

# Family Business Leaders' Fear of Failure Can Inhibit Next Gens

Seyyede Sharare Bagherian (Sharif University of Technology)

Sonia M. Strano (Louisiana State University)

Sohrab Soleimanof (E.J. Ourso College of Business Louisiana State University )

Jon Carr (North Carolina State University)

S. Alireza Feyzbaksh (Sharif University of Technology)

**KEYWORDS:** family business advice, Help with a family business, family business succession planning.

When parents openly display fear of failing, it can unintentionally portray entrepreneurship as unsafe, undesirable, or even shameful. This doesn't help their successors or the business.

*Why do so many family businesses fail to survive beyond the second generation?* It's a simple but powerful question. After studying 301 Iranian family businesses, we argue that the answer lies not only in passing down assets or skills, but also in passing down identity.

Entrepreneurship is central to keeping family firms alive and competitive, yet many successors struggle to see themselves as entrepreneurs. We wanted to understand why. We know that parent entrepreneurs serve as impactful role models through their behaviors and actions, but our study turned to something often overlooked: parental emotions. These emotions do not remain private; they spill into everyday family life and shape how children view entrepreneurship. In particular, fear of failure sends especially strong signals. When parents openly display fear of failing, it can unintentionally portray entrepreneurship as unsafe, undesirable, or even shameful. This emotional signal weakens the perception that entrepreneurship is central to the parent's identity, which in turn makes it less central for the child as well.

However, we also saw a strong counterweight to those parental signals: When children gain direct work experience in the family business, they shift from relying

on their parents' emotional cues to forming judgments based on their own firsthand encounters with entrepreneurship. Through these experiences, their entrepreneurial identity takes shape not as an inheritance colored by fear, but as a personal identity grounded in lived action and practice.

Our research shines a light on an invisible but powerful force shaping the future of family firms: the way parents' emotions influence whether the next generation embraces—or retreats from—entrepreneurship.

## Planning Our Research

We proposed several hypotheses to guide our research:

- Parents' fear of entrepreneurial failure has a negative effect on children's perception of their parents' entrepreneurial identity centrality (EIC)—that is, the extent to which being an entrepreneur plays a big role in their parents' self-concept.
- Children's perception of their parents' EIC impacts their own EIC for better or for worse: higher (lower) perceived parental EIC leads to higher (lower) child EIC.
- When parents fear that they will fail as entrepreneurs, it has a negative indirect effect on the next generation's EIC through children's perception of their parents' EIC.
- When children work in the family business, their perception of their parents' EIC has less of an impact on their own EIC. As the children's experience increases, the parents' EIC matters even less.

## What We Studied

We conducted a survey of 301 parent and child pairs from small- and medium-sized family businesses in Tehran, Iran. We chose this context because family firms are central to Iran's economy—accounting for nearly 80% of private businesses and playing a major role in job creation and social stability. Moreover, Iran's collectivistic and hierarchical culture heightens the family's role in shaping identity, making it an especially fitting setting to examine how entrepreneurial identity is transmitted across generations.

Our sample was drawn from a larger dataset of 930 SMEs collected through random sampling by a leading Iranian university. From this pool, we identified 642 firms where the owner-founders had children aged 18–30. After obtaining consent, we first interviewed parents, followed by independent interviews with their children, each lasting about 20 minutes. To preserve confidentiality and avoid social influence, interviews were conducted separately, and we used unique codes rather than names to match responses.

We measured key constructs with established scales (Cacciotti et al., 2020; Farmer et al., 2011; Tripathi et al., 2020). We asked parents to rate 18 short statements about their fear of failure in everyday business terms on a 1–7 scale (1 = strongly disagree; 7 = strongly agree). The items covered practical worries such as running out of money or risking personal savings, difficulty securing funding to move the business forward, concern that customers might not be interested in the product or service, and capability/time pressures like managing people or missing important family events. We also asked children to rate their own EIC using eight statements, such as “Becoming an entrepreneur would be an important part of who I am,” and “I often think about becoming an entrepreneur.” In addition, they rated how entrepreneurial they perceive their parent to be, with items like “Being an entrepreneur is an important part of who my mother/father is.” Finally, children reported how many months they had worked in the family business, which we used as their hands-on experience.

We included control variables to account for alternative explanations, such as the age and gender of both parents and children, the parent's education and entrepreneurial experience, and whether the children had formal training in entrepreneurship.

## What We Found

Our study uncovered several important insights. First, we found that parents' entrepreneurial fear of failure negatively shapes their children's entrepreneurial identity centrality. This relationship worked indirectly: when parents experienced strong fear of failure, their children were more likely to perceive their parents' entrepreneurial identity as less central, and that perception in turn weakened their own entrepreneurial identity.

Second, we discovered that work experience in the family business changes the picture. Children who had spent more time working in their family firm were less swayed by their parents' emotional signals. Instead, they drew on their own hands-on experiences to form independent judgments about entrepreneurship. This shows that direct involvement in the business can buffer the intergenerational transmission of fear and support the development of a stronger entrepreneurial identity.

What surprised us was realizing that fear of failure itself functions as an identity-relevant signal. While past research has largely emphasized entrepreneurial passion as the key emotion linked to identity, our findings reveal that negative emotions—especially fear—also carry significant weight. Such emotions quietly communicate whether entrepreneurship is perceived as valued, safe, or central to a parent's self-concept, and children tend to internalize these cues. In other words, entrepreneurial identity is transmitted not only through visible actions, but also through the subtle emotional undercurrents within family life.

## Takeaways

What may be most surprising for many family businesses is that simply growing up in an entrepreneurial household is not enough to guarantee that the next generation will have an entrepreneurial identity and spirit. Transmission of identity depends on how children interpret their parents' identity and emotions.

Here are some important lessons from our research for family business owners, managers, and advisers.

**Start Early to Shape Children's Perceptions.** Entrepreneurial identity does not automatically pass from one generation to the next simply through exposure to the business. It is deeply shaped by how parents express their emotions and how

children interpret these emotional signals. Importantly, this process of identity development and transmission begins at home and very early in a child's life, possibly long before the child formally enters the business. When parents frequently display fear of failure, children may come to view entrepreneurship as risky, unfulfilling, or even threatening to their identity. This can discourage the next generation from embracing entrepreneurship as part of their own self-concept.

### **Strive for Balance in Communicating Emotions.**

This doesn't mean hiding challenges, but rather framing them in ways that do not unintentionally scare away children from entrepreneurship. Managing the expression of negative feelings such as fear of failure—and complementing them with constructive, transparent conversations—can help avoid unintentionally signaling that entrepreneurship is undesirable. Advisors and consultants can support this by equipping families with tools for emotional regulation and identity clarity. Approaches such as emotional intelligence coaching, structured family communication practices, or family retreats focused on shared values and entrepreneurial purpose can help strengthen intergenerational identity transfer.

**Give Children Hands-on Experiences.** Direct involvement in entrepreneurial tasks gives children a grounded, autonomous understanding of entrepreneurship. This reduces the risk that their identity is shaped solely by parental emotions. Managers and advisors should design meaningful developmental pathways—such as rotational roles, project leadership opportunities, or entrepreneurial training within the firm—that allow successors to build their own entrepreneurial identity. And our research showed that the longer the child works in the business, the less impact parental emotions will have on his or her perceptions of entrepreneurship.

In short, ensuring the continuity and competitiveness of family firms requires more than succession planning or technical knowledge transfer. Families must recognize that identity is first shaped at home, actively attend to the emotional signals they send, and complement this with opportunities for experiential learning. Together, these practices can foster stronger entrepreneurial identities in successors and enhance the long-term survival of family firms.

## **Explore the Research**

Bagherian, S.S., Strano, S.M., Soliemanof, S., Carr, J., and Feyzbakhsh, A. (2025) **Entrepreneurial identity formation in family firms: The transgenerational impact of parents' fear of failure.** (<https://www.tandfonline.com/doi/full/10.1080/00472778.2025.2480840?af=R>) Journal of Small Business Management, 1-36.