

**Destination: self-employment**

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## **Geleitwort**

Die in englischer Sprache verfasste Dissertationsschrift „Destination: self-employment“ von Susanne Schlepphorst untersucht verschiedene Bedingungsfaktoren, die die Entscheidung oder das Potenzial zur Aufnahme einer selbstständigen Tätigkeit – sei es in Bezug auf eine originäre Gründung oder sei es im Kontext einer derivativen Gründung – beeinflussen können. Die vorliegende Arbeit konstatiert einen aktuellen Forschungsbedarf, der über die bisher untersuchten individuellen Faktoren und kontextuellen Strukturen hinausgeht und die spezifischen Aspekte zur Befähigung als Gründerin oder Gründer eines Start-ups bzw. für die Position einer Übernehmerin oder eines Übernehmers eines Familienunternehmens vertiefend analysiert. Damit soll zielgruppenspezifisch sensibilisiert und die Vorbereitung von potenziell Selbstständigen gefördert werden, um den Bestand erfolgreicher Unternehmen in Deutschland zu bewahren oder ausbauen zu können. Auslöser für die Diskussion ist die stetig rückläufige Quote der Selbstständigen in Deutschland – bei originären aber auch derivativen Gründungen.

Susanne Schlepphorst analysiert in diesem Kontext, welche Faktoren in Bezug auf die beiden Gründungsarten sehr ähnlich bis deckungsgleich sind und welche sich teils diametral entgegenstehen. Zudem ist für die vorliegende Arbeit von Interesse, wie sich diese Aspekte jeweils auf die eine oder andere Form der unternehmerischen Aktivität auswirken. Theoretische Basis hierfür ist in diesem Kontext die Human- und die Sozialkapitaltheorie sowie in Teilen die Occupational Choice Theorie; darüber hinaus wird in einem Teilprojekt diese Theoriebasis im spezifischen Kontext von Familienunternehmen bewusst erweitert. Empirisch beruht die Untersuchung auf verschiedenen Datensätzen, die zum einen auf qualitativen Interviews, zum anderen auf strukturierten Befragungen beruhen. Entsprechend beantwortet die vorliegende Dissertation drei Leitfragen, mit denen die Qualität aber auch die Anzahl potenzieller Gründerinnen und Gründer verbessert, respektive erhöht werden könnten: Welche Anforderungen werden an welche Art von Gründern gestellt und was bedeutet dies für die Aufnahme einer unternehmerischen Tätigkeit; weiterhin wird hinterfragt, warum bisher in der Gründungsforschung eine spezifische Gruppe von Erwerbstätigen aus der Potenzialanalyse für Gründungen ausgeblendet wurde; und schließlich geht die vorliegende Dissertation darauf ein, welche konkreten Eigenschaften und Fähigkeiten familieninterne Nachfolger aufweisen sollten, um erfolgreich eine Managementposition in einem Familienunternehmen besetzen zu können.

Um diesen innovativen Forschungsfragen nachgehen zu können, wird zunächst in der vorliegenden Dissertation der Rahmen für originäre Gründungen und Nachfolgen gesetzt. Dieser baut auf dem Modell von Gartner (1985) auf. Er hilft, die gewonnenen

Erkenntnisse aus den Teilkapiteln besser einzuordnen und die Hinter- und Beweggründe zur Auseinandersetzung mit der übergeordneten Thematik zu diskutieren. Zugleich lässt er den jeweiligen Erkenntnisbeitrag der empirischen Studien besser einordnen und das individuelle Forschungsergebnis fokussiert darlegen.

Inhaltlich schließt sich dann die Diskussion und Analyse einer spezifische Gruppe von Individuen als potenzielle originäre Gründer an, die in der bisherigen Gründungsforschung als potenzielle (innovative) Gründer noch nicht im Fokus standen, obgleich sie eine Geschäftsidee erkennen und umsetzen könnten – die sogenannten Expatriates. Damit erschließt Susanne Schlepphorst ein völlig neues Feld in der Gründungsforschung, so dass die folgenden beiden Projekte einen innovativen Beitrag zur Gründungsforschung liefern; zum einen auf einer theoretisch-konzeptionellen Ebene, zum anderen auf einer empirischen Basis. So wird zunächst ein Modell der Gründungsneigung bezüglich Expatriates generiert, in dem verschiedene Aspekte sorgfältig zusammengeführt werden. Daraus wird sachlogisch geschlossen, dass Expatriates eine vielversprechende Gruppe von Individuen darstellen, die aufgrund ihrer Ausstattung mit Human- und Sozialkapital spezifische Gründungsideen verfolgen und somit eine hohe Gründungsintention haben können. So erkennen sie unter Umständen aufgrund ihrer Erfahrungen im Ausland einfacher Geschäftschancen, die sich vielleicht auch in ihrem Heimatland implementieren lassen. Ihre internationalen Erfahrungen sowie Netzwerkkontakte können (insbesondere) ‘born globals’ oder ‘early internationalisers’ hervorrufen. Unter Umständen initiieren sie eine Teamgründung, bei der sie aufgrund ihres Wissens und ihrer Kontakte, die diese Prozesse positiv und erfolgreich unterstützen. Insgesamt liefert die vorliegende Dissertation einen großartigen Beitrag in der Gründungsforschung, da sie neue Denkanstöße in diesem Kontext liefert, und weil dadurch besonders die Opportunity Recognition als Hauptmerkmal dieser potenziellen Gründer in den Vordergrund gerückt wird, welche als eine der wichtigsten Fähigkeiten von Gründern im Prozess eines Start-up einzuordnen ist.

In einem zweiten Schritt wird das aufgestellte Modell zur Identifizierung im Hinblick auf die Gruppe der Expatriates als potenzielle erfolgreiche Gründer sowie deren Gründungsintention empirisch getestet – mediiert durch drei wichtige Faktoren: Humankapital, Sozialkapital und Push-Effekte (d. h. Jobperspektive). Dieser Beitrag liefert damit ein spannendes theoretisches Argument, das zwei Forschungsstränge verbindet, die bisher üblicherweise nicht in dieser Kombination betrachtet wurden. Dieses Projekt ergänzt die bisherige Forschung damit um Bedingungsfaktoren, welche die individuellen Attribute von originären Unternehmensgründern auf die Intention und Befähigung beeinflussen. Überdies ist dies eine der wenigen Studien in der Entrepreneurship-Forschung, die Fragestellungen über Länderkontexte hinweg analysiert. Die



Neuartigkeit dieser beiden Studien lässt viel Spielraum für innovative Ansätze in der Gründungsforschung. Dies gilt sowohl auf theoretischem als auch empirischem Level.

In einem dritten Teilbereich stehen dann die derivativen Gründungen im Vordergrund. Dabei wird hinterfragt, welche Aspekte dort im Hinblick auf die Auswahlkriterien für Nachfolger wichtig sind, um dauerhaft und erfolgreich den Bestand an Familienunternehmen – als Rückgrat der deutschen Wirtschaft – zu fördern. Auch in diesem Teil der Dissertationsschrift steht damit eine spannende und noch wenig detailliert behandelte Forschungsfrage im Mittelpunkt, da insbesondere der Rekrutierungsprozess sowie die Anwendung von Selektionskriterien in der familieninternen Nachfolge ein noch wenig untersuchtes Forschungsfeld in der Family Business Forschung darstellen. Auf Basis von Recherchen sowie einer qualitativen Datenanalyse gelingt es Susanne Schlepphorst hier, eine originelle sowie überzeugende und auf andere Fälle übertragbare Typologie zu generieren. Zugleich hat sie modellhaft einen Ablaufprozess erarbeitet. Dies verhilft zu neuen Einsichten in Bezug auf einen professionellen Ablauf bzw. im Hinblick auf die Probleme im Auswahlprozess – gerade auch zwischen den Generationen. Die Übertragbarkeit in die Praxis besticht. Zugleich wird dabei auch deutlich, dass die hier herausgearbeiteten Kriterien nicht nur aufgesetzte Anforderungen darstellen, sondern tatsächlich in der Auswahl angewandt werden, um so die Position eines Nachfolgers auch gegenüber Stakeholdern legitimieren zu können.

Mit der vorliegenden Dissertation und dem bearbeiteten Thema werden damit sehr innovative Forschungsfragen beantwortet, die sowohl für Unternehmen wie auch Politiker interessant sind. Es werden neue Erkenntnisse sowohl für die Forschung im Bereich Personalökonomik, Family Business und Entrepreneurship generiert, die die weitere Auseinandersetzung mit diesem Thema auch in der Zukunft spannend machen. Dies gilt sowohl im Hinblick auf die Frage der Selektionskriterien und ihrem Einfluss auf den nachhaltigen Erfolg bei Übernahmen und Gründungen als auch bezüglich der unterschiedlichen Einflüsse von den Arten der Auslandsaufenthalte, deren Dauern sowie deren kulturelle 'Entfernung' vom Heimatland und die tatsächliche Gründungsentscheidung. Hier bieten sich für die Zukunft sehr spannende Anknüpfungspunkte für die Forschung.

Zudem möchte ich Susanne Schlepphorst an dieser Stelle explizit für ihre hervorragende (Aufbau-)Leistung am Lehrstuhl und in verschiedenen Projektteams danken, die in dieser Arbeit nicht explizit zum Ausdruck kommt, aber die dennoch hier gewürdigt werden soll.

Prof. Dr. Petra Moog



## **Abstract**

The self-employment figures in Germany will likely stagnate or may even decline, given recent demographic changes. This development provides the impetus of this thesis. To counteract this, it needs to mitigate individuals' reservations to take up entrepreneurial activity. This thesis argues that comprehensive information about the typical characteristics of foundings could sensitise individuals toward entrepreneurial activity, induce aspiring entrepreneurs to realise their entrepreneurial ambitions and, moreover, help to increase these foundings' prospects of success. In so doing, this thesis focuses on new venture creation and family business succession through family members among the several paths to self-employment, as these are the two most frequent types of foundings in Germany. In light of these types' relevance for the German economy, economic drawbacks can be expected if the above-mentioned development becomes reality: a lack of competent start-up entrepreneurs or family successors and, therefore, to a stagnating or declining number of promising new venture creations or to shutdowns of profitable family businesses.

In sum, the objective of this thesis is to counteract a possible decreasing number of promising new venture creations and unnecessary shutdowns of viable businesses by portraying the typical characteristics, opportunities and challenges that accompany both entrepreneurial entry modes.

In order to achieve this goal, this thesis first conducts a literature review on the idiosyncrasies of both founding types. In so doing, the pivotal findings systematically describe these types by following the framework of William B. Gartner, who had already delineated the phenomenon of new venture creation in 1985 on the basis of four dimensions, viz., the environment, organisation, process and individual. In particular, this thesis refines the insights on the individual dimension of new venture creation and of family business succession.

Further elaborating new venture creation answers the question of which individuals have the requisite features to discover market opportunities and are willing to enter self-employment but have been left unaddressed in academic research and practice to date. Conceptual deliberations and empirical results reveal that this question applies to long-term international assignees. Job-related assignments increase these assignees' spectrum of skills and abilities and the scope of their social contacts. These factors, in turn, facilitate the identification of market opportunities and – through playing a mediating role, added by career prospects – promote their propensity to get engaged in entrepreneurial activities.

The central issue of the ensuing elaboration on family business succession is which capabilities and attributes family successors must possess in order to hold a leadership

position in the family enterprise. A requirement profile derived from a systematic review of academic research and interviews conducted with predecessors and family successors shows that successors are expected to have extensive and diverse hard and soft skills.

The thesis concludes by extending and updating Gartner's (1985) conceptual framework for describing new venture creation. The abundance of characteristics that have been compiled throughout this PhD thesis and their recursive relationships convey the complexity and multidimensionality of founding processes. The results indicate that a holistic approach is needed to comprehensively understand entrepreneurial activity.

Moreover, juxtaposing the typical characteristics of new venture creation and family business succession provides interesting insights on the similarities and differences between both founding types. These insights offer widespread information on the respective opportunities, challenges and necessary abilities and skills for individuals on both career paths. This information can provide valuable hints to individuals interested in founding ventures to verify whether self-employment corresponds to their profile and can particularly support children of company owners with founding ambitions in weighing which kind of founding may best suit their personal profiles in order to achieve self-employment.

In sum, the results enhance the scientific and practical understanding of new venture creation and family business succession. The results on founding-relevant components and the relationships among them can serve as the basis for prospective research. For example, they can be implemented into software programmes as algorithms to simulate the interplay and dynamics of founding processes. Moreover, the findings on the similarities and dissimilarities of both founding types contribute to academic debates on the relevance of research contexts.

## **Zusammenfassung**

Die Zahl der Selbstständigen wird in naher Zukunft vermutlich stagnieren bzw. könnte angesichts des demografischen Wandels sogar fallen. Um dieser Entwicklung zu begegnen, gilt es, die Vorbehalte gegenüber der Aufnahme einer unternehmerischen Tätigkeit zu mildern. Die vorliegende Dissertation argumentiert, dass umfängliche Kenntnisse über die typischen Gründungsmerkmale die Sensibilität für die unternehmerische Tätigkeit im Allgemeinen erhöhen, gründungsaffine Personen zur Umsetzung ihrer Ambitionen bewegen und zudem die Wahrscheinlichkeit für einen Gründungserfolg steigern können.

Von den zahlreichen Möglichkeiten, eine selbstständige Tätigkeit aufzunehmen, legt diese Arbeit den Schwerpunkt auf die Neugründung und auf die Nachfolge in Familienunternehmen durch Familienmitglieder. Beide Wege zählen zu den am häufigsten gewählten Gründungsformen in Deutschland. Aus diesem Grund sind wirtschaftliche Nachteile für die deutsche Wirtschaft zu erwarten, wenn die oben dargestellte Entwicklung eintritt: Sie könnte in einer unzureichenden Anzahl an kompetenten Neu- und Nachfolgegründern münden, und infolgedessen kann die Anzahl vielversprechender Neugründungen stagnieren bzw. zurückgehen oder rentable Familienunternehmen stillgelegt werden.

Die vorliegende Dissertation soll daher einen Beitrag leisten, dem möglichen Rückgang vielversprechender Neugründungen und der unnötigen Schließung von wirtschaftlich rentablen Familienunternehmen zu begegnen, indem die Merkmale, Chancen und Herausforderungen porträtiert werden, die typisch für sie sind.

Um dieses Ziel zu erreichen, wird zunächst die bestehende Literatur in Bezug auf die spezifischen Merkmale der beiden Gründungsformen gesichtet. Unter Zugrundelegung des konzeptionellen Rahmens von William B. Gartner werden die zentralen Befunde dabei systematisch aufbereitet. Bereits im Jahr 1985 hat er neugegründete Unternehmen mithilfe von vier Dimensionen – Umfeld, Organisation, Prozess und Individualaspekte – beschrieben. Die vorliegende Arbeit verfeinert insbesondere die Erkenntnisse zu der Individual-Dimension im Hinblick auf Unternehmensneugründungen und familieninterne Unternehmensnachfolgen.

Das anschließende Elaborat über Neugründungen beantwortet die Frage, welche in Wissenschaft und Praxis bislang unbeachtete Personengruppe über gründungsrelevante Merkmale verfügt, die sie befähigt, Marktchancen zu identifizieren und die gründungsambitioniert sind. Konzeptionelle Überlegungen und empirische Befunde zeigen, dass dies auf Personen zutrifft, die aus beruflichen Gründen eine längere Zeit im Ausland verbringen. Beruflich bedingte Auslandsaufenthalte vergrößern das Spektrum ihrer fachlichen Fähigkeiten und den Umfang ihrer sozialen Kontakte. Diese Faktoren

wirken sich wiederum begünstigend auf die Identifikation von Geschäftsideen und – als mediierende Faktoren, ergänzt um berufliche Aussichten – auf ihre Gründungsneigung aus.

Im Zentrum des nachfolgenden Elaborats über familieninterne Unternehmensnachfolgen steht die Frage, welche konkreten Fähigkeiten und Merkmale familieninterne Nachfolger mitbringen sollten, um sie für die Führungsposition im Familienunternehmen zu qualifizieren. Das Anforderungsprofil, das aus einer systematischen Auswertung wissenschaftlicher Literatur hergeleitet wurde, sowie die Interviews, die mit Übergebern und Nachfolgern geführt worden sind, lassen darauf schließen, dass von Nachfolgern sehr umfangreiche und vielfältige fachliche und soziale Kompetenzen erwartet werden.

Am Ende dieser Arbeit steht eine erweiterte und aktualisierte Fassung des von William B. Gartner (1985) erstellten konzeptionellen Rahmens zur Beschreibung von Unternehmensneugründungen. Die Vielzahl der identifizierten Merkmale, die im Verlauf der vorliegenden Dissertation zusammengetragen werden, sowie ihre rekursiven Beziehungen vermitteln die Komplexität und Multidimensionalität von Gründungsprozessen. Die Ergebnisse machen deutlich, dass es einen holistischen Ansatz bedarf, um unternehmerische Tätigkeiten umfänglich verstehen zu können.

Darüber hinaus gibt die Gegenüberstellung der typischen Merkmale von Neugegründungen mit familieninternen Unternehmensnachfolgen interessante Einblicke über deren Ähnlichkeiten und Unterschiede. Diese Erkenntnisse bieten umfangreiche Informationen über die jeweiligen Chancen, Herausforderungen und gründungsrelevanten Kompetenzen beider Wege in die Selbstständigkeit. Diese Informationen können gründungsinteressierte Personen Hinweise liefern, ob die selbstständige Tätigkeit ihrem Profil entspricht. Darüber hinaus dürfte die Gegenüberstellung insbesondere gründungsambitionierte Unternehmerkinder bei der Abwägung unterstützen, welche Gründungsform besser zu ihren persönlichen Profilen passt, um das Ziel ihrer beruflichen Selbstständigkeit zu erreichen.

Die Ergebnisse fördern insgesamt das Verständnis für Neugründungen und familieninterne Unternehmensnachfolgen sowohl in wissenschaftlicher als auch in praktischer Hinsicht. Die vorliegenden Befunde über die gründungsrelevanten Komponenten und deren Beziehungen untereinander können mitunter als Grundlage für künftige Forschungsarbeiten dienen und in Form von Algorithmen in Softwareprogrammen implementiert werden, um die Wechselwirkung und die Dynamik von Gründungsprozessen computergestützt zu simulieren. Darüber hinaus tragen die identifizierten Ähnlichkeiten und Unterschiede zwischen den beiden Gründungsformen zur wissenschaftlichen Debatte über die Relevanz des Forschungskontextes bei.

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## List of Abbreviations

AMR	Academy of Management Review
AMJ	Academy of Management Journal
ß	Beta
CEO	Chief Executive Officer
ed./eds.	editor/s
e.g.	exempli gratia: for example
et al.	et alii: and others
etc.	et cetera: and the rest
ETP	Entrepreneurship Theory & Practice
EU	European Union
EUR	Euro
FBR	Family Business Review
fn	footnote
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GNP	Gross National Product
HC	Human Capital
HCN	Host Country Nationals
IA	International Assignment
i.e.	id est: that is
IfM Bonn	Institut für Mittelstandsforschung (IfM) Bonn
JBV	Journal of Business Venturing
JFBS	Journal of Family Business Strategy
JSBM	Journal of Small Business Management
KfW	Kreditanstalt für Wiederaufbau
n	sample size
p	statistical significance
p./pp.	page/s
pre	predecessor
Q	question
SC	Social Capital
SD	Standard Deviation
SME	Small and Medium-Sized Enterprises
SOEP	Socio-Economic Panel
suc	successor
U.S.	United States

viz.	videlicet: in other words
vs.	versus
ZEW	Zentrum für Europäische Wirtschaftsforschung

## Part A: The phenomenon of foundings

### 1. Introduction

#### 1.1 Background and research aim

Practitioners, politicians and scholars have devoted great attention to fostering the quantity and quality of foundings. In this regard, the low self-employment rate in Germany, which amounted to 11 per cent in 2014 and which is lower than in other countries with similar structures (Destatis, 2016), certainly does not signal the quality or economic efficiency of foundings in general. The anticipated development of self-employment figures, however, may be a cause of distress. While the number of self-employed individuals<sup>1</sup> has been rising continuously in the last decade in Germany (Mai and Marder-Puch, 2013; Fritsch, Kritikos and Rusakova 2012a, p.26), as a result of demographic development, the number of self-employed individuals is expected to stagnate (Fritsch et al., 2012a, p.26) or even to decline in future (Licht, 2014, p.7; Kriese, 2006). This stagnation or decline could lead to fewer promising business creations or to shutdowns of viable businesses, which would have adverse economic ramifications. It is therefore necessary to, on one hand, mitigate individuals' reservations to take up entrepreneurial activity and, on the other, to ensure the suitability of potential founders to best meet the founding-relevant requirements.

Among the various ways to enter self-employment, scientific research abounds on the two ways to found a business, namely, new venture creation and business takeover.<sup>2</sup> Both entry modes are often simply referred to as 'foundings'. In several regards, both founding processes resemble concerning accompanying challenges and conditions and the opportunities arising from them. However, strictly speaking, start-up entrepreneurs and successors enter businesses at different stages of the corporate life cycle. While start-up entrepreneurs establish a totally new economic entity whose structure needs to emerge, successors take over a pre-existing and pre-structured

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<sup>1</sup> For simplicity, the current study generally refers to single male founders.

<sup>2</sup> Opinions diverge widely regarding whether and, if necessary, how to differentiate between self-employment and entrepreneurship (see Parker, 2004, pp.5 for a brief discussion of this issue). Several academics argue that self-employed individuals are not identical to entrepreneurs (e.g., Bradley and Roberts, 2004, p.38), arguing that, for example, unlike self-employed individuals, entrepreneurs employ employees (Parker, 2004, p.5). Blanchflower (2000, p.473) even calls self-employment the "*simplest kind of entrepreneurship*". This PhD thesis, however, does not distinguish between self-employed individuals and entrepreneurial individuals and thereby follows the popular imagination that self-employment and entrepreneurship are strongly related (Bradley and Roberts, 2004, p.38). On one hand, both are residual claimants who bear the residual risks of business life (Parker, 2004, p.5). On the other, entrepreneurship covers a broad range of topics, including research on family businesses (Schmude, Welter and Heumann, 2008, p.303) whose roots lie in the creation of new ventures. Thus, newly created ventures and business takeovers are both parts of entrepreneurship. Henceforth, the terms 'self-employment' and 'entrepreneurship' are used synonymously.

company whose economic identity may be subsequently amended (Szyperski and Nathusius, 1977, pp.26). As a consequence of these different starting points, in some respects both founder types face dissimilar challenges, opportunities and attendant circumstances and therefore must possess different attributes, abilities and skills to handle the respective situations. It is thus too simplistic to equate new venture creation with takeover.

Comprehensive knowledge of the characteristics and requirements of both entrepreneurial entry modes could sensitise individuals to take foundings as a potential career perspective into account, induce aspiring entrepreneurs to actually put their ambitions into practice and help to increase these foundings' prospects of success. This knowledge may particularly help children of company owners in deciding whether the takeover of the family business is the optimal form of entrepreneurial activity or whether new venture creation may be the more suitable way to achieve self-employment. A systematic and comprehensive illustration of the both opportunities to enter self-employment is, however, lacking to date. This thesis thus aims to answer the following research question:

*(1) What are the characteristics of new venture creation and family business succession, and which coincide or clash?*

An indispensable condition for establishing a new business is, in fact, the identification and further exploitation of a market opportunity (European Commission, 2007, p.7/15). To date, this topic is an important area of entrepreneurship research and has devoted great attention to the questions on “*why, when, and how*” (potential) entrepreneurs identify business opportunities (Shane and Venkataraman, 2000, p.218). In so doing, research outcomes show that individuals need a great variety of features, for example, some degree of alertness (e.g., Baron, 2006; DeTienne and Chandler, 2004), a “*sensitivity to market needs and (...) an ability to spot suboptimal deployment of resources*” (Ardichvili, Cardozo and Ray, 2003, p.106), knowledge of customer problems, life experience, intelligence, creativity, and self-efficacy beliefs (e.g., Baron, 2006; DeTienne and Chandler, 2004; Ardichvili et al., 2003, p.106; Krueger and Brazeal, 1994). Two factors particularly crystallise: human capital in form of knowledge and experience, as well as social capital in form of existing personal networks are often discussed as major aspects that influence opportunity recognition (e.g., Arenius and De Clerq, 2005; Davidsson and Honig, 2003; Singh, Hills, Hybels and Lumpkin, 1999). The ability to identify individuals who – due to the presence of these specific properties and skills – may be receptive to recognising and acting upon viable business opportunities could have positive effects on the anticipated development of self-



employment figures. In this regard, recent research has already explored the influence of human and/or social capital endowments on opportunity identification of university students (e.g., DeTienne and Chandler, 2004) and women (e.g., DeTienne and Chandler, 2007). Nonetheless, by answering the following research question this thesis aims to identify a further group of potential start-up entrepreneurs:

*(2) What kind of individuals are well equipped with properties and abilities to discover market opportunities and who may be willing to enter self-employment?*

In reality, today's new ventures could be tomorrow's family businesses (Aronoff and Ward, 1995, p.124). Then, in due course, incumbents find themselves confronted with the question of whether to pass the business to the next generation. In doing so, the majority strive for a transfer, with a predisposition for the transfer to descendants. In fact, parent-child successions are the most common means of transfer (Moog, Kay, Schlömer-Laufen and Schlepphorst, 2012). However, given the unavailability of alternative external successor candidates or incumbents' unwillingness to pass the business over to someone from outside the family, the continuity of the business is in danger if no suitable family successor is at hand. Indeed, among many factors, a crucial argument that impedes parents from passing the business refers to heirs' underqualification. In fact, the replacement of the retiring executive with a competent successor is a key factor of ensuring an efficient and successful transfer. According to Motwani, Levenburg, Schwarz and Blankson (2006), the presence of a competent successor is one of the most important factors in initiating succession planning in small and medium-sized enterprises (SMEs). De Massis, Chua and Chrisman (2008, pp.185) indicate that successors' insufficient qualifications fundamentally cause potential successors to deny a takeover and/or the parties involved within the succession process to reject the potential successor.

Although research has long placed considerable emphasis on the need for business succession through capable family successors, prior research on family successors' requisite features is either astonishingly scarce (see Sharma and Rao, 2000 and Chrisman, Chua and Sharma, 1998 for an exception) or has overall remained unclear about the kind of features that actually determine successors' capabilities. The shortage of prevailing research calls for examining a more comprehensive picture of requisite successor attributes. Systematic research on this topic is critical to ensure well-targeted and effective successor preparation, training and selection and, finally, to increase the number of capable successor candidates among family members. This thesis thus aims to answer the following research question:

*(3) What kind of capabilities and attributes do family successors need to qualify them for a leadership position in the family enterprise?*

## **1.2 Methodological approaches and research framework**

This PhD thesis consists of four parts, A to D. Part A explains the characteristics of new venture creation and the intergenerational family business succession. It begins by assigning both founding types to a schema about potential paths to self-employment. It then presents the conceptual framework by Gartner (1985), which lays the structural basis for this thesis. Gartner (1985) describes new venture creation by means of four dimensions, namely, the characteristics of the start-up entrepreneur, the organisation to be built, the environment and the necessary activities in the course of the founding process. On the basis of these four dimensions, part A systematically reviews scientific literature to portray the key characteristics of both self-employment career paths, including its opportunities, challenges, potential hurdles and difficulties. Graphical summaries describe the results vividly.

In two chapters, part B addresses the second research question about possible individuals who may be well-equipped with properties and abilities that allow them to discover market opportunities and who may be willing to enter self-employment. These chapters differ with regard to the outcome studied and the methodological approaches used. In doing so, chapter 3 focuses on issues commonly considered to have positive effects on the identification and exploitation of market opportunities, namely, the human capital theory (Becker, 1964; 1962), the social capital theory (Lin, 2001; Coleman, 1990) and the Jack-of-all trades approach (Lazear, 2005; 2004) and appoints them to a specific group of individuals: repatriates. More precisely, the theoretical deliberations in this chapter verify whether the scope and heterogeneity of skill sets and experiences, as well as the extent and diversity of social contacts of individuals with long-term international business experience may sensitise these kinds of individuals to recognise market opportunities and, thus, to be a promising target group for self-employment. Following this conceptual discussion, chapter 4 raises the question of whether employees with experiences gained through long-term international assignments are well equipped with heterogeneous human capital and extensive social capital endowments that promote entrepreneurial intentions. As returnees often face unsatisfactory career prospects (Bonache, 2005), which – following entrepreneurship research – encourages the decision to become self-employed (Watson, Hogarth-Scott and Wilson, 1998, p.222), career prospects supplement the theoretical relationship between international work-related experiences and entrepreneurial intentions. On the basis of primary data gathered through an online

survey targeting professionals in Austria, Germany and Switzerland, chapter 4 empirically examines whether the named factors affect the entrepreneurial intentions of long-term international assignees through mediating effects.

Finally, as the theoretical deliberations and empirical findings in part B provide further information on the characteristics of start-up entrepreneurs, part B closes by adding further variables to the individual dimension to describe the new venture creation process.

In part C, chapter 5 addresses the third research question about the capabilities and attributes that successors from inside the family should possess to properly fill top management positions in family businesses. It addresses the development of a general requirement profile of family successors derived through an extensive collection of exigencies and recommendations stated in the most widely acknowledged and leading peer-reviewed journals on management, family business and organisational research. The findings are subsequently categorised inductively. Ensuing analyses of interviews conducted with predecessors and successors verify whether the requirement profile derived from the literature review corresponds with the one applied in practice. Thus, as successors' suitability for the managerial position in a family business remains unaddressed in the family business context, the objective of this part is to fill this research gap.

Finally, as the theoretical deliberations and empirical findings in part C provide further information on the characteristics of family business successors, part C closes by adding further variables to the individual dimension of the family business succession process.

The final part, part D, draws conclusions on both paths to self-employment. It first extends Gartner's (1985) conceptual framework for new venture creation on the basis of more recently published research presented throughout the entire thesis. Then, it answers the research question on the characteristics in which new venture creation and intergenerational family business succession coincide or clash. After that, part D reflects the results in light of the objective of this thesis: to counteract a possible decreasing number of promising new venture creations and unnecessary shutdowns of viable businesses by portraying the idiosyncrasies of both entrepreneurial entry modes. Finally, this part reports the limitations of this thesis and comments on questions that may be addressed in future research.

Parts of this PhD thesis have been submitted to or published in academic journals after passing peer review processes. Table 1 provides an overview of the authors, my individual contribution to each study and the current status of each study.

**Table 1: Overview of studies**

Repatriates as entrepreneurs? – A theoretical analysis	
Published:	2013, <i>International Journal of Entrepreneurial Venturing</i> , 5(3), 292–309. <a href="http://dx.doi.org/10.1504/IJEV.2013.055295">http://dx.doi.org/10.1504/IJEV.2013.055295</a> .
Authors:	Elizabeth C. Burer, Susanne Schlepphorst, Arndt Werner, Petra Moog
	In this chapter, I was in charge of developing the research question, deriving the propositions and writing large parts of the chapter. In the review process, I contributed by conducting the additional analyses requested by the referees, as well as incorporating further comments and changes.

The effect of international assignments on entrepreneurial intentions among employees	
Published:	Working paper
Authors:	Susanne Schlepphorst, Elizabeth C. Kötter, Arndt Werner, Christian Soost, Petra Moog
	In this chapter, I was in charge of developing the research question, deriving the propositions and writing large parts of it. Additionally, I was significantly involved in developing the questionnaire and conducting the survey.

Left in the dark: Family successors' requirement profiles in the family business succession process	
Published:	2014, <i>Journal of Family Business Strategy</i> , 5(4), 358–371. <a href="http://dx.doi.org/10.1016/j.jfbs.2014.08.004">http://dx.doi.org/10.1016/j.jfbs.2014.08.004</a> .
Authors:	Susanne Schlepphorst, Petra Moog
	In this chapter, I was significantly involved in developing the interview guidelines, and I conducted approximately half of the interviews. I developed the research question, analysed the data and wrote the chapter on my own. In the review process, I conducted the additional analyses requested by the referees and incorporated further comments and changes.

## 2. Paths to self-employment

According to Szyperski and Nathusius (1977, p.27) the various options for assuming entrepreneurial activities can be subdivided into two domains, namely, a) the degree of autonomy that the entrepreneurial activity allows and b) the structural characteristics of the organisation.

The degree of autonomy, in turn, varies between founders who act a) independently and of their own responsibility to create an autonomous entrepreneurial existence and b) on behalf of another organisation, i.e., the founding process takes place within a current job assignment.

The structural characteristics of the organisation, on the other hand, vary between nascent entrepreneurs<sup>3</sup> who a) establish a totally new economic entity – including organisational structures – from scratch and b) take over a pre-existing and pre-structured company whose economic identity may be subsequently amended (Szyperski and Nathusius, 1977, pp.26). Table 2 visualises these paths to self-employment as a four-field matrix.

**Table 2: Paths to self-employment**

Degree of autonomy \ Structural characteristics	Pre-structured company	New entity
Low autonomy	Mergers, Spin-offs, Consolidations	Establishment of subsidiaries/branches
High autonomy	Business succession	New venture

Source: Own illustration, based on Szyperski and Nathusius (1977, p.27).

The focal point of this PhD thesis is, on one hand, the new venture creation and, on the other hand, the (family) business succession. Both modes of entry into self-employment provide founders with the opportunity to act autonomously. However, as founders enter companies at different stages in the business life cycle, both kinds of foundings differ in terms of the pre-existence of organisational structures.

While newly created ventures enter the birth phase, takeovers can take place in the course of the complete evolution of the organisation, i.e., in times of birth, growth, maturity, revival and decline (Miller and Friesen, 1984, p.1162). The consequences of

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<sup>3</sup> Nascent founders are individuals who are engaged in initial actions to establish a new venture whose operation has not yet begun (Carter, Gartner and Reynolds, 1996, p.151).

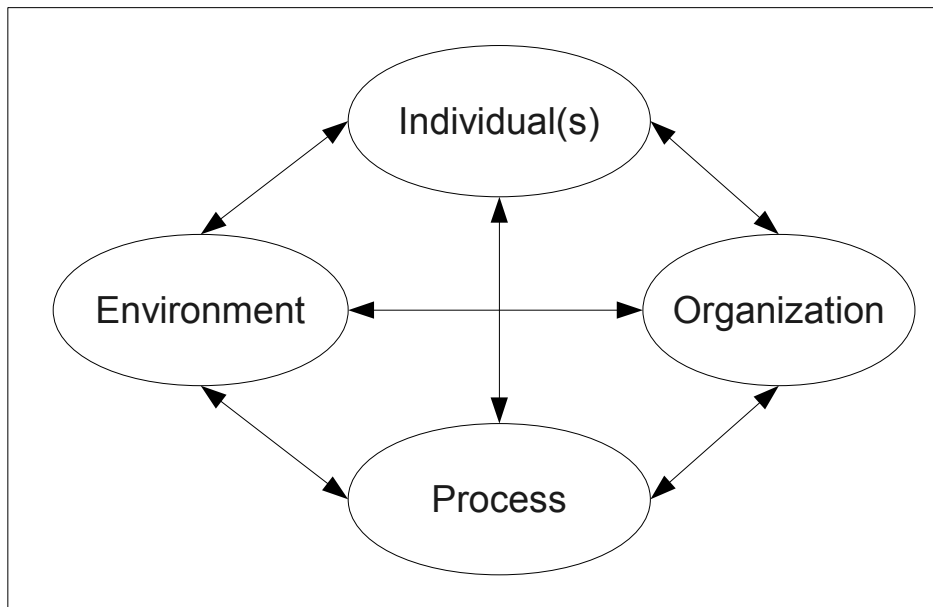
the disparate starting points entail founders to, in some respects, face divergent situations and opportunities and, thus, to a certain extent, to provide different attributes, abilities and skills to handle the respective situation.

To portray the characteristics of the paths to self-employment and their challenges, opportunities and obstacles, the systematic analyses in the following sections 2.1 and 2.2 draw on the logic of Gartner's (1985, p.696) conceptual framework by means of four dimensions:

- [1] "the characteristics of the individual(s) who start the venture,
- [2] the organization which they create,
- [3] the environment surrounding the new venture, and
- [4] the process by which the new venture is started". (see Figure 1)

While the individual level refers to the personal attributes and background of the founder (Werner, 2011a, p.5; Gartner, 1985, pp.699), the organisational dimension refers to the characteristics and structure of the enterprise. The founding process concerns the activities undertaken to found the business. Finally, the environmental dimension relates to the characteristics of the surroundings in which the organisation is embedded (Gartner, 1985, pp.699).

**Figure 1: Framework for describing foundings**

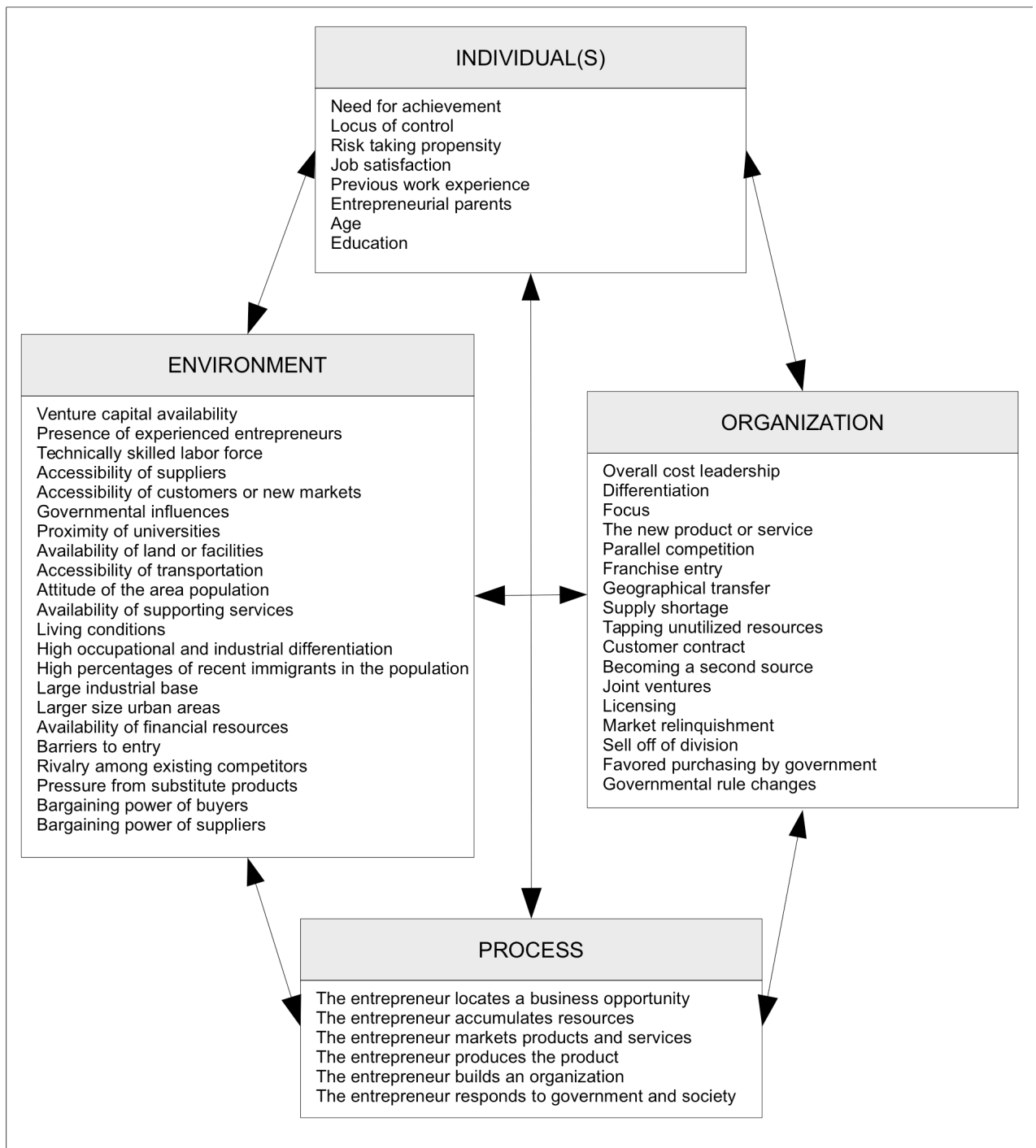


Source: Gartner (1985, p.698).

Gartner (1985) addresses the framework to describe the phenomenon of new venture creation. To establish the concept, he compiles and organises the determinants of entrepreneurs and their start-up companies according to prior

theoretical and empirical research current at that point in time. Figure 2 illustrates the identified influencing variables for each dimension. Nonetheless, Gartner (1985, p.704) notes that the variables for each dimension are not necessarily comprehensive. This thesis takes this opportunity to add to this framework further key variables derived from a literature review covering more updated scientific conceptual and empirical results. These variables are described in the ensuing sections.

**Figure 2: New venture creation variables**



Source: Gartner (1985, p.702).

Following Gartner (1985, p.698), who states, “[n]o new venture creation can be comprehensively described, nor can its complexity be adequately accounted for, unless all of its four dimensions are investigated”, this thesis considers the four dimensions to also suit to describe business takeovers by founders’ children. Kessler and Frank (2009, p.725), who apply a similar model when examining the founding success of nascent entrepreneurs, indicate that “[s]uch a conception is (...) useful (...) to identify as many significant influencing factors as possible”.

Therefore, the following sections condense the results of existing research literature on, first, new venture creation and, second, planned family business takeover on each dimension and their variables.

## **2.1 New venture creation**

### **2.1.1 Environmental dimension**

#### Economic effects of foundings

While the environmental dimension primarily concerns the contextual factors that influence foundings (Gartner, 1985, pp.700), a comprehensive discussion on foundings can be achieved only by also capturing the debates on their economic contributions. Therefore, this thesis adopts the opposite view; it also describes the influences that new ventures have on the environment, as is commonly discussed, or, respectively, how new ventures influence the economy.

The survival of newly created ventures is desirable, as, among other reasons, new ventures make a sustainable contribution to the economy in the long run by enhancing competition (Fritsch, 2008, p.3), by developing innovative ideas into marketable products (Metzger, 2014; May-Strobl and Haunschild, 2013, pp.VIII), by promoting technological progress (May-Strobl and Haunschild, 2013) and by crowding out inefficient companies (May-Strobl and Haunschild, 2013, p.11; Baptista and Preto, 2011, p.420; Sternberg and Wennekers, 2005, p.194). In other words, by encouraging development and rejuvenation, new ventures represent an economic cornerstone (May-Strobl and Haunschild, 2013, pp.50; Fritsch, 2008, p.1). Beyond that, surviving new ventures should be conducive to positive employment opportunities by providing a workplace for the founder and, often, for other individuals (Metzger, 2014; May-Strobl and Haunschild, 2013; Rink, Seiwert and Opfermann, 2013, p.435; Baptista and Preto, 2011; Birch, 1981, p.8).

In the recent past, researchers considered economic effects in a more differentiated way: not only do the sheer number of newly created enterprises contribute to the economy, but the quality of new ventures also decides the level of economic contribution (Schneck and May-Strobl, 2013). Shane (2009, p.146) resolves that common start-ups do not inevitably lead to positive employment, growth and



wealth effects. In fact, few of all new enterprises, such as companies in knowledge-intensive branches and sectors that particularly engage in research and development (Schneck and May-Strobl, 2013), have such a high growth potential to enhance economic progress (see also Schindele and Weyh, 2011, pp.360; Wong, Ho and Autio, 2005, p.344). Schindele and Weyh (2011, pp.355) find that the initial positive employment effects of new entrants reverse over time. That means, the number of people employed drops below the initial number of people engaged after a certain period of time. In a similar vein, Mueller, van Stel and Storey (2008, p.60) find a pattern in that new venture creations indeed entail preliminarily a positive employment effect that is followed by a downturn. With the passage of time, employment increases again.

The results of Schneck and May-Strobl (2013, p.22) and Rink et al. (2013, p.434) reveal that the majority of newly created businesses provide a workplace solely to the founder and are thus not conducive to additional job creation, producing instead an increasing number of self-employed individuals without staff (Federal Statistical Office, 2014; Welter, May-Strobl, Wolter and Günterberg, 2014). These own-account workers intend to safeguard their own livelihoods.

#### Conditions around foundings

Whether a new venture enters the market is profoundly subject to a considerable number and variety of (changing) preset conditions, though their respective influences are not necessarily empirically confirmed, as noted by Wagner (1994). In the following, several of these conditions are depicted.

Certainly, the overall prevailing and anticipated economic situation is a pivotal factor driving the willingness to enter self-employment (Fritsch, Kritikos and Pijnenburg, 2013a, p.4; Günterberg, Kohn and Niefert, 2010, p.42).

In simple terms, from a pro-cyclical view, in times of favourable economic situations or if positive economic prospects are anticipated, an increase in founding activities might be expected (Fritsch et al., 2013a, p.4; 2013b, p.3). Therefore, as a result of an overall optimistic view about prospective economic development and expected rising market demands, individuals with founding aspirations may be encouraged to enter self-employment (Fritsch et al., 2013a, p.4; Günterberg et al., 2010, p.42). At the same time, however, better employment opportunities and higher or more secure wages increase the opportunity costs of changing from wage employment into self-employment and, thus, make self-employment less attractive (Saridakis, Marlow and Storey, 2014; Fritsch et al., 2013a, p.4; Günterberg et al., 2010, p.42).

Following this principle, given less favourable economic conditions or expected poor economic prospects, these effects should reverse. Therefore, individuals who

aspire to self-employment may be discouraged by uncertain economic prospects, a lower level of investment certainty and a more restrictive credit policy that impede founding activities (Fritsch et al., 2013a, p.4).

From a counter-cyclical view, however, the opposite can be assumed, namely, that in response to downturn-typical deterioration in the labour market, marked by an increase in the unemployment rate and lower real wages, the hope of prospective higher income by taking up self-employment may induce individuals to – with some time lag – be pushed into self-employment (Fritsch et al., 2013a, p.4) despite the fact that the probability of business success and survival decreases (Constant and Zimmermann, 2006, p.299, fn3).

The question of whether a rise in the self-employment rate is a response to an either favourable or less favourable economic development has long been researched, though the results are still mixed. While, e.g., Fritsch et al. (2013b, p.19) and Bögenhold and Staber (1991, p.232) are advocates of the counter-cyclical pattern, other scholars, including Rampini (2004, p.570) and Grant (1996, p.38), are proponents of the pro-cyclical pattern.

Apart from the growth potential within the industry that belongs to a pivotal factor influencing the start-up decision and success (Dean and Meyer, 1996), practitioners, researchers and entrepreneurs often view regulations that accompany the new venture creation process to be a critical factor. While the necessity to comply with legal requirements (e.g., accounting regulations or the need for specific insurance) is likely to have positive effects on the quality and sustainability of the new venture, they are commonly perceived to hamper or postpone the founding process or even to distract aspiring founders from entering self-employment (e.g., Brockmann, 2011, p.122; Verheul, Wennekers, Audretsch and Thurik, 2001, p.48).

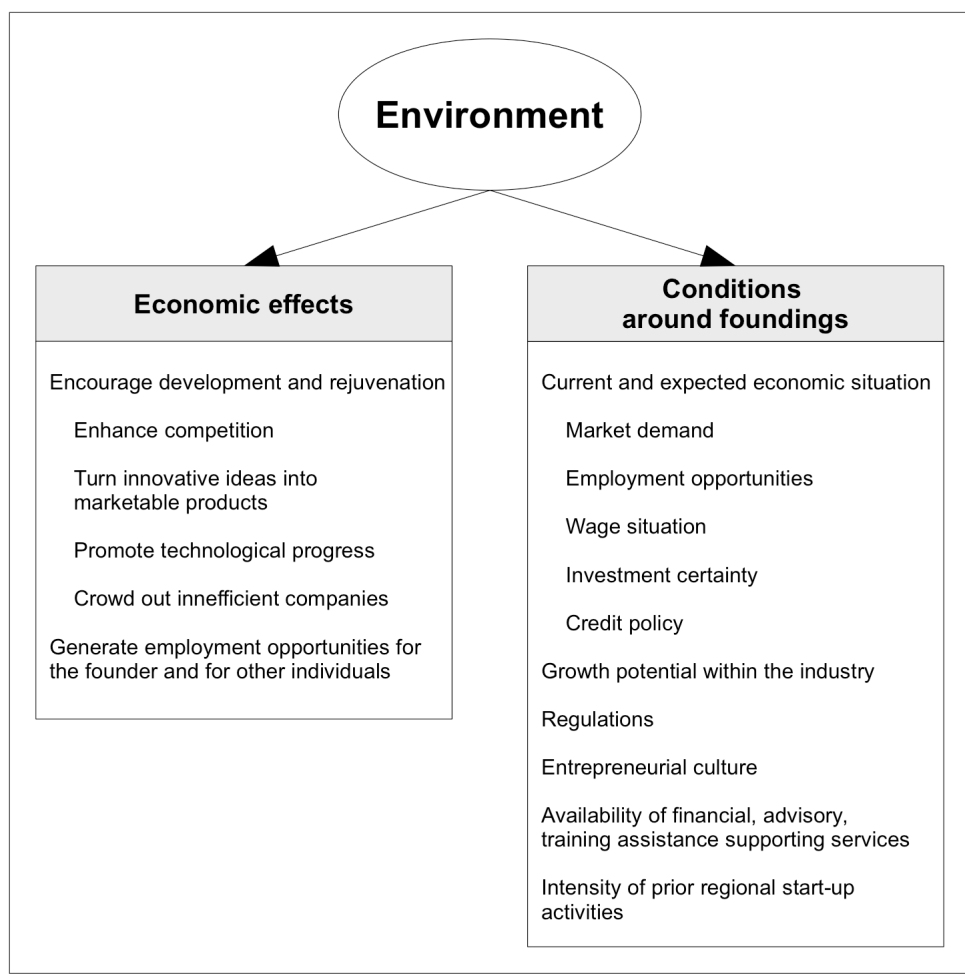
Moreover, there has been considerable interest in entrepreneurship research to an intangible environmental influencing factor, namely, the society's attitude towards entrepreneurship, because a prevailing positive view of entrepreneurial activity generally supports entrepreneurial activity (Morrison, 2000, p.63), disregarding the kind of founding. In an entrepreneurial culture in which, e.g., failed entrepreneurs are not stigmatised, the willingness to enter self-employment rises (Venkataraman, 2004).

Also, the provision of financial, advisory and training assistance supporting services can be considered to encourage aspiring founders to successfully carry out viable business ideas. Through comprehensively and competently advising founders in realising their start-ups (including a possible dissuasion in the case of unviable business ideas), they also improve the quality of the new venture (GründerZeiten,

2013). Finally, start-up activities in the local environment, in turn, can reinforce (future) entrepreneurial activities, as shown by Mueller (2006, pp.50), who finds that the intensity of previous start-up activities within a region facilitates the decision of aspiring entrepreneurs to finally take the step into self-employment.

*To summarise, the discussion above highlights the recursive relationship between foundings and their surroundings on the basis of two inductively derived categories (see Figure 3). The discussion reveals that new ventures contribute to the economy in several regards. It can be expected that these economic effects do not give individuals personal incentives to launch a new business, with the exception of providing an own workplace. In contrast, the characteristics employed to delineate how surrounding conditions affect foundings – separately or together – influence individuals’ willingness to a higher degree.*

**Figure 3: Variables of the environmental dimension of new venture creation**



Source: Own illustration (2016).

## 2.1.2 Organisational dimension

### Reasons for failure

Because new ventures contribute to the economy only if they survive, the question of why some businesses survive the entry phase while others do not has long been the focus of entrepreneurship research. In fact, new ventures – especially the smallest ones – are susceptible to cease operations only a short time after inception (Rink et al., 2013, p.434). Several studies pay attention on the high hazard rates of newly created businesses; data analyses on the U.S. Census Business Information Tracking Series on employer firms, for example, indicate that in the first two years, 34 per cent of new ventures cease operations, and 51 per cent do so within four years (Headd, 2003, p.59).<sup>4</sup> Recent results of the Federal Statistical Office reveal that of all new ventures created in Germany in 2005, 41 per cent survived until 2010 (Rink et al., 2013, p.436). In their examination of the evolution of new venture cohorts in West Germany over a period of up to 18 years, Fritsch and Weyh (2006, p.256) obtain similar results; only approximately 50 per cent of new ventures remained on the market five years after inception.

There are several reasons for business failure that certainly rely on (the combination of) various variables in the environmental, individual, process and organisational dimensions. Among them, one goes back to the hubris theory. Following the conceptual deliberations of Hayward, Shepherd and Griffin (2006), overconfident individuals are prone to both establishing a new business and letting it fail. Their tendency for failure is explained in that hubristic founders fall victim to misjudging or overlooking important facets in several regards that possibly result in inefficient management. Specifically, overconfident founders overestimate the prospect of new venture success, believe too much in their skills, disregard or underestimate inconvenient information, underrate risk, fail to provide sufficient initial resources, and/or raise and misallocate resources insufficiently and inadequately.<sup>5</sup>

However, researchers prevalently explore the mortality rates of enterprises against the backdrop of their ages – labelled liabilities of newness, adolescence and ageing – and company size – labelled the liability of smallness. These views attribute business failure to ventures' characteristics.

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<sup>4</sup> It should be acknowledged, however, that firm cessations need not necessarily be associated with failures, but may be successful closures. Headd (2003, p.56), for example, estimates that approximately one-third of entrepreneurs who had closed their businesses perceived the business to be prosperous at shutdown.

<sup>5</sup> For further elaboration of the reasons for and negative effects of hubristic founders, see Hayward et al. (2006).

In the context of new venture creation, the liability of newness, smallness and adolescence have frequently been verified empirically (e.g., Fackler, Schnabel and Wagner, 2013, p.691; Schindele and Weyh, 2011, p.357; Strotmann, 2007, p.95; Audretsch and Mahmood, 1994, p.49; Barron, West and Hannan, 1994; Brüderl and Schüssler, 1990; Freeman, Carroll and Hannan, 1983).

Fundamentally, the 'liability of newness' is rooted in the multifaceted challenges that ventures face when they come into being.<sup>6</sup> Stinchcombe (1965), who coined the term, argues that new firm members must become acquainted with new roles and needed skills in order to enable efficient organisational functioning.<sup>7</sup> Until they have fully acquired these necessities, the new venture must cope with the general knowledge at hand. New habits must evolve and become integrated into the organisational structure. These learning processes can be costly, cause conflicts and worries and negatively affect efficiency. Additionally, at the beginning of a new venture, the organisation lacks certainty, i.e., the entrepreneur often must believe and simply trust information given to him. Furthermore, unseasoned organisations are not fully informed of their cost function and can thus only assess their optimal output (Jovanovic, 1982, cited by Wolter, Werner and Schneck, 2015, p.5) and also lack stable ties to stakeholders. Moreover, new enterprises are more vulnerable to external upheavals than older firms (Barron et al., 1994, p.386); this is particularly true if elementary assets are used before "*value-creating strategic assets*" are established (Thornhill and Amit, 2003, p.505). However, as time passes, new ventures develop trust, effective routines, structures, and stable networks and gradually learn to gain the profit-optimised output and accumulate assets and experience that decrease the liability of newness phenomenon (Thornhill and Amit, 2003; Jovanovic, 1982, cited by Wolter et al., 2015, p.5; Stinchcombe, 1965, p.148).

However, this age-hazard rate relationship is not necessarily linear, as verified by several researchers. Brüderl and Schüssler (1990) and, more recently, Strotmann (2007, p.100), conclude that the hazard rates of newly founded businesses initially

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<sup>6</sup> Although the liability of newness is widely accepted, Aldrich and Young (2012) draw attention to the fact that empirical research barely touches the heart of Stinchcombe's statement for the particular problem of lacking data at hand. While Stinchcombe's (1965) essay refers to emerging organisations, empirical datasets typically capture data on firms after they managed the very early steps of venture creation. Therefore, these data miss information on the most critical entry stage and on potential entrepreneurs who already ceased founding intentions. Further, the time lags in data collection schedules between observations hinder researchers from receiving full information on the tasks aspiring entrepreneurs have to accomplish between the time intervals. Therefore, researchers have not been able to fully capture all liability of newness elements nascent entrepreneurs face.

<sup>7</sup> In a similar vein, Leibenstein (1960, cited by Wolter et al., 2015, p.6) indicates that new ventures are particularly confronted with uncertainties in terms of consumer habits, competitors' reactions and own managerial abilities.

raise, culminate and subsequently decline continuously, creating an inverted U-curve shape. Brüderl and Schüssler (1990) labelled this phenomenon the 'liability of adolescence'. The authors reason the shape as follows: At the very beginning of the new venture creation, the death risk is low to non-existent because, on one hand, new founders can fall back on initial asset endowments they brought to the firm until they are exhausted. On the other hand, founders and investors are aware that the founder needs time to take necessary actions to evolve the business. Thus, it is simply impossible to judge the company's performance; neither founders nor investors give the business up at this stage. However, as soon as this grace period expires and the company's performance can be estimated, the mortality threat increases precipitously. After reaching a peak, the risk of death declines, and Stinchcombe's (1965) earlier explanation of the development of trust, routines, etc., comes into play.

Principally, the 'liability of smallness' comes into play for both newly created and established companies. However, as newly created businesses are typically smaller<sup>8</sup> than established ones, they are affected more profoundly by the drawbacks of small size.

According to the liability of smallness, the small sizes of enterprises make them particularly susceptible to cease entrepreneurial activity for many reasons. For example, small firms have fewer resources at hand, are less diversified, signal lower managerial competence, have difficulties attracting and training a qualified workforce, may face restrictions in raising capital, cope with diseconomies of scale, etc. (Fackler et al., 2013, p.693; Fryges, Gottschalk, Gude, Kohn, Metzger, Müller, Murmann, Niefert and Ullrich, 2011; Esteve-Pérez and Mañez-Castillejo, 2008, p.234; Strotmann, 2007; Brüderl and Schüssler, 1990). As empirically proven by Falck (2005) small-size newly created ventures in particular often fail because they produce below the minimum optimal efficient scale. Moreover, in contrast to large enterprises, small business executives are compelled to carry out a variety of tasks themselves, reducing the time for strategic planning (Aldrich and Auster, 1986, p.183) and being productive.

The benefits of small size, however, should not be ignored: their hierarchical structure, which is marked by low complexity, allows small-sized companies to react more flexibly to customer demands.<sup>9</sup> Moreover, competitors may more easily overlook small-sized companies in broad markets (Strotmann, 2007, p.95).

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<sup>8</sup> Within the first year of activity, 31 per cent recruit a first full-time employee liable to social insurance in Germany (Fryges et al., 2011, pp.20).

<sup>9</sup> From a macro perspective, small-sized companies are broadly considered as incubator organisations that spawn new entrepreneurs (Brüderl, Preisendörfer and Ziegler, 2009, pp.80; Hyytinen and Maliranta, 2008; Cooper and Dunkelberg, 1986, p.59), as employees often collaborate closely with the firm's owner (Hyytinen and Maliranta, 2008, p.17), who

Nonetheless, according to academic research, the drawbacks of small size commonly eclipse its potential advantages. In sum, small-sized businesses are exposed to competitive disadvantages. Against this background, when a company commences operations, its size is commonly seen a decisive factor for the survivability of businesses and is therefore often used to estimate their survival chances.

### Sideline foundings

A further characteristic of foundings relates to the time an individual spends on entrepreneurial activity. In this regard, sideline foundings are not uncommon. Following recent research results of Egehn, Gottschalk, Murmann, Niefert and Wagner (2015, p.1) almost every fourth (23 per cent) start-up entrepreneur enters self-employment part time. On one hand, sideline start-up entrepreneurs simply intend to supplement paid income (Lofstrom, Bates and Parker, 2014, p.242). On the other hand, sideline entrepreneurship is a way to try self-employment while remaining in paid employment until the entrepreneurial activity is profitable enough to be taken up full-time (Lofstrom et al., 2014, p.242). However, the limited time that part-time start-up entrepreneurs spend on their new business may negatively affect business success, as assumed by Schutjens and Wever (2000, p.143). In a similar vein, Kessler and Frank (2009, pp.734) find evidence that full-time founders prepare venture creation more professionally and, thus, have a greater likelihood to ultimately turn nascent entrepreneurship into actual entrepreneurship.

### Funding

The step into self-employment is also substantially influenced by the costs involved. According to Fonseca, Lopez-Garcia and Pissarides (2001), as the initial start-up costs increase, potential entrepreneurs become more discouraged from taking up entrepreneurial activities. Following recent research, however, most new businesses do not need substantial capital (e.g., Block and Köllinger, 2009, p.198; Kim, Aldrich and Keister, 2006, pp.13; Mueller, 2006, p.55). As shown by Ullrich and Werner (2013, p.22), among start-up entrepreneurs who invest financial or material resources, 60 per cent invest up to EUR 10,000. Approximately every fifth founder (22 per cent) uses more than EUR 25,000. In this regard, start-up entrepreneurs prefer to utilise private savings (Ullrich and Werner, 2013, p.20; Cooper and Dunkelberg, 1986, p.67) and fall

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offers their employees the special opportunity to quickly acquire a broad range of skills (Aldrich and Auster, 1986, p.182) and practical experiences that employees need in order to manage a company, such as entrepreneurial thinking, exposure to the company's networks, knowledge and markets (Gompers, Lerner and Scharfstein, 2005, p.578/612; Cooper and Dunkelberg, 1986, p.59).

back on the financial support of family and friends (Ullrich and Werner, 2013, p.21; Hernández-Trillo, Pagán and Paxton, 2005; Åstrebo and Bernhardt, 2003; Fogel, 2001, pp.105). Additionally, the use of external capital provided by banks, governmental programmes and promotional loans is common (Ullrich and Werner, 2013, pp.20). Thus, start-up entrepreneurs typically follow a pecking order when preferring own savings over external capital to finance the new venture creation.<sup>10</sup>

A frequent subject of discussion in research and practice is founders' possibly restricted access to financial means. Indeed, the start-up entrepreneur's core asset is often his intangible business idea (MacIntosh, 1994 cited by Morck, Stangeland and Yeung, 1998, p.21). New founders cannot refer to track records on prior revenues, profits, cash flows and business developments. They are likely to have little collateral at their disposal, and lenders have only limited information about borrowers' skills and reputation. Thus, start-up entrepreneurs may indeed face borrowing constraints that, in turn, may negatively affect start-up performance (Werner, 2011b; Parker and Van Praag, 2006, p.427).

### Team founding

Another central organisational structural characteristic is whether one or more individuals establish the new venture. The Start-up Panel 2008, established by the KfW/ZEW (Kreditanstalt für Wiederaufbau/Zentrum für Europäische Wirtschaftsforschung) ascertains that 21 per cent of all young businesses consist of entrepreneurial teams. The great majority, namely, 70 per cent, consist of two founders. Team start-ups are particularly prevalent in knowledge-based and high-tech industries (Gude, Kohn, Spengler, Gottschalk, Kanzen, Licht, Müller and Niefert, 2008, p.8).

Literature on team venturing often records superior venture success (e.g., Zhao, Song and Storm, 2013, p.804; Davidsson and Honig, 2003, p.302; Kamm, Shuman, Seeger and Nurick, 1990, pp.7) originating in the accumulation of co-partners' variety of human, financial and social capital endowments (Zhao et al., 2013; Kessler and Frank, 2009, p.736; Brush, Greene, Hart and Haller, 2001; Lechler, 2001, p.264; Cooper and Dunkelberg, 1986, p.60). This collection, in turn, allows the distribution of tasks according to each founder's expertise (Zhao et al., 2013, p.806) and leads to simplified access to additional resources, such as external funding, knowledge and information, and reinforces the generation and exploitation of entrepreneurial ideas (Parker and Belghitar, 2006, p.90). Indeed, Francis and Sandberg (2000, p.10) cite

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<sup>10</sup> Section 2.2.3 explains the pecking order hypothesis (Myers, 1984) in more detail.



Vesper (1990), who *“concluded that team ventures (...) are preferred when substantial capital must be raised”*.

However, there are several arguments against operating a team venture. On one hand, team venturing raises overhead costs, creating a higher break-even point (Cooper and Dunkelberg, 1986, p.60). On the other, team founders often do not succeed in harmonising activities (Kessler and Frank, 2009, p.736; Brüderl et al. 2009, pp.188). Parker and Belghitar (2006, p.82/95) and Kessler and Frank (2009, pp.734) reveal that this results in a lower likelihood of ultimately turning nascent entrepreneurship into actual entrepreneurship. Because the team is usually composed of family members, friends or previous workmates, co-founders normally know each other very well before start-up (Lechler, 2001, p.271). However, despite existing intimacy, in the start-up's infancy, team members are not necessarily fully informed about each other's tangible and intangible resources, which, in turn, might lead to disagreements, ineffective communication and decision-making processes and, in the worst case, to team dissolution (Hauser, Moog and Werner, 2012, p.27; Lechler, 2001, p.266). If team members decide to resign from the enterprise, severe obstacles to the further operation of the business may arise.

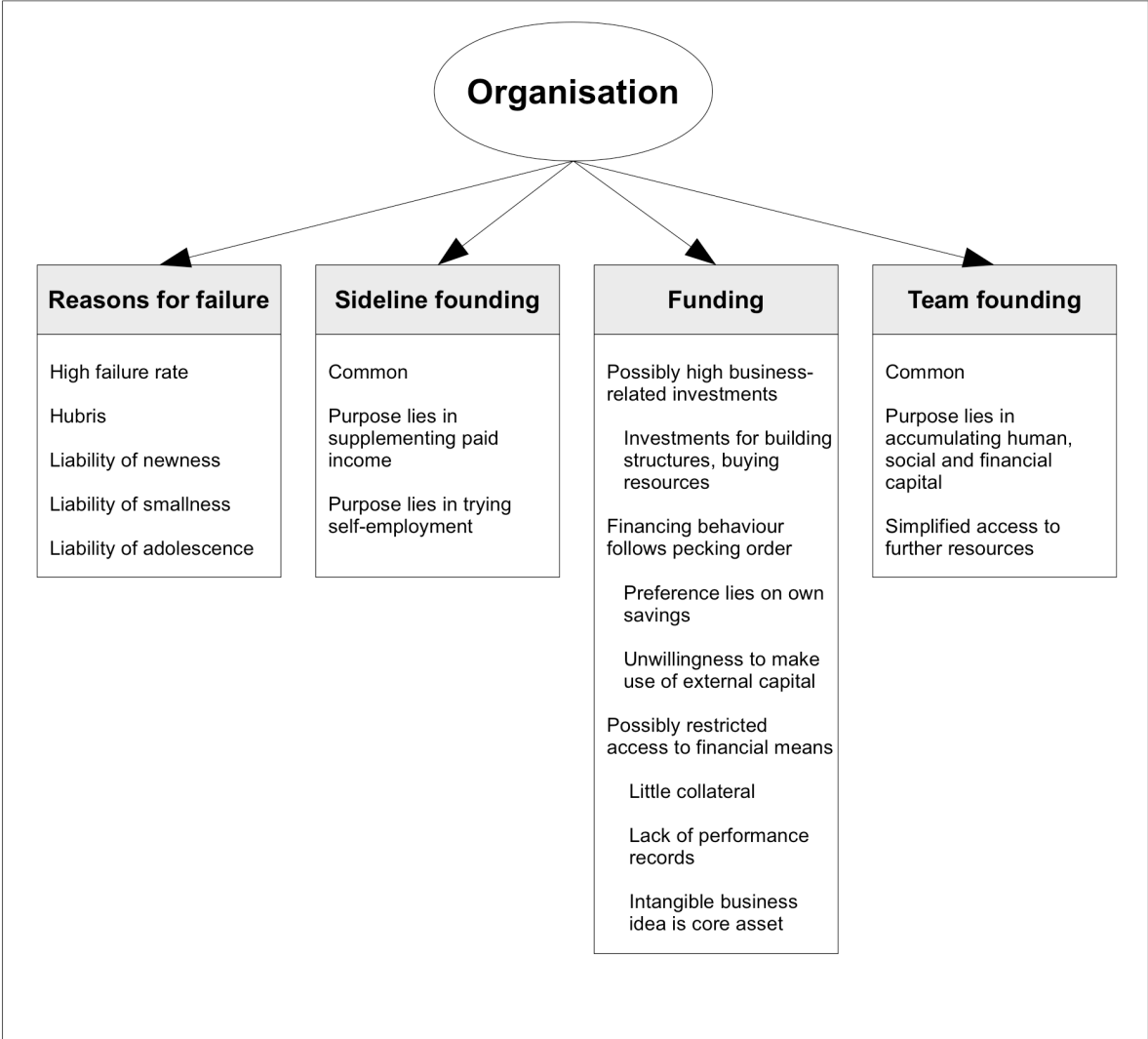
Measures to anticipate the potential risks of collaboration can reduce potential negative consequences. To avoid potential conflicts in the pre-birth phase, aspects including, for example, business goals, business strategies, the area of responsibility, the scope of decision-making power within and above the respective area of responsibility, and the distribution of profits and the financial conditions for leaving the company should be aligned and written down. Furthermore, acquaintances who know the potential partners can be valuable to assess whether they are likely to work well together. In addition, in the run-up to the founding, the allocation of founding-relevant exercises to each founding member can provide first insights on partners' individual reliabilities, care and conscientiousness. Further, using ex ante rules can specify how to address conflict to ensure a smoother interaction, which may imply the involvement of a mediator. Provided that founders employ a workforce, a high degree of delegating tasks and responsibilities could help to counterbalance the departure of a partner in the short term.

*To summarise, a review of the academic literature on factors of the organisational dimension highlights that sideline and team foundings are typical characteristics of business formations. Both options to realise new venture creation are quite common. In reality, the respective pros and cons should be considered by aspiring entrepreneurs to*

carefully weigh whether they may provide support in achieving the goal of entrepreneurial activity.

The discussion likewise shows that necessary and available financial resources are critical factors when deciding whether self-employment is taken into account. Access to sufficient monetary capital can also affect the size of a new venture and – in bridging initial start-up challenges – its survival chances. Additionally, the extent of the reasons for failure described above signals their substantial relevance for new founders. Founders’ sensibility to these characteristics might attenuate their susceptibility to them. Figure 4 illustrates the findings about the organisational dimension.

**Figure 4: Variables of the organisational dimension of new venture creation**



Source: Own illustration (2016).

### **2.1.3 Individual dimension**

#### Gender

A founder's gender is a relevant personal attribute. Throughout the world, enterprises are created predominantly by males (Allen, Langowitz and Minniti, 2007, pp.10; Sternberg and Lückgen, 2005, p.17; Blanchflower, 2000, p.489). Fritsch et al. (2012b, p.19/36) observe that women entered self-employment more frequently between 1996 and 2009, but the share of female start-ups remains below that of males. While this rate may have risen in the recent past, the Global Entrepreneurship Monitor (GEM) Germany 2004 Report discloses that among nascent entrepreneurs, the gender ratio of potential male to female founders is 2.35 to 1 (Sternberg and Lückgen, 2005, p.17).

Females' reduced start-up activities are a result of various factors, e.g., their biographies and living circumstances, which include having traditional household-family responsibilities that lead to discontinuous working careers, deficiencies in work experience and fewer business contacts (Furdas and Kohn, 2010, p.4; Allen et al., 2007, p.18; Werner and Kay, 2006, pp.512; Lauxen-Ullbrich and Leicht, 2005, p.14; Sternberg and Lückgen, 2005, p.16). Moreover, women more frequently pursue professional activities in occupations such as clerical and administrative support, which do not serve as typical springboards for self-employment (Boden, 1996, pp.675). Furthermore, several essential personality characteristics such as risk tolerance and self-perception are considered less pronounced for women than for men (Allen et al., 2007, p.18/29; Langowitz and Minniti, 2007). Whether female start-up entrepreneurs are affected by restricted access to financial resources resulting from the arguments above is, however, controversially discussed in research (Lauxen-Ullbrich and Leicht, 2005, p.16).<sup>11</sup>

#### Age

A typical personal feature in connection with new venture creation concerns the relationship between the likelihood of becoming an entrepreneur and age, which is typically depicted by an inverse U-shape (Lévesque and Minniti, 2006; Mueller, 2006, p.55), peaking at around ages 35 to 44 (Kohn, Niefert and Ullrich, 2010, p.82; Mueller, 2006, p.55). In other words, if individuals decide to start a business, they most likely do so between these ages (Lofstrom et al., 2014; Fritsch et al., 2012c, p.7; Mueller, 2006, p.55; Parker, 2004, p.71). Though people of advanced age show a lower founding probability (Werner and Faulenbach, 2008, p.36), their engagement in start-up activities has increased in recent years (Fritsch et al., 2012b, p.17).

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<sup>11</sup> See Lauxen-Ullbrich and Leicht (2005) for a review of research on this topic.

Several factors argue in favour of starting up at an older age: compared to younger individuals, older people possess more professional and life experience and knowledge on markets and industries, have important contacts that enable them to recognise business opportunities, and have been able to accumulate financial means during their previous working lives. In other words, people of advanced ages are better endowed with human, social and financial resources. Regarding personality, older individuals show greater serenity and self-confidence than the younger generation (Trettin, Engel, Roitburd and Werkle, 2007, p.40). Other arguments in favour of entering self-employment at later age refer to the opportunities to, on the one hand, align the working pace and volume to the founder's physical conditions and, on the other, to avoid being forced to quit an occupation upon reaching retirement age (Parker, 2004, pp.70).

However, older entrepreneurs face several common difficulties. Some of their skills (e.g., computer literacy) may be outdated (GründerZeiten, 2008), and they may be less able to withstand the long working hours required of self-employment activities. Moreover, financial institutions may not willingly grant loans, as a borrower's prolonged illnesses or a shorter lifespan may jeopardize repayment (Trettin et al., 2007, p.42; Lévesque and Minniti, 2006, pp.178). Additionally, elderly individuals with start-up aspirations are well advised to consider that paid employment entails salary progression with increased age and working experience. Self-employment, instead, is generally accompanied by an uncertain income (Lévesque and Minniti, 2006, p.178).

### Nationality

Nationality is an important individual aspect of founders. In this regard, it is interesting to note that the founding propensity of individuals with a migratory background is higher than that of German inhabitants<sup>12</sup> (Kraus and Werner, 2012, p.328; Tolciu and Schaland, 2008, p.537). In explaining the high founding ambitions of these founder groups, research often falls short in two basic arguments. First, it argues that particular ethnicities are generally more inclined to take up entrepreneurial activities. This propensity supposedly originates from the imprinting of cultural norms and values and from the strong networks and solidarity within ethnic groups in which, for example, compatriates provide founding capital (Tolciu and Schaland, 2008, p.537). Constant and Zimmermann (2006, p.280) also argue that immigrants show pro-risk

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<sup>12</sup> After analysing microcensus data, Di Bella and Leicht (2011, pp.224) conclude that 623,000 foreign individuals were self-employed in Germany in 2011. However, this figure comprises all kinds of self-employed individuals. The authors do not provide more specific statements on the proportion of start-up entrepreneurs and successors or on the reasons for entrepreneurial activities. Additionally, self-employed individuals of foreign origin face higher closure rates than German entrepreneurs.

attitudes by emigrating from their home countries to a foreign country, and this, in turn, is a conducive factor for entering self-employment.

Second, several discussions take a dichotomous view, arguing that founders with foreign roots are either pulled or pushed into entrepreneurship. On one hand, entrepreneurs may be pulled into self-employment by choice, e.g., to serve the demands of compatriots on country-specific products and services (e.g., import of domestic food, catering, consulting in the native language, etc.) (Tolciu and Schaland, 2008, pp.537). On the other hand, they often face unfavourable situations on the labour market that prompt them to take up entrepreneurial activities, such as difficulties finding paid employment, comparatively low salaries in new jobs, restricted career prospects and difficulties on the recognition of necessary qualifications (Constant and Zimmermann, 2006, p.280). As empirically proven by Constant and Zimmermann (2006, p.295), immigrants who consider themselves to face discrimination prefer to enter self-employment.

Nonetheless, regardless of the reason why individuals with foreign roots enter self-employment, recent research results show that every fourth migrant company is in the knowledge-intensive services and employs approximately 2.2 million individuals (Leicht and Langhauser, 2014). This is particularly interesting because – as previously stated in section 2.1.1 – companies in knowledge-intensive branches have such a high growth potential to enhance economic progress.

#### Family circumstances

Family responsibility generally plays a pertinent role in the decision to establish a new venture, too (Parker, 2011, pp.27). However, there is no unequivocal evidence that family circumstances affect the probability of starting a business. Delmar and Davidsson (2000), for example, find no indications of a relationship between marriage and start-up propensity. Özcan (2011, p.483), in contrast, proves empirically that *“marriage generates a tendency for self-employment”*. For Germany, Fritsch et al. (2012b, p.36) observe increased start-up activities among unmarried individuals. Constant and Zimmermann (2006, p.290) empirically confirm a positive relationship between the presence of young children and the likelihood of taking up entrepreneurial activities.

In fact, on one hand, the presence of spouses or (dependent) scions may induce individuals with start-up aspirations to abstain from establishing a new venture due to the risk involved with being self-employed (Parker, 2011, p.23/28; Constant and Zimmermann, 2006, p.285/290; Parker and Belghitar, 2006, p.95; Werner and Kay, 2006, p.504). On the other hand, self-employment provides a good opportunity to

combine family and work, as working hours and workplaces could be arranged relatively flexibly (Constant and Zimmermann, 2006, p.285; Boden, 1996, pp.673).

The possible positive impacts that the presence of spouses and cohabiters may have on start-up processes are also noteworthy. Apart from providing mental assistance, enhancing motivation (Davidsson and Honig, 2003; Brüderl and Preisendörfer, 1998, p.215) and offering advice (Constant and Zimmermann, 2006, p.285; Brüderl and Preisendörfer, 1998, p.218; Birley, 1985), partners may buoy founders' level of human, social and financial capital endowments. More precisely, new founders may benefit from partners' skills, knowledge, network (Özcan, 2011, pp.467), and inexpensive, if not unpaid, work (Werbel and Shane, 2010, p.421; Constant and Zimmermann, 2006, p.285/290; Fadahunsi, Smallbone and Supri, 2000, p.233; Brüderl and Preisendörfer, 1998, p.215). Often, partners are trusted employees (Borjas, 1986, p.489) and provide pecuniary resources that attenuate *"the urgency of cash flow problems or facilitate the entrepreneur's abilities to acquire loans"* (Werbel and Shane, 2010, p.421). Particularly, partners that bring in a second household income may raise start-up probability, as a second income provides safety (Saridakis et al., 2014; Werner and Kay, 2006, p.504).

At first glance, start-up challenges can be better managed with the assistance of the partner. However, the workload of a self-employed person is typically characterised by financial and time restrictions, which might engender family-internal strains and ultimately affect the workplace. In this way, start-up difficulties may be reinforced (Werbel and Shane, 2010, pp.423).

### Wealth

Individuals' decisions to enter self-employment may also be influenced by present wealth and current and anticipated (household) income, though deliberations do not come to a clear conclusion about their relationships. Employees in low-income groups and of lower wealth may be rather willing to accept the uncertainties of self-employed activities by expecting to achieve long-term prosperity (Parker and Belghitar, 2006, p.95) or at least a prospective income identical to present income (Kim et al., 2006, p.8).<sup>13</sup> These deliberations resemble the results of Saridakis et al. (2014), who find evidence that as the wage level increases, the riskiness of entrepreneurship increases.

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<sup>13</sup> Indeed, Mueller (2006, pp.45), who finds indications of positive income differentials of the German self-employed compared to wage workers, supports this argument (see also Constant and Zimmermann, 2006, pp.287). However, the results of Beugelsdijk and Noorderhaven (2004, p.209) indicate that entrepreneurs perceive their income to be relatively lower than that of wage earners when taking investments in risk and effort into account. Hamilton's (2000) empirical analysis of American data shows that, on average, self-employed male individuals could have gained higher incomes if they had alternatively

However, the opposite may be true, namely, that greater wealth and income ease new business formation, as financially well-equipped founders can consult experts (e.g., in developing a professional homepage) and concentrate on business development instead of losing time focusing on areas for which they lack special expert knowledge. Additionally, financially well-equipped individuals do not need to similarly rush toward a venture; rather, they may take their time to develop and test the feasibility of the start-up idea (Parker and Belghitar, 2006, pp.87). Finally, these individuals more easily overcome the financing gaps that may accompany business development, as theoretically argued by Mueller (2006, p.45/55). Because this assumption could not be empirically proven, Mueller (2006) agrees with Kim et al. (2006, pp.12) and concludes “*that financial resources do not have a strong association with being a nascent entrepreneur*” (Mueller, 2006, p.55) and with Parker and Belghitar (2006), who could not find a relationship between the ultimate move from nascent entrepreneurship into real entrepreneurship stemming from wealth endowment.

### Motivation

Founders’ underlying motives to enter self-employment play a substantial role in research on new venture creation. It has become largely commonplace to subdivide the great variety of motivational factors into necessity-driven and opportunity-driven factors.<sup>14</sup>

Business foundings are opportunity driven if individuals are pulled toward self-employment to, among other reasons, exploit identified market opportunities and to serve market requirements (Langowitz and Minniti, 2007, p.345; Watson et al., 1998, p.227). Among these individuals, some also aim to improve their personal situation. Therefore, they are also called ‘improvement-driven opportunity entrepreneurs’ (Kelley, Singer and Herrington, 2016, p.9). For example, these budding entrepreneurs aim to follow the need for independence (Block and Köllinger, 2009, p.193/205; Watson et al., 1998, p.235), autonomy (Bögenhold and Staber, 1991, p.226), self-fulfilment (Block and Köllinger, 2009, pp.193) and self-determination (Block and Köllinger, 2009, pp.193), make (better) use of their own competence (Davidsson and Honig, 2003, p.305), exert creativity (Block and Köllinger, 2009, p.193/205; Watson et al., 1998, p.235), enjoy greater flexibility (Werner and Kay, 2006, p.512), or follow the intention to

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chosen paid employment. Moreover, wage workers benefit from fringe benefits and statutory social insurance schemes (partially) paid by employers. However, a self-employed individual may benefit from tax deduction opportunities, and the “*individual’s expenses can be charged to the business*” (Blanchflower, 2000, p.474/478).

<sup>14</sup> See section 2.1.1 on how the prevailing and expected economic situation can reinforce the motivation of individuals to found a business.

later transfer a successful business to heirs (Morck et al., 1998, p.4), while also hoping to gain (high) financial rewards (Block and Köllinger, 2009, p.194/204; Constant and Zimmermann, 2006; Sternberg, Brixy and Schlapfner, 2006, p.14).

Individuals who are pushed into start-up activities aim to evade a perceived unfavourable situation, often relating to (impending) redundancies (Block and Köllinger, 2009; Hinz and Ziegler, 1999, p.424; Bögenhold and Staber, 1991, p.226), the need to cover basic needs (Sternberg et al., 2006, p.14; Watson et al., 1998, p.228/235) and shortages in finding alternative employment opportunities on the labour market (Block and Köllinger, 2009; Langowitz and Minniti, 2007, p.345; Wong, McReynolds and Wong, 1992, p.361). Individuals who are driven by necessity rather enter markets characterised by low market entry barriers, high competition, and low profit prospects and do not employ personnel. These new ventures are found to be relatively highly vulnerable to mortality (Bögenhold and Staber, 1991, p.226).

Studies indicate that in most countries – such as Germany – the majority of start-ups are driven by virtue of realising market opportunities (e.g., Sternberg, Vorderwülbecke and Brixy, 2014, p.14; Block and Köllinger, 2009, p.198; Allen et al., 2007, p.15; Reynolds, Bosma, Autio, Hunt, De Bono, Servais, Lopez-Garcia and Chin, 2005, p.217). This observation is particularly satisfying because opportunity-driven business formations are marked by a greater likelihood to grow and survive (Sternberg et al., 2014, p.14; Kohn et al., 2010, p.95; Frank, Lueger and Korunka, 2007, p.244). These foundings give greater economic stimulus (Kohn et al., 2010, p.V/98; Bögenhold and Staber, 1991) and lead to entrepreneurs' higher level of satisfaction, as indicated by Block and Köllinger (2009, p.202).

In this context it should not be left unrecognised that start-up entrepreneurs are often driven by both opportunity and by necessity at the same time. Push and pull factors are not necessarily mutually exclusive but rather overlap and complement one another (Welter, 2011, pp.176; Sternberg et al., 2006, p.16).

### Social Capital

A start-up entrepreneur's social networks and interactions are invaluable when seeking, evaluating and developing ideas into possible viable businesses (Ozgen and Baron, 2007, p.177; Singh, Hills and Lumpkin, 1999). For this reason, the individual's network is an integral part of entrepreneurship research. Research often operationalises founders' networks and contacts in light of the strength of their ties (Granovetter, 1973).

While strong ties embrace affective contacts to close family members and friends, whose number is limited by nature, weak ties refer to diverse, loose, and often



sporadic contacts, such as past colleagues, former employers, business partners and acquaintances (Brüderl and Preisendörfer, 1998, p.217), among others. Strong and weak ties do not conflict with one another, but rather play different roles in the new venture creation process. Strong trust-based ties are associated with the exchange of fine-grained and tacit information (Elfring and Hulsink, 2003, p.410; Rowley, Behrens and Krackhardt, 2000, p.369). Jack (2005, pp.1243) established that start-up entrepreneurs locate individuals within a network who could be helpful, and they particularly approach individuals within their strong ties first because, among other reasons, these personal ties are instrumental in possibly providing financial resources, advice and (mental) support, practical help, and so on (Jack, 2005, p.1243; Jenssen and Koenig, 2002, p.1043). Thereby, the founder obtains start-up resources at lower costs than those available on the market (Davidsson and Honig, 2003, p.308; Elfring and Hulsink, 2003, p.411).

Wide and diverse loose contacts, in comparison, increase the availability of diverse novel and non-redundant information (Elfring and Hulsink, 2003, p.411; Granovetter, 1973, pp.1370). Therefore, as the number of weak ties increases, the variety and amount of information that, in turn, facilitates the identification of market opportunities increases (Ozgen and Baron, 2007; Singh et al., 1999).

Regardless of the strength of these ties, both types help in assessing and discussing the viability of the business idea (Ozgen and Baron, 2007; Elfring and Hulsink, 2003, p.414) and in connecting with other social circles (Jack, 2005, p.1247; Davidsson and Honig, 2003, p.308; Granovetter, 1973, p.1362).

### Traits

Against the backdrop that specific traits are likely more pronounced among entrepreneurs than among non-entrepreneurs, the role of personality traits in entrepreneurial activity has been traditionally and controversially discussed in entrepreneurship research. Saßmannshausen (2012, p.73), for example, encapsulates that studies are often inconclusive, empirical results are contradictory and replication studies cannot validate prior results. Based on the behavioural genetics literature, Nicolaou and Shane (2009) derive theoretical deliberations that individuals' entrepreneurial propensity might be partly explained by their genetic factors. In the words of Nicolaou and Shane (2009, p.7), “[g]enetic factors (...) might predispose people to develop individual attributes that affect the tendency of people to engage in entrepreneurial activity”. While Rauch and Frese (2000) pinpoint that not one single trait induces individuals to establish a new venture and that the decision is rather affected by a combination of several traits, Frank et al. (2007, p.245) find evidence that

personality factors become gradually less meaningful as the business set up becomes more concrete. More precisely, personality influences initial start-up intentions much more strongly than start-up realisation, but it exerts the lowest influence on start-up success. Estay, Durrieu and Akhter (2013, p.248) comment that due to the abundance and diversity of traits, “[i]t is not possible to give a complete picture of personal characteristics that increase the chance of one’s being an entrepreneur”. In this regard, Utsch, Rauch, Rothfuß and Frese (1999, p.32) advise to refrain from examining a hodgepodge of traits, but rather to concentrate on the personality characteristics needed to cope with founders’ entrepreneurial tasks. In this sense, among the large body of scientific literature on this topic, scholars ascribe some specific characteristics to start-up entrepreneurs, such as the need for achievement (introduced by McClelland (1965; 1962) and ascribed to start-up entrepreneurs by, e.g., Estay et al., 2013, p.259; Rauch and Frese, 2000; Utsch et al., 1999, pp.36), locus of control (introduced by Rotter (1966) and ascribed to start-up entrepreneurs by, e.g., Estay et al., 2013, p.259; Rauch and Frese, 2000), risk attitude (e.g., Estay et al., 2013, p.259; Mueller, 2006, p.55), the aspiration for independence and autonomy (e.g., Utsch et al., 1999, pp.36; Brandstätter, 1997, p.168) and creativity (e.g., Estay et al., 2013, p.259; Ardichvili et al., 2003, p.116), to name a few.<sup>15</sup>

### Human capital

Entrepreneurs’ (accumulated) knowledge, skills and abilities are continuously regarded as essential assets for entrepreneurial activity. Therefore, the Human Capital Theory – based on the concept of Becker (1964; 1962) – has become a prevalent topic in entrepreneurship research. Originally, the human capital theory posited that investments in human capital endowments positively affect employees’ earnings through the improvement of cognitive skills, resulting in increased productivity (Becker, 1964; 1962).<sup>16</sup> The application of this approach in the entrepreneurial context generally

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<sup>15</sup> In addition to encompassing the above-mentioned traits, the broad field of personality traits further includes action orientation (Carter et al., 1996, p.163), innovativeness (Utsch et al., 1999, pp.36), competitive aggressiveness (Utsch et al., 1999, pp.36), single-mindedness (Gatewood, Shaver and Gartner, 1995, p.373), persistence (Gatewood et al., 1995, p.384), self-consciousness (Townsend, Busenitz and Arthurs, 2010, p.193/199; Gatewood et al., 1995, p.385; Gnyawali and Fogel, 1994, p.53), extraversion (Caliendo, Fossen and Kritikos, 2014; Brandstätter, 1997, pp.162), tolerance for ambiguity (Cromie, 2000; Begley and Boyd, 1987, p.87) and determination (Cromie, 2000, p.25), emotional stability (Brandstätter, 1997, p.162), and optimism (Constant and Zimmermann, 2006, p.286).

<sup>16</sup> Becker states that investments also contain “*medical care, migration, and searching for information about prices and incomes*” (Becker, 1964, p.1) and takes the costs attributed to gaining human capital, e.g., foregone earnings (Becker, 1975, p.24), into consideration. However, these kinds of human capital endowments and expenditures are not considered in this thesis.

shows that investments<sup>17</sup> in skills and abilities have, on one hand, positive effects on the antecedents of new venture creation, namely, the development of business ideas and the propensity to found a business, and, on the other hand, on the successful realisation of business formation and the management of businesses.<sup>18</sup> While Davidsson and Honig (2003, p.306/321) note that the influence of specific human capital endowments varies across the founding process, it is beyond the scope of this thesis to attempt a review and portrayal of the extensive literature on the significance of founders' human capital profile across the founding stages. Thus, the following description focuses on the general but basic convictions on the factors of self-employment by creating a new business.

Founders need the "*ability to enterprise*" (Liao and Welsch, 2005, p.347). In other words, new founders need technical expertise and business skills (Gnyawali and Fogel, 1994, p.54). Business skills, in turn, comprise a variety of skill sets that cover diverse areas relating to general management, human resource management, strategic planning, corporate planning, marketing expertise and knowledge in finance areas, etc. (Gnyawali and Fogel, 1994, p.54; MacMillan, 1983).

The availability of technical expertise and business skills help founders to, for example, identify and pursue promising market opportunities (Unger, Rauch, Frese and Rosenbusch, 2011, p.341; Baron, 2006, p.106/112; Arenius and De Clerq, 2005, p.258), adjust to unknown situations (Weick, 1996, pp.310), signal entrepreneurial competence and productivity towards (sceptical) stakeholders (Kessler and Frank, 2009, p.735; Van der Sluis, Van Praag and Vijverberg, 2008, p.799), obtain access to necessary resources, such as financial and social capital (Brush et al., 2001, pp.69) and informational resources that can, again, leverage prevailing knowledge (Arenius and De Clerq, 2005, p.252; Brush et al., 2001, p.69).

Education and employment experience<sup>19</sup> are the key sources of the development of the requested abilities.<sup>20</sup> Thereby, education imparts basic competences (Kim et al.,

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<sup>17</sup> Investments distinguish formal from informal human capital. While the former captures schooling and on-the-job training, the latter comprises learning-by-doing and occupational experience (Burer et al., 2013; Moog, 2004; Mincer, 1974; Becker, 1964; Mincer, 1962).

<sup>18</sup> Not to forget that knowledge offers a fall-back option of returning to paid employment in the case of entrepreneurial failure (Van der Sluis et al., 2008, endnote 7, p.821).

<sup>19</sup> Research uses diverse forms of education and employment experience, including advanced education (Bates, 1995), experientially professional knowledge (Mueller, 2006, p.51; Davidsson and Honig, 2003, pp.316), managerial experience (Kim et al., 2006, p.17; Mueller, 2006, p.51), intrapreneurial experience (Kessler and Frank, 2009, p.727/734), and prior start-up experience (Mueller, 2006, p.51; Davidsson and Honig, 2003, pp.316). Therefore, somewhat disparate outcomes are gained. Predominately, however, education and employment experience are promising human capital aspects that affect start-up propensity, likelihood and success.

2006, p.9), and “work experience complements skills and knowledge acquired through education and enables employees to gain experience in fields necessary for running (...) [an] own business” (Mueller, 2006, p.43). As previously stated in chapter 2.1.2, successful entrepreneurship is a learning process in which new founders are forced to continuously improve relevant abilities and skills in the course of daily business.

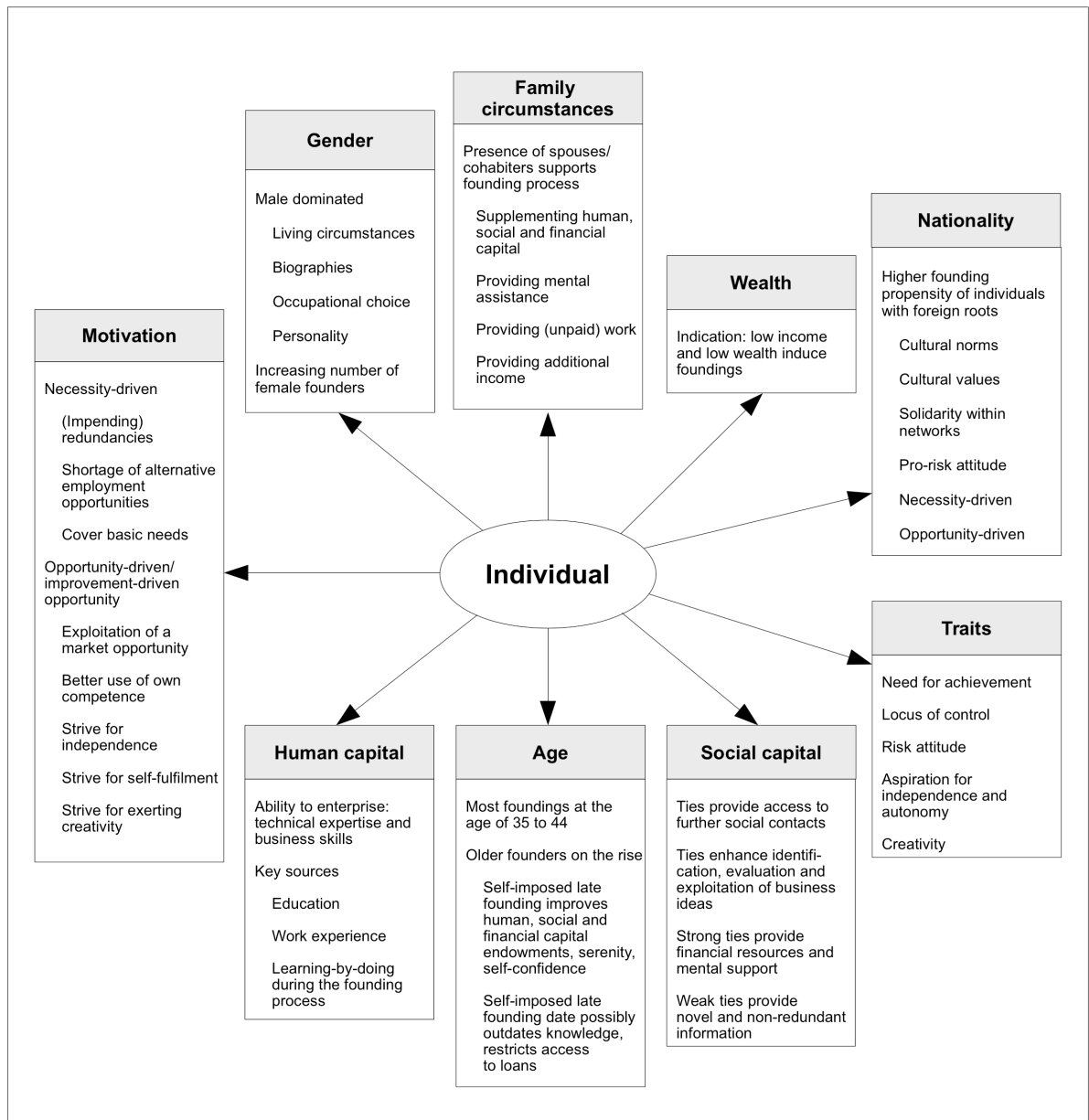
*To summarise, founders’ knowledge, abilities and skills are among the pivotal – if not the most important – factors of successfully reaching self-employment. It is thus imperative to insert human capital endowments into the conceptual model on the characteristics of new venture creation. Additionally, individuals’ social capital endowments are an integral part of the business-venturing process, as they enhance the start-up activities of nascent entrepreneurs. Unequivocally, individuals’ gender, age, ethnic roots, and motivational factors influence the likelihood of entering self-employment. These variables are thus undoubtedly appropriate to describe business venturing.*

*The discussion above provides a less congruent picture of how individuals’ wealth affects the tendency to start-up and remains vague on the role of family circumstances in the start-up process. Likewise, research results on the precise role of traits in the new venture creation process are ambiguous, and debates are critical in this regard. Nonetheless, the discussions convey the impression that all are influencing factors of new venture creation. All these criteria therefore belong to the individual dimension of the conceptual model (Figure 5).*

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<sup>20</sup> It should be noted that researchers criticise the prevailing inconsistencies in the empirical results on human capital research stemming from, among other reasons, differences in the conceptualisation and measurement of human capital (Unger et al., 2011, pp.341; Lange, 2010; Le, 1999, p.386). Against this backdrop, following Becker (1964), Unger et al. (2011, pp.344) pinpoint that research commonly uses indirect indicators such as human capital inputs through education and professional experience to operationalise human capital. The use of these proxy variables may be problematic, as they do not necessarily reflect the actual magnitude of knowledge and skills. Instead, the authors suggest measuring the direct outputs of those investments, namely, current knowledge and skills, that finally induce entrepreneurs’ specific behaviours.

**Figure 5: Variables of the individual dimension of new venture creation**



Source: Own illustration (2016).

## 2.1.4 Process dimension

### Duration of founding

A characteristic feature of the founding process is the time it takes to complete. Indeed, the new venture creation is a process that emerges over time (Ardichvili et al., 2003, p.109; Gartner and Carter, 2003, p.198). However, strictly speaking, it is not an easy task to determine its duration precisely, for three main reasons.

First, the exact point in time of organisational emergence has not been defined unambiguously. The question remains of whether organisational emergence begins with the development of entrepreneurial intentions or with the conversion of a business idea into a business by taking concrete steps in the exploitation, evaluation and

development of a business opportunity (Shook, Priem and McGee, 2003, p.380) – each step is an essential prerequisite for new founders.

Second, the point in time of organisational birth is not defined in a consistent way (Luger and Koo, 2005; Reynolds and Miller, 1992, p.411). Researchers have applied different approaches to operationalise a business to come into being by referring to basic start-up conditions, e.g., registration as a legal entity, receipt of tax identification, first sales income, entrepreneurs' personal investments of time and resources, staff recruitment, receipt of outside financing and entrepreneurs' own assessments of whether the business has taken up operational activity (e.g., Kessler and Frank, 2009, p.727; Tornikoski and Newbert, 2007, pp.320; Liao, Welsch and Tan, 2005, p.8; Luger and Koo, 2005, p.18; Davidsson and Honig, 2003, pp.313; Gatewood et al., 1995, p.378; Reynolds and Miller, 1992).

Third, researchers have experienced difficulties in identifying emerging businesses (Katz and Gartner, 1988) because they are not subject to direct observations, particularly regarding the development of entrepreneurial intentions. Thus, it is very difficult to obtain scientific data on new ventures in the pre-birth phase. It is thus also demanding to determine how many and why potential businesses are dismissed even before the identified opportunity was further developed into a feasible business. Research on German individuals with strong founding aspirations estimates that approximately 29 per cent of start-up intentions are ceased within a year and approximately 25 per cent are postponed to a later date (Werner, 2011a, p.26). In this regard, Townsend et al. (2010, p.199) establish that the probability of starting up decreases as prospective entrepreneurs wait longer to take concrete start-up measures. Put differently, a potential new founder must go ahead with the realisation of his start-up idea to increase the likelihood of reaching the aspired destination: self-employment.

### Founding activities

Advancement requires the (partially simultaneous) fulfilment of a multitude and variety of interlocking start-up activities (Lichtenstein, Carter, Dooley and Gartner, 2007; Lichtenstein, Dooley and Lumpkin, 2006; Lazear, 2005; Liao et al., 2005; Lazear, 2004; Gartner and Carter, 2003, pp.197). In the words of Liao et al. (2005, p.17), firm creation is anything but *“a simple, unitary accumulation of sequential events”*, but rather *“a complex and nonlinear”* process. While some necessary activities must be performed only once in the start-up process or may require occasional adjustments later (e.g., stipulating general terms and conditions), some tasks are likely to reoccur (in)frequently during and after the start-up process (e.g., reports to authorities,

implementation of legislative changes). Moreover, some tasks are strategic (e.g., the choice of a pricing policy), while others are of daily business (e.g., customer relationship management and resource planning). In view of the typically small size of new ventures, the founder's capacity is often the primary or sole resource at the initial stage of a founding process, as he cannot necessarily delegate essential tasks to employees or make use of employees' expertise.

Considering the abundance and diversity of the activities that start-up entrepreneurs are generally required to carry out, which may also differ depending on, among others, the type and scope of the new venture as well as on its strategic objectives, research has focused on exploring the most cogent and effective activities.

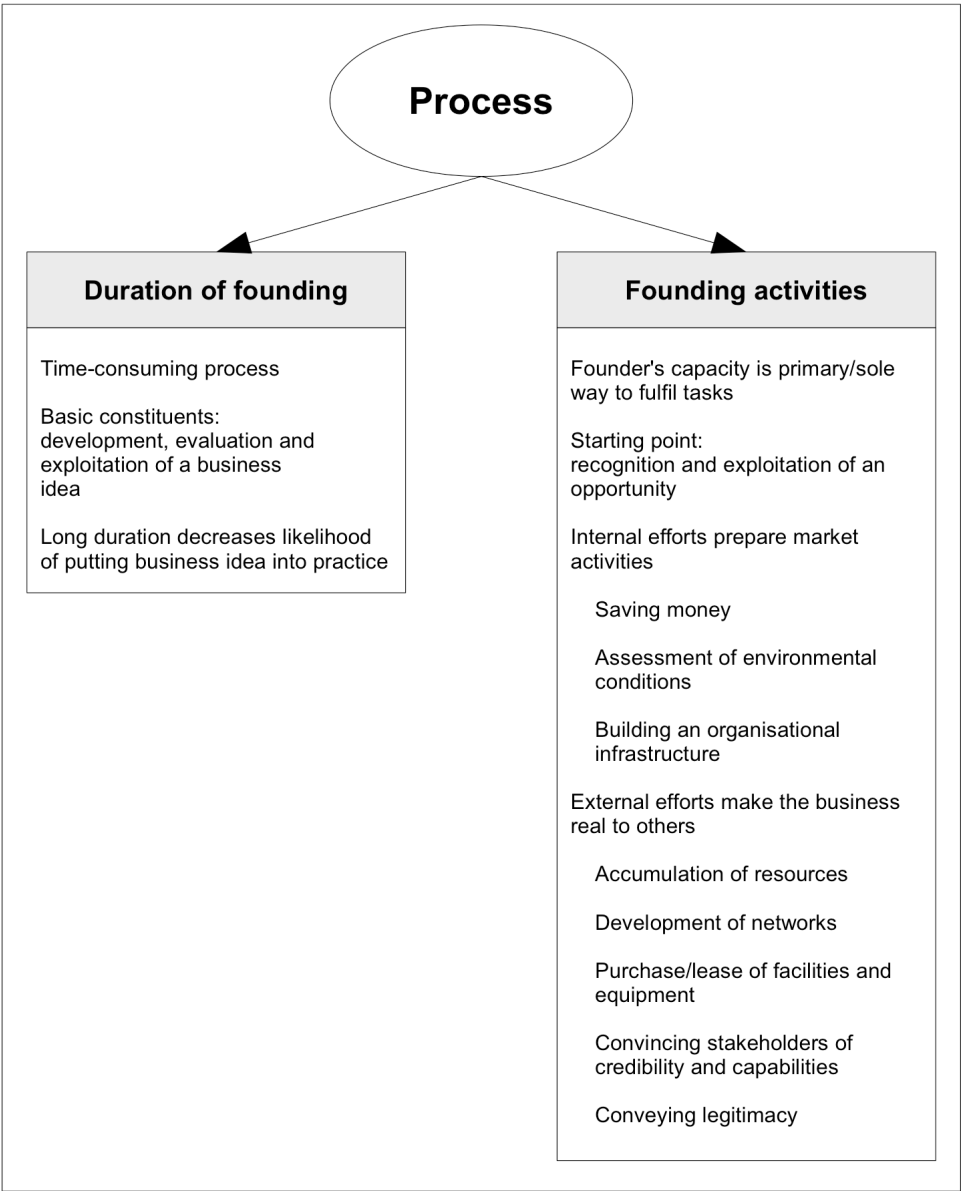
The first activity related to the creation of a new venture is the recognition and further development of auspicious opportunities (Caliendo et al., 2014, p.789; Unger et al., 2011, p.341; Baron, 2006, p.106/112; Arenius and De Clerq, 2005, p.258). A promising business idea requires the budding entrepreneur to invest time, effort, money, knowledge and skills in the development of the initial product or service to get it ready for the market. In this context, Kessler and Frank (2009, p.734) and Carter et al. (1996, p.161) show that as more founding-preparatory actions are carried out, the likelihood of turning nascent entrepreneurship into actual entrepreneurship increases.

The necessary activities resulting thereof can be divided into internal and external efforts (Carter et al., 1996). Internal efforts capture activities that are invisible to the outside, such as saving money (Carter et al., 1996), the authentic assessment of environmental conditions, competitors and customers (Kessler and Frank, 2009, p.735; Carter et al., 1996, p.163) and building an organisational infrastructure (Gartner, 1985, p.700).

External efforts, i.e., "*activities that would make the business real to others*" (Carter et al., 1996, p.152), include the accumulation of resources (Gartner, 1985, p.702), such as the development of networks (MacMillan, 1983, p.10), and the purchase or lease of facilities and equipment (Carter et al., 1996). Because stakeholders face risks and uncertainties in entering a business relationship with unknown organisations that lack track records (Lechner, Dowling and Welppe, 2006, p.522; MacMillan, 1983), start-up entrepreneurs must convince others of their credibility and capability (MacMillan, 1983, p.10) and convey the firm's legitimacy (Delmar and Shane, 2004, p.403). Thus, by making the new venture tangible to others (Carter et al., 1996; Gartner, Bird and Starr, 1992, pp.17), founders are more likely to overcome initial liabilities (Lechner et al., 2006, p.522; Delmar and Shane, 2004, p.405).

To summarise, following the discussion of the new venture creation process, the duration of the emerging process, its key constituents – from the identification to the exploitation of a business opportunity – and the considerable number and variety of internal and external activities involved therewith are essential to describe foundings. The elaboration shows that, these factors are associated with the likelihood of reaching the destination and remaining self-employed. Figure 6 captures these factors.

**Figure 6: Variables of the process dimension of new venture creation**



Source: Own illustration (2016).



## 2.2 Family business succession

### 2.2.1 Excuse: Characteristics of family businesses

In order to gain insight on the idiosyncrasies of business successions, it is necessary to consider the specific characteristics inherent to family firms.

In the launch of the renowned scientific journal *Family Business Review*, Lansberg, Perrow and Rogolsky (1988, p.2) raised the question of “*what a family business is*”. The answer is imperative because, otherwise, researchers “*will find it difficult to build on each other’s work and to develop a usable knowledge base*” and the comparability of research results within and across countries will be hampered. Then and now, the question cannot be answered unequivocally (Chrisman, Chua and Sharma, 2005, pp.556; Astrachan and Shanker, 2003, p.211). Debates about harmonising different approaches into a unified definition of family business therefore prevail. The difficulty in defining family businesses especially lies in the heterogeneity of family firms (Poza and Daugherty, 2014, p.5; Sharma, Chrisman and Gersick, 2012, p.7) – they comprise small to large and more and less successful enterprises across all legal forms and industries.

There is, however, general consensus in family business research that family firms are characterised by the coincidence of family, ownership and business<sup>21</sup>, often supplemented by the intention or realisation to transfer the business to the next generation (Carney, 2005, p.251; Gersick, Davis, Hampton and Lansberg, 1997, p.6). The overlap of family and business issues presents some strategic behavioural patterns that are typically ascribed to family businesses (Chua, Chrisman and Sharma, 1999, pp.22), such as the relatively strong pursuit of noneconomic goals, striving for long-term orientation (Küpper, Moog and Sandner, 2015, p.212; Schachner, Speckbacher and Wentges, 2006) instead of short-term pecuniary success (Sirmon and Hitt, 2003; Dreux IV, 1990, p.228), and imprinting family values on the company’s orientation (Moog, Mirabella and Schleppehorst, 2011, pp.100). However, the structural characteristics not only deliver benefits to the family firm, such as probably diminished

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<sup>21</sup> The degree of coincidence can, however, be interpreted more or less rigidly. Companies are definitely considered family businesses if one nuclear family owns and manages a firm (Chua et al., 1999, p.22). Opinions diverge, for example, if family members belong to different family units. Following the IfM Bonn, in a family business, at least 50 per cent of company shares must lie in the hands of, at maximum, two natural persons or their family members (Haunschild and Wolter, 2010, p.3). In addition, these individuals must hold managerial positions in the respective company. Chua et al. (1999, p.25) remain rather vague in terms of concrete figures. According to the authors, family businesses are managed “*by a dominant coalition controlled by members of the same family or a small number of families*”.

agency problems<sup>22</sup> (Carney, 2005, p.254), a low level of opportunistic behaviour (Durand and Vargas, 2003, pp.668), increased stakeholder and shareholder loyalty (Miller and Le Breton-Miller, 2005b, p.519) and the great passion and effort that family members put into the firm (Weber, Lavelle, Lowry, Zellner and Barrett, 2003). The flip side captures, e.g., potential work-family conflicts (Lee and Rogoff, 1996) or nepotism (Zellweger, Sieger and Halter, 2011, p.524; Pérez-González, 2006). Furthermore, decision-making in the hands of capital-holding and coordinating family members might have negative effects on the efficient use of resources, corporate strategic development and, therewith, on its competitive capacity (Carney, 2005, p.256; Fama and Jensen, 1983, p.306). In addition, family enterprises may have to cope with and may even be harmed by family concerns, such as reconciling diverse family expectations, family rivalries or the question of whether the next generation is best suited to continue the enterprise (Ward, 1997).

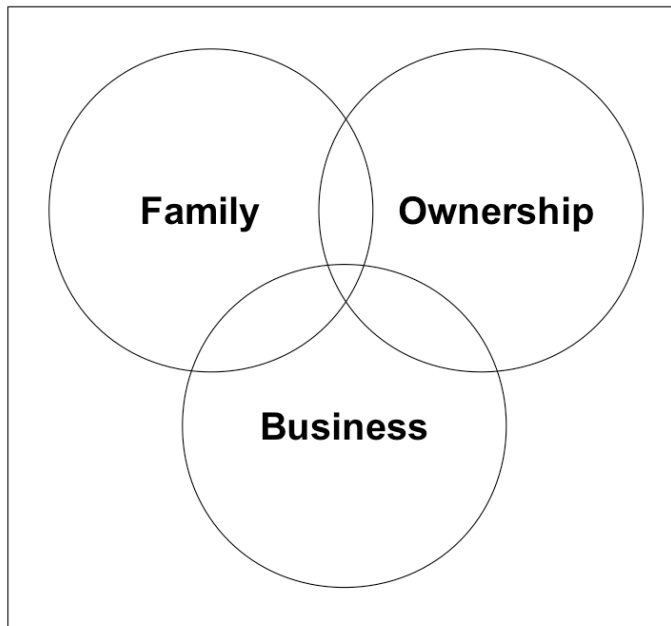
An outstanding feature of family enterprises is their desire to keep the business in the hands of the family from generation to generation (Moog et al., 2011, p.106; Miller and Le Breton-Miller, 2005b, p.518). In fact, inherently, both family and non-family enterprises must address business successions if the business' lifespan exceeds the tenure of the CEO. However, in some regards, they differ from each other. Unlike in non-family businesses, the incumbents and owners of family firms are very often one person (Dreux, 1990, pp.228). Moreover, CEO successions occur less frequently in family firms than in their non-family business counterparts (Martin and Lumpkin, 2003; Fox, Nilakant and Hamilton, 1996, p.16). Furthermore, top executives are not simply and abruptly interchanged (Gersick et al., 1997, p.4). The succession process takes rather a long time, and family CEOs typically remain at the helm of the firm longer (Sirmon and Hitt, 2003, p.344; Kets de Vries, 1993, p.61) – this, in turn, results in more stable management (Dreux, 1990, p.232).

Due to the coincidence of family, ownership and business, the family business succession process, however, may possess greater intricacy than other organisational forms, as illustrated and briefly explained in the following, with the aid of the 'Three-Circle Model of Family Business' (Figure 7) established by Gersick et al. (1997, p.6).

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<sup>22</sup> In family firms in which the ownership holder and CEO (Chief Executive Officer) are one person, no agency costs occur to align interests. Following Welge and Witt (2013, p.189), agency costs neither rise if ownership is equally divided among shareholders and each shareholder has equal rights in managing the business. Agency costs can occur, however, if some family shareholders are not actively involved at the management level (Chrisman, Chua, Kellermanns and Chang, 2007; Schulze, Lubatkin, Dino and Buchholtz, 2001).

**Figure 7: The Three-Circle Model of Family Business**



Source: Gersick et al. (1997, p.6).

Following the Three-Circle Model of Family Business, all parties involved in family firms (i.e., family and non-family members) find themselves in either one of the circles or in their overlaps. Each circle concurrently runs and evolves individually so that the individuals within the circles and overlaps may pursue different aims.

In the course of the family business succession process, these multiple shareholders and stakeholders are confronted with partially far-reaching changes (Dumas, 1992, p.48), and each party involved puts claims on predecessors and family successors. The alignment of shareholders' and stakeholders' objectives in the succession process may thus develop into a challenging task in family enterprises (Murray, 2003, p.18).

For example, owners may pursue the aim of selling the family firm at the highest possible sales price. The family may pursue the aim of keeping the firm in the family's control. Employees may pursue the aim of choosing the successor who is most capable in operating and managing the enterprise.<sup>23</sup> The individuals in between circles may combine those aims. For example, family members who also own shares of the business may intend to sell the firm to the most capable family member. Family

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<sup>23</sup> The 'business' subsystem captures a greater number of other individuals who influence the succession process and may place considerable pressure on the predecessor or successor. For example, unresolved succession arrangements unsettle business partners. Therefore, the appointed dealer may encourage incumbents to resign or financial institutions to downgrade creditworthiness. Moreover, employees may be open to alternative job opportunities if they perceive their jobs to be at risk. The government influences business successions by imposing inheritance and gift taxes and by regulating intestate successions (Mandl, 2008, pp.85; Bjuggren and Sund, 2001).

members who manage but do not hold shares in the firm may request compensation if they are not selected as successors. External individuals who have been rewarded shares for successful management do not necessarily conform to the family's proposal to supplement top management by a family successor. The highest level of goal alignment is given to the family member who fully owns and manages the firm, such as an incumbent who has built up the enterprise.

*To summarise, despite the unresolved scientific question of what exactly a family firm is, the qualitative characters of family firms resulting from the unification of ownership and management in the hands of families make them a specific kind of businesses.*

## **2.2.2 Environmental dimension**

### Economic effects of foundings

The influences of family business successions on the environment are based on family enterprises' economic and social contributions. In this context, the absence of sound databases on family enterprises, of official registers that list family businesses and of an agreed-upon definition of a family business impedes the unambiguous determination of family firms' economic weight (IFERA, 2003, p.235).

Nonetheless, general consensus acknowledges that family companies predominate over all enterprises in most economies (IFERA, 2003, pp.235). Depending upon the family business definition used, estimates of family firms' prevalence range from approximately 60 (Klein, 2000, p.160) to 95 per cent of all existing German companies (Haunschild and Wolter, 2010, p.13; Haunschild, Wallau, Hauser and Wolter, 2007, p.18). International studies reveal that across Europe, 70 to 80 per cent of European enterprises are family firms (Mandl, 2008, p.39).<sup>24</sup>

Estimations indicate that family enterprises pre-eminently contribute to Gross Domestic Product (GDP), adding between 29 to 64 per cent to the American (Astrachan and Shanker, 2003, p.217) and 40 to 60 per cent to the Dutch GDP (Flören, 1998, pp.128).<sup>25</sup> As a group, family firms also provide a great deal of employment,

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<sup>24</sup> Family enterprises represent up to 89 per cent of all businesses in the United States (Astrachan and Shanker, 2003), approximately 80 to 98 per cent in Latin America (Poza, 1995, p.302) and about 88 per cent in Switzerland (Frey, Halter and Zellweger, 2004, p.4).

<sup>25</sup> Estimations of family firms' contribution on the Gross National Product (GNP) reveal that they add some 45 per cent to Finnish, 65 per cent to Spanish and 79 per cent to Italian GNP (IFERA, 2003, p.236).

accounting for approximately 61 per cent of socially insured jobs in Germany (Haunschild and Wolter, 2010, p.26).<sup>26</sup>

Concerning local and regional prosperity, family firms are also particularly valuable (Block and Spiegel, 2013, p.271); they are known for being strongly committed to and anchored in the communities in which they are located (Dunn, 1996) and, often, those in which the owner grew up (Block and Spiegel, 2013, p.272; Lyman, 1991, p.309). Family firms are characterised by their emotional attachment to and awareness of their responsibility to employees and their families (Stavrou and Swiercz, 1998; Dunn, 1996, pp.146; Wong et al., 1992, p.367) who predominantly come from the local area (Dunn, 1996, p.148). Additionally, they are said to provide meaningful societal contributions through transferring the family's values, such as hard work, unity and teamwork, to the society (Gallo, 2004, pp.144) and through "*supporting various cultural and social welfare institutions*" (Stavrou and Swiercz, 1998, p.19). Generally speaking, family firms' implementation of social responsibility fosters "*the quality of life in their communities*" (Stavrou and Swiercz, 1998, p.19). In light of these arguments, family firms "*simultaneously [foster] economic growth and social stability*" (Astrachan, Zahra and Sharma, 2003, p.3). The survival of viable family businesses is therefore a desirable aim.

#### Conditions around foundings

Rationally, the decision of whether a family successor takes over the firm depends on the firm's prevailing and expected long-term economic situation, among other factors (De Massis et al., 2008, p.190; Cabrera-Suárez, De Saá-Pérez and García-Almeida, 2001, p.45; Barach and Ganitsky, 1995, pp.144). In this regard, the economic cycles mentioned in chapter 2.1.1 concern family business successors like all other founders, including their effects on, inter alia, the current and anticipated market conditions (De Massis et al., 2008, p.190; Barach and Ganitsky, 1995, pp.144), firm competitiveness (Dyck, Mauws, Starke and Mischke, 2002, pp.152; Goldberg, 1996, p.191), growth potential (Ayres, 1998, p.98) and industry prospects (Goldberg, 1996).

However, whether the willingness to take the firm over is affected rather by favourable or less favourable economic developments cannot be answered unequivocally. In the following, possible scenarios are described. Given that situations such as the urgency of succession (e.g., due to predecessor's ill health) are left disregarded, it is reasonable to generally expect that positive economic prospects

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<sup>26</sup> International estimations report that family companies employ approximately 43 per cent of the head count in France (IFERA, 2003, p.236), approximately 39 to 46 per cent in the Netherlands (Flören, 1998, p.128), 79 per cent in Italy (IFERA, 2003, p.236) and 27 to 62 per cent in the United States (Astrachan and Shanker, 2003, p.217).

enhance the willingness to take the family firm over because positive prospects increase the likelihood of business success and decrease the risk of failure. However, prospective business successors are likewise affected by the better employment opportunities on the labour market. If the successor intends to (further) collect occupational experience prior to the takeover, the succession process may slow down. In a similar vein, succession could be postponed in case of poor overall economic conditions because prospective successors could prefer secure-wage employment to more risky self-employment. Possible (pending) redundancies, however, may encourage successors to enter the family firm at an earlier date.

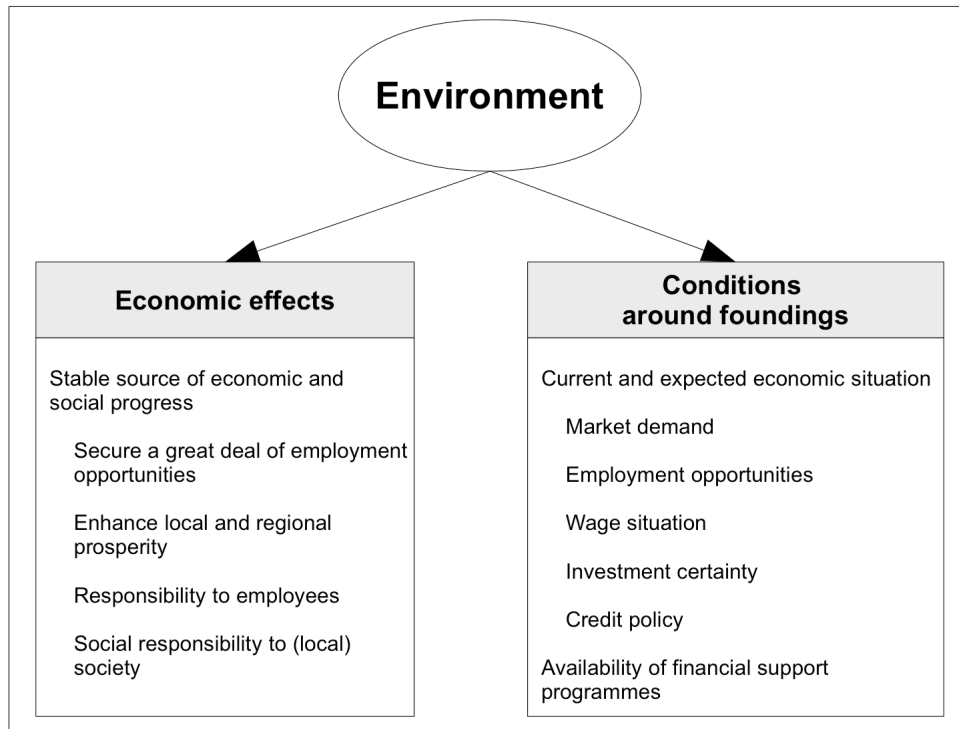
Beyond that, it can be reasonably assumed that society's view of entrepreneurship affects successors' willingness to a relatively low degree. The parents' satisfaction and enthusiasm with their entrepreneurial activity likely have greater imprinting effects. In a similar vein, the need to meet legal requirements or the availability of advisory and training assistance supporting services do not significantly affect successors' decision to take over the family firm because if related challenges arise, the prevailing knowledge from inside the business and family is likely to help the successor manage them. Financial support programmes, in contrast, may positively affect takeover propensity, as they may diminish possible financial burdens.<sup>27</sup>

*To summarise, the foregoing discussion underlines that family business successions contribute to the economy by keeping the viable companies alive. However, the company-specific economic contribution to the whole economy rather plays a subordinated role in whether predecessors aim to pass the business to a family member or heirs take a succession into account. Nonetheless, the commitment to the local area, the responsibility to employees and the reputation of the family business can exert a noticeable influence on this decision. In this regard, the recursive relationship between this kind of founding and the local economy is well pronounced. Additionally, the environmental conditions around foundings can force the development of succession aspiration and the speed of the transfer, albeit the influence of some of them is not very severe due to the supporting effects of family members and employees. In sum, Figure 8 depicts the variables of the environmental dimension that play roles in the succession process.*

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<sup>27</sup> See 2.2.3 on funding aspects of family business successions.

**Figure 8: Variables of the environmental dimension of family business succession**



Source: Own illustration (2016).

### 2.2.3 Organisational dimension

#### Reasons for failure

Of course, there are family companies that cannot be transferred to the next generation because of poor performance and low profits. Uncompetitive enterprises are thus naturally forced out of the market and may be replaced by newer and more innovative businesses (Kay and Suprinovič, 2013; Calogirou, Fragozidis, Houdard-Duval and Perrin-Boulonne, 2010; Commission of the European Communities, 2006, p.4). However, it is not uncommon for economically viable and competitive family enterprises to disappear from the market due to problems in the succession process. This has negative repercussions on the whole economy and on the individual family.<sup>28</sup> Estimations by the IfM Bonn show that among transferable family enterprises, approximately 27,000 companies with approximately 400,000 employees are confronted with business succession in the period between 2014 and 2018 in Germany per year (Kay and Suprinovič, 2013, p.8/14).<sup>29</sup> Thus, the topicality and relevance of

<sup>28</sup> Possible negative repercussions refer to, for example, the avoidable extermination of specialised knowledge (Commission of the European Community, 2006, p.9), forfeiture of family assets (Lansberg, 1988, p.120) and job losses (Flören, 1998, p.131). The failure of (family) businesses can have a domino effect on local enterprises and suppliers (Dunn, 1996, p.148).

<sup>29</sup> On EU level, estimates indicate that approximately 450,000 enterprises are annually passed over, concerning approximately 2 million employees (Calogirou et al., 2010).

successful family business successions has attracted increased attention from researchers, politicians and practitioners across the world (Blumentritt, 2006, p.66; Cabrera-Suárez, 2005; Le Breton-Miller, Miller and Steier, 2004, p.305; Sharma, Chrisman, Pablo and Chua, 2001, p.17).

Unfortunately, current and representative data on the mortality or survival rate of family businesses before and during transitions is rarely available.<sup>30</sup> Several researchers argue that, on average, family firms achieve a life span of 24 years (McConaughy, 2000, p.126; Kets de Vries, 1993, p.61; Lansberg, 1983, p.41) and thus do not overcome the founder's incumbency (Lansberg, 1988, p.119; 1983, p.41). Tentative extrapolations from 2004 show that approximately 8.3 per cent of German family businesses in which a replacement of the management position was pending in the near future and that were profitable enough for a transfer were likely to be shut down (Freund, 2004, p.87). As indicated by Blotnick (1984), less than 5 per cent of new businesses will be passed to family members of the second generation. Others estimates suggest that *“[f]ewer than 30 percent of successful family businesses make it to [emphasis in original] the third generation, and fewer than 15 percent make it through [emphasis in original] that generation”* (Ward, 2011, p. XV).<sup>31</sup> Nonetheless, the more frequently family firms successfully manage intergenerational successions, the learning effect on its management increases and thus the likelihood of surviving subsequent transfer processes (Wimmer, Groth and Simon, 2004, p.56; Astrachan, Klein and Smyrniotis, 2002, p.49; Ayres, 1998, p.93).

The failure of family businesses can also be traced to the liability of smallness, as the majority of family firms are SMEs (Carney, 2005, p.260; IFERA, 2003, p.236). Therefore, these businesses not only gain the benefits of small size but also face the drawbacks described in Section 2.1.2. The overall survival chances of transferred firms are, however, greater than those of new ventures (Brüderl et al., 2009, p.183;

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<sup>30</sup> In addition, figures can differ across studies as a result of differently applied family business definitions.

<sup>31</sup> The figures are subject to criticism and should be treated with caution for different reasons. First, Ward's examination dates all the way back to 1987. In the meantime, consciousness about business succession has shifted (Moog et al., 2012, p.1; Schröer and Kayser, 2006, p.30), and the percentages might have fundamentally altered. Further, Stamm and Lubinski (2011) criticise the too-universal use of those figures without pointing out the specific context of which the percentages resulted. The prominent repetition of Ward's results *“appears as a universal law true for any country, any firm size, any branch, and at any time”* (Stamm and Lubinski, 2011, p.118).



Commission of the European Community, 2006, p.5) because they are larger on average (Chaganti and Schneer, 1994, p.248).<sup>32</sup>

The author of this PhD thesis is aware of no current studies that have examined whether the hubris theory applies to family successors. Some family successors may fall victim to this liability. However, more likely, this liability does not play a substantial role, as successors often have mentors in advisory capacity at their sides. Rather, the 'liability of ageing' (Aldrich and Auster, 1986, p.194) likely affects older companies. In other words, organisational survival prospects decrease with age due to

- the 'liability of senescence', i.e., intra-organisational frictions (Ranger-Moore, 1997, p.904; Barron et al., 1994, p.387), such as the strict adherence to accrued and proven internal standards and the pursuit of personal interests, may lead to inefficiencies<sup>33</sup>, and

- the 'liability of obsolescence', i.e., organisations misrespond to or misalign with the pace of environmental evolution (Ranger-Moore, 1997, p.907; Barron et al., 1994, p.387).<sup>34, 35</sup>

Family enterprises with elderly CEOs seem to be particularly susceptible to the liability of ageing, as indicated by their risk-averse attitude and conservative behaviour (Kellermanns, Eddleston, Barnett and Pearson, 2008, p.9; Ward, 1997, p.327) and may be induced to stick to quaint methods and long-established but out-of-date suppliers

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<sup>32</sup> As the Commission of the European Community (2006, p.4) reports, successful successions maintain five jobs on average while newly created ventures generate two jobs on average.

<sup>33</sup> In fact, it seems somehow ironic that the evolved habits and bureaucratisation that initially helped to overcome the liability of newness (Ranger-Moore, 1997, p.903; Barron et al., 1994, pp.403; Aldrich and Auster, 1986, p.168; Stinchcombe, 1965, p.148) may now negatively affect enterprises' survivals.

<sup>34</sup> Strictly speaking, the liability of obsolescence is no *direct* consequence of ageing. In general, enterprises of all ages are advised to adapt to market changes. Nevertheless, mature enterprises may be more affected by the liability of obsolescence than new ventures, as they are more integrated into complex surroundings that, in turn, make adaptations more complicated and thus probably more time-consuming (Aldrich and Auster, 1986, p.172).

Additionally, to be precise, if environments do not evolve, organisational adjustments are not absolutely necessary (Barron et al., 1994, p.387). Inertia is then problematic if companies' rigidity either remains for a longer period of time or in unstable times and volatile markets (Thornhill and Amit, 2003, p.499; Ranger-Moore, 1997, p.907; Barron et al., 1994, p.387; Carroll, 1983, pp.313).

<sup>35</sup> The liability of adolescence does not play a role in the context of (family business) successions. Nonetheless: it is very possible that unexpected and mostly unprepared business successions cause failures, whose shapes resemble that of the liability of adolescence, viz., an inverted U-curve shape. It may be worth exploring whether, at the very beginning of the unexpected takeover, the death risk is low to non-existent because successors can fall back on the prevailing assets. Moreover, stakeholders may give successors time to integrate into the business. However, as soon as this grace period expires and the successor's managerial capabilities and company's future performance can be evaluated, the mortality threat may increase precipitously until the successor has developed routines and trust.

(Letmathe and Hill, 2006, p.1125; Ward, 1997, pp.324; Levinson, 1971, p.93). Against this backdrop, incumbents are well advised to pass over the business if control becomes ineffective (Aldrich and Auster, 1986, p.172) well before the business weakens (Levinson, 1971, p.93). In fact, successions provide a good opportunity to resuscitate the business (Ayres, 1998, p.99) by enriching the firm with new impetus (Brigham, De Castro and Shepherd, 2007, p.44; Levinson, 1971, p.93) in the form of up-to-date knowledge, techniques and methods. Miller, Steier and Le Breton-Miller (2003) reveal that, in general, changes along business successions do not need to be radical. In congruence with Ward (1997, pp.329), Cabrera-Suárez et al. (2001, p.44) suggest that a certain level of change is needed to adjoin the conditions and efforts of the previous generation; otherwise, excessively dramatic changes may negatively affect firm performance (Molly, Laveren and Jorissen, 2012).<sup>36</sup>

### Sideline foundings

In the succession context, sideline foundings are somewhat unusual (Ullrich and Werner, 2013, p.1). Typically, takeover propensity is positively associated with the aspiration for full-time self-employment, as revealed by Kay and Schlömer (2009, pp.61). This idea is not without reason. It is not likely that successors will explicitly make use of the opportunity to try self-employment while paid employed; after all, they have grown up in the family business, gaining increasing experience and responsibility (Ibrahim, Soufani and Lam, 2001). During school holidays or their studies, young successors often enter the company and learn the ropes of the management position. They vividly experience from their parents what it means to be self-employed and whether the family firm is profitable enough to take over. Thus, growing up with a family business is an opportunity not only to earn extra money when in school but to gradually enter self-employment. However, at a certain point in time, the potential successor decides whether to turn this earning opportunity into the main source of income or to take up an alternative job full-time.

Additionally, from a practical point of view, the professional management of a family business is a full-time task as a result of responsibility towards employees and other stakeholders and shareholders. A family successor working in the family firm as a second job would require the continued involvement of the predecessor or external CEOs. This situation does not necessarily apply to sideline successions in the smallest

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<sup>36</sup> Amendments may include, among others, process adaptations, investments in new technologies, the extension, further development or recombination of existing product portfolios, disinvestments of low-performing resources, establishment of new customer segments (Letmathe and Hill, 2006, p.1114/1121; Sirmon and Hitt, 2003, pp.347), the spread of social contacts (DeNoble, Ehrlich and Singh, 2007, p.132) and winnowing of pointless routines (Ahuja and Lampert, 2001, p.525).

(possibly not transferable) enterprises. In that case, successors may follow ideological instead of economic reasons, such as for small-sized agricultural enterprises, which are continued out of a sense of obligation or affinity.

### Funding

The family business succession process embraces several cost components. Those that are directly related to the entrepreneurial activity can be considered investments. These investments capture expenses for, e.g., the (partial) purchase of the company<sup>37</sup>, rejuvenating measures or smaller activities. The latter ones that amount to, e.g., consultations, the transition of ownership rights and formalities, such as entry in a register, changes in land registration, the creation of business cards, the adaptation of business letters, etc., are relatively small, but they can add up. In contrast, the cost components that are not directly related to entrepreneurial activity do not contribute to the company's further development if they occur. These include compensation payments to siblings who were not selected as successors (Keating and Little, 1997) and gift and inheritance taxes.<sup>38</sup>

Consequently, successors might need financial support to take over the family firm. By studying successors who purchase (parts of) family businesses, Moog et al. (2012, p.24) show that these successors make use primarily of their own financial resources and then fall back on bank loans.<sup>39</sup> This financing behaviour matches the lending practices of family firms because they basically fund growth and development internally from retained earnings (Poutziouris, 2001). By and large, owners of family businesses typically have caveats about debt financing and particularly about untraditional finance opportunities (Romano, Tanewski and Smyrniotis, 2001, pp.290; Dreux, 1990, p.228). In other words, outside debt is raised if internal funds are exhausted. This financing behaviour is often referred to the pecking order hypothesis developed by Myers (1984), who says that, in hierarchical order, firms first conservatively choose internal funds, followed by prevailing shareholders' infusion of funds, taking up additional shareholders, loans, external equity and, finally, selling segments of the firm that do not belong to the firm's central activity (Molly et al., 2012; Romano et al., 2001, p.289).

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<sup>37</sup> A (partial) purchase is not unusual even though the majority of family firms are passed to the next generation through gift or inheritance (Moog et al., 2012, p.24).

<sup>38</sup> Dreux (1990, p.240) comments that family enterprises pay too much attention to taxes, which is understandable, given that taxes withdraw (cash) assets from the business, which could ultimately threaten their survival. Letmathe and Hill (2006, p.1117) point out that predecessors sometimes mistakenly consider tax planning a substitute for succession planning.

<sup>39</sup> The data supporting this statement include both family and non-family successors.

With internal funding, family firms expect undiluted autonomy from outsiders (Poutziouris, 2001, p.277), abstention from reporting and monitoring by externals and free and flexible decision-making (Poutziouris, 2001, p.287; Harvey and Evans, 1995, p.168; Dreux, 1990, p.234). Thus, most family firms are not obliged to frequently report to stock analysts and can *“invest in and run their business with a clear view to long-term value enhancement, even if this means losing money over the short term”* (Johnson, 1990, cited by Dreux, 1990, p.228).

However, it is commonly acknowledged that if debt financing is necessary, later generations have better access to capital compared to founder-led generations (Morck et al., 1998, p.21) because lenders are better informed about the firm’s long-term performance records concerning prior revenues, profits and cash flows and can expect immediate returns (Bastié, Cieply and Cussy, 2013, p.867; Meis, 2000, pp.16; Cooper and Dunkelberg, 1986, p.60). Additionally, family successors may profit from predecessors’ enduring relationships to credit institutions that can provide family firms with a reputation of being dependable borrowers (Molly et al., 2012).

#### Team founding

Team succession can lead to better financial preparedness (Gage, Gromala and Kopf, 2004). The benefits of team leadership also lie in the availability of other resources, including additional expertise, skills, aptitudes, personality and contacts. The greater endowment of these resources can replenish the limited competences and vantage points of single successors and can thus contribute to business development (Farrington, Venter and Boshoff, 2012; Salvato and Melin, 2008, p.270; Gage et al., 2004; Sirmon and Hitt, 2003, p.349; Westhead, Howorth and Cowling, 2002, p.253).

In recent years, the possibility of handing leadership and ownership to a team of successors has been increasingly taken into consideration for different reasons (Astrachan, Allen and Spinelli, 2002 cited by Sharma, 2004, p.12; Gersick, Lansberg, Desjardins and Dunn, 1999, p.289; Nelton, 1996). On one hand, *“the next generation simply cannot handle all of the tasks that their parents once handled. (...) [O]ftentimes succession and/or growth increases complexity and the challenges of management”* (Steier, 2001, p.272). On the other hand, incumbents sometimes favour transferring to siblings in order to treat their children equally (Gersick et al., 1999, p.289). Nevertheless, successors who team-lead family firms remain relatively rare but appear more often than start-up teams (Ullrich and Werner, 2013, pp.15).

Co-ownership and leadership collaboration also present challenges. The success of the transfer and the firm’s long-term sustainability heavily depend on partners’ abilities to maintain good relations (Ward and Aronoff, 1992). A long-lasting positive

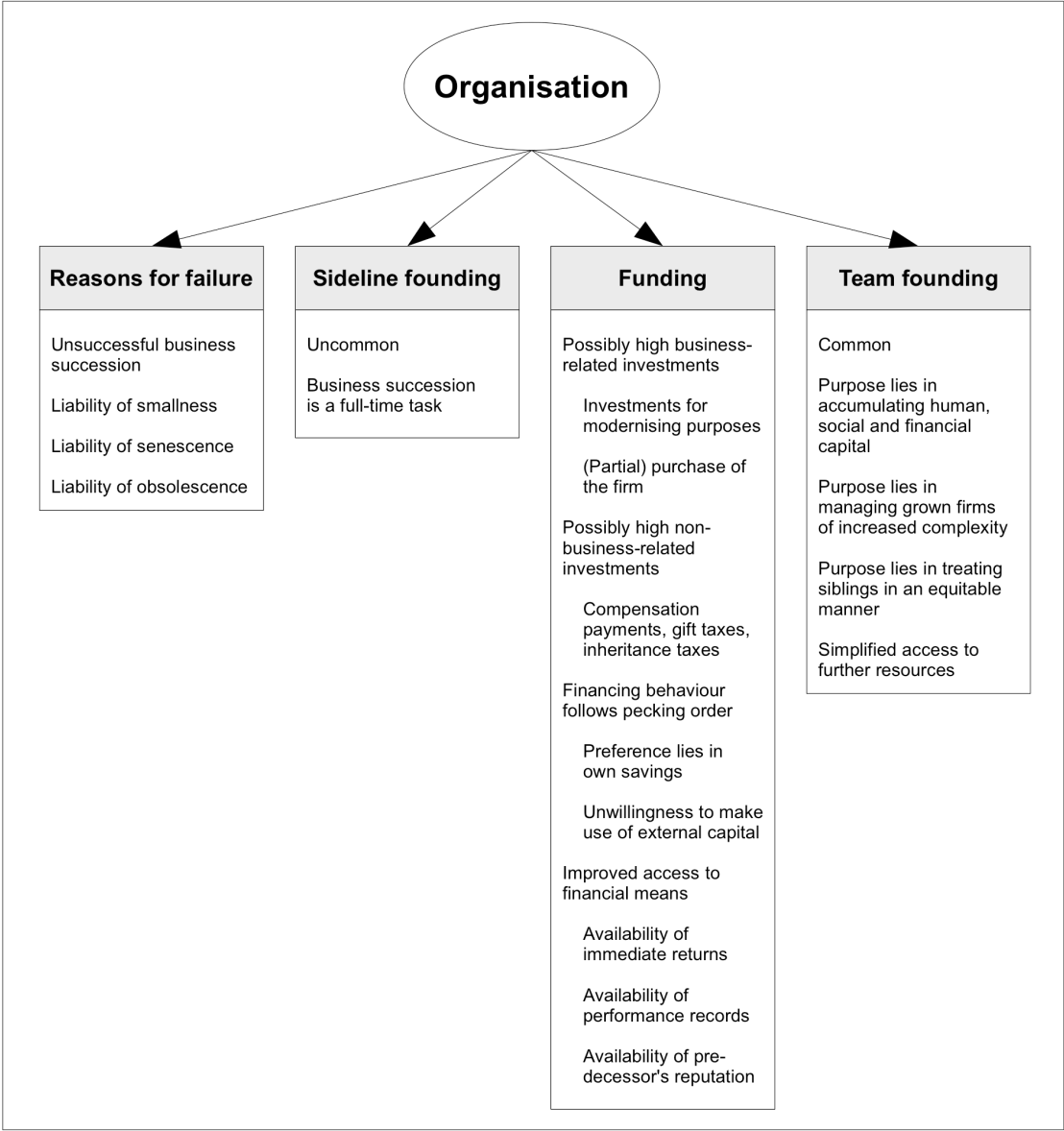
relationship between siblings does not necessarily mean a positive business connection, particularly if the higher authority – the predecessor – is no longer present (Gage et al., 2004). Similar to the advice given to start-up entrepreneurs – effective joint work is facilitated – *before* it comes into being – by thorough collaboration-planning (Gage et al., 2004), agreed-upon business-related goals, visions and strategies (Farrington et al., 2012) and clearly defined authorities and accountabilities (Ward and Aronoff, 1992) and – *during* joint work – through the willingness to compromise (Ward, 1997, p.327) and contribute equal effort. Nevertheless, one must bear in mind that if collaborations dissolve, the cost of paying out a partner may negatively affect the business (Ward, 1997, p.327).

*To summarise, the factors used to describe the organisational dimension affect this kind of founding to totally different degrees. A main emphasis lies in the necessity and availability of financial resources, as the business succession process can be accompanied by heavy pecuniary burdens. Strikingly, the prevailing question in this respect seems to lie in how to finance the transfer instead of whether to carry out the transfer.*

*Reasons for the failure of family firms also receive a great deal of attention. Elaborations show that while the succession process is a challenging milestone in the family business life cycle, it does not need to be considered harmful in general. On the contrary, the establishment of new management provides an opportunity to mitigate other mortality threats.*

*Finally, the discussions indicate that sideline foundings play an insignificant, but full-time self-employment a substantial role in the family business succession process. Given their increasing relevance, team foundings characterise the organisational dimension of family business succession. Figure 9 lists the founding-relevant variables of the organisational dimension.*

**Figure 9: Variables of the organisational dimension of family business succession**



Source: Own illustration (2016).

**2.2.4 Individual dimension**

Gender

In the past, a successor’s gender and age were among the key selection criteria for family successors. Traditionally, the first-born son was the heir apparent (Hollander and Bukowitz, 1990, p.141). Women, on the other hand, were assigned family-related responsibilities, stigmatised as not having the attributes and experience needed to embrace entrepreneurship and needing protection from the rough business world (Hollander and Bukowitz, 1990). Women were named successors only in the absence of a (old enough or interested) son or crucial circumstances (e.g., sudden dropout of the incumbent) (Wang, 2010, p.480; Constantinidis and Nelson, 2009, p.48).

Family business scholars have not yet come to a unanimous decision on whether gender-based rules and the rule of primogeniture play vital roles in intergenerational business successions. Several articles set out that in modern-day firms, the eldest son is no longer the only option for family business transfers (Brockhaus, 2004, pp.167; Galiano and Vinturella, 1995, p.181), and birth order usually lags behind a variety of skill sets, as studies on the selection criteria of successors in Canada and India reveal (Sharma and Rao, 2000; Chrisman et al., 1998).

Among other reasons, changes in conventional employment and societal norms have led to general changes in women's career paths and to a greater acceptance of women in leadership positions (Constantinidis and Nelson, 2009, p.46). According to Vera and Dean (2005), who sum up developments on successions in American family firms, female successions have increased slowly but surely; in Germany, they currently make up approximately 10 per cent (The Federal Government, 2007 cited by Schröder, Schmitt-Rodermund and Arnaud 2011, p.315) to 20 per cent of successions (Moog and Soost, 2013, p.64).

However, several researchers observe the persistent – and possibly unconscious – application of primogeniture and gender rules (Ibrahim et al., 2001; Keating and Little, 1997, p.168). Women often continue to experience a glass ceiling (Schröder et al., 2011, p.315; Constantinidis and Nelson, 2009, p.48). Especially in male-dominated industries, female heirs struggle against scepticism to earn acceptance and to prove their competence (Constantinidis and Nelson, 2009, p.48). According to Miller et al. (2003, p.516), father-son successions still occur most frequently among all successions. The study results of Constantinidis and Nelson (2009, p.48) buttress this observation, as incumbents favour sons if children consist of male and female siblings. García-Alvarez, López-Sintas and Gonzalvo (2002, p.193) show that in successor teams of brothers and sisters, the eldest son often takes on the leading role.

Gender analysis decries that daughters are still insufficiently encouraged to join the family firm or to take the reins (Gilding, Gregory and Cosson, 2015, p.306; Wang, 2010, p.478). In fact, female descendants themselves refrain from considering business succession (Vera and Dean, 2005, p.337). Schröder et al. (2011, pp.313) indicate that female descendants are more likely to seek paid employment than to follow in their parents' footsteps in the family company. Rather, if they are interested in taking over the family firm, *“[d]aughters and sisters have to announce and support their own candidacies for the position of next-generation business owner”* (Hollander and Bukowitz, 1990, p.144) to make themselves more discernible as potential successors. In this respect, Wang (2010) and Jimenez (2009, p.56) critically comment that the exclusion of female children as eligible successors is an insufficiently used and

squandered resource that ultimately leads to “*sub-optimal choices of successors*” (Wang, 2010, p.482). Recent research encourages predecessors to grant daughters and sons equal chances to succeed in the family business, as there are no gender-based differences in the successful continuation of family firms (Moog and Soost, 2013).

### Age

While the average successor takes a business over in his mid-thirties (Uebe-Emden, 2010, p.121; Vera and Dean, 2005, pp.336; Leyherr, 2000, p.186), Glazinski (2009, p.134) draws attention to the general deferment in the age structure of predecessors and successors and suggests that, currently, successors are sometimes above the age of 40 when taking over the family firm, whereas the predecessors themselves assumed leadership between their late 20s and late 30s.

This shift may be detrimental to the predecessor-successor collaboration and effectiveness of family successions, as Davis and Tagiuri (1989, p.62) disclose that the quality of father-son work relationships is best if successors’ ages range from twenty-three to thirty-three and predecessors are between fifty-one and sixty. Goldberg (1996, p.192) finds that successors who enter the family firm full-time at a younger age (precisely, 23 years) perform better than successors who enter at an older age (precisely, 29 years).

Moreover, life expectancies have improved so that predecessors are physically able to lead the family firm for a very long time (Glazinski, 2009, p.134). These long tenures, however, involve the threat that potential successors may pursue alternative employment opportunities outside the family business if they have to wait too long until the parent steps down (Galiano and Vinturella, 1995, p.181). Then again, protracted incumbencies offer sufficient time to adequately prepare the future successor for the leadership position.

### Nationality

A piecemeal body of knowledge exists on family businesses with foreign roots (Basu, 2004, p.12), providing possibly outdated knowledge and rather stereotypical information. In view of the great number of different cultural backgrounds, the latter shortage is hardly astonishing. The characteristics of the heterogeneous group of ethnic family businesses cannot simply be lumped together.

Nonetheless, these characteristics are, from a general point of view, often described by a sense of obligation to employ core and extended family members. Moreover, ethnic family businesses are often said to apply birth order and primogeniture rules (Wang, 2010, p.482; Basu, 2004; Perricone, Earle and Taplin,



2001; Wong et al., 1992). Beyond that, as these family firms have to take not only family and business values and family expectations but also the respective cultural attributes into account when passing the business over, the management of succession in family firms with foreign roots could be more complex (Wong et al., 1992, p.368). Additionally, there seems to be a general agreement that the family members in later generations following the first-migrant generation have fewer language difficulties, are better educated and are more detached from cultural patterns than their parents, so they possibly opt for alternative job opportunities, e.g., succeeding a company as an external successor candidate (Basu, 2004, p.25; Perricone et al., 2001, p.114; Wong et al., 1992, pp.368).

### Family circumstances

There is not much, if any, scientific attention devoted to the question of whether successor's marital status and the presence of (dependent) scions affect successor's inclination to succeed in the family business. Likewise, the role of successors' spouses or cohabiters in the course of the succession process has not yet been examined, which is quite surprising, given these individuals' substantial roles in the general entrepreneurial context (as previously described in Section 2.1.3) and the high number of family business transitions.

Instead, attention has been paid to the general involvement of incumbents' wives in the family firm. In this regard, research principally agrees on the following two key aspects. First, the involvement of female spouses is characterised by invisibility in that others, including relatives, fail to recognise women's competence (Cole, 1997, pp.360). Even if the family business is co-owned by spouses, husbands have the final say (Marshack, 1994, p.58/63), possibly because males usually conduct contract negotiations and equipment maintenance, while wives handle typical 'female' tasks, such as bookkeeping functions (Galiano and Vinturella, 1995, pp.177; Marshack, 1994, p.60). Second, the work of wives in the family household and family business is a conducive factor of family and business economic well-being (Jimenez, 2009, p.55) in both financial and non-financial terms. Danes and Olson (2003, p.60), for example, substantiate that wives often subsidise the husband's job in the family enterprise by unpaid work. Rowe and Hong (2000, p.10) estimate that *"[w]ives who were both working in the family business and employed by others (...) made the largest direct contribution to family income, earning almost 30% of the household's funds"*<sup>40</sup>. Salganicoff (1990, pp.131) sees wives' contribution in more intangible benefits, namely,

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<sup>40</sup> The estimation relies on descriptive level and a small number of women who are employed both outside and inside the family firm.

in their attentiveness to others' needs, among other factors. The same author considers females the peacemakers and peacekeepers, i.e., they strongly contribute to solving family issues and, thus, keep the family together. This is an important point from which family businesses benefit: the closeness among family members – marked by persistence, a low likelihood of depreciation, regular communication, intensive interaction and a joint history – constitutes a competitive advantage (Hoffman, Hoelscher and Sorenson, 2006, p.137).

### Wealth

The current financial situation of the potential successor and the total household income can affect the heir's decision to take over the family business. It can give a rational incentive if earnings are higher within the realms of successions than those of alternative job opportunities. Of equal or maybe even greater importance on the takeover decision likely comes to the question of whether the heir apparent must raise large amounts in one go or continuously, e.g., to pay out siblings, parents' livelihoods or investments for modernising purposes.

Even more at the centre of the wealth-related issues than the financial situation of the potential successor are the financial situation and profit prospects of the family firm, as the on-going operation must cover financial burdens. The available track records allow successors to predict the current and prospective development more accurately. In this respect, the greatest importance comes from the judgement of whether it is financially worthwhile to take the firm over. Given that capital investment is not necessary, Kay and Suprinovič (2013, pp.3) estimate that an annual profit of at least 53,898 EUR per year is necessary to consider family firms eligible for takeovers. Unsurprisingly, declining businesses are rather unattractive for takeovers (Ward, 1997, p.325).<sup>41</sup>

Regarding the economic development potential of next-generation family businesses, scientific opinions diverge, but the prevailing thought is that – when compared to newly created ventures – takeovers per se have lower growth potential in terms of employment and turnover (Brüderl et al., 2009, p.183). The various reasons for this include: the workforce of founder-generation businesses is more productive, the founders' higher investments in capital assets and in research and development activities (McConaughy and Phillips, 1999, pp.126), the inefficient managerial

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<sup>41</sup> However, Handler and Kram (1988, p.371) point out that, in times of environmental turmoil, successions particularly encourage rejuvenation. In business crises, successors are provided with the opportunity to introduce up-to-date knowledge, techniques and methods, and as a side effect, if the turnaround is accomplished successfully, it facilitates a successor's credibility (Barach, Ganitsky, Carson and Doochin, 1988, p.55).

capabilities of successive generations (Morck et al., 1998, pp.19/31) or a greater family orientation among the next generation, while the founder generation is more business oriented (Molly et al., 2012). Following Kellermanns, Eddleston, Sarathy and Murphy (2012, p.90), successors are more apt to act conservatively and, thus, tend to uphold wealth than promote its further creation. McConaughy and Phillips (1999, pp.126) hold a different view, uncovering that the later generation of large public family firms gains profitability by making use of the founder generation's groundwork.

### Motivation

For many family business researchers, the intention to transfer the family firm to the next generation is a key constituent of a family business (e.g., Venter, Boshoff and Maas, 2005, p.284). However, whether the intention comes to reality depends heavily on the descendants' motivation to enter the family firm. Indeed, a shortage of motivation prevents succession processes from taking place (De Massis et al., 2008, p.186).

Notwithstanding that scientific research on the reasons behind heirs' decision to succeed the family firm is rare (Zellweger et al., 2011, p.526; Birley, 2002, p.7) and the underlying rationales can differ greatly among successors (Sharma and Irving, 2005, p.15), the numerous references incidentally given in other research contexts provide an accurate picture of successors' ambitions; they can be grouped into three main categories.<sup>42</sup>

The first division portrays compelling circumstances in which successors respond by taking over the reigns. In other words, successors enter the family company by request rather than proactively. These factors include predestination (Lambrecht, 2005, p.275), the incumbent's health problems, the incumbent's last will (Swagger, 1991, p.404), the absence of further (capable) successors (Santiago, 2000, p.25), primogeniture and gender rules (Santiago, 2000) and the necessary assistance to manage the turnover in a crisis.

The second division concentrates on the successor's personal motivation that induces him to attain the highest position in the family firm. In general, pecuniary incentives play a minor role (Björnberg and Nicholson, 2012, p.377; Neubauer, 2003, p.275). Instead, the motivational factors contain, among others, the general interest in and commitment to the family firm (Sharma and Irving, 2005; Santiago, 2000, p.26;

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<sup>42</sup> These motivations could be classically subdivided into opportunity- and necessity-driven entrepreneurship. In general, however, successors do not enter the family firm by virtue of realising a market opportunity. Moreover, the greater complexity of successors' founding motivations speaks against that categorisation, as the family and the family business play a substantial role. Thus, a modified categorisation better suits to capture the motivational factors of family successors.

Birley, 1986, p.42), the presence of promising business prospects (Goldberg, 1996, p.191) and the opportunity to further grow the firm with the support of its established reputation (Vera and Dean, 2005, p.333). Takeover allows access to a managerial position (Cater and Justis, 2009, p.117), provides flexible work schedules (Cater and Justis, 2009, p.117; Vera and Dean, 2005, p.333), job security (Cater and Justis, 2009, p.117) and the ability to be one's own boss<sup>43</sup> (Dumas, Dupuis, Richer and St.-Cyr, 1995, p.100), ensures active participation in the firm (Santiago, 2000) and avoids displeasing parents (Neubauer, 2003, p.275). Sometimes, succeeding in the family firm is considered the fall-back solution or the only available career opportunity (Sharma and Irving, 2005, p.19; Handler, 1992, p.292).

The third division contains motivational factors that refer to the desires and concerns of the family and the family business, including the aim of upholding the family name (Lambrecht, 2005, pp.275), preserving the influence of the family on the business (Lambrecht, 2005, pp.275), the perpetuation of the family firm and its tradition (Vera and Dean, 2005, p.333; Neubauer, 2003, p.275; Birley, 1986, p.42), the opportunity to spend time with family members (Vera and Dean, 2005, p.333) and the (self-imposed) feeling of obligation to the family and, particularly, to the predecessor (Swagger, 1991, p.407; Birley, 1986, p.41). The latter division shows that among the many aspects that induce descendants to move towards or away from the family firm, the family plays a pivotal role. In essence, family successors are likely driven by a combination of various motivations.

The motivational factors are reinforced through circumstances. For example, parents provide the impression of whether leading the family business is fulfilling and satisfying (Schröder et al., 2011, p.312) such that it is worth pledging their professional career (Björnberg and Nicholson, 2012; Benedict, 1991 cited by Stavrou, Kleanthous and Anastasiou, 2005, p.191). Not having a private life or taking arguments from work into their private lives may discourage successors from aspiring the highest position in the family enterprise (Vera and Dean, 2005, p.333). Family distresses arising from business issues or a successor's perception that the incumbent insufficiently appreciates his opinion mitigates takeover enthusiasm (Björnberg and Nicholson, 2012, p.378; Stavrou, 1998, p.137). In contrast, decision-making power and cross-generational decision sharing (Stavrou, 1998, pp.137), the feeling of being welcome, a positive predecessor-successor work relationship (Santiago, 2000, p.25; Seymour,

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<sup>43</sup> As family successors (have to) take notice of the family involvement (e.g., traditions, bonds, and collaboration with family members) they are not absolutely personally independent in decision-making (Schröder et al., 2011, p.306; Zellweger et al., 2011, p.524). In fact, Brandstätter (1997, p.168) finds that successors are less independent than start-up entrepreneurs.

1993) and a successor's emotional bond with the family firm (Björnberg and Nicholson, 2012) positively influence children's takeover aspirations.

### Social Capital

Similar to start-up entrepreneurs, family successors benefit from strong and weak ties in the founding process. Particularly, strong ties among family members play a strong role, as they bundle both trust and a wide range of constantly available expertise.

In addition to the benefits of their relations with family members, successors profit from drawing on pre-existing business connections. Family firms are known for investing social and professional – often personal – relationships accrued over time and lasting for decades (Cannon, Doney, Mullen and Peterson, 2010; Le Breton-Miller and Miller, 2006; Sirmon and Hitt, 2003, pp.349; Cousins, 2002; Harvey and Evans, 1995, p.160; Anderson and Weitz, 1989). Steier (2001, pp.268) attaches the importance of social capital of family enterprises by denoting it “*a most significant firm asset*”, as it helps to provide the family business with resources and stability (Salvato and Melin, 2008, p.265; Le Breton-Miller and Miller, 2006, p.740). It is therefore of paramount importance that incumbents introduce the new generation to its idiosyncratic network consisting of both close-knit and sporadic relationships. Particularly, the latter may get lost in the course of the succession process due to, among other reasons, predecessors' insufficient recording and announcement of (tacit) network contacts (Steier, 2001, p.270). In doing so, successors are requested to build credibility and legitimacy with the diverse social groups (Barach et al., 1988), while separating themselves from those (inherited) networks that do not advance the family firm (Steier, 2001, pp.271).

### Traits

Family business research has gained the important insight that successors' personality traits complement capability profiles (Chrisman et al., 1998, pp.28) and predict career choice intentions (Schröder et al., 2011). The results of Zellweger et al. (2011, p.529), for example, (unexpectedly) show that a high level of internal locus of control induces heirs with a family business background to prefer wage employment to taking over the family business.

Nevertheless, the literature has remained silent on explicitly elaborating on successors' traits (Zellweger et al., 2011). Often, selected personality characteristics are picked up within other research topics (e.g., Motwani et al., 2006 on business succession planning in SMEs). Rather, among the abundance of traits, a limited number of personality characteristics, such as self-confidence (Sharma and Irving,

2005, p.16), careful risk behaviour (Cater and Justis, 2009, p.120), honesty in interacting with personnel (Lambrecht, 2005, p.277) and a long-term orientation (Cater and Justis, 2009), receive attention. Among the most focussed studies, Indian and Canadian elaborations of important successor attributes reveal that firm managers rank personality traits highest, particularly driven by integrity and intelligence (Chrisman et al., 1998, pp.23; Sharma and Rao, 2000, p.325).

### Human Capital

Family owners, practitioners and consultants consider successors' competence gained through formal education and experience a critical component for the successful realisation of the succession process. Regarding formal (theoretical) education, its great benefit lies in its ability to enhance the development of specific skills (Schlepphorst and Moog, 2014, p.364; Ibrahim, Soufani, Poutziouris and Lam, 2004, p.478), such as analytical skills (Sardeshmukh and Corbett, 2011, p.114). Additionally, formal education can be seen as a means to absorb and apply further knowledge (Cabrera-Suárez et al., 2001, p.43; Cohen and Levinthal, 1990) and provides access to contemporary managerial and technological developments that, in turn, may rejuvenate the family enterprise (Sardeshmukh and Corbett, 2011, p.114). In fact, previous research reveals that higher education enables successors to take the family business to advance growth (Goldberg, 1996, p.193). Therefore, earning an advanced degree can be a prerequisite to take over a family firm (Lambrecht, 2005, p.277).<sup>44</sup>

Nonetheless, as suggested by Cabrera-Suárez (2005, p.92), the major source of gaining learning experiences is work, not formal education (see also Conner, 2000, p.150/154). Fiegner, Brown, Prince and File (1994, p.315) explain that the necessary managerial skills are attained by interpersonal interactions, particularly through predecessor-successor collaboration. Unlike their non-family-business counterparts, family members have the opportunity to gradually learn the business from the bottom up by lending a hand if necessary and through part-time employment during vacations in early adolescence and full-time employment in adulthood. In addition to the immediate job experiences in the family firm, participation in the family enterprise through lunch debates or by spending time in the office as a child imparts vicarious knowledge on products and strategies (Lambrecht, 2005, p.276). Additionally, larger

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<sup>44</sup> It should be noted that skills and approaches gained through formal education are not relevant only in the business context (Sardeshmukh and Corbett, 2011, p.114), nor do they benefit only the self-employed (Burer et al., 2013, p.296).

family enterprises may support family successors by providing formal internal education, e.g., by attending board of directors meetings (Lambrecht, 2005, p.276).

In sum, preparing the family successor within the family business for a leadership position is a very time-consuming process, but it ensures that the future leader “*gains thorough knowledge of all aspects of the business*” (Barach et al., 1988, p.54), including its history, soul, attitudes, values and culture (Mazzola, Marchisio and Astrachan, 2008, p.241; Lambrecht, 2005, p.276; Le Breton-Miller et al., 2004, p.309), as well as the incumbent’s tacit knowledge (DeNoble et al., 2007, p.130). Regarding the latter, Stinchcombe (1965, p.148) emphasises the advantages of having a predecessor at hand: “*[F]ormer occupants of roles can teach their successors, communicating not only skills but also decision criteria, responsibilities to various people who have relations to the role occupant, devices for smoothing over persistent sources of tension and conflict, generalized loyalty to the organization, what sort of things can go wrong with routine procedures, and so on.*”

So far, it remains unclear whether family successors are better off entering the firm as subordinates, passing through a number of operational areas, or as superiors (Barach et al., 1988). However, the inside perspective that family successors have on the firm’s pre-existing knowledge and network base allows them to have “*specific knowledge of how to run the firm in a profitable way*” (Bjuggren and Sund, 2001, p.14); this knowledge is a family-firm-specific competitive advantage over non-family enterprises.

Nonetheless, for various reasons, heirs apparent should supplement their knowledge base by gaining hands-on experience in other businesses (Ward and Aronoff, 1994). First, external occupational experience expands successors’ array of skills and abilities (Sardeshmukh and Corbett, 2011, p.115). Second, the objective judgement of successors’ competence from individuals outside the family firm enables descendants to prove that they deserve and not just inherit the top executive position (Cabrera-Suárez, 2005, p.74; Barach et al., 1988). Third, attaining credentials in other companies positively affects successors’ self-confidence (Lambrecht, 2005, p.277; Barach et al., 1988). Fourth, this experience offers the opportunity to verify the successor’s occupational choice in that external job experience gives family successors valuable insights on the difference between paid employment and being the superior. Overall, collecting practical experience in other businesses helps successors to win the approval of all stakeholders involved (Cater and Justis, 2009, p.119). The knowledge gained is not necessarily applicable in the family business in a straightforward fashion (Barach et al., 1988, p.52), but it can supply new insights on the market to further strategically develop the family business.

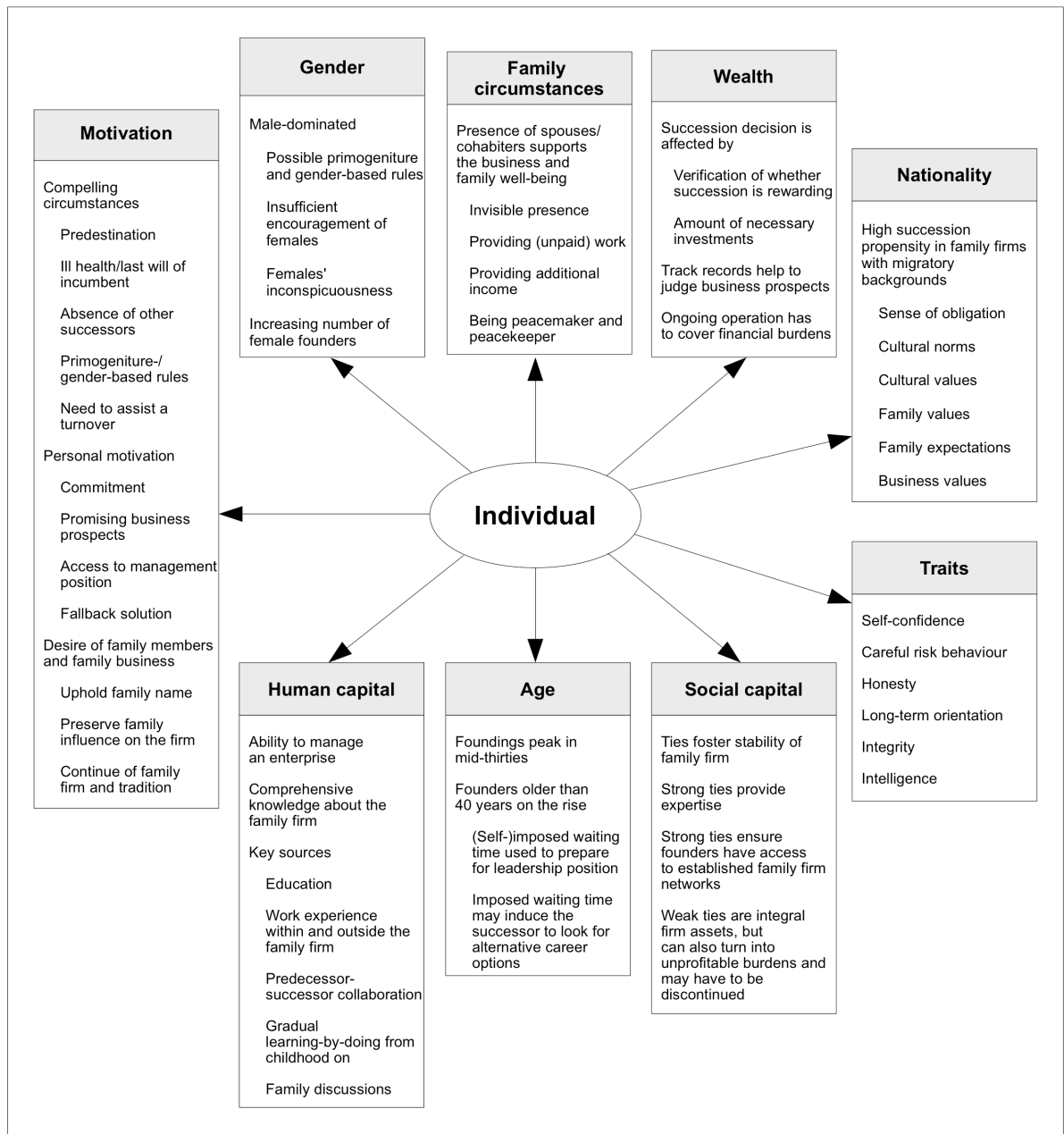
*To summarise, among the many variables of the individual dimension, some of their roles could not be fully elucidated. It is particularly unclear whether gender and primogeniture rules play a substantial or subordinated role in the succession process, but as the discussion shows, they obviously still do. In a similar vein, there is no unequivocal evidence on whether the family circumstances of family business successors impact them in taking over the parental business. In this context, as female spouses clearly influence regular business activities, it can be assumed that they do so in the run-up and the course of the succession process, too. Additionally, no clear conclusion can be drawn on the influence of the ethnic roots of family businesses on successions. However, the literature indicates that roots affect heirs' tendency to take the reigns. Regarding wealth, it is very likely that the successor's personal situation affects the possibility and decision to enter self-employment through takeover, but it even more heavily depends on the current and anticipated economic condition of the family firm if the transfer occurs at all.*

*More definitive results are available for age. Age can play a role in the family business succession process, as it, among others, induces predecessors to initiate the transfer process; otherwise, successors may look for alternative career options. In terms of the role of personality traits, the discussion above provides few clues; nonetheless, it gives cause to assume that successors' personality is a crucial element of triggering and conducting the succession process.*

*Undoubtedly, successors' human capital endowments, social capital endowments and motivational factors are central factors that affect family business successions. The heir's willingness and competence are among the key – if not the most relevant – criteria to be (considered) a convincing and deemed successful successor. Regarding competence, great efforts are made to increase the successors' stock of human capital endowments. Likewise, great attention has been given to the transfer of and ability to absorb the family business network because it helps successors in managing the family business. Figure 10 lists all the founding-relevant variables of the individual dimension.*



**Figure 10: Variables of the individual dimension of family business succession**



Source: Own illustration (2016).

## 2.2.5 Process dimension

### Duration of founding

The planned business succession process is lengthy, embracing “*actions and events that lead to the transition of leadership [and ownership] from one family member to another*” (Sharma et al., 2001, p.21), and emerges when the family business owner raises awareness of the topic (Pardo-del-Val, 2009, pp.166). If the incumbent does not recognise the urgency of this subject, other individuals such as tax consultants, business partners or family members often do.

Researchers and practitioners consider the ensuing succession planning process critical because the decisions made greatly influence the successful realisation of the business transfer and the company's future (Sharma, Chrisman and Chua, 2003, p.3). An American study by Motwani et al. (2006 p.479) reveals that family business owners are highly aware of the relevance of this topic, ranking the succession planning process among the most important topics deserving the leadership's attention. A region-specific German study provides a similar impression, but pinpoints the size effects, namely, that larger family businesses attribute greater importance to succession planning than smaller ones (Moog, Mirabella and Schleppehorst, 2010, pp.42).

Several years and many tasks are often needed to adequately prepare the company, the designated successor (Felden and Hack, 2014, p.194), the family and the predecessor for the business transfer. Thereby, the incumbent typically takes over the planning process. In the course of the rather seamless transition from planning family business succession to its realisation, the predecessor increasingly integrates the successor into this process. Goldberg and Wooldridge (1993, p.62) state that the actions and initiatives of predecessors *and* successors decisively impact succession outcomes. In other words, predecessors' and successors' activities are interrelated and, at best, supplement one another. As this relationship requires constructive collaboration, the predecessor-successor relationship belongs to a dominant topic in family business research (e.g., Venter et al., 2005).

When planning and realising succession, predecessors must engage in carefully weighing whether potential successors may meet the requirements of the prospective leadership position and thereby selecting the most suitable one(s) (Schleppehorst and Moog, 2014).<sup>45</sup> The predecessor accompanies the successor through training, mentoring and monitoring. In this way, the successor is increasingly trained in and qualified for the areas of responsibility and interaction with the stakeholders (Schleppehorst and Moog, 2014). Moreover, business evaluations are needed to determine the financial resources needed to guarantee the predecessor's financial security and to determine a suitable transfer option and tax option to diminish the family members' and the company' financial burdens. Additionally, questions on the time period for transferring the business and on the involvement of the predecessor after retirement must be clarified.<sup>46</sup> Involving the family in the succession (planning)

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<sup>45</sup> See chapter 5 for a more detailed elaboration of the recruitment and selection process of family successors.

<sup>46</sup> The predecessor often remains involved, even upon retirement. For this reason, several studies suggest that the retiring leader controls succession (e.g., Sharma et al., 2001, p.21; Rubenson and Gupta, 1996; Sonnenfeld and Spence, 1989, p.356).

process and informing its members about the succession progress help to avoid disputes.

### Founding activities

In principle, successors' initial actions do not require the immediate development and exploitation of a viable business idea, capturing markets with new products or building up a reputation, as these actions have already been achieved by the preceding generation(s). In the long term, however, the status quo should not be maintained. That is, reinventing existing products, recognising and exploiting market opportunities, addressing new customer groups and business relations help family enterprises to remain competitive, to progress and continue (Sardeshmukh and Corbett, 2011, p.112; Kellermanns and Eddleston, 2006).

Nonetheless, the provision of existing structures, stakeholders and sales products does not exempt the incoming generation from devoting efforts to internal activities (Carter et al., 1996). The incoming leader needs to gather and assess information on environmental conditions, competitors and customers to verify whether the takeover is rewarding (De Massis et al., 2008). The possibility of drawing on track records and first-hand experience with the firm's economic development, however, simplifies this evaluation in general, though it remains questionable whether subjective experience enhances or hinders objective assessments.

External efforts relating to "*activities that would make the business real to others*" (Carter et al., 1996, p.152) are insofar negligible, as the business is already known and has proven its legitimacy to stakeholders. Instead, external efforts intend to make the *successor* real to others. To achieve this aim, incumbents introduce the heir apparent to the firm's contacts (Cadieux, 2007, pp.98). Despite the existence of persistent business relationships and collaboration, successors must convey credibility, legitimacy, trust and competence to stakeholders (DeNoble et al., 2007, p.133; Brockhaus, 2004, p.168; Fox et al., 1996, pp.20; Barach and Ganitsky, 1995, pp.140/152). Otherwise, they may face difficulties in being accepted as the companies' new leaders (Klein, 2008, p.1086; Fox et al., 1996, p.22).

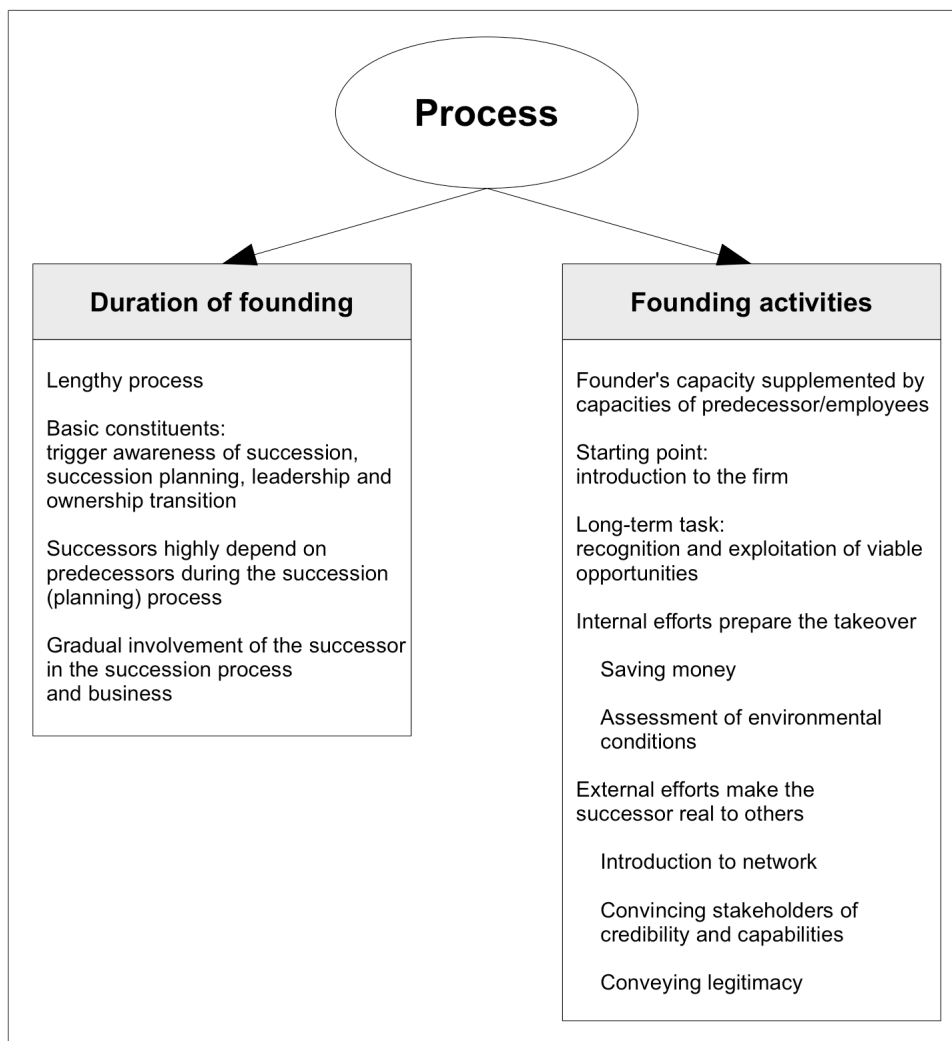
Family successors may need to raise money to pay out parents or siblings or to invest in the family firm. As this money could exceed his savings, the successor may need to make use of external capital, which transforms this activity into an external effort.

The existence of multiple stakeholders from inside and outside the family requires successors to immediately assume responsibility for these groups and to somewhat "*subordinate themselves to existing decision-making and control structures*" (Zellweger

et al., 2011, p.524; see also Swagger, 1991). In this regard, successors must cope with stakeholder claims, including perpetuating the firm's reputation (Le Breton-Miller and Miller, 2006, p.734; Miller and Le Breton-Miller, 2005a, p.22), retaining family values (Cadieux, 2007, p.102; Lansberg, 1988, p.134), providing quality products and services (Cater and Justis, 2009, p.117; Kets de Vries, 1993, p.62), employing family members (Westhead et al., 2002, p.251; Kets de Vries, 1993, p.67), keeping key employees in the family enterprise (De Massis et al., 2008, p.189; Le Breton-Miller and Miller, 2006, p.738; Letmathe and Hill, 2006, p.1124; Ayres, 1998, p.98; Kets de Vries, 1993, p.62; Sonnenfeld and Spence, 1989, p.373) and maintaining family wealth (Ward, 1997, p.326).

*To summarise, the succession (planning) process begins (long) before the family successor becomes involved; it is greatly under the control of the current incumbent. Although family successors often depend on predecessors' activities, they are nonetheless required to execute a great variety of external and internal tasks while taking the interests of the stakeholder groups into account. In so doing, external activities are essential in order to, for example, introduce the new CEO to the outside. The named variables are integrated into Figure 11.*

**Figure 11: Variables of the process dimension of family business succession**



Source: Own illustration (2016).

### 2.3 Conclusions

The conceptual elaborations in the previous sections explain the characteristics of new venture creation and family business succession by delineating their respective opportunities, challenges and requirements on the basis of four dimensions, thereby revealing a great variety of founding-relevant determinants in each dimension. The textual and graphical descriptions of the variables within the inductively created subcategories provide detailed information on the similarities and (slight) differences. Even without elaborating the cross-connections between the four dimensions or their variables, the findings underline the complexity of the two founding types.

Overall, all dimensions suit well to describe foundings. The individual dimension, however, stands out in at least two aspects. First, it embraces a greater number of founding-relevant factors; some have an outstanding relevance for entering self-

employment successfully, namely, founders' human capital endowments, social capital endowments and motivation.

Second, it is reasonable to assume that among all dimensions, the individual dimension exerts a somewhat greater influence on foundings because the individual founder turns his entrepreneurial ambition into (successful) entrepreneurship through adequately reacting to environmental conditions, forming and moulding organisational characteristics and structure and undertaking the necessary activities to found the business.

In addition, one could tentatively argue that the influence of stakeholders on the individual dimension is limited in comparison to the influence they exert on the other dimensions. For example, economic policy can steer the number of foundings by influencing environmental conditions, business relationships with founding partners and creditors can affect the organisational structure, and several market partners are involved in fulfilling the necessary founding activities. However, some (inherent) features of the individual are difficult to influence, some even by the individual himself (e.g., traits).

This information implies that the individual dimension is a linchpin of foundings. It is therefore argued that insights on the personal attributes and background of founders are important in that they provide a better understanding on foundings. The following chapters help to depict an even more differentiated picture of the individual dimension of both founder types. Chapters 3 and 4 begin by focusing on the start-up entrepreneur in the context of identifying individuals who may be well equipped with properties and abilities that allow them to discover market opportunities and who may be willing to enter self-employment.

## **Part B: Individual dimension of new venture creation**

### **3. Repatriates as entrepreneurs? – A theoretical analysis**

#### **3.1 Introduction**

Expatriate assignments have progressively been playing a key role in the execution of international decentralisation of business strategies (Harvey and Moeller, 2009). Edström and Galbraith (1977) determine that the reasons for international transfer of managers are to fill positions, develop managers and develop the organisation through control and coordination. The reasons behind the decision to go on an international assignment are often based on intrinsic motives. Among other reasons, expatriates may regard the assignment as an opportunity to improve their careers, an opportunity to acquire further knowledge or as a personal challenge (Stahl, Miller and Tung, 2002; Riusala and Suutari, 2000). Despite their significance in international companies, several authors have established that international assignments do not always improve the careers of managers (e.g., Stahl et al., 2002). Career related problems, such as anticipated difficulties finding a suitable position and inadequate advancement opportunities upon repatriation as well as the lack of long-term career planning were found to be the greatest problems in a study of German and French expatriate managers (Stahl and Cerdin, 2004). Furthermore, repatriates lose the status, autonomy, and responsibility that they earned due to the company's internationally decentralised status. Among other reasons, these have been found to lead employees to change employers after repatriation (e.g., Stroh, Gregerson and Black, 1998).

While the annual employment turnover rate in Germany is approximately 25.9 per cent (Federal Employment Agency, 2010), that of repatriates after an assignment, is considerably higher. The 2010 Global Relocation Trends Survey found that 38 per cent (GRTS, 2010) of repatriates resigned within one year after their return, and the rate of resignation remains almost as high in the two subsequent years after their return (Aldred, 2009). In Europe, similarly high figures can be observed in an empirical study of German and French expatriates, in which 50 per cent of the German and one-third of the French expatriates were willing to leave their employers upon return from their assignments. Stahl and Cerdin (2004) further establish that one-quarter of the entire sample would leave their employers under ideal conditions (for comparable results, see Suutari and Brewster (2003)).

Despite the verification of this phenomenon, the question of which career path these repatriates take, and the long-term consequences on their careers have not been researched to date (Stahl et al., 2002). Without supporting evidence, existing literature often states that returnees change their employers (e.g., Suutari and Brewster, 2003). It is argued here that repatriates may not only be leaving their employers for other

companies but using their acquired qualifications, skills and social contacts to facilitate the path to self-employment. There are theory-based reasons to presume that repatriates may be making this occupational choice.

This argument evolves from the fact that repatriates, particularly as a result of their international assignments, are endowed with human capital, social capital and properties of the 'Jack-of-all trades' view, factors that – based on extant literature and mentioned in the former chapter – play a significant role for entrepreneurs venturing into self-employment (Rauch and Rijdsdijk, 2011; Wiklund and Shepherd, 2008; Davidsson and Honig, 2003; Delmar and Davidsson, 2000). In the first place, expatriates possess qualifications and skills that play a large role in their selection for international assignments. Secondly, due to the intercultural relocation preparations before an assignment and the increased responsibility, independence and authority during an international assignment, expatriates return to their home countries having acquired not only international experience but also, having acquired direct information on cultures, particular markets and environments and having become a "*part of a global social network*" (Lazarova and Caligiuri, 2001, p.389). Upon repatriation therefore, they may display the entrepreneurial ability to identify and develop opportunities by taking advantage of the qualifications, skills and social contacts established and earned before and during their international assignment. This illustrates that repatriates may not only be changing employers – as is often argued in the literature – but are indeed capable of going into self-employment.

This contribution focuses on repatriates as potential entrepreneurs and aims to theoretically determine if repatriates are particularly suitable candidates for pursuing self-employment. To address this research question therefore, the Jack-of-all trades view (Lazear, 2005; 2004), the human capital (Becker, 1964; 1962) and the social capital theories (Lin, 2001; Coleman, 1990) are employed.

The rest of this chapter is structured as follows. In the next section, we review extant literature on the opportunity recognition and development approach, human capital and social capital theories as well as on the Jack-of-all trades approach in respect to start-up entrepreneurs and repatriates<sup>47</sup>. Existing relationships are then identified thus conceptually illustrating that repatriates could venture into self-employment. Finally, we conclude with a discussion of our main results, some limitations of our analysis and questions for future research.

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<sup>47</sup> The term 'expatriate' pertains to employees who are sent on international assignment for a limited period of time (usually, of more than 12 months). The term 'repatriates' however refers to expatriates that have returned to their home country after an assignment (McKenna and Richardson, 2007, p.315). In the context of this contribution therefore, expatriates and repatriates refer to the same individuals depending on the temporal point of view.



## 3.2 Literature review

### 3.2.1 Opportunity recognition and development approach

Kirzner (1973) introduced the concept of opportunity discovery and identified this as a core issue in entrepreneurship. Since then, entrepreneurship researchers have made numerous references to opportunity recognition but differ on terminology, definitions, major concepts, models and the operationalisation of the process (Hansen, Shrader and Monllor, 2011; Ardichvili et al., 2003). Despite the disparity of literature on this subject, researchers agree on the significance of opportunity recognition as a precondition for the successful establishment of business (Ardichvili et al., 2003; Shane and Venkataraman, 2000; Kirzner, 1973). The identification of the right opportunity distinguishes entrepreneurs from other individuals (Bygrave and Hofer, 1991).

It is mainly accepted that recognition *per se* does not mean that the identified opportunity develops into a feasible business. Ardichvili et al. (2003) therefore conclude that three distinct processes are essential: (1) detecting market niches, (2) identifying a match between these market niches and the available and suitable resources, and (3) the realisation of this match through a business strategy. In other words, the recognition of an opportunity is not of value unless it is exploited (Baron, 2006; Ardichvili et al., 2003). It is rather referred to as 'opportunity recognition and development' (Ardichvili et al., 2003).

In this regard, human capital in form of knowledge and experience, as well as social capital in form of existing personal networks are often discussed as major aspects that influence opportunity recognition and development. Overall, core results in this field show that *"entrepreneurs' personal networks and previous knowledge, based mainly on work-related experience, are key to the creation of (...) opportunities"* (Casulli, 2009, p.35). Furthermore, several studies indicate that the entrepreneur's human capital profile in terms of educational credentials, prior knowledge and workplace experience enhance the generation of ideas (Baron, 2006; Arenius and De Clerq, 2005). Baron established that *"individuals with a broad range of work experience will have greater knowledge about particular industries, markets, technologies, government regulations, and competition than will persons with more limited experience"* (2006, p.112).

Additionally, social capital networks have been found to facilitate the identification of opportunities (Singh et al., 1999) and to provide access to resources (such as information, financial or human resources) in order to exploit these opportunities (Anderson and Miller, 2003; Davidsson and Honig, 2003). Since social contacts provide additional information, for example, extended social contacts are accompanied by richer knowledge (Baron, 2006). Thus, any *"participation in more markets should increase the likelihood that a person will gain access to necessary information for*

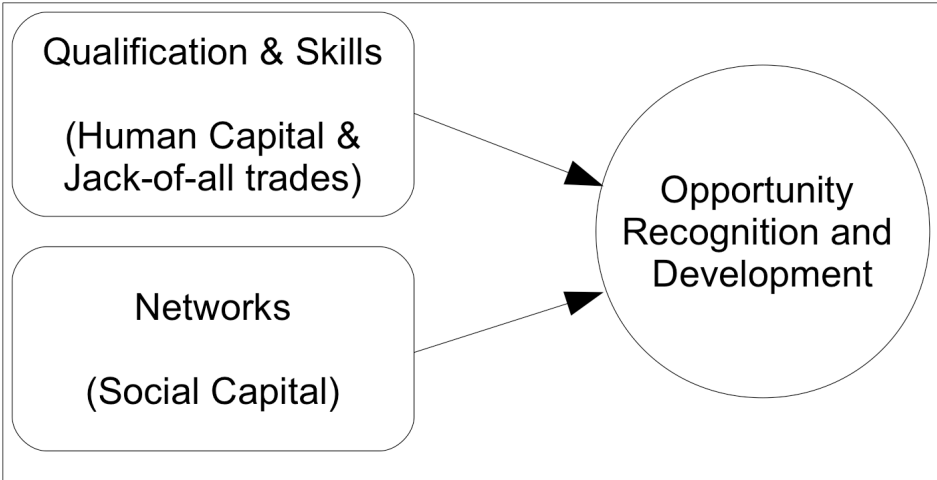
*opportunity discovery*” (Shane, 2003, p.48). The likelihood of identifying entrepreneurial opportunities also increases with geographical mobility (Delmar and Davidsson, 2000). Mobility can raise the wealth of experience, social contacts as well as access to a larger amount and variety of resources, and thus lead to the discovery and exploitation of opportunities.

Human capital endowment is traditionally operationalised using indicators such as educational attainment or work experience. For the purposes of this chapter, this perspective does not satisfactorily emphasise the all important indicators. For this reason, based on the Jack-of-all trades theory (Lazear, 2005; 2004), the influence of an individual’s engagement in a variety of employment activities, and the broadness of his skills are also examined.

Figure 12 illustrates the (causal) relationships between the opportunity recognition and development approach and some of its prerequisites: human capital, social capital and characteristics of Jack-of-all trades.

It is proposed herein that repatriates possess qualifications and skills similar to those of start-up entrepreneurs and that both groups are endowed with a rich social capital network that enables the identification of market opportunities and their development into viable businesses. The following research questions therefore sum up the aim of this discussion: Are the qualifications, capabilities as well as diversity and quality of repatriate networks comparable to those of entrepreneurs? Following an international assignment, do repatriates possess the qualifications, skills and networks that can enable the identification and development of market opportunities and consequently enable them to go into self-employment?

**Figure 12: Factors influencing the recognition and development of market opportunities**



Source: Own illustration (2013).

### 3.2.2 The qualifications and skills of start-up entrepreneurs

Investments in human capital are in the form of schooling or on-the-job training, also referred to as 'formal human capital'; and in the form of learning-by-doing or educational experiences, also referred to as 'informal human capital' (Moog, 2004; Mincer, 1974; Becker, 1964; Mincer, 1962).

The popularity of this theory may be due to its extensive mechanisms (Brüderl, Preisendörfer and Ziegler, 1992). However, a review of existing literature on the main indicators of human capital variables and their effects on the propensity to found new businesses mainly give ambiguous results. These discrepancies may be explained by the different emphases highlighted in the various studies, the distinctive measurements and the divergent samples. Lange (2010) further states that the conceptual categorisation of the human capital concept is also ambiguous.

The ensuing discussion shows some results of recent studies. All in all, entrepreneurship research concurs as far as the importance of human capital endowment and its impact on the inclination to start-up is concerned (e.g., Backes-Gellner and Moog, 2013; Davidsson and Honig, 2003).

The indicator, formal education, on the propensity to found a new business does not show uniform results. For example, authors have questioned whether "*formal education can affect the likelihood of entrepreneurial entry through (1) the acquisition of skills, (2) credentialing, and (3) sorting people by ambition and assertiveness*" (Kim et al., 2006, p.8). Besides Kim et al. (2006) submit that a deficiency will hinder 'entrepreneurial entry' just as much as a surplus. However, apart from hard facts, basic school attendance develops abilities such as communicational and analytical skills and although these skills do not guarantee the success of self-employed persons, they are necessary for entrepreneurial activities. One may also argue that employed persons need these skills just as much but overall, it may be concluded that advanced educational attainment correlates positively with entrepreneurial activities (Moog, 2004).

Experiences refer to those abilities acquired beyond formal schooling. Schultz (1980) finds that, compared to formal education, learning from experience is less helpful in technologically dynamic sectors. Entrepreneurship literature, however, generally supports the fact that experience does increase the likelihood of becoming an entrepreneur especially if nascent entrepreneurs a) start their business activities in industries where they were previously employed – an obvious fact according to Evans' and Leighton's (1989a) – and b) if nascent entrepreneurs have gained a broad spectrum of experiences and abilities (Brüderl et al., 1992).

As founders are expected to carry out diverse forms of activities (Lichtenstein et al., 2007), a combination of diverse abilities appears to be most effective. Various high qualifications would not be necessary, but basic knowledge in each of these various fields would provide entrepreneurs with a general and entire overview of the business. Lazear (2005; 2004) refers to these new founders as 'Jack-of-all trades'. This implies that individuals with a comprehensive spectrum of qualifications tend to go into self-employment rather than those individuals that have specific abilities (Lazear, 2005; 2004). Jack-of-all trades refers to the composition and accumulation of skills that determine the choice between an employed or a self-employed occupation. Lazear (2005; 2004) empirically supports the theory that individuals who innately have and invest in a variety of skills tend to be self-employed (Lazear, 2005; 2004). These individuals have been found to possess basic knowledge in various fields (Lazear, 2005; 2004). Although Silva (2007) disputes Lazear's results, other studies have empirically confirmed the same relation – e.g., Wagner (2003), using a sample of the German workforce and Åstebro and Thompson (2011), using a sample of Canadian inventor-entrepreneurs. Backes-Gellner and Moog (2013) show similar results in their research on the willingness of German students to go into self-employment. They come to the conclusion that it is rather the balance of the individual skill sets than the level of their skills that increases students' willingness to become entrepreneurs.

Accordingly, when discussing an individual's disposition to go into self-employment, the human capital theory is supplemented by the Jack-of-all trades theory to provide for the aspects discussed above. Prior involvement of repatriates in various activities during their international assignments may therefore also lead to the acquisition of a wider set of skills from various fields.

### **3.2.3 The qualifications and skills of repatriates**

Prior to their foreign assignments, repatriates get screened and selected, at best, out of a pool of willing and available experts. As international assignments incur high financial and emotional costs, the selection process of the most competent employees, attempts to decrease the expatriate failure rate (Fink, Meierewert and Rohr, 2005; Mendenhall, Dunbar and Oddou, 1987). Furthermore, this stage is important because it reduces difficulties during the repatriation process (Harris, 1989).

Based on a comprehensive literature review, Mendenhall et al. (1987) conclude that the main selection criterion is the technical ability of the potential expatriate. Besides this (see also e.g., Anderson, 2005; Stone, 1991) some researchers focus on the expatriate's communicative abilities, previously gained foreign experiences (e.g., Holopainen and Björkman, 2005), professional expertise, methodological and

intercultural competence (Kühlmann and Huchtings, 2010), current efficiency in exercising the profession (Harris and Brewster, 1999) as well as the expatriate's and family's adaptability (e.g., Stone, 1991)<sup>48</sup>.

In general, only individuals with particular skills and qualifications, and the potential to establish or further develop or support the foreign office are selected. Additionally, this group of high potentials (e.g., Riusala and Suutari, 2000; Harris and Brewster, 1999) is well qualified and usually considers experiences gained abroad as opportunities to develop individual skills and expertise and to advance their careers (Suutari and Brewster, 2003; Riusala and Suutari, 2000; Tung, 1998; Harris, 1989).

Furthermore, before an international transfer, these employees receive relevant training, particularly to prepare them for the intercultural differences (Harris, 1989; Mendenhall et al., 1987). During their assignment these employees have to fulfil the company's requirements as well as the demands on-site (Kühlmann and Hutchings, 2010). *"They have to handle business functions they normally do not touch and thereby learn to understand the interactions of the different functions"* (Fink et al., 2005, p.34). They are often given greater responsibilities (Tung, 1998), possess greater authority and a greater freedom in decision-making (Harris, 1989). In some cases expatriates are expected to fully manage subsidiaries. They therefore get acquainted to handling a business as a whole, gain leadership experiences as well as expertise that would not have been earned were they to remain in the home country (Tung, 1998).

The results of a Finnish study show that international assignees particularly, improve their skills in terms of comprehension of the global market, linguistic proficiency, social skills, self-assurance, professional competence and the generation of ideas by expanding their horizons (Riusala and Suutari, 2000).

As suggested by Fink et al. (2005), the extensive and diverse tasks that expatriates have to fulfil, comprise responsibilities that may qualify a repatriate to take over a management position (see also Riusala and Suutari, 2000). As Harris and Brewster cite Phillips (1992), *"there is little or no difference between the personal qualities required for success in managing domestic or international business, but successful development of international business demands a higher level of skills and qualities. This is because managers working abroad will be involved in a wider range of*

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<sup>48</sup> Based on a case study approach, Harris and Brewster (1999) further identify the discrepancy between theoretical and practical applied selection mechanisms. Although selecting ideal expatriates should theoretically be grounded by precisely defined criteria and measures and carried out by qualified personnel, the reality is such that expatriates are recruited rather arbitrarily and eventually matched to the position. It may be argued that this sort of procedure does not just limit the pool of potential expatriates, but causes the selection criteria to be subjective and unstandardised (Harris and Brewster, 1999). Regardless, the selected candidates must meet the required skills and qualification for the international assignment position.

*activities, roles and responsibilities than those required in the home market” (1999, p.489).*

This implies that, in carrying out their duties and responsibilities during an international assignment, repatriates do not only acquire a high human capital endowment but also a broad spectrum of diverse skills and abilities (Fink et al., 2005). They become generalists and can therefore be referred to as ‘Jack-of-all trades’.

In summary, we argue that repatriates take up the role of a Jack-of-all trades and have a high human capital endowment because: a) as foreign assignment candidates they must display high qualifications, b) the preparation for an assignment provides them with additional forms of human capital, c) the assignment itself expands the expatriates’ knowledge, and d) the assignment broadens his skill set. For these reasons, we claim that repatriates possess comparatively similar qualifications and diversity of skills to those of start-up entrepreneurs and may therefore be just as qualified to venture into self-employment. Founded on this argument, the following proposition can be derived:

*Proposition 1: When an employee returns from an international assignment, then his human capital and his skill sets will be similar to those of a start-up entrepreneur.*

Moreover, expatriates know the market, competition, customer needs and shortages that the market does not cover. The combination of this knowledge and experience leads to a sensibility and higher attention to market needs (e.g., Brüderl et al., 1992) and opportunity recognition. The additional geographical mobility further promotes the generation of new ideas (Riusala and Suutari, 2000). This leads to the second proposition:

*Proposition 2: When an employee returns from an international assignment, then his human capital and his skill sets will be positively associated with opportunity recognition and development.*

#### **3.2.4 The networks of start-up entrepreneurs**

The role of social capital, and in effect, social networks in the recognition and development of opportunities has largely been discussed in the literature (Davidsson and Honig, 2003; Greve and Salaff, 2003; Hoang and Antoncic, 2003; Singh et al., 1999). Social capital networks introduce diverse relations and interactions (Lin, 1999) which in their development and nurture can have positive and, in some cases, negative

effects (Gargiulo and Benassi, 2000). For the sake of this contribution, social capital is treated as a mainly positive network effect that is defined as *“the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit”* (Nahapiet and Ghoshal, 1998, p.243). The resources embedded in these networks are highly heterogeneous and can be in both tangible (e.g., human and financial resources) and intangible forms (e.g., ideas, knowledge, authority and social standing (Lin, 1999)). These resources can be accessed through ‘direct’ and ‘indirect ties’ as well as ‘strong’ and ‘weak ties’ (Granovetter, 1973).

While the amount of strength is determined by *“the amount of time, the emotional intensity, the intimacy and the reciprocal services which characterize the ties”* (Granovetter, 1973, p.1361), direct ties are characterised by one-on-one relationships, and indirect ties involve a third party, who acts as a mediator. Strong ties are made up of cheaper, more reliable (Granovetter, 1985), long-term close-knit relationships of close friends and family members (Elfring and Hulsink, 2003), while weak ties are usually casual acquaintances (Granovetter, 1973).

The ‘strong and weak ties hypothesis’ (Jack, 2005, p.1236; Granovetter, 1973) suggests that the support and information gained from weak ties are more extensive (Granovetter, 1973), heterogeneous (Casulli, 2009), sporadic and *“loose and non-affective”* (Elfring and Hulsink, 2003, p.411). Furthermore, weak ties constantly provide original and diverse forms of information resources as well as opportunities to meet new people (Granovetter, 1973). Both strong and weak ties are significant in their respective ways and at various stages of developing a firm (Elfring and Hulsink, 2003). For example, in the early stages of development, a firm owner may rely more on family members and close friends for security, (emotional) support (Elfring and Hulsink, 2003) or social status (Anderson and Miller, 2003), to extend the founders’ network through indirect ties (Jack, 2005), or to even provide financial resources (Coleman, 1988). With the growth of the enterprise, his reliance on weak ties also grows and becomes relevant for the business (Elfring and Hulsink, 2003; Birley, 1985). These weak ties are usually composed of various stakeholders of institutions or organisations in which an individual has interacted with. They include former colleagues, former employers, business partners, business acquaintances and start-up support organisations (e.g., Davidsson and Honig, 2003; Brüderl and Preisendörfer, 1998).

By nature, the number of strong ties of any given individual is limited (Singh et al., 1999), and its measure lies more in their quality and utility (Jack, 2005) than in the number of interactions, which are unlimited in number (Granovetter, 1985); weak ties, on the other hand, provide more information about market gaps and how to fill them

(Elfring and Hulsink, 2003). They can provide resources that cover a large spectrum of possibilities, such as information and advice (Singh et al., 1999; Birley, 1985), innovative ideas, human and financial resources, cooperation or expansion opportunities, etc. The extent to which these irregular, occasional, loose relationships can provide some form of capital or resources depends on the activeness of the potential entrepreneur.

To understand social capital further it is necessary to analyse the nature and form of social ties (Adler and Kwon, 2002). Various authors have analysed social capital structures through frequency, intensity and multiplexity (multiple roles of each position in the network) of constituent ties (Adler and Kwon, 2002), network density, depth of relationship, instrumental support received and contact quality (Liu and Shaffer, 2005) and size and closeness (Semrau and Werner, 2012; Wang and Nayir, 2006). This analysis will, however, focus on the 'size' and 'quality' of strong or weak tie networks as these are the most commonly used operationalisation measures and because they can facilitate comprehension under the conceptual nature of this discussion. Besides, the amount of resources that a potential entrepreneur will have available at various stages of the entrepreneurship process is determined by the size and quality of his social capital networks.

As has empirically been validated, the more network ties an individual has, the more the variety and amount of information and resources available to support him in identifying and exploiting opportunities (Singh et al., 1999) at different stages of founding (Greve and Salaff, 2003). Measured as the quantity of "*direct links between a focal actor and other actors*" (Hoang and Antoncic, 2003, p.171), network size determines the amount and degree to which resources can be accessed by an entrepreneur or a potential entrepreneur. However, it is not only the size of the stock of social capital that matters but the quality, in terms of 'diversity'.

An entrepreneur has a diverse and balanced social capital network, if his social contacts are made up of individuals of broadly dissimilar backgrounds, characters, capabilities, qualifications, inclinations and prospects. According to Backes-Gellner and Moog, "*[k]nowing people of all kinds from different business and personal spheres helps one to collect and screen the relevant knowledge, get to know the relevant market players and start relational contracts or gain sufficient credit, all of which are indispensable production factors for a start-up*" (2013, p.58). In the context of start-up entrepreneurs therefore, such diverse contacts could provide increased access to a variety of resources, productive business support and higher basis through which opportunities can be identified and exploited (Anderson and Miller, 2003).



Evidently, social capital in form of the size of strong and weak ties and the quality of networks (in terms of diversity) determine to what extent a start-up entrepreneur will be able to identify and develop ideas into possible viable businesses (Ozgen and Baron, 2007; Davidsson and Honig, 2003; Singh et al., 1999). If repatriates possess at least similar social capital endowments as start-up entrepreneurs, it can be presumed, based on the social capital theory that expatriates are capable of going into self-employment after they return from an international assignment.

### **3.2.5 The networks of repatriates**

The social capital theory has minimally been applied in the context of expatriates and repatriates (Osman-Gani and Rockstuhl, 2008; Manev and Stevenson, 2001). There are however some empirical studies of expatriate and international student networks and their role in, for example, reducing uncertainty (Osman-Gani and Rockstuhl, 2008), accessing support (Wang and Nayir, 2006), facilitating psychological well-being (Kashima and Loh, 2006) and therefore facilitating adjustment (Farh, Bartol, Shapiro and Shin, 2010; Wang and Nayir, 2006), and, in effect, improving the performance of expatriates at work (Osman-Gani and Rockstuhl, 2008; Kashima and Loh, 2006; Liu and Shaffer, 2005).

Despite the indirect relation to this discussion, the limited literature on social capital and expatriates above provides support for our arguments by revealing the size and quality of repatriate networks. It also provides insights into the potential resources embedded therein, and which can then be mobilised for entrepreneurial profit (Lin, 2001). For comparison purposes, the main aspects discussed in the case of start-up entrepreneurs above, namely: network size and network quality (in terms of diversity) are discussed below.

In order for expatriates to perform their duties effectively, they are involved in social interactions and must develop social networks (Manev and Stevenson, 2001). Furthermore, for multinational decentralised organisations to function as a single unit, it becomes necessary that expatriates in the remote offices interact and create networks (Manev and Stevenson, 2001). Several studies concur that a larger expatriate social network, positively contributes to adjustment in foreign environments (Kashima and Loh, 2006; Wang and Nayir, 2006). The larger the size of the network the expatriate interacts with, the more diverse the contacts and the greater the available stock of acceptable behaviours to learn from (Osman-Gani and Rockstuhl, 2008), and the more the knowledge and information to access from. In their empirical investigation of expatriate performance and adjustment through a social capital perspective, Liu and Shaffer (2005) focus on Host Country Nationals (HCNs) and find that a higher ratio of

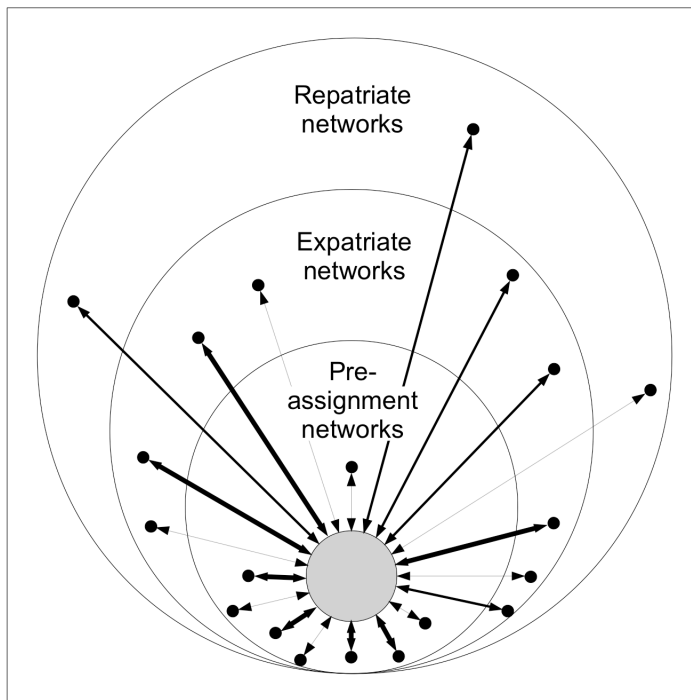
HCNs within an expatriate network increases job performance levels. It is thus likely that expatriates develop extensive networks that go beyond home country borders to facilitate adjustment during their international assignments and may maintain these relations throughout and after their international assignments.

In sum, repatriate networks develop due to an accumulation of contacts typically made up of locals, HCNs (during and after their assignments) and other expatriates (Osman-Gani and Rockstuhl, 2008). Upon repatriation, access to resources embedded in strong ties would follow in much the same channels as in the case of start-up entrepreneurs or any other individual interested in going into self-employment. The nature of international assignments, however, requires that expatriates leave their families (if they go unaccompanied by their immediate families), friends, and other relations in the home country. Although the strength of ties have basically been determined by frequency of contact (Granovetter, 1973), strong ties, in form of family and friends, are linked by emotional attachments and commitment, mostly remaining intact upon repatriation despite the infrequency of contact (Jack, 2005). In the case of weak ties nonetheless, infrequency of contact may result in reduced strength of weak ties but not necessarily a complete severing of ties<sup>49</sup>. This may be disruptive to the expatriate's home country networks but may result in the initiation of new ones (Adelman, 1988). Figure 13 depicts the networks of repatriates, where the differences in the density of the arrows signify the differences in the strength of weak ties.

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<sup>49</sup> A lengthy absence from the home country indeed affects the frequency of contact and, therefore, the strength of ties (Granovetter, 1973). Home ties are therefore disrupted so that – we assume – either contact is completely severed or the strength of the weak ties weakens. Besides, active maintenance of home country contacts, e.g., through continuous communication with the home office, is usually encouraged to ease the usually problematic repatriation process (Lazarova and Caligiuri, 2001).

**Figure 13: Repatriate networks**



Source: Own illustration (2013).

Apart from the stock of social capital, the quality of expatriate networks, measured through the degree of diversity, has also been discussed in the expatriate literature. Au and Fukuda (2002) differentiate 'relationally diverse' networks from 'culturally diverse' networks. They argue that an individual may have a large but culturally homogenous network. Regardless of the size of his network, an expatriate, on the other hand, would possess heterogeneous networks (i.e., relationally and culturally diverse) because of his exposure to various cultures and environments (Au and Fukuda, 2002; Nohria and Ghoshal, 1997). These authors thus advocate for the development of expatriate networks made up of workmates, customers, and suppliers, and people with other cultural backgrounds to enhance access to information and facilitate their role as emissaries for the company. Some studies have analysed the relationship between network diversity and expatriate adjustment. Manev and Stevenson (2001), for example, look into expatriate network diversity and differentiate two status groups: local (HCN) and expatriate networks (from the home country and other countries). They also demonstrate that expatriates develop complex networks relating on an individual level and spanning various countries, nationalities and status groups.

The diversity of expatriate social capital can also be observed in the interaction of managers in geographically dispersed units (Mäkelä and Brewster, 2009). Among other forms of interactions, cross-border teams and expatriate interactions have been

found to be those significantly associated with ‘affective’ and ‘cognitive social capital’<sup>50</sup> and knowledge sharing. The authors conclude that these interactions are especially productive ways of dealing with assignments, thus necessitating cooperation, exchange of resources, and innovative behaviour (Nahapiet and Ghoshal, 1998). In an exploratory case study research, Mäkelä (2007) determines expatriate characteristics that lead to higher knowledge sharing. Expatriates displayed relatively rich networks (referring to size and diversity), long-term relationships, high levels of trust, multiplexity and shared knowledge (Mäkelä, 2007).

Extant literature has revealed that the role of size and diversity of networks for start-up entrepreneurs is invaluable in providing resources (such as ideas, information, human and financial resources) for entrepreneurial activities. Additionally, having discussed networks in the context of repatriates, it becomes clear that the nature of their networks portray qualities – in terms of size and diversity – that compare to those of start-up entrepreneurs and that can provide similar resources to support business start-up. An international assignment seems to encourage the formation of large and heterogeneous networks and it is for this reason that this chapter argues that repatriate networks are similar to those of start-up entrepreneurs.

*Proposition 3: When repatriates return from an international assignment, the size and diversity of repatriate networks will be similar to those of a start-up entrepreneur.*

Due to their exposure to foreign environments, expatriates just like start-up entrepreneurs reduce uncertainty by using their networks to practise “*resource and information seeking behaviour*” (Liu and Shaffer, 2005, p.239). The social capital earned during an international assignment may furnish a returnee with entrepreneurial ideas or facilitate the fulfilment of some entrepreneurial needs just as would be the case for start-up entrepreneurs (e.g., Davidsson and Honig, 2003; Singh et al., 1999). It is therefore posited in this chapter that the social capital of a repatriate – earned as a consequence of the assignment – will facilitate the identification and exploitation of opportunities.

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<sup>50</sup> Relational (or affective) social capital refers to the potential gain and possible responsibility ingrained in network relationships and includes aspects such as ‘trust, norms and sanctions, obligations and expectations’ (Mäkelä and Brewster, 2009) based on Kang, Morris and Snell, 2007; Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Cognitive social capital on the other hand, refers to social relations where individuals share a mutual reference point as far as cognitive structures are concerned in order for them to be able to identify, comprehend and share unique knowledge (Kang et al., 2007).

*Proposition 4: When repatriates return from an international assignment, repatriate networks will be positively associated with opportunity recognition and development.*

### **3.3 Conclusions, limitations and future research**

Expatriates or repatriates as a group of potential entrepreneurs has not been researched nor discussed in the literature to date. This contribution attempts to conceptually fill this research gap.

This theory-based literature review and analysis has illustrated that international assignments may initiate a career path of self-employment. Thus, the frequent dissatisfaction that results from poor reintegration practises in companies does not only have to lead to repatriates leaving their employers for better opportunities. The additional capabilities, experiences and social contacts acquired by an expatriate – and eventually, a repatriate – are indeed prerequisites that start-up entrepreneurs have to demonstrate or possess in order to successfully establish businesses. Since the realisation and exploitation of market opportunities is a precondition for going into self-employment, the opportunity recognition and development approach is applied to answer the research question. Founded on sound theories and extant literature, this chapter has looked into research on human capital theory and Jack-of-all trades approach, as well as the social capital theory in the context of entrepreneurship, because these theories have been found to facilitate the identification and exploitation of ideas. This chapter has also comparatively explored the role of main aspects of these theories on repatriates and therefore the possibility of repatriates also taking up entrepreneurship as a career path.

It should be noted that although there are other important aspects such as personality factors (Begley and Boyd, 1987; Brockhaus, 1980) and start-up financing (Parker and Van Praag, 2006) which impinge on opportunity recognition and development, they have deliberately been omitted from this contribution. This has been done in order to observe the plausibility of significant propositions before venturing into further related studies.

Future research should look into these aspects. It should also explore the influence of existing capital endowment of repatriates on the inclination to found. The latter may be worthy of research for two reasons: on the one hand, due to the usually higher income, increased monetary incentives to go on international assignment, various benefits and allowances and/or premiums and spouse support, expatriates can usually accumulate a relatively high income and stock of capital. This could be argued to provide not only capital but security thus possibly influencing the decision to go into

self-employment. On the other hand, a positive correlation could be found between the human capital endowments of repatriates and credit lending by banks as has been established in the case of entrepreneurs (e.g., Backes-Gellner and Werner, 2007 or Parker and Van Praag, 2006). Additionally, the technological level of the host countries should be taken into account as this factor can largely influence the identification of market gaps and opportunities (for example in respect to the degree of innovation or the type of discerned market needs).

As has been argued, due to their backgrounds, repatriates possess qualities appropriate for international business, and the international social contacts may also play a significant role in the identification of opportunities in international markets. This introduces a further research perspective which could seek to determine to what extent repatriates establish firms that expand business activities internationally upon or right after establishment – the so called ‘born globals’ or ‘early internationalisers’.

This contribution also carries implications for practitioners. With the most frequent cause of repatriate attrition being poor exertion of the skills acquired during the international assignment (Pattie, White and Tansky, 2010), repatriates could be sensitised into considering self-employment as a career option to optimise on their acquired skills sets and human capital and social capital. Furthermore, repatriates may also be targeted (besides university students, women or immigrants) for various start-up support measures.

In summary, to answer the research question on what kind of individuals are well equipped with properties and abilities to discover market opportunities, this chapter illustrates that returnees from international assignments may initiate a career path towards self-employment. These individuals have the human and social capital endowments needed to identify market opportunities, which is a pivotal necessity to launch a new business. The ensuing chapter answers the second part of the research question and examines whether long-term assignees are inclined to get engaged in entrepreneurial activities.

#### **4. The effect of international assignments on entrepreneurial intentions among employees**

##### **4.1 Introduction**

It is common knowledge in entrepreneurship research that human and financial capital factors, demographic and psychological aspects, gender and regional conditions can influence the decision to become an entrepreneur (e.g., Parker, 2004, pp.68–107 for an overview; Delmar and Davidsson, 2000; Dunn and Holtz-Eakin, 2000; Van Praag and Van Ophem, 1995; Evans and Jovanovic, 1989; Evans and Leighton, 1989b). This phenomenon, however, should not be considered in isolation. Existing firms, for example, are said to be an important source of new entrepreneurs (Hellmann, 2007). In fact, in most countries around 50 to 70 per cent of newly started businesses are founded by former employees (EIM, 2003). That is, the majority of new entrepreneurs launch their new venture following a period of employment in established companies (Burton, Sørensen and Beckman, 2002; Gompers, Lerner and Scharfstein, 2005). Consequently, a growing interest in recent entrepreneurship literature in the role of the work environment in employees' entrepreneurial decision-making can be observed (e.g., Parker, 2009; Nanda and Sørensen, 2008; Hellmann, 2007).

However, although the impact of many of these factors is accepted, there are still many gaps in this body of research literature. Little is known for example about the relationship between international assignments (IA) of employees and their entrepreneurial intentions (Burer et al., 2013; Dabic, González-Loureiroc and Harvey, 2013, p.16). It can be argued that employees returning from such long-term IAs may be better prepared for self-employment than employees without international experience because international assignees may acquire various skills and experiences in diverse fields and also develop extensive and diverse networks conducive to entrepreneurship (Burer et al., 2013).

Indeed, human capital (HC) and social capital (SC) endowments have been found to facilitate the recognition and development of opportunities in entrepreneurship literature (e.g., Casulli, 2009; Anderson and Miller, 2003; Davidsson and Honig, 2003; Singh et al., 1999) and entrepreneurs have been found to be well-versed in various fields i.e. as Jack-of-all trades (e.g., Åstebro and Thompson, 2011; Lazear, 2005; 2004; Wagner, 2006). Moreover, a considerable body of evidence in international personnel management literature shows that repatriates commonly return to their home country companies to dissatisfying working conditions. This is in regard to unsatisfactory career advancement opportunities, work responsibility and autonomy, and opportunities that enable the application of acquired knowledge and skills thus possibly eliciting a need to pursuing external career alternatives (e.g., Ren, Bolino,

Shaffer and Kraimer, 2013; Kraimer, Shaffer, Harrisson and Ren, 2012; Vidal, Sanz Valle and Aragón, 2007; Stahl and Cerdin, 2004; Stahl et al., 2002). Thus, all things held equal, it can be argued that repatriates may be more impelled to consider entrepreneurship than other employees (Reynolds, Carter, Gartner and Greene, 2004).

Overall, however, our understanding of the driving forces why repatriates should think about leaving their prior employer to start a new business is – at its most – still in its infancy. For instance, the connection between international experience and entrepreneurial intentions of employees has not yet been addressed by empirical scholars. Thus, to close this gap in entrepreneurship research this chapter seeks to determine whether there is a positive relationship between international assignments and entrepreneurial intentions and whether diverse HC and extensive SC endowments as well as poor career prospects are possible mediators accounting for this relationship. Accordingly, we develop and test the hypotheses that IAs constitute a specific environment in which employees build up necessary skills, knowledge and expertise as well as network relationships which are conducive to entrepreneurship.

The data used in this study to test these relationships was especially collected for this purpose. Based on a sample of 219 employees with professional and managerial experience from German-speaking countries (Austria, Germany and Switzerland) of which 44 (20,1 %) employees had returned from at least one long-term IA, our results provide strong support for our hypotheses. We find empirical support that diverse HC, extensive SC endowments and poor career prospects mediate the relationship between IAs and entrepreneurial intentions.

Based on these insights, our study contributes to the understanding of how IAs may initiate a career path of self-employment. Our investigation specifically contributes to the entrepreneurship literature by linking IAs to entrepreneurial intentions.

The rest of the chapter is structured as follows: In the next section, we develop a theoretical framework based on Burer et al. (2013) and explicate our hypotheses. This is followed by a description of the sample group and the methodological approach before we present and discuss our findings and conclude with the limitations of the study and suggestions for future research.

## **4.2 Hypotheses development**

### **4.2.1 International assignments and entrepreneurial intentions**

IAs can be defined as employee deployments to foreign countries for a limited period of time usually not less than twelve months (Kraimer, Bolino and Mead, 2016). In this chapter, we refer to employees on such long-term international deployments as



international assignees or expatriates. The term repatriates refers to expatriates that have returned to their home country (McKenna and Richardson, 2007, p.315).

Long-term IAs especially play a major role when conducting business in foreign markets (Tungli and Peiperl, 2009, p.156; Downes et al., 2002; Adler and Barthomolew, 1992, pp.54). In general, IAs are used by firms to fill positions in foreign units, nurture managers for positions of responsibility, and develop the company (Tungli and Peiperl, 2009, p.160; Fenwick, 2004, p.365) through coordination and control (Kraimer, Bolino and Mead, 2016; Minbaeva and Michailova, 2004, p.664; Harzing, 2001a, p.594; Edström and Galbraith, 1977). In coordinating and controlling foreign units for a longer period, expatriates are specifically required to ensure that company policies are adhered to (Kraimer, Bolino and Mead, 2016; Fenwick, 2004, p.368).

Through IAs, employees transfer technical and managerial know-how to foreign units (Harzing, Pudelko and Reiche, 2015; Martins, 2013, p.425; Fenwick, 2004, p.370; Hocking et al., 2004; Minbaeva and Michailova, 2004, pp.664; Bonache and Brewster, 2001). They develop or implement new systems, procedures or projects, carry out market research or feasibility studies for potential expansion plans for the company or clients (Martins and Tomé, 2014, p.632; Martins, 2013, pp.425; Tungli and Peiperl, 2009, pp.159; Petrovic et al., 2000, pp.8; Boyacigiller, 1990, pp.370) and/or meet direct client and supplier requirements. They are further often assigned the responsibility of training the local workforce (e.g., Martins, 2013, pp.425; Tungli and Peiperl, 2009, p.161; Minbaeva and Michailova, 2004, p.669; Riusala and Suutari, 2004), and socialising the local employees on company policies (Fenwick, 2004, p.368; Martins, 2013, p.425; Boyacigiller, 1990, p.370), culture and values (Martins, 2013, p.425). Employees on long-term IAs also establish informal communication networks among the various international company units (Harzing, 2001b, p.369; Criscuolo, 2005, p.1360) and function as a link between the home country and governmental or local commercial nodes (Downes et al., 2002, p.29). Through such networks, international assignees are able to enhance the general perception of the company by foreign stakeholders (Hocking et al., 2004).

Altogether, due to increased responsibility, independence and authority in the course of their foreign assignments, international assignees acquire not only international experience but also gain further knowledge and diverse skills. In addition, these employees also obtain first-hand knowledge of particular cultural contexts, including information about specific markets and customers, and also develop global diverse and extensive networks (e.g., Lazarova and Caligiuri, 2001). Consequently, IAs

facilitate heterogeneous HC endowment through the diversified knowledge and skill-sets, as well as facilitate the increase of broad SC endowments.

Offsetting this, IAs bring about not only the above discussed positive outcomes but may also have negative effects on employees' careers. These negative effects include such issues as loss of status and autonomy and the return to non-challenging positions upon repatriation (Dickmann and Doherty, 2008, pp.154; Fenwick, 2004, p.371; Johnston, 1991, p.103), and result in dissatisfaction in the work-place and affect employees' career prospects.

Following the considerable body of research evidence in entrepreneurship which generally concurs that the possession of a broad spectrum of knowledge and skills (e.g., Backes-Gellner and Moog, 2013; Lazear, 2005; 2004), high SC endowments (e.g., Davidsson and Honig, 2003; Greve and Salaff, 2003; Singh et al., 1999) and poor career prospects (e.g., Watson, Hogarth-Scott and Wilson, 1998), separately or collectively, foster entrepreneurial intentions, we derive the following initial hypothesis:

*Hypothesis 1: There will be a positive relationship between international assignments and entrepreneurial intentions.*

#### **4.2.2 The mediating role of diverse human capital endowments**

As argued earlier, international assignees are generally well-equipped with diverse HC endowments. The rationale for this presumption is threefold.

Firstly, the nature of an IA commonly requires that employees meet particular qualification requirements and possess the necessary (technical) competences, experience and capabilities (Tungli and Peiperl, 2009, p.163; Dickmann and Doherty, 2008; Collings et al., 2007; Sakho, 1999; Mendenhall et al., 1987). For employees to be granted these international responsibilities, they are commonly required to demonstrate additional capabilities such as communication skills (e.g., Holopainen and Björkman, 2005), as well as language and intercultural competences (Caligiuri and Tarique, 2006, p.305; Mol et al., 2005; Jordan and Cartwright, 1998, p.93; Adler and Barthomolew, 1992, p.55). Secondly, depending on individual company pre-assignment policies, employee competences may further be reinforced or supplemented. This may take the form of formal instruction in hard and soft skills such as language, and work-related and/or cultural and country-specific subjects (Tungli and Peiperl, 2009, pp.163; Dickmann and Doherty, 2008; Tung, 1993, p.463; Harris, 1989; Mendenhall et al., 1987). It should be noted however, that pre-assignment trainings are often made available only in ideal circumstances as recommended in theory, and are not necessarily offered by all international firms (Tahvanainen et al., 2005). Furthermore, in most cases, employee attendance at such trainings is not obligatory

and time limitations may restrict active participation before a foreign assignment (Tungli and Peiperl, 2009, p.166; Tahvanainen et al., 2005, pp.666). Thirdly, and essential for our study, is the HC endowment acquired during the assignment. In the course of their IAs, employees acquire invaluable international experience in management and gain interpersonal and communication skills (Kraimer et al., 2009, pp.30; Dickmann and Doherty, 2008, p.153; Vidal et al., 2007, p.1274; Fink et al., 2005; Stahl et al., 2002; Tung, 1993, p.467; Adler and Barthomolew, 1992, p.55). They may also be given more responsibility (Vidal et al., 2007, p.1274; Tung, 1998) and authority (Harris, 1989) enabling them to develop their personalities further and broaden their views on various intercultural aspects (Dickmann and Harris, 2005; Stahl et al., 2002). Furthermore, international work places employees in a position to acquire direct information on market developments and environments (Lazarova and Caligiuri, 2001, p.389). Over and above these experiences, international assignees are expected to meet a double set of demands: those from the subsidiary abroad and those from the parent company (Kühlmann and Hutchings, 2010).

Additionally, international assignees are exposed to diverse and inter-cultural working environments. They are confronted with varied international challenges, tasks, duties and responsibilities, as well as novel and diverse roles, and thereby earn the opportunity to comprehend the interplay of these functions (Fink et al., 2005, p.34; Phillips, 1992 cited by Harris and Brewster, 1999, p.490). Thus, IAs enrich the scope of employee HC (Hocking et al., 2004) and its diversity.

In entrepreneurship research, it has been found that the breadth of accrued competences gained by insights, experiences and skills in various fields promote the entrepreneurial intentions of an individual (Wagner, 2006; Lazear, 2005; 2004). Lazear (2005; 2004) refers to such an individual as a Jack-of-all trade. This view on entrepreneurship argues that an entrepreneur does not have to master any one skill but rather show competence in several. We therefore conclude that, in comparison to their counterparts without international experience, employees on IAs are 'Jack-of-all trades' as they tend to broaden their spectrum of functions and diversify their tasks and skill-sets (Burer et al., 2013). We refer to this as diverse HC of international assignees and argue that it serves as a mediator insofar as it explains the relationship between IAs and entrepreneurial intentions. Consequently, we hypothesise that the impact of IAs on entrepreneurial intentions exists indirectly through the influence of acquired heterogeneous HC.

*Hypothesis 2: The relationship between international assignments and entrepreneurial intentions is positively mediated by diverse HC endowment.*

#### **4.2.3 The mediating role of social capital endowments**

Employees who have been transferred to foreign units find themselves in positions that require them to develop networks (Bozkurt and Mohr, 2011; Hocking et al., 2004) and communicate more frequently with other organisational units (e.g., Fink et al., 2005). As such, there is reason to argue that their networks are comparatively more extensive than those of individuals without IA experience (Edström and Galbraith, 1977, p.258).

International assignees may utilise their networks, which act as channels through which knowledge flows within a company (Reiche et al., 2012; Criscuolo, 2005, p.1360; Harzing, 2001b, p.369), to transfer and receive knowledge (Harzing et al., 2015, p.11; Richardson and McKenna, 2014, p.2634; Reiche et al., 2009, pp.519; Criscuolo, 2005). Additionally, it has determined that assignees develop networks so as to minimise uncertainty in the foreign country (Osman-Gani and Rockstuhl, 2008), gain support (Wang and Nayir, 2006) and aid their psychological well-being and adjustment (Lee and Kartika, 2014, p.5490; Farh et al., 2010; Kashima and Loh, 2006; Wang and Nayir, 2006). In carrying out their duties and responsibilities in the work-place and in going about their private lives therefore, there is evidence that international assignees acquire and may maintain contacts extending beyond their home country (Richardson and McKenna, 2014, pp.2635; Reiche et al., 2009, pp.514; Criscuolo, 2005, p.1360; Harzing, 2001b, p.373). In other words, apart from family ties and close friends, international assignee networks are made up of relationships of inter-organisational and intra-organisational home country and foreign country relations. These include local and foreign non-work relations as well as local and foreign co-workers, supervisors and business acquaintances (Podsiadlowski, Vauclair, Spiess and Stroppa, 2013; Bozkurt and Mohr, 2011; Dickmann and Doherty, 2008, p.147; Li et al., 2006). Aside from this, their networks can be expected to be made up of individuals from various cultures, nationalities, relations and positions in the company (Au and Fukuda, 2002; Manev and Stevenson, 2001; Nohria and Ghoshal, 1997). This is what we refer to as the SC endowment of international assignees.

While SC is considered to be durable (Florin et al., 2003, p.381), *"social bonds have to be periodically renewed and reconfirmed or else they lose efficacy"* (Adler and Kwon, 2002, p.22). This is necessary particularly for international assignees because it can be expected that physical separation naturally resulting from IAs will have

(temporary) negative repercussions. These can be expected to affect the frequency and quality or intensity of contact of assignees with pre-existing business and private relations in the home country (Richardson and McKenna, 2014, p.2636; Dickmann and Doherty, 2008, pp.147). It must therefore be acknowledged that IAs may contribute to the disruption of ties (Dickmann and Harris, 2005, p.400; Wong, 2005, p.334; Adelman, 1988).

Nonetheless, IAs can be said to modify the individual SC endowments of assignees and enable them to develop new effective and/or useful ties for future occupational opportunities (Bozkurt and Mohr, 2011; Dickmann and Doherty, 2008, pp.153; Collings et al., 2007, p.204; Criscuolo, 2005, p.1359; Adelman, 1988, pp.189) e.g., when assignees gain contact to higher-ranking individuals in their respective host countries (Dickmann and Doherty, 2008, p.147). Results from quantitative and qualitative studies further show that international assignees are aware of these prospective positive outcomes on their individual careers and seek to broaden their local and global social contacts (Dickmann and Doherty, 2008, p.151; Jokinen et al., 2008, p.989). Thus, possible negative effects notwithstanding, IAs can be said to generally enrich the stock of employees' SC.

Following entrepreneurship literature, SC is a pivotal factor in the pursuit of self-employment (Backes-Gellner and Moog, 2008, p.4; Davidsson and Honig, 2003, p.320). Accordingly, we expect that social ties of international assignees mediate the relationship between IAs and entrepreneurial intentions and propose the following hypothesis:

*Hypothesis 3: The relationship between international assignments and entrepreneurial intentions is positively mediated by social capital endowments.*

#### **4.2.4 The mediating role of poor career prospects**

International work is generally considered to be an enhancement of employee career prospects (Meyskens et al., 2009, p.1441; Dickmann and Harris, 2005, p.399; Fenwick, 2004, p.369; Stahl et al., 2002). Nonetheless, as argued by Stahl et al. (2009, p.91), an IA can be a “double-edged sword”. Within this context researchers have found that IAs can affect employee's professional progression particularly within a company negatively (Adler, 2008, p.288; Wong, 2005, p.335; Stahl et al., 2002) – either directly or indirectly through work or non-work related issues (e.g., Shaffer et al., 2012, p.1292; Bonache, 2005). These issues, discussed in detail below, often lead to

dissatisfaction in the work place and a tendency for employees to seek better opportunities elsewhere.

With regard to repatriation, work-related and non-work-related post-assignment expectations of returnees do not correspond to the realities they face upon repatriation (Olds and Howe-Walsch, 2014, p.24; Vidal et al., 2007; Bonache, 2005, p.120; Stroh et al., 1998). Expatriates generally anticipate positive outcomes from their IAs upon return (e.g., Pinto, Cabral-Cardoso and Werther, 2012, pp.2300; Shaffer et al., 2012, p.1303; Stahl et al., 2002, p.220). Yet, in the context of work-related issues, several empirical studies (e.g., Kraimer et al., 2009, pp.40; Dickmann and Doherty, 2008, pp.154; Fenwick, 2004, p.371) reveal that repatriates often suffer “(...) *the loss of status, loss of autonomy and reduced responsibility, loss of career direction, and lack of recognition of the value of international experience by the company*” (Johnston, 1991, p.103). Additionally, international assignees may also be denied the opportunity to utilise their acquired knowledge and capabilities (Ren et al., 2013; Dickmann and Doherty, 2008, p.155). Although this invaluable and unique HC can be leveraged with other resources to create more value (as proposed in the resource-based view), this often fails to be the case (Carpenter et al., 2001, p.505). Consequently, repatriates often experience perceived demotion or underemployment (Ren et al., 2013; Kraimer et al., 2009).

In the context of non-work-related issues, a considerable reduction in income upon return has been observed (Bonache, 2005, p.114). Also, attitudinal changes (resulting from foreign experiences) by international assignees, reintegration problems faced by spouses and children, and possible difficulties in the interaction of domestic co-workers with the repatriate can make the re-adjustment process more difficult for an assignee (Hammer, Hart and Rogan, 1998; Harvey, 1989).

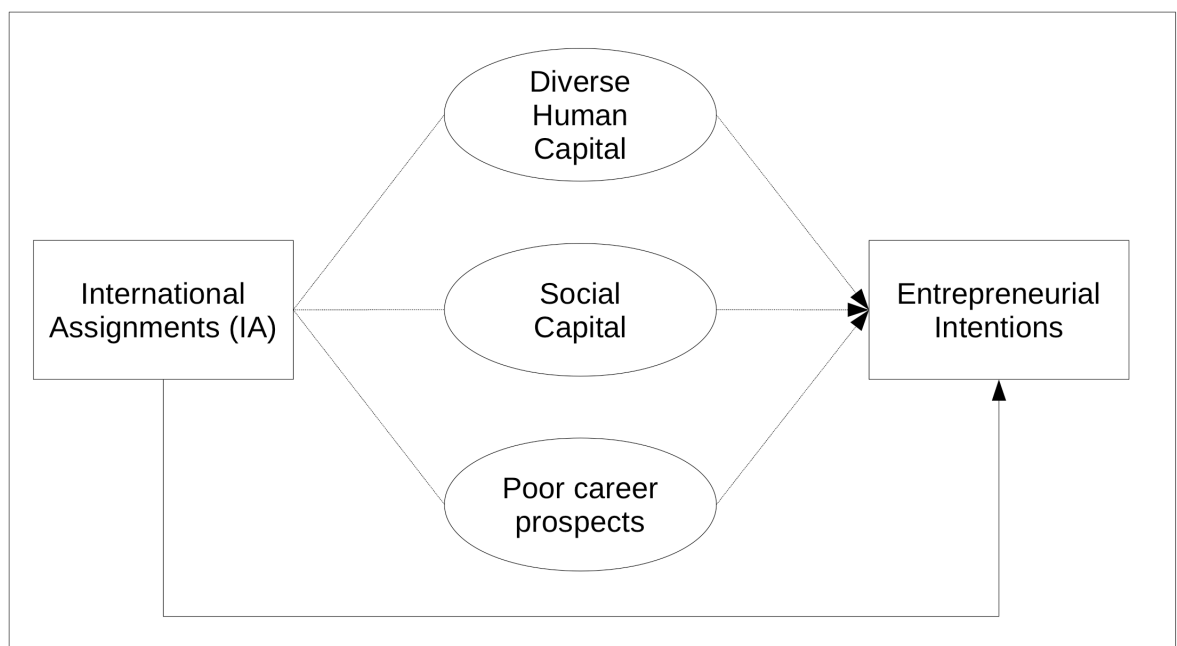
The above-mentioned work and non-work related issues have been found to influence the desire of repatriates to change employers more than among other employees (e.g., Kraimer et al., 2009, p.41; Stahl and Cerdin, 2004; Allen and Alvarez, 1998; Harvey, 1989, p.143). These issues also explain the considerably high employment attrition rate of expatriates upon return from IAs (Global Relocation Trends Survey, 2010; Aldred, 2009; Stahl and Cerdin, 2004). Given the argument that career-related problems resulting from IAs may compel international assignees to become dissatisfied with their employers and seek new career options, and that especially restricted career advancement is expected to lead an employee to take up entrepreneurial activity, we propose the mediating role of poor career prospects in the relationship between IAs and entrepreneurial intentions. By doing so, we follow scholars that have identified dissatisfaction in the work-place as a motivating factor for turnover and subsequent self-employment (Kirkwood, 2009, p.354; Hyytinen and

Ilmakunnas, 2006, p.71; Watson et al., 1998). Thus, based on the above arguments, we put forward the following hypothesis:

*Hypothesis 4: The relationship between international assignments and entrepreneurial intentions is positively mediated by poor career prospects.*

To give a more detailed picture on how these three variables mediate the relationship between IAs and entrepreneurial intentions, we illustrate the conceptual model in Figure 14. The conceptual model depicts the expected relationship between IAs and entrepreneurial intentions along with the mediating role of diverse HC, extensive SC endowments and poor career prospects. As discussed above, we expect that the three mediating variables diverse HC endowments, extensive SC endowments and poor career prospects to act as complete mediators.

**Figure 14: Theoretical mediation model**



Source: Own illustration (2016).

### **4.3 Method**

#### **4.3.1 Research sample**

In collaboration with the University of Applied Sciences HTW Chur, we collected primary data using an online survey that targeted professionals and managers in German-speaking countries namely, Austria, Germany and Switzerland (see questionnaire in Figure A.1). Due to the absence of a sound data set comprising international assignees, we applied simple random sampling methods and the snowball

sampling method. The former approach involved the use of head-hunters, international employers and relocation companies acting as multipliers. For our analysis, we made use of 219 complete responses. The sample includes a group of repatriates (n=44, 20.1 %) and a control group made up of managers and professionals with no long-term international working experience (n=175, 79.9 %). Before data collection, which took place between June 2012 and February 2013, we ensured the suitability of our questionnaire by employing well-tested scales. To this end, we consulted independent experts in survey design and methodology and carried out pretests on a reduced sample. The questionnaire sought to collect data on the employer (e.g., size of the company and industry classification) and personal information of the respondents (e.g., regarding personal networks, educational and professional careers, stays abroad, career prospects and the propensity to start-up).

#### **4.3.2 Measures and descriptive statistics**

As illustrated in Figure 14, the theoretical mediation model consists of three sets of variables: the outcome variable, the independent variable and three mediating variables. We also add control variables.

##### Dependent Variable

*Entrepreneurial Intentions* – This variable is operationalised by self-estimated responses to the question “How likely is it that the following career change will take place in your life within the next 24 months: That you will leave your employer and become self-employed”. This operationalisation is based on a question from the German Socio-Economic Panel study (SOEP), an extensive representative longitudinal study of German private households conducted by the German Institute for Economic Research. The respondents were asked to give their responses on a scale ranging from 1 (it will definitely not happen) to 7 (it will definitely happen). To form a dummy variable, a broad measure of the propensity to enter self-employment was derived by categorising all responses other than 1 (it will definitely not happen). This measure was coded 1, if there was any possibility that a respondent would pursue self-employment, and 0 if there was absolutely no chance of pursuing self-employment. It should be noted that we also examined other coding strategies which yielded consistent results to test the robustness of our results.

##### Independent Variable

*International assignments* – We created a dichotomous variable reflecting the value 1 for individuals with long-term IA experience and 0 for the control group. According to our data, of a total of 219 completed responses, almost every fifth, i.e. 44 participants



(20.1 %), has IA experience. The average length of a long-term foreign assignment is 48 months and the average duration of IAs forms 12 % of the entire professional career of an employee.

### Mediating Variables

*Diverse Human Capital* – To capture diverse HC, we adopted the operationalisation applied by other researchers who have used one or various combinations of the following three measures: (a) the number of jobs an individual has held, (b) the number of industries in which one has worked in, and (c) the number of professions practiced (Åstebro and Thompson, 2011; Wagner, 2006). We measure diverse HC using a combination of these three variables. The data reveals that, on average, international assignees have practiced 5.11 professions, held 2.30 jobs and worked in 2.18 industries, during their professional life. On average, respondents of the control group on the other hand have pursued 3.99 professions, held 2.03 jobs and worked in 2.23 industries during their professional lives.

*Social Capital* – To measure the scope of individual networks, we adapted a well-tested question from Semrau and Werner (2013, p.509) and Lechner, Dowling and Welpé (2006). Respondents were requested to indicate the number of individuals in their home and in their host country that are (have been) particularly useful to their professional careers, and that (have) particularly contribute(d) to their occupational achievement. The descriptive data shows that international assignees have, on average, 5.32 contacts in their home countries and 3.61 in the host countries. The control group has 4.68 contacts in their home country and 1.48 in foreign countries.

*Poor Career Prospects* – To capture the development of career prospects resulting from IAs, we use a question in which the respondents were asked to evaluate the probability of employment conditions worsening within the next 24 months. This question from the SOEP study was based on a 7-point Likert scale ranging from 1 (will definitely not happen) to 7 (will definitely happen).

Among the international assignees, the average expectation of career prospects in their current place of work is 1.86 with a standard deviation of 1.25 while the control group has average career prospects of 1.52 with their current employer and a standard deviation of 1.25.

### Control Variables

We incorporated two control variables that have been shown to affect entrepreneurial intentions: *job tenure* and *SMEs*. We assume that the longer an employee remains in wage employment, the less likely it is that he will pursue self-employment (Evans and Leighton, 1989b, p.528). In our sample, the average number

of years that international assignees have been working for their current employer is 10.73 (SD=7.98) while the average job tenure for the control group is on average 13.15 (SD=10.55) years.

We take into account the fact that small firms in particular yield entrepreneurs (Hyytinen and Maliranta, 2006). We thus also control for firm size through a binary variable that takes the value of 1 if it is an SME with up to 499 employees (Günterberg, 2012, p.174) and 0 if otherwise.

SMEs make up a relatively large portion of the employers in our sample: 41 % of international assignee employers and 73 % employers of respondents without international professional experience.

Descriptive statistics of the entire dataset and the corresponding Bravais-Pearson pair-wise correlations are provided in Table 3.

**Table 3: Descriptive statistics and Bravais-Pearson pair-wise correlations among key variables**

		Mean	SD	1	2	3	4	5	6	7
1	SME	0.66	0.47	1						
2	Job tenure	12.66	10.11	0.060	1					
3	Entrepreneurial intention	0.42	0.49	-0.089	-0.181**	1				
4	International assignment	0.21	0.41	-0.268**	-0.096	0.076	1			
5	Social capital	6.72	7.91	-0.33	0.069	0.127	0.141*	1		
6	Diverse human capital	6.30	3.55	0.115	-0.075	0.151*	0.157*	0.069	1	
7	Career prospects	1.59	1.25	-0.150*	-0.114	0.172*	0.110	0.007	0.103	1

Source: Own analysis (2016).

#### 4.3.3 Analytical approach

To test our hypotheses, we opt to use a multiple mediator model that is able to test multiple indirect effects simultaneously instead of testing simple mediation models (for a detailed explanation see Preacher and Hayes, 2008). This approach has several advantages over a simple mediation model and appears more reasonable. The main and most important advantage is that the multiple mediator model reduces the probability of a parameter bias resulting from omitted variables because they can be tested simultaneously with the multiple mediator approach (Preacher and Hayes, 2008; Judd and Kenny, 1981; for a detailed explanation of applying the multiple mediator approach and its advantages over simple mediation models see Preacher and Hayes, 2008 and Judd and Kenny, 1981). When applied to our hypotheses, we are able to test the suggested mediation effects in one model instead of running three simple mediation models independently.

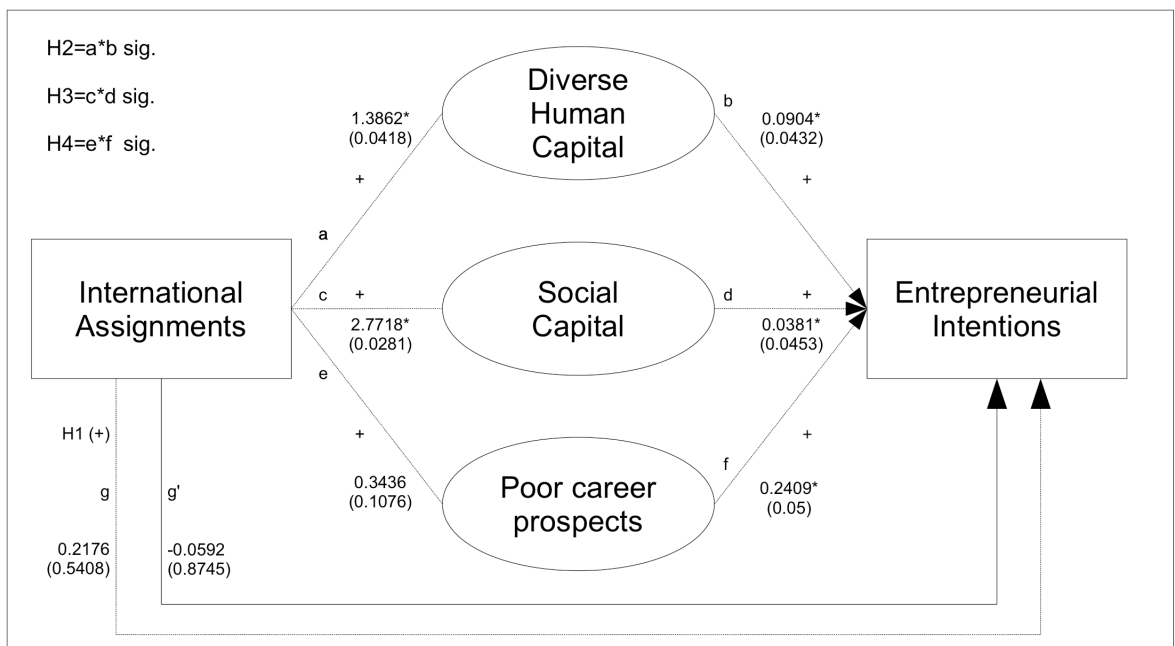
In view of the small sample size, (219 cases) we follow the recommendation of Preacher and Hayes (2008; 2004) and MacKinnon, Lockwood, Hoffman, West and Sheets (2002) and apply the bootstrapping method for small samples or non-normal distributed data to test mediation effects. This nonparametric resampling procedure can be used to test the significance of mediation and – following MacKinnon et al. (2002) and MacKinnon, Lockwood and Williams (2004) – overcomes the Sobel test and the usual causal steps strategy involved in test performance.

We differentiate between direct and total effects in explaining the relationships between the outcome and independent variables. As portrayed in Figure 15, the total effect determines the relationship between IAs and entrepreneurial intentions whilst taking the control variables into account but without keeping the mediator variables in mind (path g). Direct effects in contrast include the mediating variables (see paths a, b, c, d, e, f and g'). In this study, both the total effects and the direct effect are calculated using usual regression and logistic regression models due to the dependent variable scale. To test the significance of the mediation effects we apply the bootstrapping method. We work with a 10 per cent significance level for the regression models as well as for the bootstrapping confidence intervals.

#### 4.3.4 Empirical results

The summarised results are presented in Figure 15. The detailed regression tables can be found in Table A.1 the Appendix.

**Figure 15: Multiple mediation model results**



\*, \*\*, \*\*\* denote statistical significance at an error level of 10, 5, and 1 per cent

Source: Own illustration (2016).

To begin with, we analyse the total effect (path g) of IAs on entrepreneurial intentions. These coefficients are not statistically significant.<sup>51</sup> We find a positive but not statistically significant relationship of assignments ( $\beta=0.2176$ ,  $p=0.5408$ ) and entrepreneurial intentions. In other words, the results suggest that long-term IAs account for a higher intention of employees to pursue self-employment. Therefore, Hypothesis 1 can be confirmed.

The next step is to analyse the direct effect (path g'). There should be evidence of mediating effects if the relationship between IAs and entrepreneurial intentions changes (path g vs. path g') as a result of taking the mediation variables diverse HC, SC endowments and career prospects into consideration. The results show that the effect of international assignments on entrepreneurial intentions changes substantially from  $\beta=0.2176$ ,  $p=0.5408$  to  $\beta=-0.0592$ ,  $p=0.8745$ . This change of the coefficients thus supports the assumption of the existence of mediation effects.

Next, the direct effects that capture the relationship between IAs and the mediating variables (paths a, c, and e) and the direct effects that capture the relationship between the mediating variables and entrepreneurial intentions (paths b, d, and f) were analysed. The results for the paths a, c, and e show that IAs influence, with statistical significance, the mediating variables diverse HC ( $\beta=1.3862$ ,  $p=0.0418$ ), SC ( $\beta=2.7718$ ,  $p=0.0281$ ), and poor career prospects ( $\beta=0.3436$ ,  $p=0.1076$ ) positively.

Regarding the direct effects on the relationship between the mediating variables and entrepreneurial intentions, evidence shows a statistically significant relationship between the diversity of HC ( $\beta=0.0904$ ,  $p=0.0432$ ), the scope of social contacts ( $\beta=0.0381$ ,  $p=0.0453$ ) and the career prospects ( $\beta=0.2409$ ,  $p=0.05$ ) and entrepreneurial intentions. That means, entrepreneurial intentions increase with worsening career prospects.

As a whole, we observe three possible mediation effects for long-term IAs. The relationship between long-term assignments and entrepreneurial intentions seems to be mediated by diverse HC, the SC endowments and poor career prospects. To test these mediation effects for statistical significance, the bootstrapping method is applied. The following Table 4 shows the bootstrap estimation results of the mediation effect of diverse HC endowments, SC endowments and career prospects on the relationship between IAs and entrepreneurial intentions (paths a\*b, c\*d, e\*f). The statistical significance is tested with 5000 bootstrap samples on a 90 % bias corrected confidence interval level. A mediation effect is significant if zero is not within the

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<sup>51</sup> Coefficients are statistically significant if we make use of the full sample size ( $n=281$ ;  $\beta=0.6540$ ;  $p=0.0280$ ). In consequence of missing data when inserting the mediating and control variables, the further estimations base, however, on a sample of  $n=219$ .

respective range of the bootstrapping confidence interval (marked in grey). Diverse HC, a large stock of SC endowments, and poor career prospects mediate the relationship between IAs and entrepreneurial intentions. Thus, the hypotheses H2, H3 and H4 can be confirmed for long-term assignments.

**Table 4: Mediation effects long-term international assignments**

Mediation	Effect	Bootstrap SE	Lower level	Upper level
			Bootstrap CI	Bootstrap CI
➤ TOTAL (a*b+c*d+e*f)	0.3137	0.1786	0.0962	0.6642
➤ Diverse Human Capital (a*b)	0.1253	0.0980	0.0201	0.3536
➤ Social Capital (c*d)	0.1056	0.0906	0.0064	0.3083
➤ Career Prospects (e*f)	0.0828	0.0901	0.0028	0.3089

Source: Own analysis (2016).

#### 4.4 Conclusions, limitations and future research

This study seeks to determine whether IAs affect the entrepreneurial intentions of employees. Our theoretical deliberations follow entrepreneurship research that has established that diverse skills and abilities as well as a broad SC endowment and poor career prospects are antecedents for entrepreneurship. As we expect that international working experience enhances the development of both diverse HC and broad SC endowments, but may also negatively influence the career prospects of employees within a company, we surmise that these factors mediate the relationship between IAs and entrepreneurial intentions. To answer our research question, we analysed primary data purposefully collected on international assignees.

Our empirical findings reveal that skill diversity and broad networks acquired during IAs and poor career prospects as a consequence of IAs play important roles in explaining the aspirations of long-term assignees to enter self-employment. In the absence of scholarly articles investigating the inter-relationship between IAs and entrepreneurship, a comparative analysis of our outcomes with studies similar to ours is difficult.

These outcomes offer important implications for entrepreneurship and International Human Resources Management researchers, employees, employers and economists. Our investigation contributes to the entrepreneurship literature by linking IAs to entrepreneurship. It opens a discussion and encourages further research to support the effective utilisation of acquired entrepreneurial capabilities that repatriates bring with them. Further, researchers commonly agree that new ventures are economic cornerstones because they encourage development and rejuvenation (May-Strobl and

Haunschild, 2013, pp.50; Fritsch, 2008, p.1). This study also contributes to the economic field in that, it identifies and introduces a new group of potential entrepreneurs to the economic literature. If these highly-qualified individuals could realise their ideas autonomously rather than within the narrow boundaries of their employers, they would be able to make considerable contributions to the quality and economic efficiency of their ventures.

Our results also have implications for employees and employers. If employees can be made aware of the entrepreneurial benefits of an IA as established in this study, they may proactively pursue opportunities for IAs with a view to utilising the acquired experiences and resources such as informational resources for self-employment. For expatriate employers on the other hand, there are opportunities in (international) corporate entrepreneurship. This refers to the establishment of business ventures and the introduction of innovative activities and perspectives within existing organisations (Antoncic and Hisrich, 2003, p.9; Pinchot, 1985, p.3). Also referred to as intrapreneurship, it can be observed when new businesses related to an existing product, service or market are established or when innovative products, services or processes are introduced into the company (Bosma, Stam and Wennekers, 2010, p.18; Antoncic, 2007, p.311), if tapped into, companies stand to gain from the entrepreneurial acumen that employees possess or acquire as a result of their foreign assignments. Indeed, the enterprising activities of these employees may be expected to extend beyond home country borders considering the international experience and network-building. This entrepreneurial acumen can be utilised to facilitate (international) corporate entrepreneurship.

For economists and policy makers, our study introduces a very interesting means of facilitating internationalisation of firms. Policy makers usually seek to encourage the entry of SMEs into international markets because international SMEs have been associated with more growth, jobs, innovativeness and competitiveness than national SMEs (EIM, 2010, p.70). Start-up subsidy programmes could acknowledge and incentivise individuals with extensive IA experience to pursue self-employment. Our findings confirm that these repatriates may be worthy candidates for self-employment. Indeed, considering the international nature of their experiences and networks, they may also seek to pursue foreign markets upon or soon after the inception of their firms (internationalisation literature refers to such firms as international new ventures/born globals/global start-ups (Madsen and Servais, 1997; Knight and Cavusgil, 1996; McDougall, Shane and Oviatt, 1994; McKinsey, 1993).

Our study is the first to highlight the entrepreneurial ambitions of assignees. It provides initial insights into this topic, but is not without limitations. Firstly, the data set consists of self-reported data that reflects the subjective perceptions of interviewees. This data-collection instrument is, however, not uncommon in research, particularly in the absence of reliable data sources such as official directories. Though one must be aware of the threat of biased perceptions that may jeopardize outcomes, prior research by Brush and Vanderwerf (1992, p.164) and Dess and Robinson (1984, p.264) established proof that self-reported data can be considered valid and reliable. In fact, the use of self-reported data is widely accepted (e.g., Lechner et al., 2006, p.525; Peng and Luo, 2000, p.491; Dess and Robinson, 1984).

Secondly, a more comprehensive sample containing a larger group of international assignees and collected over a lengthy period of time may be necessary in order to validate our current findings. We therefore call upon researchers to follow-up on determining the role of international assignees on entrepreneurial intentions using panel data. Researchers could also advance their studies to not only consider entrepreneurial intention, but also the relation between IAs and the actual establishment of businesses.

Thirdly, because this study only lays focus on expatriates, it does not comprise a significant set of international assignees. International firms have been found to increasingly use alternative forms of IAs such as frequent travel, commuting and extended business trips (Shaffer et al., 2012, pp.1283; Demel and Mayrhofer, 2010, p.301; Beaverstock, Derudder, Faulconbridge and Witlox, 2009, p.123; Collings et al., 2007, p.205). Employees with alternative assignment experience, just like longer term international assignees, are in a position to broaden their understanding of the company's functions and develop general knowledge and skills in different areas (Demel and Mayrhofer, 2010, p.308; Minbaeva and Michailova, 2004, p.669). They also receive the opportunity to expand their networks during these foreign business assignments (Welch, Welch and Worm, 2007, p.175). Although this specific group of international assignees was not the focus of our study, we took the opportunity of their availability in our data set to test our hypotheses. Although the preliminary results showed no statistically significant relationship between IAs and entrepreneurial intentions, we nevertheless invite researchers to pursue investigation on alternative forms of IAs and their possible inclination towards pursuing entrepreneurship.

Fourthly, cultural differences have not been taken into account. Assignments to emerging markets may have other effects on HC and SC endowments and career prospects – and thus on entrepreneurial intentions – than say, assignments to more developed countries. On the other hand, our sample consists of individuals from

German speaking countries that have principally been found to show low levels of self-employment (OECD, 2015). This raises the question of whether results in this study would have differed had the sample consisted of assignees from other cultural backgrounds. Future research may consider trans-national and trans-cultural comparative studies on international assignees and entrepreneurial intentions or actual establishment of a firm.

Lastly, we encourage researchers to develop the mediating model explaining how IAs contribute to entrepreneurial intentions further by taking personal factors that also exert influence on start-up ambitions into account. This includes intrinsic factors such as personality traits and attitudes (Kristiansen and Indarti, 2004; Krueger, Reilly and Carsrud, 2000), but also financial capital (Kristiansen and Indarti, 2004; Dunn and Holtz-Eakin, 2000, p.283/294) or family circumstances (Dunn and Holtz-Eakin, 2000, p.291). The model may further be supplemented by characteristics of the seconding organisation and external conditions such as culture and physical and institutional infrastructure.

Despite the above-mentioned limitations, we believe that our study provides initial insights into the recognition of international assignees as potential entrepreneurs. We hope that our work brings about comprehensive studies to further this subject.

#### **4.5 Conclusions**

In two chapters, part B determines that long-term international assignees have, on one hand, necessary features to identify market opportunities, and, on the other, they show a tendency to take up entrepreneurial activities. They are, thus, qualified to establish a new business.

Additionally, the theoretical deliberations and empirical findings provide clues for refining the factors to describe the individual characteristics of start-up entrepreneurs derived in chapter 2.1.3. In this regard, the major amendments refer to human and social capital endowments, as these were the foci of those chapters. In terms of human capital endowments, an individuals' broad range of skill sets and – as suggested in the theoretical discussion – its balance are pivotal conducive factors to entrepreneurial entry. In this regard, international work experience has been found to improve the scope and range of knowledge, abilities and skills.

The discussions and findings on social capital endowments add that the quantity and diversity of ties are essential factors of new venture creation. They improve the availability of and access to resources, e.g., diverse forms of information or human resources that, in turn, foster the recognition of business opportunities and the step into self-employment. Geographical mobility in form of international work experience is a



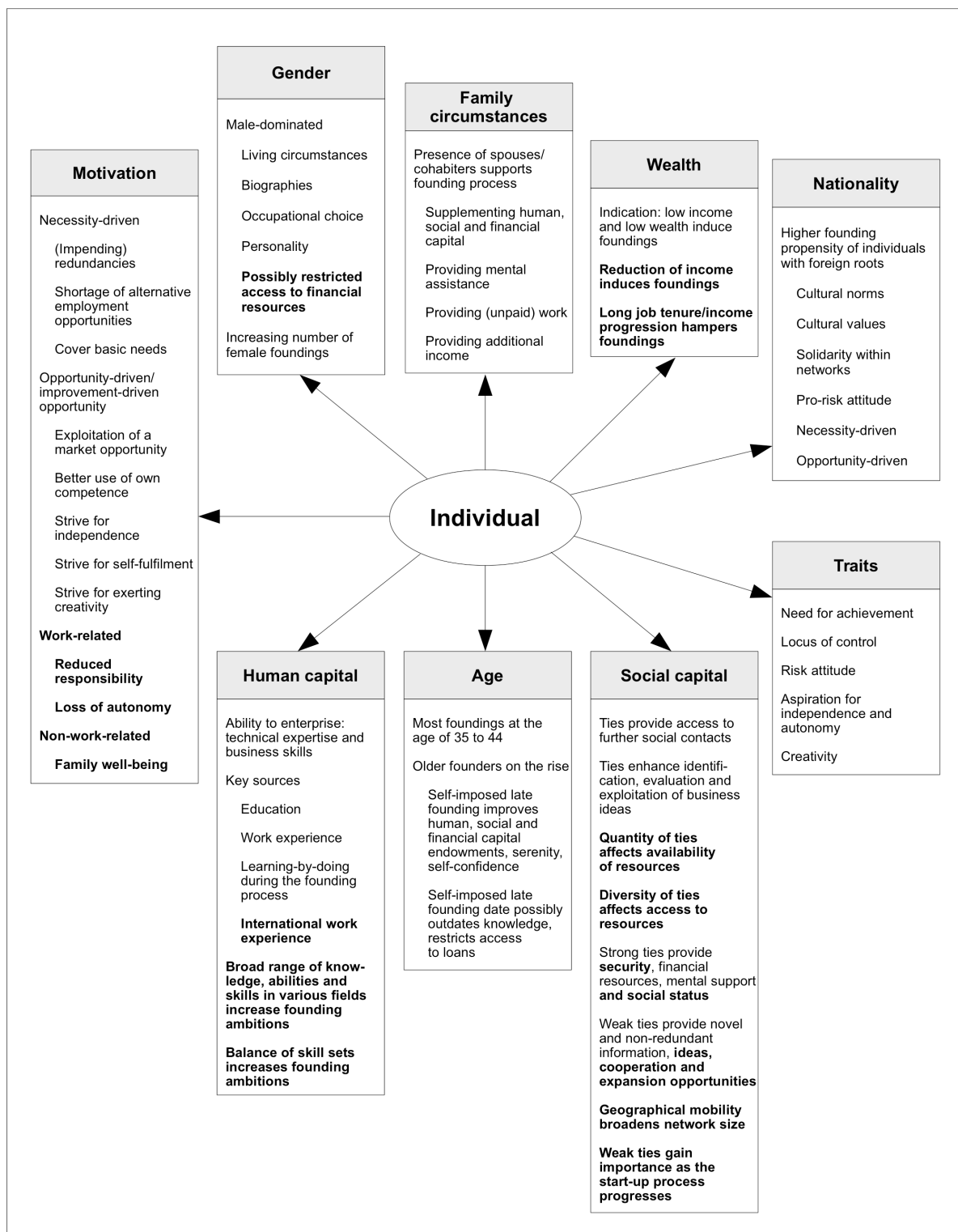
good opportunity to expand (diverse) cross-border and cross-cultural contacts and thereby to enhance access to resources.

Additionally, the debates in chapter 4 show that, independent of whether the individuals are pushed or pulled into self-employment, factors outside the immediate working area can reinforce individuals' aspiration for pursuing entrepreneurial activity. Therefore, work-related and non-work-related criteria supplement the motivational factors.

Moreover, the discussion in part B supports the notion that not only low income and low wealth but also the reduction of income, independent of the original level of income, may trigger entrepreneurial activity. Figure 16 presents the extended version of the individual dimension in the context of the creation of a new business; the supplemented variables are bolded.

In light of the central role of the individual dimension in the founding process, chapter 5 helps to further refine the findings on family business successors' specific characteristics and backgrounds by answering the third research question regarding the capabilities and attributes that successors from inside the family should possess to properly fill the top management position in family businesses.

**Figure 16: Extended variables of the individual dimension of new venture creation**



Source: Own illustration (2016).

## **Part C: Individual dimension of family business succession**

### **5. Left in the dark: Family successors' requirement profiles in the family business succession process**

#### **5.1 Introduction**

Approximately one-third of all European entrepreneurs will retire from business life within ten years (Commission of the European Communities, 2006). In Germany, approximately 135,000 German family businesses will be affected by business successions from 2014 to 2018. This amounts to approximately 27,000 business successions annually (Kay and Suprinovič, 2013). Thus, broadly, family business successions are not rare events, but in individual family businesses, the succession process occurs infrequently, only every 20 to 25 years. Research on family business succession typically depicts the complexity of the rare occurrence in entrepreneurial families in which a family successor assumes the top management position in a family firm (Gersick et al., 1999). This is understood as a chronology that involves multiple stages – beginning with the pre-succession stage, proceeding to the successor's incremental early introduction into the family firm until full-time employment, continuing with the continuous gain of authority and concluding with the incumbent's complete transfer of the executive position to the offspring (e.g., Cater and Justis, 2009; Le Breton-Miller et al., 2004; Cadieux, Lorrain and Hugron, 2002; Keating and Little, 1997; Handler, 1990; Churchill and Hatten, 1987; McGivern, 1978). In analysing these processes, the literature focuses on the peculiarities of family firms that are likely to affect the recruitment and selection of a suitable family successor, such as shared familial values, objectives, culture, commitment and loyalty to the firm (Cabrera-Suárez et al., 2001; Lansberg and Astrachan, 1994; Kets de Vries, 1993), emotions (Howorth and Ali, 2001; Lansberg, 1988), family ties (Pérez-González, 2006; Miller et al., 2003), nepotism (Pérez-González, 2006; Kets de Vries, 1993) and the limited pool of candidates (Bennedsen, Nielsen, Pérez-González and Wolfenzon, 2007; Dyer, 2006; Pérez-González, 2006).

However, these contributions have only superficially addressed the question of *how* a family successor is actually recruited and selected. As Keating and Little (1997, p.159) ascertain, *“there is a need for a better understanding of what the important factors are in choosing a family successor. We also lack a clear understanding of the process by which the potential successor is chosen.”* Thus, the aim of this study is to provide insights into the process of recruiting and selecting successors from within a family. Specifically, as discussions of the full extent of selection criteria have largely been limited, this chapter particularly aims to identify the requirements that family successors must fulfil to be considered suitable successors. In doing so, this study focuses on successors from within the family who will assume leadership positions,

who are currently in the process of doing so or who have already received a management position from their parents.

#### **5.1.1 Specific selection criteria in the transition process to family successors – An under-investigated research field**

Three empirical studies – namely, Motwani et al. (2006); Sharma and Rao (2000); and Chrisman et al. (1998) – could be identified that specifically investigate selection criteria in family businesses by deriving successor attributes from the literature, empirically test the individual importance of these attributes from the perspective of family firm managers and, thus, deliver the first valuable insights into this process. Other scholarly articles have infrequently focused on selection criteria (e.g., Brockhaus, 2004) or have only sporadically offered recommendations regarding the skills deemed necessary for family successors.

Because articles on the family succession process have largely disregarded the use of specific selection criteria, several further questions remain unanswered. For example, do the exigencies and expectations of family successors entering management positions reveal systematic patterns? Further, as both generations are in distinct stages of their lives (Churchill and Hatten, 1987), perceptions of the succession process likely differ between predecessors and successors (Sharma, Chua and Chrisman, 2000; Keating and Little, 1997). However, prior research remains unclear regarding any intergenerational differences in perceptions of required successor attributes. Moreover, peculiarities of family firms that may influence the decision in favour of a family successor, such as nepotism, emotions and ties, may lead one to assume that the process for selecting family successors is rather ‘unprofessional’. Family firms may also have less experience in filling managerial positions, as they tend to replace top executive positions less frequently than “*average business[es]*” do (Martin and Lumpkin, 2003, without page number). By aiming to answer our primary research question, what requirements family successors must fulfil to be considered suitable successors, we may also be able to provide further insights into these issues.

#### **5.1.2 Insights into the selection process and specific selection criteria for family successors**

This research offers important contributions to theory and the family business literature in several respects. First, whereas most prior research broadly describes the entire succession processes in family firms (e.g., Cadieux et al., 2002; Churchill and Hatten, 1987), our study contributes to the understanding of how family successors in particular are actually chosen by determining and setting forth an impressive number of desired successor qualities (Keating and Little, 1997). We identify a broad spectrum of

hard and soft skills that family successors should possess by a) conducting a systematic literature review of the exigencies and recommended attributes that successors should bring to firms and b) inductively clustering our literature and subsequently deductively clustering our interview findings (cross-generational interviews to explore predecessors' expectations and successors' perceptions of successor requirements) into hard and soft skills, as recent contributions demonstrate that companies prefer the best candidate in terms of hard and soft skills (Ahsan, Ho and Khan, 2013; for an overview see Beeson, 2009). Hard skills refer to job-related technical skills, cognitive abilities and formal, learnable expertise (Laker and Powell, 2011; Bereiter and Scardamalia, 2006; Moss and Tilly, 2001) – skills that are objectively measurable and demonstrable (e.g., certificates). In contrast, intangible and difficult-to-measure soft skills reflect “*skills, abilities, and traits that pertain to personality, attitude, and behavior*” (Moss and Tilly, 2001, p.44), such as motivation, communication, team spirit and self-confidence. This broad range of hard and soft skills recalls the Jack-of-all trades approach in the entrepreneurship literature (Lazear, 2005), which has been examined in the context of establishing a new business (Backes-Gellner and Moog, 2013; Burer et al., 2013). This approach has yet to be applied in the context of succession processes. Second, through identifying several requirements that are infrequently mentioned in theory and practice or both, these attributes suggest further research potential in the context of succession processes. Third, because it remains somewhat unclear why certain family firms succeed in the next generation while others do not, our findings contribute to the discussion of whether intergenerational differences between predecessors and successors (Sharma et al., 2000; Keating and Little, 1997) regarding requirements and expectations with respect to potential successors may contribute to firm survival in the next generation. We therefore believe that we deliver new insights regarding the selection aspects in the takeover process and a deeper understanding of predecessor requirements and expectations and the perspectives of potential successors. To highlight these differences and the need to change successors' lack of clarity regarding desired attributes and exigencies – i.e., successors are left in the dark – we hope to encourage research on predecessor-successor communication, through which intergenerational differences may be alleviated throughout the transition process.

To gain further insights into the specific selection criteria and the selection process, we first model the selection procedure for family successors in leadership positions. Next, we present current research findings on family succession processes and selection criteria. Thereafter, we present our qualitative methodology and analytical procedures. Then, we report and discuss our findings and possible implications.

Finally, we summarise the contributions and limitations of our work and offer suggestions for future research.

## **5.2 The general model of a recruitment and selection process for family successors**

We are interested in answering the research question of what requirements family successors must fulfil in the succession process to be considered suitable successors. With the sole exception of Le Breton-Miller et al. (2004), whose comparison of scholarly and anecdotal literature identifies criteria that are believed to foster successful leadership successions, the integration of selection criteria into the overall succession process in previous studies has been rudimentary. For example, Keating and Little (1997) only identify the following decisive selection criteria in the case of farms in New Zealand: children's interest in and commitment to the family firm, gender (although unconsciously), health issues, overall skills and well-timed readiness. Blumentritt, Mathews and Marchisio (2013) limit the sought-after attributes to successors' takeover desire and talent. Our study, however, is devoted to the application of specific selection criteria within the process of recruiting family successors and explores criteria beyond those considered in the studies cited above.

Following Barber (1998, p.5; cited by Breaugh and Starke, 2000, p.407), who defines the recruitment process as one that *"includes those practices and activities carried on by the organization with the primary purpose of identifying and attracting potential employees"* for long-term employment, we disaggregate the recruitment practices and activities that are necessary to identify and attract family successors in family businesses into incremental stages. Figure 17 illustrates the recruitment process in family businesses a) as a whole and b) the stages of the recruitment process with sub-components. For ease of comprehension, we ensure that the conceptual model is as simple as possible, i.e., by omitting contextual factors and loops between the stages (Dineen and Soltis, 2011; Le Breton-Miller et al., 2004). We integrate our results into this general model and the stages.

Stage one – Pre-Selection Process I. The selection process begins with family business incumbents at an early stage (Anderson and Rosenblatt, 1985). The prolonged nature of the pre-selection stage, which begins in childhood, leads us to divide the pre-selection phase into two parts. In Pre-Selection I, parents only have a vague conception of the prospective successor's selection; this understanding begins to crystallise as the heir reaches adolescence and evolves over time (Keating and Little, 1997) and with early integration into the business environment. Parents can prepare the descendant for a probable future role (Ibrahim et al., 2001) by conveying management-related values (García-Alvarez et al., 2002) and obtaining early

impressions of the child's management-related talent and interest in the family business (Keating and Little, 1997).

Stage two – Needs Assessment. Regardless of whether succession is necessary because of approaching retirement, health issues or other factors, ascertaining the need to consider a child for a future managerial position initiates the actual process of recruiting a family successor (Anderson and Rosenblatt, 1985). It is commonly believed that structured requirement profiles are rarely determined prior to family succession. As Sharma et al. (2000, p.239) suggest, *“family firms pay the least attention to identifying the candidates and developing criteria for selecting the successor.”* Nevertheless, Keating and Little (1997, p.169) find that *“the identification and placement of a successor does not just fall into place, but is part of a systematic, though often implicit, process.”* In other words, parents do not explain the process or selection criteria. Based on these statements, we believe that the person who is currently leading the family firm knows best what types of abilities, skills and knowledge prospective successors need to adequately perform the job and job tasks. We thus assume that, at this stage, incumbents conduct job and requirement analyses on the basis of which they determine the suitability of potential successors – although such job and requirement analyses may be unwritten and informal. *This basis for analysis is the key point of departure for our research.*

Stage three – Pre-Selection Process II. The objective in Pre-Selection II is to assess whether potential successors satisfy the requirement and job profiles. In the case of multiple heirs, this stage may (further) reduce the pool of potential successors.

Many authors argue that the decision in favour of a family successor is more influenced by emotions than by objective criteria (Howorth and Ali, 2001; Lansberg, 1988), personal acquaintance and ties (Pérez-González, 2006; Miller et al., 2003), family member support (Brockhaus, 2004), the health of the incumbent (Le Breton-Miller et al., 2004) or the ages and life stages of both key players (Le Breton-Miller et al., 2004; Davis and Tagiuri, 1989). The influence of these family succession-specific factors on the choice of a successor can easily present the impression of a rather ‘unprofessional’ selection process, leading predecessors to *“appoint ex ante inefficient managers to the CEO position”* (Hillier and McColgan, 2009, p.462). However, if our assumption regarding the existence of (unwritten and informal) job and requirement profiles is correct, then predecessors use these profiles to evaluate both the hard and soft skills of all potential family successors.

Stage four – Recruitment Channel. Incumbents now enter into a personal dialogue with eligible candidates to identify their interest in filling the future leadership vacancy. In other words, the incumbents ‘recruit’ potential family successors (Goldberg, 1996).

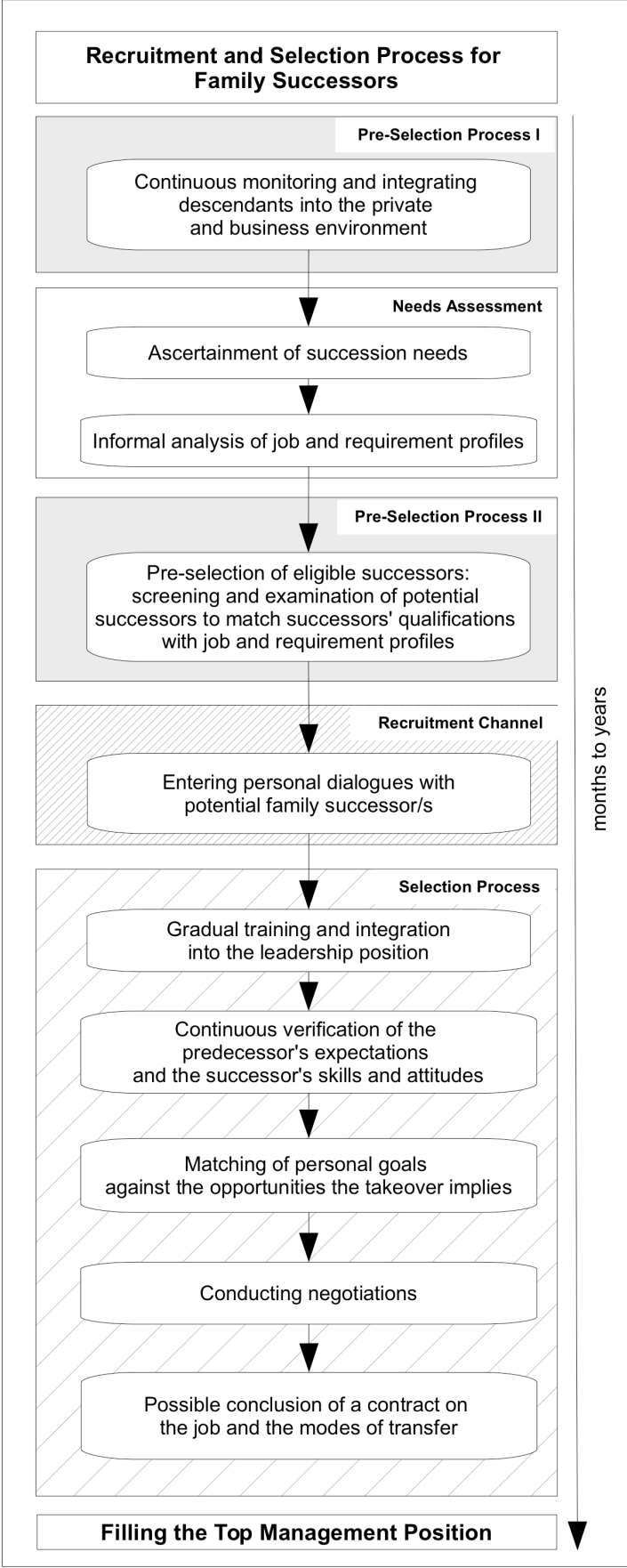
Stage five – Selection Process. This stage results in the final choice of the most appropriate successor (Le Breton-Miller et al., 2004; Fiegener et al., 1994). The heir who best satisfies the requirement profile and exhibits an interest in assuming the leadership position is securely incorporated into the business through positioning at either a subordinate or a superior level (García-Alvarez et al., 2002; Longenecker and Schoen, 1978). Here, the incumbent has the benefit of a long-lasting collaborative process to continuously verify whether the successor's development in terms of skills, work habits (Osborne, 1991) and work performance (Moog et al., 2012) fulfils the requirements of the leadership position and to gradually withdraw from his own role as the successor's responsibility simultaneously increases (Handler, 1990). Moreover, gradual succession enables the successor to cement his command of firm-specific matters (Le Breton-Miller et al., 2004) and reconsider whether his personal goals and the job characteristics coincide with the individual career objectives that succession implies (Cabrera-Suárez, 2005) or whether alternative career opportunities may afford a better fit (Rogal, 1989). Ultimately, successors depend on the willingness of their predecessors to ultimately 'recruit' the descendant, whereas predecessors depend on their successors' decision to 'apply for the vacancy'. Subsequently, negotiations occur to determine the following: leadership (Neubauer, 2003) and ownership transfer (Moog et al., 2012; Hauser, Kay and Boerger, 2010); the compensation of siblings who were not selected as successors (Keating and Little, 1997); and the details of the predecessor's resignation. The recruitment and selection process concludes with the job contract, which studies often assume is negotiated without information asymmetry (Kets de Vries, 1993). Given the time required to fill the executive position, the general consensus is to advise family firms to allot ample time for the selection process (Brun de Pontet, Wrosch and Gagne, 2007; Osborne, 1991).

Akin to other researchers on family business succession (e.g., Blumentritt et al., 2013; Le Breton-Miller et al., 2004; Churchill and Hatten, 1987; Longenecker and Schoen, 1978; McGivern, 1978), our conceptual model orders the succession process chronologically. However, we further illustrate that the selection process of family successors is based on structured and systematic assessments of promising candidates that help realistically elucidate aspirants' suitability for the position in terms of hard and soft skills, thereby leading to the selection of the most suitable contender. Admittedly, this statement holds true only if our decisive assumption is correct – namely, if predecessors conduct job and requirement analyses and verify whether potential family successors satisfy these requirements. In the following, we elaborate selection criteria extracted from a comprehensive review of the family business literature and analyse our primary data – interviews with predecessors and successors



– to generate a general requirement profile. We also provide preliminary insights into systematic patterns in requirements at specific stages of the process and whether predecessors' and successors' understandings of the characteristics deemed necessary differ across the stages described above.

**Figure 17: Process of family successors' recruitment and selection into management positions**



Source: Own illustration (2014).

### **5.3 Literature review on succession processes and selection criteria for family successors**

To obtain preliminary findings on our research question of what requirements family successors must satisfy to be considered suitable successors and to cast light into the black box of selection processes in family firms, we analysed the current family business literature, searching for initial indications regarding requirements and expectations of and selection criteria for family successors. In principle, our review identifies three strands of the family business literature contributing to our understanding of these items and aspects:

First strand: A few articles explicitly analyse selection criteria. Chrisman et al. (1998) seek to identify the successor attributes that are deemed desirable in family businesses; they derive 30 selection criteria from the literature, group them into six categories and then survey 485 Canadian family firm managers (predecessors) ex-post succession. Similarly, Sharma and Rao (2000) survey 43 Indian family firm managers after succession (again, from the predecessors' perspective) and rank the importance of individual criteria on a 7-point Likert scale. Regarding attribute categories, both studies find evidence that successors' personal traits are considered the most relevant, whereas the incumbent-successor relationship and family standing are considered to be the least relevant. The successor's current involvement with the firm, competence and relationship with family members are of medium relevance. The highest-ranked attributes are integrity, commitment to the family firm, decision-making ability, self-confidence and employees' respect. The willingness to take risks, strategic planning skills and independence are ranked in the middle, whereas gender and birth order are among the least important criteria. Both studies agree that relationship building may be more important than successors' technical capacities – in other words, soft skills may be more important than hard skills.

Examining factors that affect succession planning, Motwani et al. (2006) follow a similar approach, deriving 22 factors from the literature (by relying heavily on the attributes identified by Chrisman et al. (1998)), clustering them into categories, and surveying 368 American family firms to determine their relevance on a 5-point Likert scale. Interviewing predecessors from an ex-post perspective, they find that of all categories, the existence of a competent successor is considered the most important. The competence cluster encompasses employees' respect for the successor and the successor's prior work experience, as well as abilities and skills in terms of interpersonal relations, financial issues and strategic planning; of these attributes, the most relevant are the successor's decision-making ability and commitment to the firm.

Second strand: A second stream of family business literature includes articles that regard selection criteria as a key aspect – but not the primary topic – of the discussion.

For example, Brockhaus (2004) determines the takeover interests related to a child successor, family support, education and abilities in technology, management and finance. Le Breton-Miller et al. (2004) identify a positive predecessor-successor relationship, experience, talent, personality and maintenance of family harmony, among other criteria.

Third strand: A third stream of literature includes the majority of family business articles that sporadically intersperse the hard and soft skills deemed necessary for successors in different study contexts. In so doing, Barach and Ganitsky (1995), for example, mention the successor's expertise, commitment to the family business, credibility, self-confidence and the ability to work well with and gain the trust and respect of others as salient attributes. Chittoor and Das (2007) examine the performance of Indian family firms following a managerial transition to non-family managers and discuss management training as an essential factor for family successors.

Together, these findings reveal that the existing quantitative approaches are lacking in two respects. First, inherent to the limitations of quantitative research, written surveys restrict the analysis of characteristics to a certain extent. Second, most studies are ex-post succession and focus on the predecessor's perspective; thus, the existing surveys have not analysed possible differences across generations in perceptions of the attributes deemed necessary for succession, although arguments suggest the existence of such differences. Moreover, generally, only one family business owner is surveyed. These gaps induced us to conduct an extensive review of the three strands of the literature to identify the attributes deemed necessary to succession and capture each criterion's relevance both from predecessors' and successors' perspectives, as well as to undertake qualitative interviews, generally with both predecessors and successors, at different stages of the selection process.

#### **5.4 Research methodology and two-step analysis**

The systematic review of the three strands of the family business literature constitutes the first of two steps in answering our research question, namely, what requirements family successors must satisfy to be considered suitable successors. In so doing, we manually identified all stated exigencies and recommendations and inductively categorised the findings in a first step. In the second step, we adopted a deductive, multi-case-based approach for the qualitative, empirical work in our study (Yin, 1994). Based on this data set, we investigated the most salient categories to determine whether differences in the relative frequency of categories can be attributed to substantive differences in predecessors' expectations and successors' perceptions

(Sharma et al., 2000). In adopting this approach, we were able to devise a general requirement profile for successors, determine whether there are systematic exigencies of family successors and identify potential differences between predecessors' expectations and successors' perceptions.

#### **5.4.1 First step – systematic literature analysis of selection criteria in relevant journals**

After identifying articles based on a search of keywords<sup>52</sup>, we reviewed 226 papers in total, applying explicit selection and evaluation criteria (David and Han, 2004) to the most widely acknowledged and leading peer-reviewed journals on management, family business and organisational research.<sup>53</sup> To confine our focus to the attributes of family successors, we disregarded papers or exigencies for which we were uncertain whether they referred to our target group. This procedure resulted in 169 papers for further analysis (see Table A.2). Each article was read carefully, and all recommendations and expectations regarding accomplishments were filtered and categorised manually. Any named keywords were recorded only once, regardless of how often they were mentioned in a paper.

#### Establishing a requirement profile based on current research

Consistent with the common structure of job profiles, we grouped our findings into the main categories of *hard* and *soft skills*. Considering the unexpectedly high number and variety of needs that we identified (see Table A.3), for the sake of clarity, we manually subdivided our findings into five subcategories and 27 classes. Pursuant to the common understanding of hard skills as teachable and measurable “*technical expertise and knowledge needed for a job*” (Robles, 2012, p.453), this main category is limited to exigencies that refer to human capital endowments. Because soft skills are perceived subjectively (Al Abduwani, 2012), the task of subdividing these skills into subcategories and classes is not simple. We thus created the following four subcategories: *social capital*, *personality traits*, *motivation/commitment* and *predecessor-successor relationship*. *Social capital* combines the classes of *interacting with stakeholders* and *human resources management*. Furthermore, we followed Al

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<sup>52</sup> These keywords included family business, succession, family firm succession, family enterprise succession, intergenerational transfer, incumbent succession, succession planning process, transition process and family business and intergenerational business transfer.

<sup>53</sup> These journals included the Family Business Review (FBR), the Journal of Family Business Strategy (JFBS), Entrepreneurship Theory & Practice (ETP), the Journal of Business Venturing (JBV), the Academy of Management Review (AMR), the Academy of Management Journal (AMJ) and the Journal of Small Business Management (JSBM); articles published between 1974 and 2012 were considered.

Abduwani's (2012) categorisation and divided *personality traits* into *personal*, *interpersonal* or *situational traits*. The *motivation/commitment* subcategory contains all requirements relating to "1. A personal belief and support of the organization's goals and visions. 2. A willingness to contribute to the organization. 3. A desire for a relationship with the organization" (Carlock and Ward, 2001, p.52). Because the *predecessor-successor relationship* subcategory is of particular importance throughout the succession process (Chrisman et al., 1998), we address this subcategory separately. To obtain an impression of the relevance of each class and category from a research perspective, we calculated the relative frequencies with which the papers in our sample mention particular exigencies relative to the total number of papers reviewed. This procedure permitted us to specify the selection criteria that are involved in the process of identifying family successors in greater detail. The resulting requirement profile is presented in Table 5, in addition to an overview of each subdivision and its relative frequency.

**Table 5: Requirement profile of family successors**

Main category Subcategory Class	Relative frequency (%)					
	Literature (n=169)	Rank	Predecessor (n=54)	Rank	Successor (n=52)	Rank
<b>Hard skills</b>						
<b>Human capital</b>	33	1	60	1	33	1
General training in abilities and skills	52		83		50	
Training on/experience in family firm	52		70		40	
Proof of competence	27		41		25	
Occupational experience	20		63		21	
Education	15		43		29	
<b>Soft skills</b>						
<b>Social capital</b>	22	4	32	2	11	4
Interacting with stakeholders	36		56		15	
Human resource management	9		9		6	
<b>Personality traits</b>	26	2	21	5	9	5
Personal	20		19		8	
Interpersonal	18		20		4	
Situational	40		24		15	
<b>Motivation/commitment</b>	24	3	30	3	22	3
Continuity of family firm	46		46		35	
Fulfilment of interests	43		44		40	
Commitment	31		24		10	
Successor's individualisation	29		48		62	
Sign of interest in the company	28		37		12	
Changes in the firm	26		30		21	
Willingness to apply internal support	25		54		44	
Economic expectations	25		41		17	
Avoidance of changes in the firm	18		26		15	
Willingness to take charge	15		15		12	
Agreements within the family	14		9		9	
Willingness to apply external support	9		15		10	
Verification of whether succession is rewarding	4		4		2	

<b>Predecessor-successor relationship</b>	22	4	30	3	33	1
Relationship, predecessor-successor	37		52		50	
Interacting with predecessor during succession process	30		24		39	
Similarities, predecessor-successor	12		13		10	
Interacting with predecessor following succession process	8		30		35	

Source: Own data and analysis (2014).

#### Relevance of each category in the family business literature

Of the five subcategories, that most commonly cited in the family business literature is *human capital*, followed by *personality traits* and *motivation/commitment*; the least frequently mentioned categories are *social capital* and the *predecessor-successor relationship*.

Considering the individual subcategories in greater detail, within the *human capital* subcategory, we find that the need to *train successors* in the family enterprise is stated most often (e.g., Cadieux, 2007), followed by *proof of competence* and *occupational experience* gained outside of the family business (e.g., Venter et al., 2005). In the *personality traits* subcategory, *situational qualities* such as *assertiveness* (e.g., Perricone et al., 2001) and the ability to *handle criticism* and *resistance* (e.g., Murray, 2003) are noted most frequently. This class of attributes is followed at some distance by *personal traits*, in which the highest priority is accorded to *self-confidence* (e.g., Venter et al., 2005) and the *capacity for further development* (e.g., De Massis et al., 2008). *Interpersonal traits* are addressed least often, with statements primarily relating to *networking* (e.g., Steier, 2001) and *decision-making abilities* (e.g., De Massis et al., 2008). In the *motivation/commitment* subcategory, the literature most often notes that successors should be *willing to continue the family firm* (e.g., Lambrecht, 2005) and to *fulfil others' interests* (e.g., Perricone et al., 2001). Only seldom do the selected articles mention the necessity of *applying for external support* (e.g., Cadieux et al., 2002), such as consulting with experts to facilitate the succession process. Remarkably, the *verification of whether the succession is rewarding* is of little concern (e.g., De Massis et al., 2008). Within the *social capital* subcategory, researchers most often identify the need to *interact with stakeholders* (e.g., Cadieux, 2007) to obtain legitimacy, whereas few exigencies refer to *human resource management* in this category (e.g., De Massis et al., 2008). In the *predecessor-successor relationship* subcategory, most articles note that this relationship should be strong and involve efficient cooperation (e.g., Cadieux, 2007; Davis and Tagiuri, 1989). Prominently, the literature mentions the need to *interact with predecessors during the succession process* (e.g., Cadieux, 2007). For example, heirs should wait for or promote the incumbent's exit, far more often than it mentions *interactions following the succession*. Studies that address this issue typically

note a need to allow a predecessor's continued involvement in business activities upon retirement.

#### **5.4.2 Second step – deduction of selection criteria through interviews following a multi-case-based approach**

In the course of a German research project initiated in January 2008, a total of 140 semi-structured, 360-degree interviews were conducted with 63 businesses (Table A.4 displays the list of questions used for the interviews). Each family was pleased to allow us to conduct interviews with all family members who were directly or indirectly involved in or affected by the succession process. Thus, our interview database comprises 62 predecessors, 59 anointed or probable successors, six siblings who will definitely not be selected or were not selected as successors, nine spouses and cohabiters of predecessors, two spouses and cohabiters of successors and two brothers- and daughters-in-law. The enterprises vary in stage of the succession process<sup>54</sup>. Twelve family businesses are in the ex ante stage (comprising the stages pre-selection I and II, needs assessment and recruitment channel), 19 firms are 'durante' in the selection stage – i.e., initiating the handover process – and 22 are in the ex-post stage, having already completed the succession process. By analysing multiple cases, we hoped to collect rich data (Rynes and Gephart, 2004) that would provide the opportunity to examine our research questions on a broader level (Eisenhardt and Graebner, 2007; Mason, 1996) and in greater depth over generations and at different stages of the selection process. We chose to supplement our findings from the literature review with the findings from this qualitative approach to enable “[an] understanding [of] the world from the perspective of those studied” (Pratt, 2009, p.856). As a consequence, this procedure allows us to characterise the features identified based on real-life experiences and provide a more profound understanding of the process.

To create a purposeful sample (Mason, 1996), we adopted a criterion-based sampling strategy (Patton, 1990). According to this strategy, the participants needed to meet three criteria: 1) the participants needed to be family members of firms in which the family owns at least 50 per cent of the business, 2) the family members needed to be involved in the management of the business (Gallo, 1995), and 3) the participants needed to be either predecessors or successors. In our attempt to develop a common understanding of the demands of the family succession process, we intentionally disregarded any further stratification (e.g., based on sole or team succession, age or

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<sup>54</sup> The enterprises are primarily SMEs and vary in age (an average of 77 years), generation (from first to sixth), legal status and industry.



industry) to ensure that our data set would provide comprehensive information from 54 interviews with predecessors and 52 interviews with family descendants from a total of 53 family businesses. To conduct the interviews, we employed a catalogue of various questions, among others, referencing the transfer of the managerial position:<sup>55</sup> *“What expectations do you have of your successor?”; “What qualification and/or character traits do you expect of your successor?”; and “What expectations/requirements/qualities/properties does your father/your mother have of you if you take over the business?”*

The recorded interviews typically lasted from 30 to 120 minutes and were taped and transcribed verbatim. Using MAXQDA 10, the ensuing deductive coding was based on the subdivisions described in Section 5.4.1. As before, in each interview, any named keywords were considered only once, and their relative frequencies were calculated.

#### Predecessors have rather precise understandings of successors' requirements

Our intensive literature review provided us with an unexpected wealth and variety of requirements that successors are advised to satisfy, resulting in a requirement profile presented in Table 5. The requirement profile was developed to analyse and compare the interviews.

The interview statements reveal interesting factors that shape the selection process: specifically, they provide evidence that predecessors' and successors' views of selection criteria differ to some extent. It is interesting to note that predecessors identified a substantial number and wide range of hard and soft skills. The successors' responses are not remotely as broad with respect to the scope and diversity of the attributes identified by the predecessors. Instead, the successors' responses regarding the perceived requirements are largely characterised by hesitation, vagueness, imprecision and pauses, resulting in considerably lower relative frequencies across nearly all of the classes identified. In contrast, the references made by predecessors are quite accurate and were offered with less deliberation. It is possible that

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<sup>55</sup> The interviews were conducted almost exclusively at the business premises of the interlocutors. To encourage candour, with few exceptions, the predecessors and successors were questioned separately. For reasons of confidentiality, the questions and the predecessors' and successors' responses are henceforth denoted 'Q', 'pre' or 'suc'. Consecutive numbering from 1 to 53 conceals the identity of each company. If more than one predecessor or successor was interviewed per firm, then the corresponding response is marked by an additional figure. For example, the coding 35\_suc2 represents an interview conducted with the second of several (potential) successors of family firm no. 35. We fully transcribed the broad research material. For the sake of legibility, dialects, punctuation and language were slightly edited (i.e., 'mhm' and 'ehm', among others, were not transcribed). Noticeable pauses were marked by (pause). Ellipses (...) indicate that we omitted part of a sentence that is not necessary to fully understand the statement.

predecessors' attitudes toward requirements are overly optimistic in the ex ante stages with respect to their ability to shape the crucial requirements of family successors. The question of whether predecessors apply these requirements or, counterfactually, are pretending to apply them remains unresolved. *Reflecting our first finding, the relative frequencies of the identified categories and interview data affirm our assumption that predecessors have rather precise understandings of successors' requirements. Successors only have vague understandings. This provides an initial indication that successors are unaware of the attributes deemed necessary for succession and are somehow left in the dark.*

#### Uncertainty of successors with respect to requirements

The predecessors named far more requirements and expectations across nearly all subcategories than we expected, with greater precision and less deliberation, whereas heirs often hesitated when answering the questions, as the following interview excerpts depict. To the question, *"What properties, knowledge or skills do you have that are particularly relevant for the business or for your father as the predecessor (...)"* 16\_suc2 replies as follows: *"That's actually something I don't know at all."* To the same question, after a 6-second pause, 33\_suc1 responds as follows: *"That's, again, that's this statement that you always have to provide in applications: 'Why me of all people?' (...). Well, that's difficult to answer (pause)."*

Q: *"But, well, what does your father actually value about you?"*

33\_suc1: *"That's a good question!"*

Q: *"Or what does he perhaps not value quite so much? (...)"*

33\_suc1: *"(...) that's a really good question. God, I'd have to think about that for a moment."*

At times, the statements are vague, as 5\_suc2 reports: *"(...) I just believe I meet the expectations that my father certainly has somewhere, expectations I might only know in part (...)." Asked whether particular expectations exist in terms of 18\_suc1's qualifications, he replies as follows: "(pause) No doubt he had some. But, of course, I can't gauge just what they were."*

Overall, the successors identified a smaller number of needs. In some cases, albeit rarely, no statements were made; rather, guesses were offered. *Thus, our second finding is that – apart from perceived expectations in terms of hard skills, as we will demonstrate below – successors generally do not know or are uncertain of the specific qualities that are expected of them.*

#### Overall agreement on expected human capital

Based on the rankings, predecessors clearly hold *hard skills* in high esteem, and

successors are aware of expectations concerning the need for *experience* gained within and outside of the family firm (35\_suc2: “*I was always told that if I’d like to take over the company, then I’d need not only academic experience but practical experience, too, not just in our own company but in other companies as well – and that’s exactly how I see it, too.*”), *proof of competence* demonstrated either by collaborating with or working in establishments (32\_pre2: “*Naturally, for us, it’s nice that we have different companies where family successors can be integrated or (...) tested in smaller locations.*”; 40\_suc: “*(...) then the point was not just to run along with the rest but (...) to set up the plant in Malaysia beginning in 2004.*”) and *education*. Remarkably, education is the only class for which we find slight differences in terms of the perceived value attached. Whereas predecessors address the limits of education (“*(...) a university degree says nothing about your day-to-day work*” (33\_pre), but it helps “*(...) to develop your personality further*” (35\_pre2)), successors simply accept this exigency, with the exception of a single heir who is slightly critical of university studies. 18\_suc2 disapproves of his parents’ appreciation of his completing a university degree “*(...) because it fit with their system of expectations.*” Thus, as Table 5 indicates, both generations mention *human capital* most frequently, and hence, we can hardly infer cross-generational differences from these results.

#### Noteworthy cross-generational differences regarding motivation/commitment

Regarding *soft skills* and, initially, the *motivation/commitment* subcategory, three classes are particularly notable: the *need for the successor’s individualisation*, the *need to verify whether the succession is rewarding* and *economic expectations*. The first class is one of only three classes that the succeeding generation mentions more frequently than the retiring generation does; this finding is interesting, as it suggests that heirs apparently believe that predecessors have high expectations in this regard. Notably, the successors’ statements solely relate to two exigencies: the *determination of one’s role* (33\_suc1: “*(...) meanwhile, very often, Papa says, ‘Yes, that’s your job, I’m not going to meddle now’*”) and the *unconstrained takeover decision* (34\_suc: “*I never sensed any kind of pressure from my father that he expected that of me*”). Incumbents’ expectations in this regard are high; similarly, incumbents emphasise a need for successors to distinguish themselves from their predecessors and discover their own role by “*(...) finding a direction of their own (...)*” (29\_pre); incumbents also report that they expect an unconstrained takeover decision. Incumbents are proud if the successor chooses the family business over numerous competing occupational opportunities: “*(...) above average in grammar school, she could have studied whatever she wanted. And then she comes home (...)*” (41\_pre1\_2). However, unlike

heirs, the comments of predecessors are not confined to two exigencies. These individuals also expect successors, among other factors, to be pleased with the course of the succession process (37\_pre: *"I have just one single expectation, and that is for my son to stay, given his emotions and his skills."*) and to address and be self-aware of succession (23\_pre: *"Now it's up to him, and he has to perform. (...) If you perform in an orchestra, you have to be able to play your instrument and well enough to delight the audience."*).

With respect to both generations' awareness of the predecessors' dependence on the success of subsequent leadership for income to supplement the predecessors' pension or even satisfy the predecessors' basic needs after retirement – which in turn strongly affects the successors' prospective business – *economic expectations* are an important topic for both generations (20\_pre: *"(...) it really is important to me because our existence depends on it"*; 11\_suc: *"I always say: I'm your pensions office"*). Two aspects are truly astounding, however. First, successors generally assume that predecessors expect *the firm to maintain its current status*, (16\_suc2: *"(...) That we're going to expand the company, I don't think my parents expect that. They're very happy if we keep it at the same level."*). In principle, predecessors confirm this expectation (11\_pre: *"He doesn't necessarily have to expand."*), yet many predecessors insist on a *"fruitful future (...), a future loaded with expansion"* (5\_pre2). Second, both generations neglect the *need to verify whether the succession is rewarding*. Only one interviewee, 21\_suc2, notes that she would audit the valuation of the company for security reasons: *"It doesn't even have to be wilful on Papa's part, but a mistake can always creep in, and who knows how bad it is after that, and then we're left with the consequences."*

#### Remarkably differing views on personality traits

In terms of *personality traits*, we observe remarkably differing views. Strikingly, successors mention them infrequently; they simply do not know what types of personality traits are expected, as elucidated by 35\_suc2: *"Well, in social terms, I'm relatively involved, and that's something that's always repeated. But whether that's specifically considered a requirement, I can't say."*

If heirs mention traits at all, they tend to refer to *situational traits* but seldom refer to *interpersonal traits*. In such cases, successors largely report that they believe that predecessors hold *care* (21\_suc2: *"(...) he always attaches, for example, great importance to making sure we leave a clean construction site behind. I think that's something I have, too – the carefulness in my work"*) and *drive* (33\_suc1: *"As for him, I think he values drive quite a bit (...)"*) in high regard. We observe little cross-generational agreement, such as the need for *maturity* (40\_pre: *"You certainly do need*

a certain maturity, a certain strength"; 8\_suc2: "I think he'd think carefully about whether I am equal to the task and whether I'm in a position to get the job done") and hard work (38\_pre: "I expect a bit more than I do from an employee"; 11\_suc: "He really was a strict father in terms of the performance he demanded").

Similarly to their heirs, predecessors do not often refer to personality traits, but unlike their heirs, they mention traits in a rather even distribution across *personal*, *interpersonal* and *situational traits*. Moreover, the traits that predecessors actually demand are *analytical abilities* (33\_pre: "(...) to develop the ability to intuitively grasp complex situations correctly (...)", the *willingness to learn* (12\_pre: "You have to have the basic prerequisites of shouldering the task and developing further and wanting to do that; that's something you have to bring with you") and *autonomy* (42\_pre: "(...) I'd also be glad if my successor did things independently (...)").

Regarding *interpersonal traits*, predecessors particularly value skills related to interacting with people, such as *empathic skills* and *networking abilities*. 35\_pre1 summarises this need as follows: "What's very important is (...) interacting with people." However, the members of the incoming generation do not generally mention interpersonal traits. This finding is astonishing insofar as interpersonal traits are closely associated with *social capital*.

#### Predecessors have precise expectations regarding social capital

However, with respect to *interaction with stakeholders*, heirs unambiguously report that they are fully aware of this need: "I think my strength was that (...) there was always customer contact" (3\_suc). A further striking observation is that successors make rather general statements with respect to interactions, such as "forcing" the notion on customers "that there's a new owner now" (39\_suc), becoming acquainted with bankers (33\_suc1: "The [bankers] wanted to (...) get acquainted with us") and relieving predecessors of burdensome customer calls "(...) at some kinds of customer trade fairs (...)" (5\_suc2). In contrast, many predecessors are more precise in their expectation that successors *gain stakeholders' respect, acceptance and trust*. For example, they expect successors to have a leadership style that preserves the workforce's "nice, homogeneous structure" (51\_pre), to develop and encourage employees' "individuality" and "strength" (37\_pre), to secure jobs (42\_pre) and to understand "the concerns and needs of our customers" (28\_pre). However, these expectations also demand rigorousness, as stated by 33\_pre: "(...) if you are working as a junior in the business, there are always certain people who try (...) to establish the pecking order. (...) That's when you have to respond accordingly. (...) It's just a poultry farm (...); I simply can't put up with it, (...) and that's why of course you have to be a

*little more adamant in the early years.”*

#### Slight cross-generational differences regarding predecessor-successor relationships

Interestingly, in terms of the *predecessor-successor relationship* subcategory, heirs refer to *interactions with predecessors during and following the succession phase* more often than predecessors do. This finding again suggests that heirs believe that predecessors have high expectations in this regard, which appears to be true. A closer examination of the statements reveals that both generations agree on the incumbent continuing to work for the company, albeit to a lesser extent (5\_pre1: *“I won’t be sitting here anymore, but I’ll remain in the company. I’ll give him the larger portion and take the share he now holds.”*). The incumbent’s continued involvement helps the incumbent to monitor the successor and to ensure a smooth transition – clearly, these two elements are closely linked, as indicated by statements from both generations (*“(…) naturally, we’d like to keep him tied to us as an advisor (…)* He’ll be glad to do so because, that way, he can be assured that his nest is properly feathered” (33\_suc2); *“(…) if my son (…)* works out in the company [and] I have the feeling I can withdraw further, that’s what I’ll do, too (…) and take advantage of the opportunity” (21\_pre)). However, the predecessor’s exit apparently threatens overburdening successors, regardless of whether the predecessor’s exit comes as a surprise to the successor (4\_suc: *“I (…)* actually had a different view of the orientation phase. I was told that ‘when it comes to the size of the operation, there can be only one person who makes the decisions, and that’s you’”) or was previously agreed upon (*“(…) retired on his 65<sup>th</sup> birthday. Just like that! (…)* certainly it was discussed, but then he wasn’t involved anymore after all”).

#### Requirements and expectations during the different stages of the selection process

Considering the development of the requirement profiles over the course of the succession process provides interesting preliminary insights we discuss briefly here. Of the interviewees, 14 successors and 16 predecessors are currently involved in the ex ante stage, covering the processes pre-selection I and II, needs assessment and recruitment channel, 20 successors and 21 predecessors are engaged in the selection process (opinions offered from a ‘durante’ perspective) and 18 successors and 17 predecessors are in the ex-post stage. These latter individuals have already assumed responsibility for or awarded control of the family firm.

As shown in Table A.5 in the Appendix, predecessors’ rankings of the subcategories of the attributes that successors should possess differ only slightly between the stages. Noticeable differences only occur in the rankings of the *motivation/commitment* and *predecessor-successor relationship* subcategories.

Predecessors who have not reached the selection process (opinions offered from an 'ex ante' perspective) mention features relating to the motivation/commitment subcategory more frequently than the remaining predecessors do. Incumbents who are currently involved in the selection process rank *predecessor-successor relationship* higher than predecessors in the ex ante or ex-post stages.

Interestingly, regarding the relative frequencies of the subcategories and classes, they unambiguously diminish over the course of the entire process. Strikingly, none of the former predecessors ('ex-post' perspective) mentions the relevance of *predecessor-successor similarities* and *human resource management*, while every fourth and approximately every fifth prospective predecessor refers to them, respectively.

This finding may indicate that the expectations of budding predecessors are comparatively higher than those of the remaining predecessor groups, i.e., the requirements may decline over the course of the recruitment and selection process. The findings may indicate that nascent predecessors identify criteria that they ultimately do not apply or are no longer considered particularly important.

By comparison, Table A.6 reveals that the subcategory rankings of those successors that are currently involved in the selection process ('durante') and of those who have already completed the transfer process ('ex-post') are quite similar, while the ranking of budding successors ('ex ante' perspective) occasionally differ, particularly with respect to the *predecessor-successor relationship*. Strikingly, successors prior to being selected mention attributes such as *interacting with the predecessor during and following the succession process* far less frequently than the successors in the remaining stages. In contrast, the former ones refer to, among other attributes, *education*, *interacting with stakeholders* and *personal traits* far more often.

For successors, the development of the relative frequencies of the subcategories and features is not as consistent as in the predecessors' case, but it is similar, namely, the frequencies also diminish over the course of the process.

*These initial insights indicate that: a) the intra-successor and intra-predecessor expectations and requirements slightly differ over time from stage to stage and b) the differences between predecessors and successors remain throughout the process and different stages but diminish nevertheless.*

#### **5.4.3 Overall conclusion: The impression of an 'unprofessional' selection process is unfounded**

Overall, our findings reveal that predecessors have implicit and concrete requirements concerning potential successors, whereas successors perceive certain expected requirements. The results indicate that most of the requirements and

expectations persist over time during the recruitment and selection process. Even when we observe that predecessors leave their heirs in the dark regarding concrete requirements, our results mitigate the common belief that family ties, nepotism, the pool of candidates and other factors may prompt incumbent owners to overlook the need to critically review successors' skills in operating the family business (Kets de Vries, 1993). We find evidence that the process of recruiting and selecting family successors is structured in the sense of having specific understandings of requirements during the various stages of the process. Moreover, we observe that the systematic selection of predecessors involves (implicitly) structured expectations and reflects requirements of family successors that closely overlap with the exigencies and recommendations identified in the family business literature. This indicates a professional selection process. Thus, our findings permit the conclusion that the characteristics of family businesses have no negative effect on the professionalism of the process employed to fill top management positions in family firms with family successors.

## **5.5 Discussion and final conclusions**

The current study attempted to elucidate what requirements family successors must satisfy to be considered suitable successors in the selection process. To provide these insights, we used information from three different sources: the academic literature on the exigencies and recommended attributes of successors, interviews with predecessors concerning their expectations of successors and interviews with successors regarding their perceptions of successor requirements.

The conceptual framework and findings reported in the preceding sections yield several theoretical and practical new insights regarding the requirements and expectations of and selection criteria for family successors. Prior research on family business has not applied such intensive scrutiny regarding the concrete criteria, stages and both parties involved in the recruitment and selection process. Using the comparative approach applied in this study, it is possible to infer information concerning predecessors' requirements for heirs, successors' uncertainty regarding the selection criteria and the importance and existence of specific requirements in the selection process over time. Thus, the study contributes to the theoretical discussion on selection criteria and professional selection.

### **5.5.1 The value of hard and soft skills as implicit requirements**

Regarding skills, we find evidence of a systematic order of and importance assigned to successors' expected skills, in that successor candidates are considered qualified to enter management positions if they possess the expected hard skills;



however, they are expected to supplement these skills with a comprehensive range of soft skills. In other words, hard skills are a necessary but not sufficient condition for suitable successor candidates; soft skills are at least as valued as hard skills (Miller and Rosenbaum, 1997; Sparrow, 1995). However, the results reveal that predecessors' requirements remain unwritten and informal – the job descriptions and requirement profiles that they envision are more implicit than explicit. Thus, predecessors often leave successors in the dark regarding their expectations and underlying rationales. Therefore, descendants may be required to speculate about what requirements they should meet, particularly concerning personality traits. This finding has important implications, as this lack of clarity may dissuade successors from fully utilising development opportunities or require them to spend additional time identifying requirements on their own. The implications of this finding are particularly notable if successors believe that the wrong attributes are relevant.

Moreover, it is remarkable that family successors clearly understand the hard skills that are expected of them but have difficulty articulating their requirements in terms of soft skills. This could result from a lack of experience with soft skills. Occasions such as the issuance of school reports or the choice of apprenticeships may prompt discussions between heirs and parents on the relevance of hard skills for their general career prospects and the value and importance of job-related technical skills, cognitive abilities and expertise (Laker and Powell, 2011; Bereiter and Scardamalia, 2006; Moss and Tilly, 2001) for operating a business. In contrast, occasions that trigger discussions regarding the relevance of elusive, intangible and difficult-to-measure soft skills (Moss and Tilly, 2001) to career prospects are rather rare.

### **5.5.2 Reflecting the study's results in light of previous quantitative approaches**

Compared with the studies of Chrisman et al. (1998), Sharma and Rao (2000) and Motwani et al. (2006), our study considerably extended and specified the range of required successor attributes from a predecessor's perspective. Moreover, our study delivers – in contrast to these studies – insights into predecessors' requirements across the stages of the process and slight changes in the range and importance of certain requirements. Finally, we deliver new insights regarding the successors' perspectives on expectations and can demonstrate that they are often left in the dark, meaning that they are unaware of the importance of certain requirements demanded by predecessors. Comparing the predecessors' attributes identified in our study, some are similar, and the importance assigned to these attributes resembles the importance assigned to successor attributes reported in American, Canadian and Indian studies. Nonetheless, our results contrast those of Chrisman et al. (1998) and Sharma and Rao

(2000), who report that firm managers rank personality traits the highest, which is not the case in our study. This raises the question of whether the interviewees in our sample undervalue the relevance of personality traits (situational traits in particular). Differences in the studies' results may be attributable to the distinct approaches employed. In the quantitative approaches of Chrisman et al. (1998) and Sharma and Rao (2000) (as well as Motwani et al., 2006), the authors ask firm managers to assess each attribute's relevance on a Likert scale based on a pre-established list. In contrast, we chose to examine each attribute's importance by investigating the frequencies with which incumbents spontaneously mentioned particular expectations relative to the total number of interviews that were conducted with predecessors. These differences might be caused by the differing nationalities of the interviewees, underlying cultural issues or the different generations and because our study covers all succession stages, while the American, Canadian and Indian studies emphasised the ex-post stages.

### **5.5.3 Incorporating the results into current research interests and the study's practical contributions**

This study's findings strongly support previous conclusions regarding family business successions, e.g., by corroborating the conjecture that predecessors' and successors' perceptions of the succession process are dissimilar (Sharma et al., 2000; Keating and Little, 1997, p.167), by demonstrating that predecessors' expectations reflect the exigencies and recommendations identified in the family business literature (Chrisman et al., 1998) and by confirming that scientific recommendations are relevant in practice, thereby mitigating concerns regarding the applicability of scholarly work in practice (Brockhaus, 2004). Furthermore, our findings are consistent with the conclusion of Keating and Little (1997, p.169) that *"the identification and placement of a successor (...) is part of a systematic, though often implicit, process."*

However, we are confident that this study's findings also contribute to current research on family business succession processes and will foster the development of theory pertaining to this topic in several respects. We advanced current models of family business succession processes by focusing on the feasibly structured and professional recruitment and selection of family successors to a greater extent. Given the emerging array of necessary successor attributes, we have advanced understandings of the critical selection criteria involved in this process, as suggested by Keating and Little (1997). In this manner, we hope to initiate discussion on the choice of successors at a more detailed level because there are far more expectations involved in the succession process than those that have been specifically discussed to date. Moreover, the variety of hard and soft skills deemed necessary may induce family business researchers to perceive family successors as Jacks-of-all trades. To date,

only entrepreneurs in general and new start-up entrepreneurs have been associated with individuals possessing a broad portfolio of diverse skills and abilities (e.g., Backes-Gellner and Moog, 2013; Burer et al., 2013; Lazear, 2005). Finally, the intergenerational differences that this study has identified with respect to the necessary successor attributes may enrich discussions regarding whether such differences partly explain why certain family firms fail to survive through the next generation.

Thus, the recruitment and selection process illustrated in this study and the requirement profile that we generated may make the selection process more transparent to all parties involved *before* choices are made (Le Breton-Miller et al., 2004). It may a) encourage predecessors and successors to discuss their individual expectations, b) help successors gain insights into the demands that they will encounter, c) assist predecessors in assessing the suitability of potential successors and d) help both constituencies encourage development in areas in which characteristics are lacking. Because family firms are heterogeneous (Nordqvist, 2005), it is self-evident that these guides must be adapted to the individual family business in question.

#### **5.5.4 Limitations**

Our study is not without limitations. It should be noted that discrepancies between statements reported in the international scientific literature and statements made by German interviewees may result from cultural differences. Nonetheless, we identified several attributes that have scarcely been identified in the literature or in interviews but that are particularly important to the success of a business succession, regardless of location.

Moreover, the selection criteria exclusively apply to family successors and may differ from the criteria that apply to non-family successors. Further, the group of successors contained six heirs who are considered potential successors but have not yet been anointed. Their statements may have biased the results. Furthermore, gender and birth order were not considered.

Despite our extensive review of the literature, our data are far from exhaustive (Mazzi, 2011). Notably, the most pertinent categories concern human and social capital; the importance of these categories might result from the popularity of examinations of these topics. Furthermore, the selection of other journals or search strategies could have yielded different results. We are also aware that the coding of the statements reported in the literature and the statements made by the interviewees were based on subjective perceptions.

The sample was chosen purposefully (Mason, 1996) based on a criterion sampling strategy (Patton, 1990), and the interviewees were not known before the interviews were arranged. Nevertheless, it can be assumed that the interviewees were interested in the topic of succession on the basis of their own personal involvement in the succession process. We are aware that the qualitative data are biased, such as bias resulting from social desirability or hindsight in cases in which the interviewees described past successions. We must also mention the possibility of self-serving bias (Sharma and Rao, 2000; Baron, 1998). Finally, we also recognise that our results cannot be generalised beyond this sample and that our results can thus be considered only an initial step in the development of a family successor recruitment profile.

### **5.5.5 Avenues for future research**

This study's main contribution to the literature lies in increasing the transparency and understanding of recruitment and selection processes in family businesses. The universal requirement profile and the recruitment and selection framework developed in this study may be applied to other contexts in which specific conditions may lead researchers to reconsider the application of selection criteria or the implementation of the recruitment process. For example, future research could also focus on developments relating to the key players' ages, different sectors of the economy, familial relationships, ownership structure, company size, the influence of boards and external shareholders or the external environment (Le Breton-Miller et al., 2004; Chrisman et al., 1998). The question of whether the birth order or gender of the incoming and exiting generations affects successor selection criteria may also be highlighted. When examining the selection criteria for team successions versus solo successions, it can be conjectured that team successors might compensate for one another's missing requirements. Moreover, future research may apply this study's approach to selection criteria to non-family successors filling managerial positions. An ensuing comparison may provide further illuminating insights into the application of selection criteria in family businesses. It could be crucial to shed further light on successors' expectations and the coordinating process and the communication of requirements between predecessors and successors. As communication is the most relevant tool for imparting requirements and expectations, we invite academics to investigate communication within family firms. In particular, the gap between predecessors' expectations and successors' perceptions requires further examination.

Because our data set unfortunately prevented us from applying more tangible methods, such as cluster and factor analyses, or from using qualitative comparative analyses to structure the data and provide causal inferences, we invite researchers to

take these additional steps. Similarly, we encourage researchers to further develop and thereby stimulate the full potential of this study's model of the recruitment and selection process through system dynamic modelling. System dynamics depicts dynamic complexities through computer-assisted simulation to examine how decisions affect systems. In so doing, such an approach affords insights into the scope and nature of a diversity of factors that influence the real world by accounting for feedback loops, time delays and nonlinearities (Sterman, 2000). However, an understanding of the process can be further developed by increasing the complexity of this process through the addition of contextual factors and loops between the stages (Dineen and Soltis, 2011; Le Breton-Miller et al., 2004).

Despite the above-mentioned limitations, we believe that our study provides novel insights into the discussion of successor selection and intergenerational aspects of family businesses. We hope that our work on family successor requirements provides a useful starting point for more comprehensive studies of the selection process.

## **5.6 Conclusions**

This chapter of part C has focused on the requirement profiles of family business successors. Successors need, to answer the third research question, a large number and great variety of hard and soft skills to qualify them for a leadership position in the family enterprise. The specific kinds of capabilities and attributes are listed in Table 5.

Additionally, the comprehensive literature review and qualitative empirical findings help to refine the individual dimension of family business succession, as derived in chapter 2.2.3 in several regards.

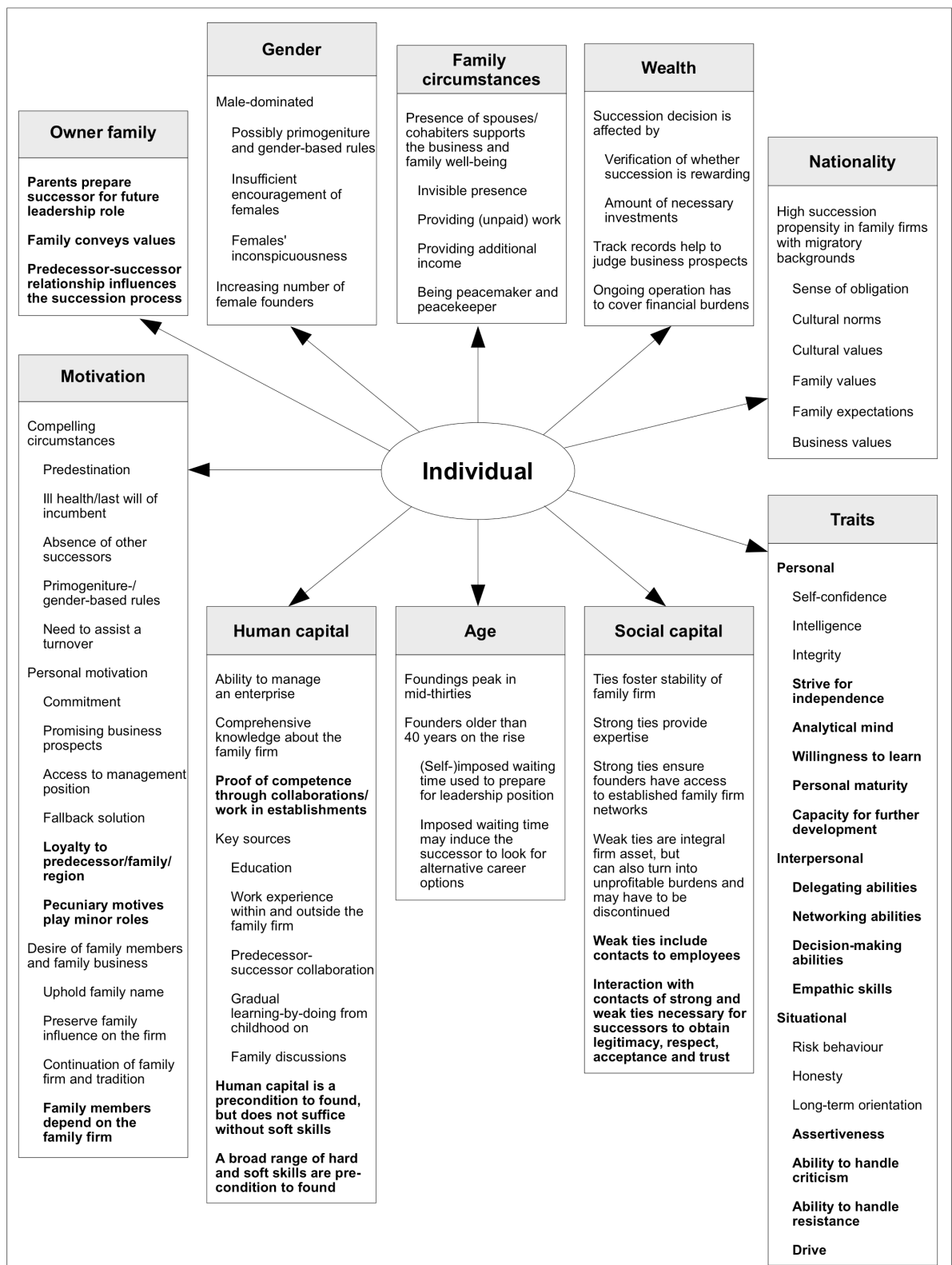
The pivotal adjustment refers to supplementing the owner family as a key component of the individual dimension. This reflects the families' tremendous long-term influence on and great importance to the successor. The family imprints values and virtues on him, influences his entrepreneurial behaviour and is actively involved in developing his human and social capital endowments. In particular, the predecessor possesses an important role in choosing, preparing and assisting the heir early in the succession process until and even upon retirement.

The family's influence also comes into play in the other variables. The loyalty to the family and the family members' dependence on the firm, for example, can be additional motivational factors to succeed in the family business. In terms of the human capital endowments of potential family successors, the preceding study reveals that offspring do well to have diverse abilities and skills. This demand can be met through, among others, predecessors' and successors' joint work and, if possible, gaining work experience in establishments of the family enterprise. It has become evident that hard

skills do not suffice to take the reigns, but soft skills are essential factors in predecessors' judgement of their heirs as adequate prospective CEOs. These soft skills include the ability to interact with existing stakeholders, e.g., to gain legitimacy or to adequately lead employees.

The literature review and the analysis of interviews clarify that family successors must possess a great number and diversity of personality traits to manage a business, such as delegating abilities and the ability to handle resistance. For the sake of clarity, the trait category was subdivided more systematically into personal, interpersonal and situational traits. Figure 18 presents an extended version of the individual dimension in the context of family business succession; the supplemented variables are bolded.

**Figure 18: Extended variables of the individual dimension of family business succession**



Source: Own illustration (2016).

The ensuing chapter extends Gartner's (1985) conceptual framework for new venture creation based on the preceding findings and answers the research question on which characteristics of new venture creation and family business succession coincide or clash.





## **Part D: The idiosyncrasies of new venture creation and family business succession**

### **6. Conclusions on paths to self-employment**

#### **6.1 Extended framework for describing new venture creation**

Gartner's (1985) conceptual framework on new venture creation helps to describe this specific type of founding and has thus received widespread attention in entrepreneurship research. The framework's variables portraying entrepreneurs and their start-up companies were derived from conceptual and empirical papers recent at that point of time; 30 years have passed. In the meantime, research on business venturing has, on one hand, immensely progressed, issuing renowned entrepreneurial-oriented journals on business venturing, such as JBV, as well as creating an increasing number of reputable founding-related conferences (e.g., G-Forum, Interdisciplinary European Conference on Entrepreneurial Research), for example. On the other hand, as stated by Aldrich (2009, p.31) "*factors affecting entrepreneurial [activity and] success vary over time*" and can stem from, among other factors, the profound economic and structural changes that have occurred since 1985, including increased globalisation, digitalisation, and technological progress, as well as intensified climate change and a constantly ageing society in Germany. From this point of view, several characteristics of business venturing have likely changed or the complexity of setting up a business has further increased over the course of the last 30 years, as verified by the PhD thesis at hand. This study follows Gartner's (1985) procedure and gathers findings of previous conceptual and empirical articles that influence new venture creation and assigns them to the environmental, individual, organisational or process dimensions. By drawing on scientific contributions published (predominantly) in the recent past and by reverting to specific elaborations on the individual dimension in part B, this procedure results in an extended and updated version for describing new venture creation.

The extended framework comprises an abundance of variables (see Figure 19), which are, for the sake of clarity, subdivided into categories. Regarding the environmental dimension, this applies to the 'conditions around foundings', which classifies the variables that Gartner (1985, p.700) identified as "*relatively fixed conditions*" to which founders respond. The literature review added variables to this category that, for one, resulted from prevailing and anticipated economic situations, such as market demands, employment opportunities on the labour market, wage situations and investment certainties, and for another, prior start-up activities in the specific region.

Part of the description of the new venture creation phenomenon is new ventures' influence on the environment, which science prevailingly discusses in the context of the

quality and quantity of new ventures. Therefore, a second category on the 'economic effects' of foundings enlarges the environmental dimension and includes the new ventures' influence on competition, innovation, and technological progress, the crowding-out effects of inefficient competing companies and the employment opportunities that new businesses provide to founders and to others.

Additionally, the organisational dimension is subdivided into three categories. The variables originally identified by Gartner (1985, pp.700) are allocated to the 'strategic orientation of the business model' and include, for example, the generic strategies of Porter (1992, p.62). Further factors identified in the course of this thesis are assigned to, on one hand, 'resources of the business model' that have decisive strategic effects on the structure and strategic orientation of the emerging business. This category comprises access to funding and – because the composition of the management influences the availability of financial, human, social or informational resources – sideline foundings and team foundings. On the other hand, the supplemented factors refer to the diverse 'reasons for failure' that founders of newly created businesses face, namely hubris, the liability of newness, smallness and adolescence.

The activities undertaken to found a business are allocated into two categories. Originally, Gartner (1985, p.699) noted "*six common behaviors*" that are now predominantly assigned to 'external efforts', such as marketing products and services. The literature review added several variables to this category, including the development of networks, the purchase or lease of facilities and equipment and founders' need to convince stakeholders of their credibility, capabilities and legitimacy. Reaching the destination of self-employment likewise demands internal efforts beyond the location of a business opportunity, as noted by Gartner (1985, p.699). The process dimension is therefore complemented by actions to assess environmental conditions, save money and build the organisation and its infrastructure.

Most of the amendments take place on the individual dimension. Gartner's (1985, p.699) original findings refer to, for example, founders' need for achievement and previous work experience. This thesis allocates both characteristics to the 'traits' or 'human capital' categories and supplements these categories with further variables. In this regard, the psychological characteristics of founders could actually be extended by a great number of diverse traits. As striving for independence is an often determined pivotal feature, it applies to the traits category vicariously for all founder-related traits discussed in the previous chapters.

Regarding founders' human capital endowments, the previous discussions show that the tenet "*more human capital is always better*" (Davidsson and Honig, 2003, p.305) does not necessarily hold true. Rather, the availability of diverse knowledge,

abilities and skills fosters the entrance into self-employment. Experiences, such as learning-by-doing in the course of the founding process or experiences gained through international secondments advance the founders' stock of abilities and skills and its heterogeneity.

As regards motivational factors, the extended conceptual framework is supplemented by a 'motivation' category, subdivided into 'opportunity-driven/improvement-driven opportunity' and 'necessity-driven' entrepreneurship. This indicates that both push and pull factors lead individuals to pursue entrepreneurial activity. At the same time, it attenuates a dichotomic view as either being pushed or pulled into self-employment; in reality, opportunity-driven nascent entrepreneurs often also aim to improve a personal situation.

In a similar vein, the quantity and diversity of strong and weak ties enhance entrepreneurial activity. This 'social capital' variable therefore supplements the findings of Gartner (1985). Finally, 'socio-demographic characteristics' capture the views that age, gender, ethnic roots, wealth and family circumstances are integral parts of the business venturing process.

To conclude, the portrait of business venturing shows that, first, establishing a business does not follow a one-size-fits-all approach. Precisely the opposite is true. Several factors of the new venture creation framework and their recursive relationships convey its complexity and multidimensionality. The framework thereby vividly underlines that business formations can greatly differ in their specific patterns depending on the individual composition of the variables within and across dimensions (Gartner, 1985, p.701).

To date, entrepreneurship research models only some of the entire number of influencing factors. Macroeconomists explain entrepreneurial activity on the basis of the environmental dimension, while researchers on, for example, organisational and strategic behaviour or psychology entrepreneurship examine factors of the other dimensions. Indeed, parsimony can be the key to gaining a specific understanding of the difference between start-up entrepreneurs and their non-entrepreneurial counterparts. In this way, researchers have identified a few variables that explain a great variance of entrepreneurial activity. Human capital endowments, for example, strongly correlate with the predisposition for entering self-employment.<sup>56</sup> Nonetheless, taking up entrepreneurial activities cuts across dimensions. A too-narrow focus on specific factors carries the risk of fragmented research. Moreover, insufficient attention to the reinforcing or mitigating effects of the interplay of variables bears the risk of

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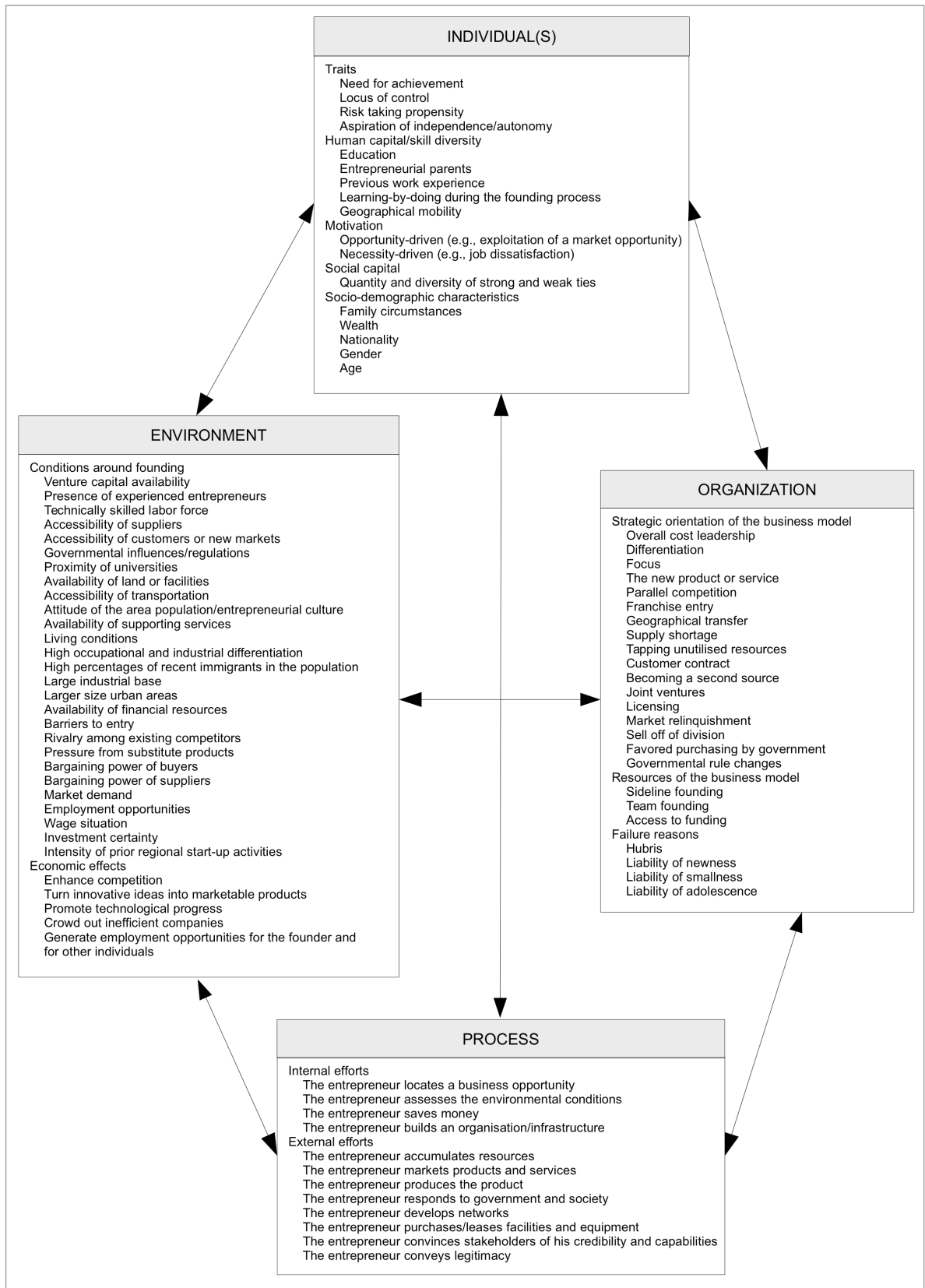
<sup>56</sup> I am grateful for the comments and suggestions of Mr William B. Gartner on this matter.

incoherent research results and could thus hamper scientifically validated knowledge. In this regard, interdisciplinary research teams are valuable for capturing findings more comprehensively.

For certain, summarising all the characteristics of findings is a difficult conceptual and empirical task. This thesis has elaborated and demonstrated a great number of founding-relevant parameters and their specifications. If these were implemented in software programmes, one would be able to simulate the founding process and how one variable affects another. This simulation software would greatly benefit research, economic policy and practitioners, as components and entrepreneurship dynamics could be better explained. Then, supportive measures – possibly even customised measures – could increase the quality and the survival chances of new ventures.

Second, the elaborations of the extended framework show that the individual dimension deserves specific attention in the new venture creation process. Actually, the variables of all dimensions correspond in that they foster or complicate new venture creations. However, regardless of which characteristics of the organisational and environmental dimension prevail and which activities are necessary to start the business, the way in which opportunities and challenges are handled depend on the founder. In other words, founders' features and capabilities decisively determine whether founders have the potential to reach self-employment. Supporting measures, such as providing founder counselling (BMW, 2015), help to improve the quality of several founding-critical features and capabilities. However, deficiencies in some elements of the individual dimension, such as entrepreneurial motivation or traits, may cause individuals to totally refrain from entering self-employment. Put differently, among the several reasons that keep individuals from entering self-employment, several characteristics of the individual dimension can either not be regulated at all or are difficult for the founder or for outside parties (e.g., economic policy) to regulate.

**Figure 19: Extended variables of new venture creation**



Source: Own illustration (2016) based on Gartner (1985, p.702).

## **6.2 Juxtaposing new venture creation with family business succession**

The beginning of this thesis argues that founders of newly created ventures enter the birth phase, while successors take the firm over in the course of the entire organisational evolution. Owing to their disparate starting points, both founder types, in some respects, face divergent situations, challenges and opportunities and are thus required to possess – to a certain extent – differing attributes, abilities and skills to handle the respective situation, which raised the research questions of the characteristics of both founding types and of which coincide or clash.

The elaborations of the four dimensions answer the question about characteristics. The corresponding figures (see figures 3, 4, 6 and 16 on new venture creation and 8, 9, 11 and 18 on family business succession) list them concisely.

The several resemblances refer to, generally speaking, providing economic effects, while also being exposed to high mortality rates. Additionally, in principle, founders themselves, with their individual backgrounds and motivations and a broad range of competences, must manage internal and external activities within the lengthy founding processes.

The differences between new venture creation and family business succession are mostly noticeable in their nuances. In terms of economic effects, both founding types denote economic and technological progress to different degrees. Successors are less requested to (immediately) invent new products or services because they revert to established ones that, where applicable, are further developed. Established companies thus point to 'stable' progress. Founders of newly created businesses, in contrast, rely on (somewhat quality) business ideas and thus augur 'innovative' development.<sup>57</sup> Nonetheless, although different economic effects are attributed to both founding types, they do not stand diametrically opposed to each other, but can be considered complementary economic contributors.

The beginning of this PhD thesis claimed that both modes of entry into self-employment provide founders with the opportunity to act autonomously (see chapter 2). The elaborations reveal, however, a lower degree of autonomy on the part of the successor for several reasons. First, unlike start-up entrepreneurs, who initiate the founding process themselves, family successors depend on the predecessors' ambition to (early) plan, initiate and realise the succession process. The duration and success of the succession process therefore depend on the predecessor to a great extent. Second, attentiveness to the interests and expectations of family members can curtail the degree of autonomous business activities. In fact, loyalties to the family and family firm and to the region decisively induce heirs to take over the family firm. This

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<sup>57</sup> See 2.1.1 for a discussion on the economic effects of newly created businesses.

level of commitment and sense of responsibility may not be in place when establishing a new company but rather emerge over time. This finding indicates that increasing commitment and responsibility reduces autonomy.

The lower degree of autonomy is also reflected in the activity profiles. The start-up entrepreneur fulfils a variety of tasks mostly on his own, beginning with fiddling around with business ideas to intellectually and factually building the organisational structure, as well as building up the individual network to convince stakeholders of the competences, reliability and quality of products and/or services. Therefore, the start-up entrepreneur is very flexible in and has sole responsibility for managing the necessary activities. Additionally, the task of utmost importance is to make the business real to others. In so doing, the new founder needs technical expertise and business skills, as well as risk appetite and a certain degree of self-confidence. In short, the new founder needs the ability to enterprise. Among many obstacles, he may face limited capacities in acquiring founding-relevant knowledge on his own. Additionally, a too-pronounced self-confidence can hamper founders in sufficiently questioning available information, own activities and decisions.

The family business successor, in contrast, enjoys the support of mentors, especially of predecessors, often as well as that of other family members or experienced employees. These parties convey implicit and explicit knowledge on how to manage a going business and participate in developing the managerial capacities needed to take over the responsibility for and interaction with stakeholders. As a matter of priority, efforts relate less to making the business real to others, but rather to making the successor real to others. Given that the businesses that successors take over are of a larger size than those that start-up entrepreneurs establish, some of their abilities must be more pronounced, such as delegation and administrative abilities. Like new founders, successors need risk appetite and self-confidence to adequately fulfil entrepreneurial tasks. With mentors at their side, entrepreneurial misconduct as a result of a too-pronounced hubris are, however, less likely to occur. Due to the supporting role of mentors and enriched by the reputation of the family firm and well-established products and/or services, successors do not need to rely on external programmes (such as the supply of training assistance programmes) to a comparable extent and are likely to be less vulnerable to some external conditions (such as an unfavourable entrepreneurial culture).

The establishment of totally new entities and the succession of existing businesses are rich in both opportunities and challenges, but they differ in their nature. The greatest difference between them lies in their ability to realise own ideas and concepts.

Start-up entrepreneurs have the room to form businesses in their own minds, e.g., regarding the choice of location, while successors have the opportunity to modify the acquired businesses. As a result, successors may have to stand the resistance of critical (and possibly more traditional) stakeholders, such as family members, if established products, services, processes and/or networks must be adapted to changing economic and competitive conditions (see the above statements on successors' lower degree of autonomy). Moreover, the required measures raise business-related costs. Start-up entrepreneurs have to bear the costs of building structures and networks and of accumulating initial resources. However, unlike start-up entrepreneurs, successors may be confronted with further major business-related and non-business-related cost items, e.g., the (partial) purchase of the company, inheritance taxes and compensation payments to siblings. Therefore, the takeover of a family business can be as costly as – or even more expensive than – new venture creation. In this regard, family successors may be in a more favourable position if debt financing must be taken into account because on-going business operations provide immediate returns, available performance records and established company-bank-relationships. In the worst case, new founders' core assets are, in contrast, their intangible business ideas.

To conclude, generally speaking, new ventures and family business successions have specific characteristics that partly correspond and partly differ. The insights on the characteristics on new venture creation and business succession can help both founder types to better assess the idiosyncrasies of the respective entry types in the run up, to verify whether self-employment corresponds to their profile and to better prepare for the respective possible obstacles. In particular, this juxtaposition can assist aspiring founders with a family business background in weighing whether the takeover or the new venture creation may best fit their individual profiles. This is actually no rare phenomenon. The willingness of potential successors to follow in their parents' footsteps has principally decreased over the years, as the findings of a recently published study on the career choice intentions of students in Austria, Germany and Switzerland shows. Within five years after graduation, one-third of potential family business successors prefer to establish their own businesses (Zellweger, Sieger and Englisch, 2015, pp.6; for similar results, see Stiftung Familienunternehmen, 2015, p.40).

In a similar vein, knowledge on new venture characteristics could encourage heirs who are not considered by their predecessors for management positions in the family



business to choose new venture creation to ultimately reach the aspired destination: self-employment.

In aiming to provide potential founders with abilities and skills to enter self-employment, the findings might help entrepreneurship educators teach potential family business successors and new founders in a more targeted manner. In a similar vein, elaborations on the different needs and obstacles of both entry modes could encourage consultants and economic policy to specifically support the respective self-employment option.

From an academic point of view, the comparative analysis between the described foundings help to further develop an understanding of both research objects (Aldrich, 2009, p.31). The stated differences between the founding paths underpin the heterogeneity of the different modes of entry into self-employment. Therefore, new venture creation, intergenerational family business succession and, likewise, other forms of entrepreneurial activities including franchising and takeovers by individuals from outside the family must not be lumped together and treated “*as all alike*” (Aldrich, 2009, p.23).

The comparative analysis rather underpins Aldrich’s (2009) call to delineate research contexts. In view of the determined differences, study results should not be generalised without taking the respective context into account. In other words, researchers should make clear statements on the kind of founding they address in their studies. If research samples consist of different forms of foundings, this may hamper the generalisation of the findings and may account for incoherent research results.

### **6.3 Reflection on the results**

Triggered by the anticipated stagnating or declining number of self-employed individuals and the potential economic ramifications resulting thereof, the question of how to alleviate this development arises. Thus, this thesis illuminates how to counter a decreasing number of promising new venture creations and unnecessary shutdowns of viable businesses by answering three research questions.

The answer to the first research question reveals that a holistic approach is needed to understand entrepreneurial activity. Knowledge on the general characteristics, opportunities, challenges and requirements of new venture creation and intergenerational family business succession can be valuable in several regards. First, it can assist individuals in their assessment of whether entrepreneurial activity comes into question at all. Second, this knowledge on foundings may counter prejudice or concerns against entrepreneurial activity and encourage individuals who have not seriously thought about founding a business (yet), e.g., female descendants, to

consider entrepreneurial activity more closely. Third, individuals who aspire to enter self-employment can contrast their available individual features and capabilities with those that each founding form demands. More precisely, with these outcomes at hand, budding start-up entrepreneurs and successors can better assess in advance what exactly they will get into and see a clearer picture of the issues with which they could be confronted. Potential family successors can use these elaborations as a basis for weighing which entry mode could best suit their individual features, with the aim of reaching self-employment. Fourth, comprehensive knowledge on the founding-relevant requirements enhances purposefully tackling possible insufficiencies and can thereby increase the suitability of potential founders. Fifth, knowledge on the supporting and inhibiting factors can increase the quality of foundings and thereby promote the success of foundings.

Whilst answering the second research question, the thesis finds that long-term assignees have promising qualities as an auspicious group of potential entrepreneurs. These individuals may be suited to recognise market opportunities and show an inclination towards entering self-employment. These individuals' entrepreneurial potential is often not fully exploited by employers who underappreciate their qualities. The further exclusion of this group of high potentials as potential entrepreneurs is a missed opportunity. Rather, promising business ideas with simultaneous auspicious knowledge and network profiles suggest promising foundings.

In fact, it is difficult to promote entrepreneurial activity to this group of individuals. For example, there is no feasible or efficient way of specifically headhunting them because only assigning companies or relocation services have an overview of international assignees. In reality, addressing these high-potential employees in a well-targeted fashion would not meet positive resonance among employers, as this form of labour piracy economically harms assignees' current employers. This is not the aim of this thesis. Nonetheless, well-targeted measures, e.g., media reporting, could serve as a tool to sensitise these individuals to their entrepreneurial suitability.

At the same time, these qualified employees may stay and possibly take up entrepreneurial activity in the host country. While this brain drain is not desirable from the home country's economic point of view, it offers the unconventional opportunity to provide countries with a helping hand in the pursuit of their economic development. The other way round, well-developed countries that serve as popular host countries for inpatriation, such as Germany, could purposefully support inpatriates in advancing their human and social capital endowments. This could likewise be a component of the strategy in supporting developing countries.

In the figurative sense, refugees could be considered long-term assignees. From a theoretical point of view, refugees have international life and work experience and a network of international contacts. Novel impressions in a host country, enriched by education and training and contacts, could encourage them to develop feasible market ideas, which could make them a promising group of potential entrepreneurs in the host country, or when returning to their home country, they may contribute to prospective sustainable (economic) reconstruction.

In answering the third research question, the thesis analyses the capabilities and attributes of suitable family successors. While the literature has remained vague or has focused on a small number of specific attributes, the present results clarify the scope and meaning of required features. The outcomes may thereby induce incumbents and potential successors to verify successors' attributes and the demands of the CEO position more attentively. Eventually, filling a managerial position with the most adequate individual fosters an efficient and successful family business transfer. In doing so, the most adequate successor candidate may also come from outside the immediate family if predecessors determine that family successors are not sufficiently suited.

In summary, this thesis hopes to counter a decreasing number of promising new venture creations and unnecessary shutdowns of viable businesses by addressing what entrepreneurial activity actually involves, provides and demands, identifying a currently disregarded group of promising founders and determining the requested abilities and skills of family business successors.

#### **6.4 Limitations and avenues for future research**

The findings are not free of biases; those in part B and C are elaborated in their respective chapters. However, there are additional distortions. First, although the development of the self-employment figures is the starting point of this thesis, it is not possible to determine the optimal number of self-employed individuals or the optimal self-employment rate. In fact, the sheer number of foundings offers only a limited amount of information on their economic effects. Instead, the economy benefits more from quality foundings.

Furthermore, although the application of conceptual frameworks may systematically describe influencing variables, its use is not free of limitations. In this context, it has been first attempted to describe each dimension to the greatest possible extent. However, despite the comprehensive exposition on the criteria affecting foundings, in light of their large number and great variety, the portrayed variables are far from being exhaustive, and their meaning could not be fully addressed. In other words, this thesis

only touches upon founding-relevant criteria. For example, whether people have the requisite features and competences to be qualified for a leadership position and ultimately favour self-employment over paid employment may substantially depend on other factors, such as the well-being among colleagues, which have remained disregarded. Academics are thus invited to expand and further refine the findings of this thesis.

Second, for reasons of clarity and ease of comprehension, we focus on only major elements, described one by one. The mutual influences of the dimensions and elements have not explicitly been drawn upon<sup>58</sup>, and the complexity of both founding processes may thus not be addressed in its entirety.

Third, the elements that affect founding processes are allotted to dimensions. Regarding some of these variables, clear-cut allocations are difficult and may fit into more than one specific dimension.

Notwithstanding these limitations, this dissertation conveys the complexity of the processes that nascent founders face in reaching their career options. The overview of the influencing variables could provide an impetus to researchers to model the founding processes more holistically in their studies and, thereby, to develop further insights on the complexity and dynamics of founding processes.

Moreover, this study's comprehensive literature review has uncovered topics currently disregarded in academic research, particularly in the family business context, such as intergenerational business succession in family firms with migratory backgrounds and the role of wealth, (household) income and spouses on succession decisions. Academics are encouraged to fill these gaps.

There are, however, other ways to take up entrepreneurial activities. This thesis encourages researchers to discuss the necessary features of franchise holders or intrapreneurs who are more constricted in their entrepreneurial decision-making. It could likewise be interesting to draw a comprehensive picture of founders in specific areas, as founders in the craft business differ in several regards from founders of virtual companies. Insights on these specific foundings could offer insights on how to support them in a very targeted manner.

In conclusion, potential entrepreneurs are often deterred from lacking necessary features to satisfy founding requirements or are unaware of these features; therefore, a

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<sup>58</sup> For example, the application for loans is an activity that affects the process dimension, while creditworthiness is influenced by founders' characteristics (individual level). As the approval of financial means is made by financial institutions and thus relates to the environmental dimension, loan disbursement affects the structure and business activity of a venture (organisational dimension).

potential entrepreneur may not try to reach the destination of self-employment or could reach it more efficiently, thus making the founding more prone to failure. The insights of this PhD thesis support founders in their decision to take up entrepreneurial activity and in successfully achieving their goal – self-employment.



## 7. Appendix

### 7.1 Appendix to chapter 4

Figure A.1: Questionnaire of the empirical research



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**Vertraulich / Confidential**

**Befragung international agierender Fach- und Führungskräfte zu Herausforderungen im Rahmen ihrer Aus-  
landstätigkeit und ihrer beruflichen Laufbahn**

**Fragebogen**

15. Mai 2012

F	Fragen	Filter
Intro	<p><b>EINLEITUNG</b></p> <p>Wie gehen international agierende Fach- und Führungskräfte mit Herausforderungen im Ausland um? Wie wirken sich die internationalen Erfahrungen auf die berufliche Laufbahn aus?</p> <p>Ziel der Befragung ist es, Strategien und Handlungsoptionen zu entwickeln, die international agierende Fach- und Führungskräfte befähigen, mit den Herausforderungen im Rahmen ihrer Auslandstätigkeit umzugehen und ihre berufliche Laufbahn erfolgreich zu gestalten.</p> <p>Bei Interesse senden wir Ihnen gerne die Ergebnisse der Studie zu. Ferner werden wir Sie voraussichtlich im 4. Quartal 2012 herzlich zu einer kostenlosen Teilnahme an einer Veranstaltung zum Thema einladen.</p> <p><i>Das Bearbeiten der Fragen wird höchstens 30 Minuten in Anspruch nehmen.</i></p> <p>Die Informationen werden von uns absolut vertraulich und anonym behandelt, an Dritte nicht weitergegeben und ausschliesslich in aggregierter Form ausgewertet und publiziert.</p>	Alle

Text	Zunächst möchten wir gerne etwas mehr über Ihre derzeitige berufliche Tätigkeit sowie Ihren beruflichen Werdegang erfahren.	Alle
F1	<p><b>Bitte klicken Sie <u>sämtliche</u> Ihrer beruflichen Abschlüsse an:</b></p> <p>[Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. Kein Berufsabschluss, im Beruf angelehrt</li> <li>2. Abgeschlossene Ausbildung / Lehre</li> <li>3. Meisterprüfung</li> <li>4. Magister, Lizentiat, Staatsexamen, Diplom, Bachelor- oder Masterabschluss an einer Universität, Fachhochschule oder Berufsakademie</li> <li>5. Promotion, Habilitation</li> <li>95. Sonstige: _____</li> </ol>	Alle
F2	<p><b>Welcher Art von Erwerbstätigkeit gehen Sie derzeit nach?</b></p> <p>[Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit.]</p> <ol style="list-style-type: none"> <li>1. Abhängig beschäftigt / angestellt</li> <li>2. Selbstständig</li> <li>3. Nicht erwerbstätig</li> </ol>	Alle



F3	<p><b>In welchem Wirtschaftszweig ist das Unternehmen, für das Sie derzeit arbeiten, <u>überwiegend</u> tätig?</b></p> <p>[Der hier verwendete Begriff „Unternehmen“ gilt sinngemäss für alle Arten von Organisationen. Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit.]</p> <ol style="list-style-type: none"> <li>1. Landwirtschaft, Forstwirtschaft, Fischerei</li> <li>2. Bergbau und Gewinnung von Steinen und Erden</li> <li>3. Energie- und Wasserversorgung; Abwasser- und Abfallentsorgung; Rückgewinnung</li> <li>4. Verarbeitendes Gewerbe (Industrie)</li> <li>5. Baugewerbe</li> <li>6. Handel</li> <li>7. Verkehr und Lagerei</li> <li>8. Information und Kommunikation (inkl. IKT)</li> <li>9. Beherbergung und Gastronomie (Tourismus)</li> <li>10. Finanz- und Versicherungsdienstleistungen</li> <li>11. Wirtschaftliche und freiberufliche Dienstleistungen (inkl. Unternehmensberatung)</li> <li>12. Erziehung und Unterricht (inkl. wissenschaftliche Dienstleistungen)</li> <li>13. Gesundheits- und Sozialwesen</li> <li>14. Sonstige Dienstleistungen</li> <li>15. Organisationen ohne Erwerbscharakter (inkl. internationale Organisationen)</li> <li>16. Öffentliche Verwaltung</li> <li>95. Sonstige: _____</li> </ol>	Alle
F4	<p><b>Wie viele Beschäftigte hat das Unternehmen insgesamt? (Im Inland und im Ausland zusammengekommen)</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung]</p> <ol style="list-style-type: none"> <li>1. bis 9 Beschäftigte</li> <li>2. 10 bis 49 Beschäftigte</li> <li>3. 50 bis 249 Beschäftigte</li> <li>4. 250 bis 499 Beschäftigte</li> <li>5. 500 bis 999 Beschäftigte</li> <li>6. 1'000 bis 2'499 Beschäftigte</li> <li>7. 2'500 bis 4'999 Beschäftigte</li> <li>8. 5'000 bis 9'999 Beschäftigte</li> <li>9. 10'000 oder mehr Beschäftigte</li> </ol>	Alle
F5	<p><b>In welchem Land liegt der (Haupt-)Sitz (Mutterhaus) des Unternehmens? (= Stammland)</b></p> <p>[Nur eine Antwort möglich]</p> <ol style="list-style-type: none"> <li>1. Deutschland</li> <li>2. Liechtenstein</li> <li>3. Österreich</li> <li>4. Schweiz</li> <li>95. Sonstiges _____</li> </ol>	Alle
F6	<p><b>Seit wann sind Sie in dem Unternehmen beschäftigt?</b></p> <p>[Falls Sie Selbstständiger sind, geben Sie bitte an, seit wann Sie Ihre jetzige Tätigkeit ausüben.]</p> <p>_____ [Jahr]</p>	Alle

F7	<p><b>In welchem Bereich arbeiten Sie bzw. welcher (Haupt-)Abteilung sind Sie zugeordnet?</b></p> <p>[Mehrfachnennungen möglich]</p> <ol style="list-style-type: none"> <li>1. Geschäftsleitung</li> <li>2. Allgemeine Verwaltung/allgemeine Dienste</li> <li>3. EDV, Informatik</li> <li>4. Einkauf</li> <li>5. Finanzen</li> <li>6. Forschung &amp; Entwicklung, Planung</li> <li>7. Kundendienst/After Sales Support/Technische Schulung/Technischer Support</li> <li>8. Logistik/Lager</li> <li>9. Marketing/Product Marketing</li> <li>10. Personal</li> <li>11. Produktion/Fertigung/Qualitätskontrolle</li> <li>12. Produktmanagement</li> <li>13. Vertrieb/Auftragsabwicklung/Pre-Sales Support</li> <li>95. Sonstige: _____</li> </ol>	Alle
F8	<p><b>In welcher Position sind Sie in dem Unternehmen tätig?</b></p> <p><b>Sind Sie...</b></p> <p>[Nur eine Antwort möglich]</p> <ol style="list-style-type: none"> <li>1. ... im oberen Management / Kader (z.B. Vorstand, Geschäftsleitung)?</li> <li>2. ... im mittleren Management / Kader (z.B. Bereichsleitung, Hauptabteilungsleitung)?</li> <li>3. ... im unteren Management / Kader (z.B. Gruppenleitung, Werkstattleitung)?</li> <li>4. ... in einer Fachposition, d.h. mit fachlicher, aber ohne disziplinarische Weisungsbefugnis (z.B. Projektleitung)?</li> <li>5. ... in einer Ausführungsposition, d.h. ohne fachliche und disziplinarische Weisungsbefugnis?</li> </ol>	Alle
F9	<p><b>Über wie viele Jahre Berufserfahrung verfügen Sie insgesamt?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung; Angabe in ganzen Jahren; Berufsausbildung und Praktika werden nicht dazugezählt; Bei Bedarf hier ein Beispiel (?)]</p> <p>Berufserfahrung: _____ [Jahren]</p> <p>Bsp.: Herr Mustermann absolvierte nach Beendigung seines Studiums diverse Praktika und war seit dem Jahr 2002 als Software-Entwickler tätig, wobei er zunächst als Programmierer arbeitete. Danach war er als Projektleiter für die Spieleentwicklung zuständig und anschliessend als Produktmanager „Adventure-Games“ in den USA. Trotz seines Erfolgs in der IT-Branche stieg er aus diesem Beruf aus und machte sich mit einem innovativen Konzept in der Erlebnisgastronomie selbstständig. Somit verfügt Herr Mustermann zum heutigen Zeitpunkt (2012) insgesamt über <u>10 Jahre Berufserfahrung</u>. Er hat bislang <u>vier Stellen</u> besetzt und war in <u>zwei Berufen</u> in <u>zwei Branchen</u> tätig.</p>	Alle
F10	<p><b>In wie vielen unterschiedlichen Stellen, Berufen und Branchen waren Sie in Ihrer bisherigen beruflichen Laufbahn tätig?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung; Bei Bedarf hier ein Beispiel (?)]</p> <p>Stellen: _____ [Anzahl]</p> <hr/> <p>Berufe: _____ [Anzahl]</p> <hr/> <p>Branchen: _____ [Anzahl]</p>	Alle

F11	<p><b>Wie wahrscheinlich ist es, dass innerhalb der nächsten 24 Monate die folgenden beruflichen Veränderungen für Sie eintreten?</b></p> <p>[Bitte geben Sie die Wahrscheinlichkeit auf einer Skala von 1 bis 7 an. Mit den Werten zwischen 1 und 7 können Sie die Wahrscheinlichkeit abstufen.]</p> <p>(1 = wird mit Sicherheit nicht eintreten, 7 = wird mit Sicherheit eintreten)</p>	Alle																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th colspan="2" style="text-align: center;">Das wird in den nächsten 24 Monaten...</th> </tr> <tr> <th style="text-align: left;">Dass Sie ...</th> <th style="text-align: center;">... mit Sicherheit <u>nicht</u> eintreten</th> <th style="text-align: center;">... mit Sicherheit eintreten</th> </tr> </thead> <tbody> <tr> <td>... in Ihrem jetzigen Unternehmen einen beruflichen Aufstieg schaffen?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> <tr> <td>... sich in Ihrem jetzigen Unternehmen beruflich verschlechtern?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> <tr> <td>... sich hauptberuflich selbstständig machen bzw. freiberuflich tätig werden?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> <tr> <td>... sich nebenberuflich selbstständig machen bzw. freiberuflich tätig werden?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> <tr> <td>... von sich aus eine neue Stelle suchen?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> <tr> <td>... Ihren Arbeitsplatz verlieren?</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> </tr> </tbody> </table>		Das wird in den nächsten 24 Monaten...		Dass Sie ...	... mit Sicherheit <u>nicht</u> eintreten	... mit Sicherheit eintreten	... in Ihrem jetzigen Unternehmen einen beruflichen Aufstieg schaffen?	1	7	... sich in Ihrem jetzigen Unternehmen beruflich verschlechtern?	1	7	... sich hauptberuflich selbstständig machen bzw. freiberuflich tätig werden?	1	7	... sich nebenberuflich selbstständig machen bzw. freiberuflich tätig werden?	1	7	... von sich aus eine neue Stelle suchen?	1	7	... Ihren Arbeitsplatz verlieren?	1	7	
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F12	<p><b>Wie häufig waren Sie in Ihrer bisherigen beruflichen Laufbahn in folgenden Formen beruflich veranlasst im Ausland?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung. Sollten Sie in einer der genannten Formen nicht beruflich veranlasst im Ausland gewesen sein, geben Sie bitte eine 0 ein.]</p> <ol style="list-style-type: none"> <li>1. _____ [Anzahl] Dienstreisen ins Ausland, bis zu 3 Monate</li> <li>2. _____ [Anzahl] Entsendungen ins Ausland, länger als 3 Monate bis zu 12 Monaten</li> <li>3. _____ [Anzahl] Entsendungen ins Ausland, länger als 12 Monate bis zu 60 Monaten</li> <li>4. _____ [Anzahl] Entsendungen ins Ausland, länger als 60 Monate</li> <li>5. _____ [Anzahl] Tätigkeit im Ausland mit ausländischem Arbeitsvertrag</li> <li>6. Nein, bisher nicht beruflich veranlasst im Ausland gewesen</li> </ol>	Alle																								
F13	<p><b>Wenn Sie an Ihre bisherigen Auslandsaufenthalte denken: Wie lange bleiben Sie <u>im Durchschnitt</u> beruflich veranlasst im Ausland?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung]</p> <ol style="list-style-type: none"> <li>1. Bei Dienstreisen ins Ausland durchschnittlich ca. ___ [Tage; max. 90]</li> <li>2. Bei Entsendungen ins Ausland durchschnittlich ca. ___ [Monate]</li> <li>3. Bei Tätigkeit im Ausland mit ausländischem Arbeitsvertrag durchschnittlich ca. ___ [Monate]</li> </ol>	Filter F12																								

F14	<p><b>In welchen Weltregionen liegen die Länder, in denen Sie beruflich veranlasst gewesen sind?</b></p> <p>[Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. West- und Nordeuropa</li> <li>2. Südeuropa</li> <li>3. Osteuropa und Zentralasien (ehemaliger Ostblock)</li> <li>4. Naher Osten und Nordafrika (arabische Länder)</li> <li>5. Afrika südlich der Sahara</li> <li>6. Australien, Neuseeland, Ozeanien, Japan, Singapur</li> <li>7. Sonstiges Asien (ohne Japan, Singapur)</li> <li>8. Nordamerika (USA/Kanada)</li> <li>9. Lateinamerika und Karibik (inkl. Mexiko)</li> </ol>	Wenn F12 ≠ 6
F15	<p><b>Befinden Sie sich derzeit für mindestens 3 Monate beruflich veranlasst im Ausland?</b></p> <ol style="list-style-type: none"> <li>1. Ja</li> <li>2. Nein</li> </ol>	Wenn F12 ≠ 6
Text	<p>Im Folgenden möchten wir gerne etwas mehr über Ihren letzten beruflich veranlassten Aufenthalt im Ausland erfahren, der länger als 3 Monate gedauert hat.</p>	Wenn F12 ≠ 1, 6
F16	<p><b>In welchem Jahr begann Ihr letzter beruflich veranlasster Aufenthalt im Ausland, der länger als 3 Monate gedauert hat? Bitte geben Sie auch die Dauer dieses Aufenthaltes an.</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung] _____ [Jahr] _____ [Dauer in Monaten]</p>	Wenn F12 ≠ 1, 6
F17	<p><b>In welchem Bereich haben Sie in dieser Zeit gearbeitet bzw. welcher (Haupt-) Abteilung waren Sie zugeordnet?</b></p> <p>[Mehrfachnennungen möglich]</p> <ol style="list-style-type: none"> <li>1. Geschäftsleitung</li> <li>2. Allgemeine Verwaltung/allgemeine Dienste</li> <li>3. EDV, Informatik</li> <li>4. Einkauf</li> <li>5. Finanzen</li> <li>6. Forschung &amp; Entwicklung, Planung</li> <li>7. Kundendienst/After Sales Support/Technische Schulung/Technischer Support</li> <li>8. Logistik/Lager</li> <li>9. Marketing/Product Marketing</li> <li>10. Personal</li> <li>11. Produktion/Fertigung/Qualitätskontrolle</li> <li>12. Produktmanagement</li> <li>13. Vertrieb/Auftragsabwicklung/Pre-Sales Support</li> <li>95. Sonstige: _____</li> </ol>	Wenn F15 = 2
F18	<p><b>In welcher Position waren Sie in dieser Zeit tätig? Waren Sie...</b></p> <p>[Nur eine Antwort möglich]</p> <ol style="list-style-type: none"> <li>1. ... im oberen Management / Kader (z.B. Vorstand, Geschäftsleitung)?</li> <li>2. ... im mittleren Management / Kader (z.B. Bereichsleitung, Hauptabteilungsleitung)?</li> <li>3. ... im unteren Management / Kader (z.B. Gruppenleitung, Werkstatteleitung)?</li> <li>4. ... in einer Fachposition, d.h. mit fachlicher aber ohne disziplinarische Weisungsbefugnis (z.B. Projektleitung)?</li> <li>5. ... in einer Ausführungsposition, d.h. ohne fachliche und disziplinarische Weisungsbefugnis?</li> </ol>	Wenn F17 ≠ 1

F19	<p><b>Haben Sie <u>seit</u> Ihrem letzten beruflich veranlassten Aufenthalt im Ausland das Unternehmen gewechselt oder sind Sie weiterhin für dasselbe Unternehmen tätig?</b></p> <p>1. Ja, ich habe das Unternehmen gewechselt. 2. Nein, ich bin weiterhin für dasselbe Unternehmen tätig.</p>	Wenn F15 = 2																																																																																																								
F20	<p><b>Wie viele Beschäftigte hatte das Unternehmen, für das Sie zuletzt beruflich veranlasst im Ausland tätig waren, insgesamt? (Im Inland und im Ausland zusammengefasst)</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung]</p> <p>1. bis 9 Beschäftigte 2. 10 bis 49 Beschäftigte 3. 50 bis 249 Beschäftigte 4. 250 bis 499 Beschäftigte 5. 500 bis 999 Beschäftigte 6. 1'000 bis 2'499 Beschäftigte 7. 2'500 bis 4'999 Beschäftigte 8. 5'000 bis 9'999 Beschäftigte 9. 10'000 oder mehr Beschäftigte</p>	Wenn F19 = 1																																																																																																								
F21	<p><b>Eine beruflich veranlasste Tätigkeit im Ausland ist mit spezifischen Herausforderungen verbunden. Bitte geben Sie bezüglich Ihres <u>letzten</u> beruflich veranlassten Auslandsaufenthaltes an, wie Sie die folgenden Herausforderungen bewerten.</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = sehr kleine Herausforderung, 7 = sehr grosse Herausforderung)</p> <table border="0"> <tr> <td>Anpassung an die landestypischen kulturellen Gepflogenheiten</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Eingewöhnung der Familie</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Eingliederung in das Unternehmen im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Einfinden in die berufliche Rolle im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Sprachkenntnisse</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Abwicklung administrativer Angelegenheiten beim Länderwechsel</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Organisation der privaten Finanzen, Versicherungen und Altersvorsorgen</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Pflege bestehender beruflicher Kontakte im Stammland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Knüpfen neuer beruflicher Kontakte im Stammland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Knüpfen neuer beruflicher Kontakte im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Pflegen bestehender beruflicher Kontakte im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Anpassung an die landestypischen Geschäftsgepflogenheiten</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Umgang mit den landestypischer rechtlichen Rahmenbedingungen</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> </table>	Anpassung an die landestypischen kulturellen Gepflogenheiten	1	2	3	4	5	6	7	Eingewöhnung der Familie	1	2	3	4	5	6	7	Eingliederung in das Unternehmen im Gastland	1	2	3	4	5	6	7	Einfinden in die berufliche Rolle im Gastland	1	2	3	4	5	6	7	Sprachkenntnisse	1	2	3	4	5	6	7	Abwicklung administrativer Angelegenheiten beim Länderwechsel	1	2	3	4	5	6	7	Organisation der privaten Finanzen, Versicherungen und Altersvorsorgen	1	2	3	4	5	6	7	Pflege bestehender beruflicher Kontakte im Stammland	1	2	3	4	5	6	7	Knüpfen neuer beruflicher Kontakte im Stammland	1	2	3	4	5	6	7	Knüpfen neuer beruflicher Kontakte im Gastland	1	2	3	4	5	6	7	Pflegen bestehender beruflicher Kontakte im Gastland	1	2	3	4	5	6	7	Anpassung an die landestypischen Geschäftsgepflogenheiten	1	2	3	4	5	6	7	Umgang mit den landestypischer rechtlichen Rahmenbedingungen	1	2	3	4	5	6	7	Wenn F12 ≠ 1, 6
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F22	<p><b>Wenn Sie an Ihre eigene berufliche Tätigkeit denken: Welche der folgenden Situationen haben Sie nie, selten, manchmal, häufig oder immer erlebt?</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = nie, 2 = selten, 3 = manchmal, 4 = häufig, 5 = immer, 8 = gehört nicht zu meinem Aufgabenbereich, 9 = Antwort verweigert)</p> <p><b>Ausschreibung und Auftragsvergabe</b></p>	Alle	
	<p>Im Rahmen einer Ausschreibung sind die Leistungen/Produkte so spezifiziert, dass ein bestimmter Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird</p>		1 2 3 4 5 8 9
	<p>Im Vorfeld einer Ausschreibung wird für eine verdeckte Gegenleistung angeboten, die Leistungen/Produkte so zu spezifizieren, dass ein Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird</p>		1 2 3 4 5 8 9
	<p>Im Rahmen einer Ausschreibung werden von der ausschreibenden Stelle für eine verdeckte Gegenleistung zusätzliche Informationen angeboten (z.B. zusätzliche Details zu Art und Umfang der Leistungserbringung, Preise von Konkurrenzangeboten), die einen Wettbewerbsvorteil gegenüber anderen Bietern verschaffen</p>		1 2 3 4 5 8 9
	<p>Im Rahmen einer Ausschreibung wird gegen eine verdeckte Gegenleistung der Auftragsverhalt in Aussicht gestellt</p>		1 2 3 4 5 8 9
	<p>Die Auftragsvergabe wird an die Bedingung geknüpft, dass weitere, vom Auftraggeber festgelegte Beteiligte einbezogen werden, für die sich der Auftragnehmer ansonsten nicht entscheiden würde</p>		1 2 3 4 5 8 9
	<p>Im Rahmen einer Auftragsvergabe fordert der potenzielle Auftraggeber ein Sponsoring oder eine Spende für eine Angelegenheit, die ihm persönlich nahe steht</p>		1 2 3 4 5 8 9
	<p><b>Umgang mit Geschäftspartnern</b></p>		
	<p>Ein Geschäftspartner bietet an, einen überhöhten Betrag in Rechnung zu stellen, um die Differenz zwischen dem tatsächlichen und dem überhöhten Preis zu teilen</p>	1 2 3 4 5 8 9	
	<p>Ein Geschäftspartner bietet eine verdeckte persönliche Zuwendung an, wenn eine mangelhafte Lieferung/Leistung akzeptiert wird</p>	1 2 3 4 5 8 9	
	<p>Ein Geschäftspartner bietet ein Geschenk an, das die allgemeinen gesellschaftlichen bzw. unternehmerischen Gepflogenheiten in Art oder Wert übersteigt</p>	1 2 3 4 5 8 9	
	<p>Ein Geschäftspartner möchte auf Ihre Kosten eine Reise unternehmen oder an einer Veranstaltung teilnehmen, die überwiegend seinem privaten Interesse dient</p>	1 2 3 4 5 8 9	
	<p>Sie werden von einem Geschäftspartner eingeladen, auf seine Kosten eine Reise zu unternehmen oder an einer Veranstaltung teilzunehmen, die überwiegend Ihrem privaten Interesse dient</p>	1 2 3 4 5 8 9	
	<p><b>Umgang mit öffentlichen Institutionen</b></p>		
	<p>Für eine Genehmigungs-/Lizenzerteilung wird von einem Amtsträger eine verdeckte Gegenleistung verlangt</p>	1 2 3 4 5 8 9	
	<p>Im Rahmen einer behördlichen Kontrolle (z.B. Polizei-, Steuerkontrollen) wird von einem Amtsträger eine verdeckte Gegenleistung verlangt</p>	1 2 3 4 5 8 9	
	<p>Zur Bereitstellung eines Anschlusses (z.B. Elektrizität, Telefon, Wasser o.ä.) wird von einem Amtsträger eine verdeckte Gegenleistung verlangt</p>	1 2 3 4 5 8 9	
	<p>Bei der Zollabfertigung wird von einem Amtsträger eine verdeckte Gegenleistung verlangt</p>	1 2 3 4 5 8 9	

Text	Nachfolgend werden vier kurze Fallbeispiele geschildert. Bitte kreuzen Sie an, wie Sie das Verhalten der einzelnen Akteure beurteilen und welche rechtlichen Konsequenzen das Handeln Ihrer Meinung nach zur Folge hat.	Alle																
F23	<p>Ein Unternehmer möchte auf seinem Grundstück in {= Stammland} eine zusätzliche Lagerhalle bauen. Um den Bau noch im laufenden Geschäftsjahr beginnen zu können, bittet der Unternehmer den zuständigen Beamten, den Bauantrag möglichst rasch zu bearbeiten. Nachdem der gewünschte Termin eingehalten werden kann, bedankt sich der Unternehmer bei dem Beamten für die zuvorkommende Behandlung mit einer Flasche Wein im Wert von ca. EUR 30.-, welche dieser dankend annimmt.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure? (1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="432 712 1294 768"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Beamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge? [Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden]</p> <ol data-bbox="432 925 826 1061" style="list-style-type: none"> <li>Keiner von beiden macht sich strafbar</li> <li>Nur der Unternehmer macht sich strafbar</li> <li>Nur der Beamte macht sich strafbar</li> <li>Beide machen sich strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des Beamten	1	2	3	4	5	6	7	Alle
Verhalten des Unternehmers	1	2	3	4	5	6	7											
Verhalten des Beamten	1	2	3	4	5	6	7											
F24	<p>Ein Container mit verderblichen Waren im Wert von EUR 100'000.- steckt beim Zoll im Ausland fest. Der zuständige Zollbeamte teilt dem Unternehmen mit, dass die erforderlichen Zollpapiere nicht ordnungsgemäss seien. Dieser Sachverhalt könnte jedoch schnell und unbürokratisch durch eine verdeckte Zahlung in Höhe von EUR 250.- an den Zollbeamten persönlich gelöst werden. Da bei einer weiteren Verzögerung der Zollabfertigung der Totalverlust der Ware droht, kommt das Unternehmen der Forderung des Zollbeamten nach.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure? (1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="432 1359 1294 1415"> <tr> <td>Verhalten des Unternehmens</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Zollbeamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge? [Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="432 1606 935 1771" style="list-style-type: none"> <li>Keiner der Beteiligten begeht eine Straftat</li> <li>Der Zollbeamte macht sich im Ausland strafbar</li> <li>Das Unternehmen macht sich im Ausland strafbar</li> <li>Der Zollbeamte macht sich in {Stammland} strafbar</li> <li>Das Unternehmen macht sich in {Stammland} strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmens	1	2	3	4	5	6	7	Verhalten des Zollbeamten	1	2	3	4	5	6	7	Alle
Verhalten des Unternehmens	1	2	3	4	5	6	7											
Verhalten des Zollbeamten	1	2	3	4	5	6	7											

F25	<p>Ein Unternehmer möchte international aktiv werden und kontaktiert deshalb im Ausland einen selbstständigen Handelsvertreter, welcher für verschiedene Unternehmen auf dem lokalen Auslandsmarkt präsent ist. Um den Abschluss des Kommissionsvertrags zu feiern, lädt der Unternehmer seinen neuen Handelsvertreter in die VIP-Lounge zu einem Fussballländerspiel ein.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure? (1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="359 533 1220 593"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des ausländischen Handelsvertreters</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge? [Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="359 779 997 952" style="list-style-type: none"> <li>Keiner der Beteiligten begeht eine Straftat</li> <li>Der ausländische Handelsvertreter macht sich im Ausland strafbar</li> <li>Der Unternehmer macht sich im Ausland strafbar</li> <li>Der ausländische Handelsvertreter macht sich in {Stammland} strafbar</li> <li>Der Unternehmer macht sich in {Stammland} strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des ausländischen Handelsvertreters	1	2	3	4	5	6	7	Alle								
Verhalten des Unternehmers	1	2	3	4	5	6	7																			
Verhalten des ausländischen Handelsvertreters	1	2	3	4	5	6	7																			
F26	<p>Ein Unternehmen beteiligt sich im Ausland an einer öffentlichen Ausschreibung. Um den Zuschlagsentscheid zu seinen Gunsten zu beeinflussen, beauftragt das Unternehmen einen lokalen Mittelsmann, einem hochrangigen ausländischen Beamten eine Uhr im Wert von EUR 8'000.- zukommen zu lassen. Der Beamte sorgt daraufhin dafür, dass das Unternehmen den Auftrag in Höhe von rund EUR 5 Millionen erhält.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure? (1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="359 1211 1220 1294"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des ausländischen Beamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Mittelsmannes</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge? [Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="359 1485 922 1720" style="list-style-type: none"> <li>Keiner der Beteiligten begeht eine Straftat</li> <li>Der ausländische Beamte macht sich im Ausland strafbar</li> <li>Das Unternehmen macht sich im Ausland strafbar</li> <li>Der lokale Mittelsmann macht sich im Ausland strafbar</li> <li>Der ausländische Beamte macht sich in {Stammland} strafbar</li> <li>Das Unternehmen macht sich in {Stammland} strafbar</li> <li>Der lokale Mittelsmann macht sich in {Stammland} strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des ausländischen Beamten	1	2	3	4	5	6	7	Verhalten des Mittelsmannes	1	2	3	4	5	6	7	Alle
Verhalten des Unternehmers	1	2	3	4	5	6	7																			
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Verhalten des Mittelsmannes	1	2	3	4	5	6	7																			
Text	<p>Viele Geschäftsleute berichten, dass in gewissen Situationen informelle Zahlungen oder Geschenke „unter der Hand“ erwartet werden, damit es zu einem Geschäft kommt.</p>	Alle																								



F27	<p><b>Was ist Ihre Meinung zu folgenden Aussagen?</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = trifft überhaupt nicht zu, 7 = trifft voll und ganz zu)</p> <p>Informelle Zahlungen oder Geschenke „unter der Hand“ sind zu rechtfertigen, wenn ...</p> <p>... dadurch einer guten Sache gedient wird 1 2 3 4 5 6 7</p> <p>... dadurch Arbeitsplätze gesichert werden 1 2 3 4 5 6 7</p> <p>... dadurch niemand direkt geschädigt wird 1 2 3 4 5 6 7</p> <p>... der dadurch Geschädigte dies nicht anders verdient 1 2 3 4 5 6 7</p> <p>... man durch die Umstände dazu gezwungen wird 1 2 3 4 5 6 7</p> <p>... Gefahr für Leib und Leben besteht 1 2 3 4 5 6 7</p> <p>... die Mitbewerber dieses Mittel auch anwenden 1 2 3 4 5 6 7</p> <p>... es den kulturellen Gepflogenheiten des Landes entspricht 1 2 3 4 5 6 7</p> <p>... sich dadurch bürokratische Hemmnisse überwinden lassen 1 2 3 4 5 6 7</p>	Alle
F28	<p><b>Welche der folgenden Aussagen treffen für das Unternehmen zu, für das Sie derzeit arbeiten?</b></p> <p>[Mehrfachnennungen möglich. Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit; Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. Die Unternehmensleitung spricht das Thema Korruption intern und extern aktiv und offen an und sendet das klare Signal, dass informelle Zahlungen oder Geschenke „unter der Hand“ in keiner Form geleistet werden</li> <li>2. Im Unternehmen gibt es schriftlich festgehaltene Geschäftsgrundsätze und Verhaltensregeln (z.B. Code of Conduct), in denen der Umgang mit Korruptionsrisiken geregelt ist</li> <li>3. Als Mitarbeitender bin ich vertraglich verpflichtet, konkrete oder vermutete Korruptionsfälle zu melden</li> <li>4. Verstöße gegen gesetzliche, regulatorische und interne Vorschriften werden konsequent verfolgt und haben arbeitsrechtliche Konsequenzen zur Folge bis hin zur fristlosen Entlassung</li> <li>5. Im Unternehmen finden Schulungen statt, in denen die Mitarbeitenden auch zum Thema Korruptionsvermeidung fortgebildet werden</li> <li>6. Im Unternehmen gibt es eine Stelle, welche die Einhaltung gesetzlicher, regulatorischer und interner Vorschriften überwacht (z.B. Compliance Officer/Compliance Komitee)</li> <li>7. Das Unternehmen verfügt über eine unabhängige Stelle, an die sich Mitarbeitende, Kunden oder Lieferanten bei konkreten oder vermuteten Korruptionsfällen vertraulich wenden können (z.B. Ombudsstelle, Whistleblowing-System)</li> </ol>	Alle
F29	<p><b>Haben Sie bereits an einer oder mehreren Schulungen zum Thema Korruptionsvermeidung teilgenommen?</b></p> <ol style="list-style-type: none"> <li>1. Ja, an einer</li> <li>2. Ja, an mehreren</li> <li>3. Nein</li> </ol>	Wenn F28 = 5
F30	<p><b>War die Teilnahme an der Schulung/den Schulungen verpflichtend oder haben Sie freiwillig daran teilgenommen?</b></p> <ol style="list-style-type: none"> <li>1. Die Teilnahme war immer verpflichtend.</li> <li>2. Die Teilnahme war teils verpflichtend, teils freiwillig.</li> <li>3. Die Teilnahme war immer freiwillig.</li> </ol>	Wenn F29 = 1 o. 2
Text	Lassen Sie uns nun noch zu einem anderen Themenbereich kommen:	Alle

F31	<p><b>Haben Sie schon einmal Geschäftsideen gehabt, egal ob zur Verbesserung eines Produktes/einer Dienstleistung oder für ein neues Produkt/eine neue Dienstleistung?</b></p> <p>1. Ja 2. Nein</p>	Alle									
F32	<p><b>Haben Sie konkrete Massnahmen ergriffen, um mindestens eine dieser Geschäftsideen für Ihre persönlichen Zwecke voranzutreiben (z.B. Marktforschung betrieben, Gespräche mit potenziellen Kunden aufgenommen, einen Business-Plan erstellt o.ä.)?</b></p> <p>1. Ja 2. Nein</p>	Wenn F31 = 1									
F33	<p><b>Sind Sie schon einmal selbstständig oder freiberuflich tätig gewesen?</b></p> <p>1. Ja 2. Nein</p>	Wenn F2 = 1,3									
F34	<p><b>Sind Sie vor Ihrer aktuellen Selbstständigkeit schon einmal selbstständig oder freiberuflich tätig gewesen?</b></p> <p>1. Ja 2. Nein</p>	Wenn F2 = 2									
F35	<p><b>Geben Sie bitte an, ob eine oder mehrere der genannten Personengruppen selbstständig erwerbstätig sind oder waren.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">1. Ihre Eltern (Vater, Mutter oder beide)</td> <td style="width: 20%; text-align: center;">Ja</td> <td style="width: 20%; text-align: center;">Nein</td> </tr> <tr> <td>2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)</td> <td style="text-align: center;">Ja</td> <td style="text-align: center;">Nein</td> </tr> <tr> <td>3. Freunde / enge Bekannte</td> <td style="text-align: center;">Ja</td> <td style="text-align: center;">Nein</td> </tr> </table>	1. Ihre Eltern (Vater, Mutter oder beide)	Ja	Nein	2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)	Ja	Nein	3. Freunde / enge Bekannte	Ja	Nein	Alle
1. Ihre Eltern (Vater, Mutter oder beide)	Ja	Nein									
2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)	Ja	Nein									
3. Freunde / enge Bekannte	Ja	Nein									
F36	<p><b>Wie viele Personen gibt es in {Stammland} und im Ausland, die Ihnen bei Ihrer beruflichen Entwicklung besonders nützlich sind/waren bzw. die besonders viel zu Ihrem beruflichen Erfolg beitragen/beigetragen haben?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung. Bitte geben Sie eine 0 ein, falls im Inland oder im Ausland keine Person für Ihre berufliche Entwicklung wichtig ist oder war.]</p> <p>ca. _____ [Anzahl] Personen in {Stammland}</p> <p>ca. _____ [Anzahl] Personen im Ausland</p>	Alle									

F37	<p><b>Bitte stellen Sie <u>bis zu</u> fünf der wichtigsten Personen vor, die Ihnen bei Ihrer beruflichen Entwicklung besonders nützlich sind/waren bzw. die besonders viel zu Ihrem beruflichen Erfolg beitragen/beigetragen haben. Bitte charakterisieren Sie diese jeweils mithilfe der folgenden Merkmale.</b></p> <p>Person 1: [F37 – F39; Jeweils eine Antwort möglich]          Person 2: [F37 – F39; Jeweils eine Antwort möglich]          Person 3: [F37 – F39; Jeweils eine Antwort möglich]          Person 4: [F37 – F39; Jeweils eine Antwort möglich]          Person 5: [F37 – F39; Jeweils eine Antwort möglich]</p> <p><b>In welcher Beziehung stehen Sie zu dieser Person?</b></p> <p>[Dropdownliste]</p> <ol style="list-style-type: none"> <li>1. Familienmitglied in {Stammland}</li> <li>2. Familienmitglied im Ausland</li> <li>3. Freund in {Stammland}</li> <li>4. Freund im Ausland</li> <li>5. Vorgesetzter in {Stammland}</li> <li>6. Vorgesetzter im Ausland</li> <li>7. Arbeitskollege in {Stammland}</li> <li>8. Arbeitskollege im Ausland</li> <li>9. Bekannter in {Stammland}</li> <li>10. Bekannter im Ausland</li> <li>11. Geschäftspartner in {Stammland}</li> <li>12. Geschäftspartner im Ausland</li> <li>95. Sonstige _____ (Mentor, Professor o.ä.)</li> </ol>	Alle
F38	<p><b>Wie häufig kommunizier(t)en Sie mit dieser Person ungefähr?</b></p> <p>[Dropdownliste]</p> <ol style="list-style-type: none"> <li>1. täglich</li> <li>2. mindestens einmal wöchentlich</li> <li>3. mindestens einmal vierzehntägig</li> <li>4. mindestens einmal monatlich</li> <li>5. seltener als einmal pro Monat</li> <li>6. der Kontakt besteht nicht mehr</li> </ol>	Wenn F37 = 1-12; 95
F39	<p><b>Welche Staatsangehörigkeit hat diese Person?</b></p> <p>[Länderliste (Dropdownliste)]</p> <p>_____</p>	Wenn F37 = 1-12; 95
Text	Jetzt möchten wir Sie noch um Ihre persönliche Meinung zu den nachfolgenden Aussagen bitten.	Alle

F40	<p><b>Was ist Ihre Meinung zu folgenden Aussagen?</b></p> <p>(1 = trifft überhaupt nicht zu, 7 = trifft voll und ganz zu)</p> <p>Jeder ist sich selbst der Nächste 1 2 3 4 5 6 7</p> <p>Um eine gute Idee durchzusetzen, spielt es keine Rolle, welche Mittel man verwendet 1 2 3 4 5 6 7</p> <p>Man sollte nur dann seine wahren Absichten zeigen, wenn es einem nutzt 1 2 3 4 5 6 7</p> <p>Wer sich für die Zwecke anderer ausnützen lässt, ohne es zu merken, verdient kein Mitleid 1 2 3 4 5 6 7</p> <p>Ein weitgestecktes Ziel kann man nur erreichen, wenn man sich manchmal auch etwas ausserhalb des Erlaubten bewegt 1 2 3 4 5 6 7</p> <p>Man kann ein Versprechen brechen, wenn es für einen selbst vorteilhaft ist 1 2 3 4 5 6 7</p> <p>Man soll seine Bekanntschaften unter dem Gesichtspunkt auswählen, ob sie einem nützen können 1 2 3 4 5 6 7</p> <p>Grundsätzlich ist es günstiger, seine wahren Absichten für sich zu behalten 1 2 3 4 5 6 7</p>	Alle
Text	Und zum Schluss möchten wir Sie noch um einige Angaben zu Ihrer Person bitten:	Alle
F41	<p><b>Bitte geben Sie Ihr Geschlecht an:</b></p> <p>1. Männlich</p> <p>2. Weiblich</p>	Alle
F42	<p><b>In welchem Jahr sind Sie geboren?</b></p> <p>_____ [Jahr]</p>	Alle
F43	<p><b>Welche Staatsangehörigkeit haben Sie?</b></p> <p>[Mehrfachnennungen sind möglich]</p> <p>[Länderliste aufführen - Dropdownliste]</p>	Alle
<p><b>Ende</b></p> <p>Herzlichen Dank, dass Sie bereit waren, Ihre Zeit zur Verfügung zu stellen und uns so viele wertvolle Informationen zu Ihrer beruflichen Tätigkeit sowie Ihrem beruflichen Werdegang gegeben haben.</p> <p>Falls Sie Interesse an den Ergebnissen der Studie und/oder einer kostenlosen Teilnahme an einer Veranstaltung zum Thema haben, teilen Sie uns bitte Ihre E-Mail-Adresse mit: _____ [E-Mail-Adresse] oder senden Sie eine E-Mail an <a href="mailto:forschung@htwchur.ch">forschung@htwchur.ch</a></p>		

Table A.1: Overall and direct effects on long-term international assignments

Dependent Variable	(1) Entrepreneurial Intentions	(2) Entrepreneurial Intentions	(3) Jack-of-all Trades	(4) Social Capital	(5) Poor Career Prospects
Constant	0.3001 (0.3474)	-0.7996 <sup>+</sup> (0.0866)	6.0229*** (0.0000)	6.1600*** (0.0000)	1.5200*** (0.0000)
International Assignment	0.2176 (0.5408)	-0.0592 (0.8745)	1.3862* (0.0418)	2.7718* (0.0281)	0.3436 (0.1076)
Diverse Human Capital		0.0904* (0.0432)			
Social Capital		0.0381* (0.0453)			
Poor career prospects		0.2409* (0.05)			
SME	-0.2930 (0.3349)	-0.3704 (0.2519)			
Job tenure	-0.0371* (0.0118)	-0.0375* (0.0156)			
Nagelkerke Pseudo R <sup>2</sup>	0.0550	0.1282			
Cox Snell	0.0409	0.0954			
McFadden R <sup>2</sup>	0.0307	0.0735			
Wald Chi <sup>2</sup>	9.1552	21.9618			
F			4.1914***	4.8887***	2.6101**
R <sup>2</sup>			0.0246	0.0198	0.0122
Observations	219	219	219	219	219

*t* statistics in parentheses

<sup>+</sup>  $p \leq 0.10$ , \*  $p \leq 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p \leq 0.001$

Source: Own analysis (2016).

## 7.2 Appendix to chapter 5

**Table A.2: Overview of the papers reviewed**

Journal / author / year of publication	Paper
<b>FBR</b>	
Correl, R. W. (1989)	Facing Up to Moving Forward: A Third-Generation Successor's Reflection
Vera, C. F., Dean, M. A. (2005)	An Examination of the Challenges Daughters Face in Family Business Succession
Brun de Pontet, S., Wrosch, C., & Gagne, M. (2007)	An Exploration of the Generational Differences in Levels of Control Held Among Family Businesses Approaching Succession
Royer, S., Simons, R., Boyd, B., & Rafferty, A. (2008)	Promoting Family: A Contingency Model of Family Business Succession
Cater III, J. J. & Justis, R. T. (2009)	The Development of Successors From Followers to Leaders in Small Family Firms: An Exploratory Study
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Harveston, P. D., Davis, P. S., & Lyden, J. A. (1997)	Succession Planning in Family Business: The Impact of Owner Gender
Craig, J., & Moores, K. (2005)	Balanced Scorecards to Drive the Strategic Planning of Family Firms
Murphy, D. L. (2005)	Understanding the Complexities of Private Family Firms: An Empirical Investigation
Fahed-Sreih, J., & Djoundourian, S. (2006)	Determinants of Longevity and Success in Lebanese Family Businesses: An Exploratory Study
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Klein, S., & Kellermanns, F. W. (2008)	Understanding the Noneconomic-Motivated Behavior in Family Firms: An Introduction
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Steier, L. (2001)	Next-Generation Entrepreneurs and Succession: An Exploratory Study of Modes and Means of Managing Social Capital
Ibrahim, A. B., Soufani, K., & Lam, J. (2001)	A Study of Succession in a Family Firm
Murray, B. (2003)	The Succession Transition Process: A Longitudinal Perspective
Harvey, M., & Evans, R. (1995)	Life After Succession in the Family Business: Is It Really the End of Problems?
Handler, W. C. (1992)	The Succession Experience of the Next Generation
Bjuggren, P., & Sund, L. (2001)	Strategic Decision Making in Intergenerational Successions of Small- and Medium-Size Family-Owned Businesses
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Le Breton-Miller, I., Miller, D., & Steier, L. P. (2004)	Toward an Integrative Model of Effective FOB Succession
Lumpkin, T. G., & Brigham, K. H. (2011)	Long-Term Orientation and Intertemporal Choice in Family Firms
Milton, L. P. (2008)	Unleashing the Relationship Power of Family Firms: Identity Confirmation as a Catalyst for Performance
Bagby, D. R. (2004)	Enhancing Succession Research in the Family Firm: A Commentary on "Toward an Integrative Model of Effective FOB Succession"
Mitchell, J. R., Hart, T. A., Valcea, S., & Townsend, D. M. (2009)	Becoming the Boss: Discretion and Postsuccession Success in Family Firms
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Mehrotra, V., Morck, R., Shim, J., & Wiwattanakantang, Y. (2011)	Must Love Kill the Family Firm? Some Exploratory Evidence
Sharma, P., & Smith, B. (2008)	Note to Instructors: Ed's Dilemma: Succession Planning at Niagara Paving
Block, J., Thurik, R., van der Zwan, P., & Walter, S. (2012)	Business Takeover or New Venture? Individual and Environmental Determinants From a Cross-Country Study
Kellermans, F. W., & Eddleston, K. A. (2004)	Feuding Families: When Conflict Does a Family Firm Good
Vega, G. (2007)	Business Succession at Building #19: Overall, It Is Better to Be the Father Than the Son: Note to Instructors
Gedajlovic, E., & Carney, M. (2010)	Markets, Hierarchies, and Families: Toward a Transaction Cost Theory of the Family Firm
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Klein, S. B., Astrachan, J. H., & Smyrnios, K. X. (2005)	The F-PEC Scale of Family Influence: Construction, Validation, and Further Implication for Theory
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Vought, K. L., Baker, L. T., & Smith, G. D. (2008)	Practitioner Commentary: Moving From Theory to Practice in Family Business Research
Dyer Jr., W. G. (2003)	The Family: The Missing Variable in Organizational Research
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Chrisman, J. J., Chua, J. H., & Steier, L. P. (2005)	Sources and Consequences of Distinctive Familiness: An Introduction
Chua, J. H., Steier, L. P., & Chrisman, J. J. (2006)	"How Family Firms Solve Intra-Family Agency Problems Using Interlocking Directorates: An Extension"
Lester, R. H., & Cannella Jr., A. A. (2006)	Interorganizational Familiness: How Family Firms Use Interlocking Directorates to Build Community-Level Social Capital
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Steier, L., Chua, J. H., & Chrisman, J. J. (2009)	Embeddedness Perspectives of Economic Action Within Family Firms
Stewart, A. (2003)	Help One Another, Use One Another: Toward an Anthropology of Family Business
Verbeke, A., & Kano, L. (2010)	Transaction Cost Economics (TCE) and the Family Firm
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Sharma, P., & Manikutty, S. (2005)	Strategic Divestments in Family Firms: Role of Family Structure and Community Culture
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<b>AMR</b>	
Lee, K. S., Lim, G. H., & Lim, W. S. (2003)	Family Business Succession: Appropriation Risk and Choice of Successor
<b>AMJ</b>	
Gómez- Mejía, L. R., Nuñez-Nickel, M., & Gutierrez, I. (2011)	The Role of Family Ties in Agency Contracts
<b>JBV</b>	
Abetti, P. A., & Phan, P. H. (2004)	Teaching note: Zobebe chemical industries: the evolution of a family company from flypaper to globalization (1919–2001)
Astrachan, J. H. (2003)	Commentary on the special issue: the emergence of a field
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Chrisman, J. J., Chua, J. H., & Steier, L. P. (2003)	An introduction to theories of family business



Dawson, A. (2011)	Private equity investment decisions in family firms: The role of human resources and agency costs
Dyck, B., Mauws, M., Starke, F. A., & Mischke, G. A. (2002)	Passing the baton The importance of sequence, timing, technique and communication in executive succession
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O'Boyle Jr., E. H., Pollack, J. M., & Rutherford, M. W. (2012)	Exploring the relation between family involvement and firms' financial performance: A meta-analysis of main and moderator effects
Olson, P. D., Zuiker, V. S., Danes, S. M., Stafford, K., Heck, R. K. Z., & Duncan, K. A. (2003)	The impact of the family and the business on family business sustainability
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Tsang, E. W. K. (2002)	Learning from overseas venturing experience The case of Chinese family businesses
Rogoff, E. G., & Heck, R. K. Z. (2003)	"Evolving research in entrepreneurship and family business: recognizing family as the oxygen that feeds the fire of entrepreneurship"
Steier, L. (2003)	Variants of agency contracts in family-financed ventures as a continuum of familial altruistic and market rationalities
Aldrich, H. E., & Cliff, J. E. (2003)	The pervasive effects of family on entrepreneurship: toward a family embeddedness perspective
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Randøy, T., & Goel, S. (2003)	Ownership structure, founder leadership, and performance in Norwegian SMEs: implications for financing entrepreneurial opportunities
Parker, S. C., & Van Praag, C. M. (2012)	The entrepreneur's mode of entry: Business takeover or new venture start?
<b>JFBS</b>	
Astrachan, J. H. (2010)	Strategy in family business: Toward a multidimensional research agenda
Stamm, I., & Lubinski, C. (2011)	Crossroads of family business research and firm demography—A critical assessment of family business survival rates
Steier, L. P., & Miller, D. (2010)	Pre- and post-succession governance philosophies in entrepreneurial family firms
Goel, S., Mazzola, P., Phan, P. H., Pieper, T. M., & Zachary, R. K. (2012)	Strategy, ownership, governance, and socio-psychological perspectives on family businesses from around the world

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Weismeier-Sammer, D. (2011)	Entrepreneurial behavior in family firms: A replication study
Woods, J. A., Dalziel, T., & Barton, S. L. (2012)	Escalation of commitment in private family businesses: The influence of outside board members
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Abdellatif, M., Amann, B., & Jaussaud, J. (2010)	Family versus nonfamily business: A comparison of international strategies
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Dana, L. E., & Smyrnios, K. X. (2010)	Family business best practices: Where from and where to?
Pittino, D., & Visintin, F. (2011)	The propensity toward inter-organizational cooperation in small- and medium-sized family businesses
Mazzi, C. (2011)	Family business and financial performance: Current state of knowledge and future research challenges
Casillas, J. C., Moreno, A. M., & Barbero, J. L. (2011)	Entrepreneurial orientation of family firms: Family and environmental dimensions
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Simon, A., Marquès, P., Bikfalvi, A., & Muñoz, M. D. (2012)	Exploring value differences across family firms: The influence of choosing and managing complexity
Dibrell, C., & Moeller, M. (2011)	The impact of a service-dominant focus strategy and stewardship culture on organizational innovativeness in family-owned businesses
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Tappeiner, F., Howorth, C., Achleitner, A., & Schraml, S. (2012)	Demand for private equity minority investments: A study of large family firms
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Memili, E., Eddleston, K. A.; Kellermanns, F. W., Zellweger, T. M., & Barnett, T. (2010)	The critical path to family firm success through entrepreneurial risk taking and image
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Webb, J. W., Ketchen Jr., D.J., & Ireland, R. D. (2010)	Strategic entrepreneurship within family-controlled firms: Opportunities and challenges
Arosa, B., Iturralde, T., & Maseda, A. (2010)	Ownership structure and firm performance in non-listed firms: Evidence from Spain
Cruz, A. D., Hamilton, E., & Jack, S. L. (2012)	Understanding entrepreneurial cultures in family businesses: A study of family entrepreneurial teams in Honduras
García-Ramos, R., & Carcía-Olalla, M. (2011)	Board characteristics and firm performance in public founder- and nonfounder-led family businesses
Litz, R. A. (2010)	Jamming across the generations: Creative intergenerational collaboration in the Marsalis family
Craig, J., & Moores, K. (2010)	Strategically aligning family and business systems using the Balanced Scorecard
Zellweger, T. M., Eddleston, K. A., & Kellermanns, F. W. (2010)	Exploring the concept of familiness: Introducing family firm identity
Frank, H., Lueger, M., Nosé, L., & Suchy, D. (2010)	The concept of "Familiness" Literature review and systems theory-based reflections
Block, J. H., Jaskiewicz, P., & Miller, D. (2011)	Ownership versus management effects on performance in family and founder companies: A Bayesian reconciliation
Goel, S., He, X., & Karri, R. (2011)	Family involvement in a hierarchical culture: Effect of dispersion of family ownership control and family member tenure on firm performance in Chinese family owned firms
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San Martin-Reyna, J. M., & Duran-Encalada, J. A. (2012)	The relationship among family business, corporate governance and firm performance: Evidence from the Mexican stock exchange
<b>JSBM</b>	
Bocatto, E., Gispert, C., & Rialp, J. (2010)	"Family-Owned Business Succession: The Influence of Pre-performance in the Nomination of Family and Nonfamily Members: Evidence from Spanish Firms"
Stavrou, E. T., Kleanthous, T., & Anastasiou, T. (2005)	Leadership Personality and Firm Culture during Hereditary Transitions in Family Firms: Model Development and Empirical Investigation
Feltham, T. S., Feltham, G., & Barnett, J. J. (2005)	The Dependence of Family Businesses on a Single Decision-Maker
Eddleston, K. A., Otondo, R. F., & Kellermanns, F. W. (2008)	Conflict, Participative Decision-Making, and Generational Ownership Dispersion: A Multilevel Analysis
Ambrose, D. M. (1983)	Transfer of the Family-Owned Business
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Kuratko, D. F., Hornsby, J. S., & Montagno, R. V. (1993)	Family Business Succession in Korean and U.S. Firms
Birley, S. (1986)	Succession in the Family Firm: The Inheritor's View
Stavrou, E. T. (1999)	Succession in Family Businesses: Exploring the Effects of Demographic Factors on Offspring Intentions to Join and Take over the Business
Handler, W. C. (1991)	Key interpersonal relationships of next-generation family members in family firms

Source: Own illustration (2014).

**Table A.3: Content of each subdivision**

Human capital	Abilities and skills	leadership qualities & experience, technical, financial, marketing, sales, tacit knowledge, strategic planning, business administration, up-to-date technologies & processes, negotiation skills, entrepreneurial abilities, administrative skills
	Socialisation into family firm	involvement in, introduction to & knowledge about the firm, passage through different departments
	Proof of competence	external professional success, impart competence, start-up capability
	Occupational experience	occupational experience or apprenticeship(s) outside the family firm
	Education	educational qualifications such as university degrees or systematic training
	Human resource management	know, acquire, train employees, retain key employees, secure jobs, allay fears of employees, accept employees' roles
	Interacting with stakeholders	gain stakeholders' legitimacy and trust, interact adequately with stakeholders, deal with rivalry
	Personal	capacity for further development, willingness to learn, personal maturity, self-confidence, diligence, integrity, analytical mind, abstract thinking, intelligence, ability to self-reflect
	Interpersonal	motivation, will to decide, networking abilities, communicational capabilities, ability to influence others, delegate, independence, empathy
	Situational	professional appearance, enthusiasm, hard work, willingness to take risks, handle criticism, creativity, ability to reach consensus, passion, assertiveness, reliability, adaptability, perseverance, obedience, sincerity, aggressiveness, stress tolerance, compliance, courage, determination, dominance, drive, prudence, responsiveness, ambiguity tolerance, political acumen, proactiveness, benevolence
Motive/commitment	Continuity of family firm	continue family firm, long-term orientation, conscious of tradition
	Fulfillment of interests	satisfy others' interests, balance familial & entrepreneurial interests, keep family harmony, awareness of family members' dependence on business
	Commitment	commitment to company, succession process, business continuity, norms & values, loyalty to predecessor & region
	Successor's individualisation	self-awareness about succession, find identity & role, take over without pressure, distinguish from the predecessor
	Sign of interest in the company	interest in company, intention/motivation to take over, seek advice & feedback
	Changes in firm	be innovative, set up or restructure management, adapt norms, values, rituals, enter (international) markets, raise loans, reduce number of owner or family members actively involved within the company
	Willingness to apply internal support	willing to be supported by the predecessor, family, mentor
	Economic expectations	maintain or increase wealth, competitiveness, performance
	Avoidance of changes	maintain identity, reputation of family firm, quality of products, accept established methods & principles
	Willingness to take charge	willing to take over responsibility & leadership
	Agreements within family	establish a board or regular familial meetings
	Willingness to apply external support	consult with external experts or acquire an external (interim) manager
	Verification of whether succession is rewarding	verify if the takeover is rewarding
	Relationship	keep good relationship, mutual trust, honesty, understanding, respect, support, valuing achievements, cooperation
	Interacting with predecessor during succession process	wait for/advance the predecessors' retirement, engage in succession process, support predecessor, plan predecessor's role after succession
	Predecessor-successor similarities	similarities to predecessor with regard to objectives, skills, abilities, styles
	Interacting with predecessor following succession process	avoid predecessor's interference, accept that some company shares remain in the predecessor's hands, allow business activities upon retirement
Predecessor - successor relationship		

Source: Own data and analysis (2014).

**Table A.4: The interview guide on business succession**

This questionnaire contains questions about the business, ranging from its history and its structure to its development. It continues with questions about succession planning, including its progress and the availability of potential successors. Other subjects include attitudes, expectations and perceptions, e.g., about selection criteria and succession motives. The interview guide was customised to the interviewees, for example, to the distinct stage of the succession process, i.e., whether the interviewees were in the process of succession or whether the succession process was already completed or would take place in future.

To the greatest possible extent, successors and predecessors were asked identical questions.

<p><i>Background of the firm</i></p> <ul style="list-style-type: none"><li>Founding date of the company</li><li>Type of business</li><li>Number of generations in which the firm has been owner-managed</li><li>Experience with regard to prior successions</li><li>Past business development</li></ul> <p><i>Market and industry</i></p> <ul style="list-style-type: none"><li>Product/service of the company</li><li>Industry</li><li>Which markets are served (global, local, Business-to-Business, etc.)</li><li>Assessment of the current market</li></ul> <p><i>Legal status and structure</i></p> <ul style="list-style-type: none"><li>Legal status: former, now and in the future, reasons for changes</li><li>Shareholders of the company</li><li>Subsidiaries</li></ul> <p><i>Development of the company</i></p> <ul style="list-style-type: none"><li>Assessment on the current stage of the company's life cycle</li><li>In the case of former business successions: development of the firm in terms of turnover, profit, number of employees prior, during and post completion of the respective succession</li></ul> <p><i>Employees/governance</i></p> <ul style="list-style-type: none"><li>Number of employees</li><li>Members of the family among the employees</li><li>Management style</li><li>Scope of the employees' decision-making power; decentralisation of decisions</li><li>Employee-management relationship</li></ul> <p><i>Turnover/profit</i></p> <ul style="list-style-type: none"><li>Company's economic situation</li><li>Turnover/profit in recent fiscal years</li><li>Equity ratio/return on total assets</li></ul> <p><i>Business succession</i></p> <p><i>Status quo</i></p> <ul style="list-style-type: none"><li>Time of succession (year)</li><li>Has the successor already occupied an executive or other position in the company; since when</li><li>Does the successor receive a limited area of responsibility in which he has to prove his competence; incremental introduction into the firm</li></ul>
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Does the predecessor still occupy an executive or other position in the company  
Predecessor's age when leaving the company; predecessor's current age  
Predecessor's age when founding/succeeding the firm himself  
Is the company (part of) the predecessor's pension; how to finance retirement  
On a scale of 1 to 5 (1=unimportant, 5=very important), how important is well-structured preparation of the succession process  
On a scale of 1 to 5 (1=unimportant, 5=very important), how important is succession through a family member

#### *Succession strategy*

Form of business transfer  
Is successor from inside the family, inside the company or outside the family/company  
Is the successor the originally envisaged successor; other available successor candidates; if yes: reasons for rejection; if no: reasons  
Failure of a former succession; reasons  
Reasons for preferring this kind of succession  
Advantages and disadvantages of preferred succession strategy  
Advantages and disadvantages of the succession strategies not taken into consideration  
Consultation with experts on the succession contract  
Does the predecessor/successor wish more/better consultation  
Measures to prepare the company for business succession  
Stakeholders'/shareholders' reaction to the succession  
Contractual manner of the succession  
Does the contract contain a withdrawal clause for the successor or repealing clause for the predecessor  
Reasons for choosing the concrete contract  
Duration of negotiations  
Problems/conflicts

#### *To successors only: knowledge on firm*

In case of a successor from outside the family: how did you become aware of this company; notice of further companies  
Successor's current age  
Motive for taking over  
Do you think you know the company well; reasons  
Pressure from previous generations to take over

#### *Financing/investments (and succession)*

Current company's financing strategy; potential for improvement  
Do you carry out transactions with one house bank only or do you invite offers from several institutions  
Knowledge of financing opportunities  
Financial strategy within the succession process; changes in financing strategies  
Problems with financing the business succession; changes in the opportunities to borrow capital due to succession  
Costs of the business succession  
Deferment of investments before succession takes place  
Any plans for investments in the course of/due to business succession  
How to finance prospective investments  
Plans to apply for promotional funds; if not, reasons  
Finance of business succession through classical bank loans/mezzanine/business angels or other opportunities  
Is private equity a financial option  
Provided you meet the requirements, would you go public  
Audit the valuation of the company; kind of measurement  
Your assessment of the current debates on the inheritance tax reform

#### *Impressions*

Are today's business successions easier or more difficult than past ones; reasons  
Is this business succession easier than those of the former intergenerational transfers  
Where do you see problems in the course of the succession process  
Most challenging aspect in the course of the succession process

*Objectives*

Personal aims of the business succession  
Where do you see yourself in five years  
Where would you like to see the company in five years  
Where do you see the company in five years  
Reasons for deviations between vision and realistic assessment

*To predecessors only: assessment of the successor's objectives*

Successor's personal aims of the business succession  
Do you expect positive and/or negative changes on the company caused by the succession  
Where do you think your successor wishes to see the company in five years  
Where do you think your successor sees the company in five years

*To predecessors only: expectations*

What expectations do you have of your successor  
To what extent does the successor fulfil these expectations  
What qualifications and/or character traits do you expect of your successor

*To successors only: expectations*

What expectations do you have of your predecessor  
To what extent does the predecessor fulfil these expectations

*Successor's background*

Qualification, abilities, skills and character traits; evidence  
Missing qualifications, abilities, skills and character traits; what are the assessments based on  
Family succession: parent's influence on the successor's training and/or apprenticeship  
Preconditions that the successor must fulfil

*Conflicts*

Conflicts of interest so far; how were they solved; why couldn't you solve them  
Do you expect overall acceptance of the successor

*Other questions*

Family member/person in the company with whom you have the closest relationship  
Was family life shaped by the company  
How would you define a family business  
Main advantages and disadvantages of family businesses  
What is an entrepreneur in your point of view  
Are start-up entrepreneurs suitable candidates for taking over an established company; reasons

Source: Own illustration (2014).

**Table A.5: Requirement profile of family successors across succession phases – predecessors' responses**

Main category Subcategory Class	Relative frequency (%)							
	Pre- deces- sors (n=54)	Rank	Ex ante (n=16)	Rank	Du- rante (n=21)	Rank	Ex- post (n=17)	Rank
<b>Hard skills</b>								
Human capital	60	1	78	1	58	1	46	1
General training, abilities and skills	83		100		81		71	
Training on/experience in family firm	70		88		76		47	
Proof of competence	41		56		43		24	
Occupational experience	63		81		52		59	
Education	43		63		38		29	
<b>Soft skills</b>								
<b>Social capital</b>	32	2	38	2	36	2	24	2
Interacting with stakeholders	56		56		62		47	
Human resource management	9		19		10		0	
<b>Personality traits</b>	21	5	31	5	18	5	16	5
Personal	19		31		14		12	
Interpersonal	20		31		10		24	
Situational	24		31		29		12	
<b>Motivation/commitment</b>	30	3	38	2	30	4	23	3
Continuity of family firm	46		50		38		53	
Fulfilment of interests	44		44		48		41	
Commitment	24		38		24		12	
Successor's individualisation	48		44		57		41	
Sign of interest in the company	37		56		33		24	
Changes in the firm	30		63		19		12	
Willingness to apply internal support	54		63		57		41	
Economic expectations	41		50		38		35	
Avoidance of changes in the firm	26		31		38		6	
Willingness to take charge	15		19		14		12	
Agreements within the family	9		6		14		6	
Willingness to apply external support	15		19		14		12	
Verification of whether succession is rewarding	4		13		0		0	
<b>Predecessor-successor relationship</b>	30	3	34	4	32	3	22	4
Relationship, predecessor-successor	52		63		52		41	
Interacting with predecessor during succession process	24		19		29		24	
Similarities, predecessor-successor	13		25		14		0	
Interacting with predecessor following succession process	30		31		33		24	

Source: Own data and analysis (2014).



**Table A.6: Requirement profile of family successors across succession phases – successors' responses**

Main category Subcategory Class	Relative frequency (%)							
	Suc- cessors (n=52)	Rank	Ex ante (n=14)	Rank	Du- rante (n=20)	Rank	Ex- post (n=18)	Rank
<b>Hard skills</b>								
<b>Human capital</b>	33	1	41	1	32	2	29	2
General training, abilities and skills	50		57		45		56	
Training on/experience in family firm	40		50		50		22	
Proof of competence	25		21		30		22	
Occupational experience	21		29		15		22	
Education	29		50		20		22	
<b>Soft skills</b>								
<b>Social capital</b>	11	4	18	4	10	4	6	4
Interacting with stakeholders	15		29		10		11	
Human resource management	6		7		10		0	
<b>Personality traits</b>	9	5	14	5	8	5	6	4
Personal	8		21		0		6	
Interpersonal	4		7		5		0	
Situational	15		14		20		11	
<b>Motivation/commitment</b>	22	3	29	2	20	3	21	3
Continuity of family firm	35		29		35		39	
Fulfilment of interests	40		57		30		39	
Commitment	10		14		5		11	
Successor's individualisation	62		71		65		50	
Sign of interest in the company	12		14		15		6	
Changes in the firm	21		29		25		11	
Willingness to apply internal support	44		43		50		39	
Economic expectations	17		36		5		17	
Avoidance of changes in the firm	15		21		15		11	
Willingness to take charge	12		14		5		17	
Agreements within the family	9		14		5		11	
Willingness to apply external support	10		0		10		17	
Verification of whether succession is rewarding	2		7		0		0	
<b>Predecessor-successor Relationship</b>	33	1	23	3	38	1	36	1
Relationship, predecessor-successor	50		43		55		50	
Interacting with predecessor during succession process	39		29		40		44	
Similarities, predecessor-successor	10		14		10		6	
Interacting with predecessor following succession process	35		7		45		44	

Source: Own data and analysis (2014).



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