it therefore seems particularly important to uphold investments of time and resources into the education and cognitive skill development of children after the divorce.

Explore the Research

[Parental divorce in early life and entrepreneurial performance in adulthood](https://www.sciencedirect.com/science/article/pii/S0883902624000120?dgcid=raven_sd_via_email) (https://www.sciencedirect.com/science/article/pii/S0883902624000120?dgcid=raven_sd_via_email). Journal of Business Venturing, May 2024

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