JOURNAL OF MANAGEMENT STUDIES
Journal of Management Studies 0:0 Month 2026
doi:10.1111/joms.70114

Fly Solo, Then Return Home? Offspring's Entrepreneurship Experience and their Future As Family Business Successors

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ABSTRACT How does early-career entrepreneurship experience of family business offspring affect their likelihood of eventually taking over the established family firm? Considering family business succession as a dual-agency process, we draw on human capital theory and opportunity cost logic to theorize how the same early-career experience can have divergent implications for succession by simultaneously shaping parental preferences and offspring's choice. Using early-career entrepreneurship as a revealing case, we analyse parent–child successions involving 8274 potential successors in Sweden between 2001 and 2019 and find that entrepreneurship experience positively affects a child's succession likelihood. The strength of this effect, in turn, depends on the entrepreneurial offspring's opportunity costs of succession, which are shaped by characteristics of their venture and the family business.

Keywords: entrepreneurship experience, family business succession, human capital

INTRODUCTION

Succession is critical to family businesses, shaping both the firm's future and the legacy of its owners (Amore et al., 2021; Daspit et al., 2016; Eddleston et al., 2024). Because many business owners still desire to hand over their firm to one or more of their children (De Massis et al., 2016), research has examined extensively what makes individual offspring more or less likely to become successors (see, for instance, Chua et al., 2025; De Massis et al., 2008; Reif et al., 2025; Royer et al., 2008; Zellweger et al., 2011). Collectively,

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this literature recognizes that succession is shaped by the preferences and expectations of both parents and their offspring, thereby acknowledging its dual-agency character (De Massis et al., 2008; Schell et al., 2020; Venter et al., 2005). Nevertheless, most work studying the implications of specific successor qualities focuses either on what makes offspring *attractive* successors in the eyes of their parents – such as their skills, experience, or commitment (e.g., Ahrens et al., 2015; Chrisman et al., 1998; Richards et al., 2019; Schlepphorst and Moog, 2014) – or on what makes them *willing* successors, including issues such as a child's identification with their family and its business (Cater et al., 2025; Lee et al., 2019; Marques et al., 2022; Parker, 2016). Importantly, however, while some attributes of a child (e.g., their commitment to the family and business; Sharma and Irving, 2005) may enhance both their attractiveness and willingness to succeed, others may pull these two dimensions in opposite directions. In such cases, considering only one side's perspective is problematic, as doing so ignores the dual-agency tensions that arise when successor attributes generate countervailing incentives for parents and offspring.

This tension becomes particularly salient when considering offspring's early experiences outside the family business. Prior research has long emphasized that offspring's education, early work experience, and professional development shape succession outcomes, yet primarily through their impact on parental assessments of preparedness or commitment toward successor roles (e.g., Ahrens et al., 2015; Sardeshmukh and Corbett, 2011; Schlepphorst and Moog, 2014), thereby largely ignoring the implications gaining such experiences may have for offspring's own career choice considerations (Astrachan et al., 2022). Simultaneously, work that highlights the role of career alternatives in driving offspring's succession willingness (e.g., Giménez and Novo, 2020; Parker, 2016; Sharma and Irving, 2005) tends to treat the availability of such alternatives as analytically separate from the early-career experiences through which they emerge, thereby overlooking that these same experiences may also shape offspring's attractiveness as succession candidates in the eyes of their parents.

A particularly revealing, yet so far overlooked example of an external experience that may have such conflicting implications for family business succession is offspring's quite common engagement in early-career entrepreneurship (see Aldrich and Cliff, 2003; Hopp et al., 2019; Lindquist et al., 2015). Entrepreneurship is distinct from other forms of professional experience because it simultaneously prepares offspring for the ownership and leadership demands of family business succession and creates credible, self-directed career alternatives outside the family firm. More precisely, unlike most other early-career jobs, which at best approximate managerial responsibility within established hierarchies, entrepreneurship directly trains individuals for ownership, leadership, and ultimate accountability (Foss et al., 2021; Lazear, 2004; Rieger et al., 2023). These experiences cultivate competencies that are difficult to acquire through conventional pre-succession paths and should therefore make entrepreneurial offspring particularly attractive successors in the eyes of their parents. At the same time, entrepreneurship uniquely exposes offspring to opportunity-rich environments and self-directed career trajectories (Ucbasaran et al., 2008; Westhead et al., 2009), which may expand their perceived set of attractive alternatives. As a result, the very experience that enhances offspring's attractiveness as successors may simultaneously reduce their willingness to reinvest their capabilities in the family business. This underscores the need for an integrated approach that accounts for

both sides of the succession decision and the related dual-agency tensions, which cannot be adequately theorized within single-perspective models of successor attractiveness or willingness alone.

We address this gap by theorizing how early-career entrepreneurship affects the likelihood that offspring become successors in the family firm, drawing on human capital theory (Becker, 1962, 1964; Schultz, 1961) and opportunity cost perspectives (e.g., Amit et al., 1995). Human capital theory explains how earlier experiences generate knowledge and skills that enhance performance in future roles (Becker, 1962; Schultz, 1961). In our study, we focus on entrepreneurial human capital built through entrepreneurship experience (EHC; see Lazear, 2004; Marvel et al., 2016) and theorize that such EHC enhances offspring's attractiveness as a potential family successor. At the same time, opportunity cost logic helps explain how EHC may give rise to attractive outside career options, potentially reducing the offspring's willingness to become a successor (e.g., Giménez and Novo, 2020; Mahto et al., 2020). Accordingly, we examine how characteristics of both the offspring's venture and the family firm shape offspring's opportunity costs of succession. Integrating these perspectives allows us to examine both the selection and the choice side of succession, and to investigate under which conditions entrepreneurial offspring are more or less likely to redeploy their EHC in the family business.

We test our framework using Swedish total population data on parent–child successions involving 8274 potential family successors between 2001 and 2019. Employing coarsened exact matching and survival analysis, we find that entrepreneurship experience indeed positively affects offspring's succession likelihood, over and above more conventional sources of human capital (e.g., education, work experience in- or outside the family firm). Our results further provide evidence of a nuanced role of the opportunity costs that offspring face when taking over the family business. Specifically, they increase with the performance of their venture, yet can partly be offset by better performance of the family business itself.

Taken together, our study makes several contributions to the family business succession literature. Most centrally, we advance a dual-agency perspective on succession by demonstrating that offspring's early-career experiences can have simultaneous and sometimes conflicting implications for succession when considering both generations' perspectives. By integrating human capital and opportunity cost perspectives, we move beyond additive explanations of successor selection and offer a framework for understanding how the same experiences may both promote and inhibit intrafamily succession. In doing so, we extend prior work that acknowledges the importance of both generations' roles in succession but rarely models their joint influence on succession outcomes (De Massis et al., 2008; Schell et al., 2020; Venter et al., 2005). Within this broader framework, we introduce early-career entrepreneurship as a particularly revealing case of such dual-agency tensions, as entrepreneurship experience strengthens offspring's attractiveness for succession by building EHC, yet may simultaneously expand alternative career opportunities outside the family firm. Empirically, our findings challenge the dominant view that founding and succeeding represent mutually exclusive career paths for family business offspring. Rather than constituting a detour away from the family firm (cf. Pittino et al., 2018; Zellweger et al., 2011), early-career entrepreneurship can serve as a path toward succession – albeit one

whose effects depend on the opportunity costs created along the way. As such, we also bridge previously rather separated discussions about family business succession and transgenerational entrepreneurship by showing that entrepreneurial venturing by next-generation members can support both individual development and the long-term continuity of established family businesses (Habbershon et al., 2010; Jaskiewicz et al., 2015; Zellweger et al., 2012).

CONCEPTUAL BACKGROUND

Family Business Succession

Family business succession is a critical process that determines the long-term survival and continuity of family businesses (Amore et al., 2021; Daspit et al., 2016; Eddleston et al., 2024). Unlike leadership transitions in non-family businesses, succession in family enterprises involves not only the transfer of ownership and managerial control, but also the family's values, traditions, and legacy (Le Breton-Miller and Miller, 2015; Meier and Schier, 2016). Poorly managed successions can lead to leadership voids, conflicts among family members, and even business failure (De Massis et al., 2008; Miller et al., 2003). Given that family businesses represent a significant share of national economies and employ large portions of the workforce (Aguilera and Crespi-Cladera, 2016; Astrachan and Shanker, 2003; Neckebrouck et al., 2018), ensuring successful owner- and leadership transitions is essential for both family businesses and the social fabric of their local environments (Basco, 2015; Bichler et al., 2022).

While family-external successions have gained in relevance (Dehlen et al., 2014; Wiklund et al., 2013), many business owners still desire to hand over their firm to one or more of their children (De Massis et al., 2016). As a result, scholars have examined intensively which factors affect the likelihood that individual offspring become successors in the family firm (see Chua et al., 2025; De Massis et al., 2008; Zellweger et al., 2011). Much of this work has developed along two largely separate lines of inquiry, focusing either on what renders offspring more attractive successors from the parents' point of view (see Ahrens et al., 2015; Schlepphorst and Moog, 2014) or on what makes them more willing to become successors themselves (Lee et al., 2019; Marques et al., 2022; Parker, 2016).

Although these streams collectively acknowledge that both incumbents and potential successors matter for family business succession (see, for instance, De Massis et al., 2008; Schell et al., 2020; Venter et al., 2005), they are rarely integrated in theorizing how specific successor attributes operate across both perspectives. Instead, successor characteristics are often implicitly treated as having unidirectional implications for succession outcomes. This assumption is unproblematic when the same attribute simultaneously increases both how attractive parents view their offspring as potential successors and how attractive offspring perceive becoming a successor in their parents' firm – such as would be the case with often emphasized attributes like a child's commitment to, and identification with the family business (e.g., Chrisman et al., 1998; Sharma and Irving, 2005). However, it becomes limiting when an attribute enhances one dimension while undermining the other. In such cases, focusing

on only one side of the succession decision risks obscuring a structural tension that is central to understanding whether succession ultimately occurs. Addressing this blind spot requires theorizing succession not merely as a function of successor qualities, but as a 'dual-agency process' in which the same experience can create countervailing incentives for incumbents and offspring.

A key domain in which such dual-agency tensions are likely to emerge concerns the human capital (Becker, 1962, 1964; Schultz, 1961) that offspring accumulate prior to potentially entering the family business. Before succession becomes a realistic option, offspring often engage in early-career activities that allow them to develop skills, capabilities, and experiences, some of which may later prove valuable in the family firm. In fact, prior research has emphasized the importance of next-generation members' human capital in driving succession outcomes – yet primarily as a determinant of successor attractiveness (e.g., Ahrens et al., 2015; Sardeshmukh and Corbett, 2011; Schlepphorst and Moog, 2014). At the same time, however, these early-career investments in human capital may also expand offspring's perceived set of attractive career alternatives outside the family business, thereby shaping not only how parents evaluate their suitability as successors, but also how offspring assess the appeal of succession itself. This makes early-career human capital a particularly important, yet under-theorized, source of dual-agency tensions in family business succession.

To further establish the conceptual basis of our model, we briefly review the foundations of family business successors' human capital and then turn to entrepreneurial human capital (EHC) as a particularly revealing case in light of the dual-agency tensions discussed above.

The Human Capital of Family Business Successors

Human capital theory (Becker, 1962, 1964; Schultz, 1961) views individuals' knowledge, skills, and competencies as forms of capital that enhance their productivity in future roles. Human capital is typically accumulated through investments in education, training, and work experience, and is especially valuable when it can be effectively applied – that is, is 'transferable' – to future tasks and organizational contexts (see, for instance, Marvel et al., 2016; Nyberg and Wright, 2015; Unger et al., 2011; Wolfson and Mathieu, 2021).

Accordingly, family successors need to acquire human capital before taking over the family business because without the necessary skills, knowledge, and competencies, they are unlikely to become effective leaders (Dawson, 2012; Sardeshmukh and Corbett, 2011; Schlepphorst and Moog, 2014) and may not be seen as credible by key stakeholders (Zybura et al., 2024). The limited body of research on the human capital of potential successors emphasizes the importance of building a mix of broader owner- and leadership capabilities and firm- and family-relevant expertise (Dawson, 2012; Murphy and Lambrechts, 2015; Sardeshmukh and Corbett, 2011; Schlepphorst and Moog, 2014). For instance, family successors need to demonstrate capabilities such as leadership, strategic decision-making, financial acumen, and people management (e.g., Ahrens et al., 2015; Zybura et al., 2021). Traditionally, such capabilities are thought to best be developed through formal education, internships, or structured work experiences outside the family

firm (Botero et al., 2021; Sardeshmukh and Corbett, 2011). In addition, potential successors often gain family firm-specific human capital – such as familiarity with the family business's operations, culture, and networks – through early exposure or staged involvement over time (Dawson, 2012; Istipliler et al., 2023; Murphy and Lambrechts, 2015; Sardeshmukh and Corbett, 2011).

However, as noted above, this traditional human capital 'recipe' implicitly assumes that investments in early-career development primarily enhance offspring's suitability for succession, with limited attention to how such investments may also reshape their perceived career alternatives outside the family business. From a dual-agency perspective, this is a critical omission. While many forms of early-career human capital may increase both successor attractiveness and willingness in parallel, such as firm-specific knowledge and skills gained through early family business involvement (Dawson, 2012; Murphy and Lambrechts, 2015), others are more likely to generate divergent effects by simultaneously strengthening offspring's appeal and expanding the opportunity structures available to them beyond the family firm. In such cases, the very experiences that signal capability for succession may also raise the opportunity costs of succession for offspring themselves.

Human capital acquired through early-career entrepreneurship represents a particularly revealing instance of this dual-agency dynamic. As outlined in greater detail below, entrepreneurship not only fosters a broad set of transferable ownership and leadership capabilities relevant in the succession context (Amaral et al., 2011; Lazear, 2004; Rieger et al., 2023; Ucbasaran et al., 2008), it also tends to expose offspring to opportunity-rich environments and independent career pathways that can meaningfully alter how they evaluate succession as a career option.

Entrepreneurial Human Capital

Entrepreneurship is not an idiosyncratic or rare experience among family business offspring but is quite commonly pursued by them. Indeed, prior research shows that children of business owners are disproportionately likely to pursue entrepreneurship[1] themselves early in their careers (see Aldrich and Kim, 2007; Laspita et al., 2012; Mishkin, 2021), founding new ventures before potentially entering – or returning to – their family's firm (Hahn et al., 2021; Pittino et al., 2018; Schröder et al., 2011; Zellweger et al., 2011). These early-career entrepreneurship experiences are likely to generate distinct forms of human capital useful in the family business succession context (Amaral et al., 2011; Lazear, 2004; Rieger et al., 2023; Ucbasaran et al., 2008). More specifically, being an entrepreneur cultivates a bundle of transferable, cross-functional capabilities, which we collectively refer to as entrepreneurial human capital (hereafter 'EHC', e.g., Marvel et al., 2016; Unger et al., 2011). Compared to many conventional early-career jobs, entrepreneurship exposes individuals to a broader set of business functions and often requires them to learn a broad range of general management, ownership, and leadership skills and capabilities 'by doing' (Cope and Watts, 2000). Examples are acquiring and coordinating resources, leading and supervising others, building and managing stakeholder relationships, as well as strategic planning and decision-making (e.g., Baptista et al., 2012; Lazear, 2004; Mueller et al., 2012; Rieger et al., 2023). In addition, it provides individuals with valuable experience in more specific entrepreneurial skills

such as opportunity identification and exploitation, risk taking, and the development and introduction of novel technologies and products (Dimov, 2017; Marvel et al., 2016; Ucbasaran et al., 2008).

However, how such EHC affects the likelihood of future family business succession remains theoretically ambiguous, precisely because it is likely to have diverging implications for both sides of the succession decision. On the one hand, the broad and transferable capabilities associated with EHC may increase offspring's attractiveness as a successor in the eyes of their parents. On the other hand, accumulating EHC through early-career entrepreneurship experience is also likely to expand offspring's perceived set of attractive alternatives outside the family business (Ucbasaran et al., 2008; Westhead et al., 2009), thereby shaping the opportunity costs of succession and, in turn, their willingness to redeploy their EHC in the family firm (Lauto et al., 2020; Mahto et al., 2020; Parker, 2016).

Importantly, these opportunity costs are not uniform but vary with features of the succession context. For instance, if their own venture has been successful or active in an opportunity-rich environment, joining the family firm may mean forgoing present and future entrepreneurial returns. Conversely, if the family business performs well or operates in a similarly opportunity-rich domain, succession may offer benefits that offset such opportunity costs and make reinvesting EHC in the family firm more appealing.

Building on this reasoning, we draw on human capital theory and opportunity cost perspectives to examine how EHC gained through early-career entrepreneurship may shape both offspring's attractiveness to their parents as successors and their own willingness to take over. In doing so, we treat EHC as a particular case of human capital investment revealing dual-agency tensions in family business succession. Accordingly, in the next section, we first develop a hypothesis that isolates the role of EHC in influencing parental assessments of successor attractiveness and then examine how contextual opportunity costs condition entrepreneurial offspring's willingness to indeed take over the family firm (see also Table I).

HYPOTHESIS DEVELOPMENT

Entrepreneurial Human Capital and Offspring's Attractiveness as Family Successors

As established above, early-career entrepreneurship enables individuals to build what we refer to as EHC: a bundle of both generalist business competencies and more entrepreneurship-specific abilities developed through the experience of owning and running a venture (Dimov, 2017; Lazear, 2004; Marvel et al., 2016; Rieger et al., 2023). For family business offspring, such experience not only fosters leadership, decision-making, and strategic thinking, but also offers a rare opportunity to take full personal responsibility for organizational outcomes at an early-career stage. These qualities are difficult to develop through conventional early-career jobs that tend to provide much narrower function-specific training (Rieger et al., 2023) and may be particularly valued by parents seeking a capable successor who can eventually assume full ownership and leadership of the firm (Jaskiewicz et al., 2015).

For future successors in particular, early-career entrepreneurship should thus offer human capital benefits over and above many other early-career experiences. This is because the successor role shares an abundance of situation-response elements with the

Table I. Build-up of research model and hypotheses

Hypothesis	*Construct*	*Sample*	*Main mechanism*	*Succession likelihood*
H1	Entrepreneurship experience	All offspring	EHC enhances offspring's attractiveness as successor	Higher
H2a	Performance of the offspring's venture	Only offspring with own venture	Opportunity costs of succession rise	Lower
H2b	Industry dynamism of the offspring's venture	Only offspring with own venture	Opportunity costs of succession rise	Lower
H3a/b	Performance of the family business	Only offspring with own venture	Opportunity costs of succession weaken	Negative effects H2a/b positively moderated (weakened)
H4a/b	Industry dynamism of the family business	Only offspring with own venture	Opportunity costs of succession weaken	Negative effects H2a/b positively moderated (weakened)

generalist, cross-functional experience of being an entrepreneur. Indeed, being a competent owner that creates value, for instance through meaningful resource combinations that are directed toward achieving a valued purpose and/or by introducing effective governance mechanisms including the hiring of employees (see Foss et al., 2021), should be equally relevant in the new venture context and in the context of an established family business. In addition, successors should possess leadership capabilities and strategic decision-making skills, among others (Ahrens et al., 2015; Zybura et al., 2021, 2024), and trying to develop and manage one's own venture early in a career offers ample experiential learning potential for developing such competencies (Minola et al., 2016; Wiedeler and Kammerlander, 2021). Finally, as family firm successors are increasingly expected to drive innovation and renewal while honouring continuity (Ingram et al., 2016; Nordqvist et al., 2013), entrepreneurship-specific capabilities like opportunity identification and innovation should be very valuable even in a typically more mature family business setting (Jaskiewicz et al., 2015; Sharma and Salvato, 2011; Zahra, 2018).

Taken together, we thus argue that offspring develop EHC through entrepreneurship experience, and that this EHC is highly applicable to the successor role in a family business, positively offsetting them against other potential candidates without entrepreneurship experience. This is because parents should recognize that offspring with entrepreneurship experience will possess complementary ownership, leadership, and entrepreneurial competencies which, in turn, need to be exhibited by successors. Everything else being equal then, we expect entrepreneurial offspring to be more attractive family successors and thus first hypothesize an aggregate positive effect

of having gained entrepreneurship experience on offspring's likelihood of eventually taking on the successor position. From a dual-agency perspective, this argument deliberately isolates the selection side of the succession process by focusing on how EHC shapes parental assessments of successor attractiveness, before we turn to how the same experience may affect offspring's own willingness to redeploy their human capital through succession.

> *Hypothesis 1:* In the context of parent–child succession, offspring with early-career entrepreneurship experience are more likely to become successors than those without such experience.

Before continuing with developing the offspring's side of our dual-agency model, we acknowledge that the relationship between early-career entrepreneurship and succession may involve reciprocal influences. While entrepreneurship experience should indeed shape successor attractiveness, offspring's early-career choices may also be influenced by prior parental signals or perceived succession opportunities (e.g., Schell et al., 2020). Our empirical design will account for these dynamics, allowing us to more confidently assess whether entrepreneurship experience affects succession as opposed to vice versa.

Opportunity Costs of Succession for Entrepreneurial Offspring

While the EHC that offspring develop through early-career entrepreneurship transfers well to the successor role and should thus make them more attractive candidates in the eyes of their parents, its redeployment in the family business through succession is not automatic. Even if entrepreneurial offspring are well-equipped to take over the family firm, they may not consider doing so the best use of their capabilities. As such, whether or not entrepreneurial offspring ultimately redeploy their EHC in the family firm depends on the opportunity costs associated with doing so (Giménez and Novo, 2020). Indeed, prior work suggests that offspring's willingness to become successors is shaped not only by emotional attachment and familial obligation (cf. Chrisman et al., 1998; Sharma and Irving, 2005), but also by the perceived attractiveness of alternative career opportunities (Giménez and Novo, 2020; Lauto et al., 2020; Mahto et al., 2020; Parker, 2016). These opportunity structures are often economic in nature (e.g., income potential; Amit et al., 1995; Giménez and Novo, 2020), but may also reflect other forms of comparative utility, such as the room for professional growth or autonomy offered by alternative career paths (Douglas and Shepherd, 2002).

While prior research has mostly examined the opportunity costs and benefits of human capital redeployment within employment contexts – for example, in the context of internal talent mobility (e.g., Sabel and Sasson, 2023) or career switching (e.g., Hietaniemi et al., 2024) – we extend this opportunity logic to succession in family firms. There, entrepreneurial offspring's ultimate decision on whether to become a family successor is influenced by how attractive the family business appears relative to alternative targets for (re)deploying their EHC. Specifically, we focus on opportunity structures as reflected in the performance and industry context of both the entrepreneurial offspring's venture and the family business. In the following, we first outline the opportunity costs that

entrepreneurial offspring may face when considering succession in the family business. We then suggest that corresponding characteristics of the family firm may mitigate such opportunity costs, thereby encouraging the redeployment of offspring's EHC through succession.

Venture performance and the opportunity costs of succession. The performance of their entrepreneurial venture serves as a key indicator of the opportunity costs that offspring face when considering succession in the family business. A well-performing venture generates direct financial returns that may exceed what the family firm can offer in terms of salary, equity, or future ownership dividends (Giménez and Novo, 2020). What is more, founding and running a successful venture also provides non-economic benefits such as personal fulfilment (Dijkhuizen et al., 2018), autonomy (Lauto et al., 2020; Van Gelderen and Jansen, 2006), and reputational capital (Tomaselli et al., 2026). Even if the venture is no longer active at the time of the succession decision,[2] prior strong performance should provide evidence of the offspring's ability to create value outside the family business (e.g., Gompers et al., 2010). This success may shape how they perceive their own market value and future entrepreneurial potential (Sitzmann and Yeo, 2013). Thus, stronger venture performance signals an abundance of promising alternative opportunities to family succession, thereby raising the perceived opportunity cost of redirecting one's EHC toward the family firm.

As a result, we expect that having owned higher-performing ventures will make entrepreneurial offspring less likely to redeploy their EHC through family succession. The more successful their independent venture, the more they stand to lose – economically and symbolically – by not further pursuing a career outside the family business. These individuals may be more inclined toward independent entrepreneurial endeavours, confident in their proven ability to successfully build and grow businesses on their own terms. In contrast, offspring with lower-performing ventures may perceive the family business as a relatively more attractive option, offering a more secure or rewarding context in which to apply their entrepreneurial skills. This leads to the following hypothesis:

> *Hypothesis 2a:* Among offspring with entrepreneurship experience, the performance of their own venture is negatively associated with their likelihood of becoming a successor in their family's business.

Venture industry dynamism and the opportunity costs of succession. The industry context in which an entrepreneurial venture operates, and in which the offspring thus developed their EHC, also shapes the opportunity costs that offspring face when considering succession. Specifically, operating in a dynamic industry – one characterized by rapid change, innovation, and shifting market conditions (Aldrich, 2008; Lumpkin and Dess, 2001) – can amplify the perceived value of an independent entrepreneurial career. In dynamic settings, EHC is often more highly rewarded, as success depends on adaptability, frequent opportunity recognition and pursuit, and fast execution (Dencker and Gruber, 2015; Marvel et al., 2016). These environments contain enduring growth potential and

promise greater future returns to entrepreneurial competencies. Additionally, having navigated a dynamic industry may enhance the offspring's confidence in their ability to thrive in similar contexts (Motley et al., 2023), and may make the often more stable and slower-moving environment of the family business appear less attractive by comparison (Hauswald et al., 2016).

Accordingly, entrepreneurial offspring who operated in dynamic industries may be less inclined to redeploy their EHC through succession. Their experience may foster a preference for dynamic environments and fast-paced innovation, making them more hesitant to enter a more established and potentially less agile organization (Hauswald et al., 2016). Moreover, the dynamism of their venture's industry may heighten their awareness of external entrepreneurial opportunities (Istipliler et al., 2025; Tang et al., 2012), and reinforce the appeal of remaining outside the family firm (see also Combs et al., 2023; Pittino et al., 2018). In contrast, entrepreneurial offspring whose ventures were situated in more stable, less dynamic industries may face fewer external pulls and thus perceive lower opportunity costs associated with succession. This leads us to formally state:

> *Hypothesis 2b:* Among offspring with entrepreneurship experience, the level of industry dynamism of their own venture is negatively associated with their likelihood of becoming a successor in their family's business.

Building on the opportunity cost mechanisms developed above, we now turn to the corresponding characteristics of the family business that may help reduce these costs. Specifically, we argue that the family firm's performance and its industry context can increase the relative attractiveness of succession, thereby encouraging the redeployment of offspring's EHC in the family firm despite the presence of attractive external alternatives.

Family business performance reduces opportunity costs of succession. The performance of the family business plays a critical role in shaping how attractive it appears to entrepreneurial offspring as a target for redeploying their EHC. A well-performing family business signals a stable and potentially rewarding context with higher economic returns (e.g., salary, dividends, equity value) and lower risk of failure (Sharma and Irving, 2005; Venter et al., 2005). These aspects matter because they directly affect the opportunity calculus of entrepreneurial offspring: the better the family firm is performing, the more compelling it becomes as an option relative to external opportunities (Giménez and Novo, 2020; Sharma and Irving, 2005). In this sense, high family business performance functions as an 'opportunity cost mitigation device' – it reduces the relative sacrifice associated with giving up independent career prospects (Mahto et al., 2020), thereby increasing the likelihood that offspring choose to (re)invest their EHC in the family firm (Parker, 2016).

This logic applies directly to the opportunity costs stemming from venture performance. As outlined in Hypothesis 2a, higher-performing ventures offer financial and symbolic rewards that make taking over the family business less attractive. However, if the family firm itself performs strongly, this may compensate for the financial and reputational sacrifices that succession would otherwise entail (Giménez and Novo, 2020). For

instance, a family business with strong profitability or growth may offer comparable or even superior long-term returns than an offspring could realize on their own (Sharma and Irving, 2005). Similarly, a thriving family firm may offer more legitimacy, reputational benefits, and influence than remaining outside the family business (Zellweger and Nason, 2008). In this way, we suggest that strong family business performance weakens the negative association between venture performance and succession likelihood by making the family firm a more attractive vehicle for entrepreneurial offspring to redeploy their EHC:

> *Hypothesis 3a:* Family business performance positively moderates (i.e., weakens) the negative association between the performance of the offspring's own venture and their likelihood of becoming a successor in their family's business.

A similar logic applies to the opportunity costs created by the offspring's entrepreneurship experience in dynamic industries. As detailed in Hypothesis 2b, operating in a fast-changing, innovation-driven environment can amplify the appeal of an independent entrepreneurial career (Spivack et al., 2014). Yet, if the family business itself is performing strongly, it may signal that it offers fertile ground for applying entrepreneurial capabilities, too. This is because a successful family firm is likely to have the resources, organizational slack, and credibility to support change initiatives or growth efforts – even if it operates in a less dynamic industry (Li et al., 2022; Liu et al., 2017). As such, we expect that strong family business performance reduces the perceived mismatch between the dynamic entrepreneurial environments the offspring has gained entrepreneurial experience in and the potentially more stable environment of the family firm. This should thus attenuate such opportunity costs, and thereby the negative relationship between industry dynamism and succession likelihood.

> *Hypothesis 3b:* Family business performance positively moderates (i.e., weakens) the negative association between the level of industry dynamism of the offspring's own venture and their likelihood of becoming a successor in their family's business.

Family business industry dynamism reduces opportunity costs of succession. The dynamism of the family firm's industry is another important factor that can shape how attractive succession appears to entrepreneurial offspring. Dynamic industries are characterized by fast-paced change, technological progress, and ongoing competitive pressure (Aldrich, 2008; Lumpkin and Dess, 2001). For individuals with EHC, such environments signal greater room for innovation, autonomy, and professional growth (Motley et al., 2023). If the family firm operates in such an environment, this may function as a contextual cue that the family firm also offers fertile ground for applying entrepreneurial competencies. By doing so, it lowers the perceived costs of redirecting one's career toward the family business.

This mitigating effect is particularly relevant when opportunity costs stem from the performance of the offspring's prior venture. As outlined in Hypothesis 2a, high venture

performance makes external career options more appealing and succession less likely. Yet, if the family business operates in a dynamic industry, this may signal future growth, innovation potential, and the need to explore new market opportunities and take calculated risks (Jaskiewicz et al., 2015) – aspects that are often highly valued by entrepreneurial individuals (Feng et al., 2022). Even if succession requires leaving behind a successful entrepreneurial venture, the dynamism of the family firm's industry may therefore suggest comparable potential for learning, growth, and achievement within the family firm. As a result, family business industry dynamism should weaken the negative association between venture performance and succession likelihood.

> *Hypothesis 4a:* Family business industry dynamism positively moderates (i.e., weakens) the negative association between the performance of the offspring's own venture and their likelihood of becoming a successor in their family's business.

A similar effect is expected when considering the opportunity costs rooted in the dynamism of the offspring's venture's industry. As discussed in Hypothesis 2b, offspring who operated in highly dynamic industries may develop preferences for fast-paced, innovative environments and be reluctant to engage in more stable settings (Hauswald et al., 2016). However, if the family business also operates in a dynamic industry, the perceived mismatch in work environments should be reduced (Feng et al., 2022; Hsu et al., 2017). This alignment may make succession appear less like a retreat from an entrepreneurial career and more like a continuation of it in a different setting (Lindbjerg and Vladasel, 2025). Thus, family business industry dynamism is expected to mitigate the perceived succession-related sacrifice of offspring who operated in highly dynamic environments, making succession more attractive.

> *Hypothesis 4b:* Family business industry dynamism positively moderates (i.e., weakens) the negative association between the level of industry dynamism of the offspring's own venture and their likelihood of becoming a successor in their family's business.

METHOD

Data

Data context. We conducted this study in the Swedish context for three main reasons. First, Sweden is known for its egalitarian and non-discriminating culture (The Economist, 2020; Wu et al., 2024; Yang et al., 2024). This should thus allow us to test our hypotheses free from potential gender and/or birth-order biases. Second, the conceptual logic of our study assumes both generations have agency in the succession decision – with succession taking place if, and only if, both parents' successor preferences and offspring's career preferences align. Sweden's low power distance and high levels of individualism (Hofstede, 2001) ensure our empirical setting closely fits these conceptual assumptions. Third, Statistics Sweden collects objective information

from official administrative records that allows it to track the entire Swedish population of individuals and firms across several decades.

Data origins. We relied on administrative records collected and maintained by Statistics Sweden, encompassing data on all companies, residents, and workers in Sweden from 1990 to 2019. We made use of four highly accurate and cross-compatible databases that have been extensively used in prior studies investigating entrepreneurship and family business dynamics (e.g., Chirico et al., 2020; Wu et al., 2024; Yang et al., 2024). First, using the RTB registry, we could identify all family ties in the total Swedish population. Second, by combining this information with the RAMS database, we could single out all known descendants of owner-managers. Third, using the LISA database, we could integrate our data with individual-level labour market data including their residence, educational level, and occupation. We combined this information with the RAMS database to obtain their salary, employers, and alternative income sources. Fourth, the FEK database, available from 1998, provides firm-level information concerning profitability, financing, and growth.

Sample. We considered intrafamily successions in Sweden between 2001 and 2019. Our observations start in 2001 because our industry dynamism variables were calculated based on the three previous years (i.e., 1998, the earliest available year, 1999, and 2000). 2019 is the last year for which data are available in general. We delimited the population to those cases in which an ownership transfer took place from parents to one or more of their offspring and in which parents discontinued their active involvement in the business while the offspring took over. Imposing a definitive parent–child ownership transfer as a sampling criterion ensures that parent–child succession was an ex-ante aspiration held by the family. In addition, it implies that we only consider intrafamily successions where offspring took over full responsibility from their parents. Also, we consider only intrafamily succession cases in families with more than one offspring. This is to ensure variation in our offspring-level dependent variable (i.e., them becoming a successor or not); also, we consider succession as a process where multiple siblings may compete for the successor role with prior entrepreneurship experience exercising a discriminant impact, which in single-child successions would be impossible to investigate. Following these selection criteria, we singled out 13,987 parent–child successions and 30,619 potential successors, of whom 14,355 actually took over the family business.[3] We identified 7778 potential successors with entrepreneurship experience. The study population is presented in Table II, which shows the distribution of the total number of intrafamily successions across years as well as the number of potential successors and the number of potential successors with entrepreneurship experience before and after the coarsened exact matching (CEM). Finally, we include descriptive statistics comparing family's and potential successors' business size before and after the CEM.[4]

Coarsened exact matching. The main reason for applying CEM is that given the nature of the data, individuals who became entrepreneurs may differ systematically from those who did not, introducing potential selection bias. CEM allows to improve the balance

Table II. Sample breakdown by year and firm size

	Successions	*Potential successors*	*Offspring with entrepreneurship experience*	*Offspring with entrepreneurship experience (after match)*	*Before match*[a]		*After match*[a]	
					Family business size	*Offspring's business size*	*Family business size*	*Offspring's business size*
Years								
2001	462	1151	406	271	11.87 (0.82)	12.73 (1.17)	12.68 (1.41)	11.57 (1.12)
2002	639	1586	622	418	11.73 (1.11)	11.23 (0.50)	10.40 (0.50)	10.78 (0.63)
2003	585	1346	376	271	8.82 (1.25)	7.97 (0.33)	8.34 (0.42)	10.02 (0.75)
2004	1619	3929	1157	749	11.29 (0.68)	12.54 (1.09)	12.35 (1.09)	16.35 (2.20)
2005	906	2523	689	389	22.45 (6.18)	8.65 (0.42)	25.88 (10.63)	11.61 (1.01)
2006	835	1835	561	343	14.17 (3.47)	10.43 (1.06)	21.37 (8.14)	11.03 (0.94)
2007	834	1856	445	254	12.26 (3.42)	9.53 (0.60)	18.50 (8.89)	10.19 (1.07)
2008	712	1316	340	192	19.68 (6.83)	7.33 (0.34)	30.29 (14.91)	8.81 (0.60)
2009	654	1281	329	198	8.48 (0.47)	7.95 (0.44)	9.09 (0.75)	8.42 (0.58)
2010	669	1411	306	173	16.78 (6.14)	8.61 (0.48)	20.88 (11.57)	10.62 (0.82)
2011	808	1710	323	164	8.06 (0.51)	8.05 (0.55)	10.59 (1.21)	12.99 (1.95)
2012	670	1238	239	126	20.95 (7.85)	7.28 (0.37)	35.59 (19.25)	9.26 (1.26)
2013	609	1152	208	120	23.83 (9.29)	7.61 (0.51)	47.99 (27.35)	6.92 (0.72)
2014	638	1034	48	0	28.84 (10.77)	9.21 (0.66)	32.84 (34.31)	0.00 (0.00)
2015	614	1107	258	80	19.11 (7.92)	8.10 (0.44)	66.22 (40.88)	6.84 (1.39)
2016	573	1024	284	75	26.46 (10.34)	8.81 (0.65)	39.76 (30.85)	10.72 (3.55)
2017	705	2588	670	164	21.29 (7.68)	9.30 (0.99)	31.27 (19.59)	9.02 (1.96)
2018	827	1301	248	82	9.60 (1.08)	8.70 (0.53)	12.72 (5.21)	5.12 (0.79)
2019	628	1231	269	68	8.55 (1.01)	7.61 (0.62)	10.83 (2.84)	5.13 (1.00)
Total	13,987	30,619	7778	4137				

[a]Values calculated in the year of succession; indicated are mean and SD (in parentheses).

between potential successors with and those without entrepreneurship experience, ensuring that observable background characteristics do not drive differences in succession likelihood; we adopted CEM in Stata 18 (Blackwell et al., 2009; Iacus et al., 2009). CEM mitigates causal estimation error, selection bias, endogeneity concerns, and model dependence (Blackwell et al., 2009; De Figueiredo et al., 2013). Using k-to-k matching, CEM identifies and matches comparable individuals. The choice of the matching variables allowed us to hold these covariates constant while studying our variables of interest.

Specifically, we chose the following matching variables: age, gender, level of education, municipality of residence, number of siblings, and year of succession. First, as the age of a person relates strongly to the time they have been able to work, it should also relate to the likelihood they have engaged in entrepreneurial activity at some point in their life (Zhao et al., 2021). Second, women have lower participation rates in entrepreneurial activity (Guzman and Kacperczyk, 2019) and are generally less likely to become a successor in their family's firms (Nelson and Constantinidis, 2017). Therefore, by matching the gender of potential successors, we could further distinguish the effect of having gained entrepreneurship experience from the possible influence of self-selection into entrepreneurship along with gender bias in the succession process. Third, educational attainment partially reflects levels of cognition (Ritchie and Tucker-Drob, 2018). As such, the educational choices of potential successors relate to the likelihood of succession and of engaging in entrepreneurial activity. Fourth, culture and attitudes toward entrepreneurship are likely to differ across regional contexts (Bird and Wennberg, 2014). Hence, by matching the municipality of residence, we adjust for context heterogeneity. Fifth, whether offspring become a successor or not could be influenced by the number of potential successors available (see De Massis et al., 2016); we thus matched by the number of siblings. Lastly, the succession process is likely to be influenced by time-specific factors, such as business cycles or policy changes (Handler and Kram, 1988). Thus, we also matched the year of succession. The operationalization of the matching variables is described in Table A1 in the Appendix. The matching procedure selected 8274 potential successors – 4137 with entrepreneurship experience and 4137 matched ones without. Table III presents the aggregate statistics for all potential successors prior to and after the matching procedure, summarizing their key characteristics. As also explained below, the descriptive statistics are calculated using observations up to, but not after, succession.

Dependent Variable: Successor (Event Indicator)

To measure whether an offspring becomes a successor, we made use of longitudinal data on each offspring, their occupation, and the organization in which they are working. Following Wennberg et al. (2011), we identified parent–child succession when one or both parents exit ownership/management from one year to another and the offspring enters ownership/management. Accordingly, we set *Successor* = 1 in the first year the offspring is recorded as an active owner-manager in the family's firm (0 otherwise). This is denoted in the LISA database as 'the person is working in their own limited liability firm'. To qualify for this category, the person must have ownership

Table III. Descriptive statistics before and after the CEM

	Before match[a]				*After match*[a]			
	Offspring without entrepreneurial experience		*Offspring with entrepreneurial experience*		*Offspring without entrepreneurial experience*		*Offspring with entrepreneurial experience*	
	Mean	*S.D.*	*Mean*	*S.D.*	*Mean*	*S.D.*	*Mean*	*S.D.*
Control variables								
Tenure at family firm	3.46	4.88	4.37	6.27	3.55	5.02	4.29	6.66
Total outside employment experience	3.97	3.53	2.30	2.78	4.34	3.72	2.37	2.84
Skill relatedness	0.98	0.56	1.75	0.47	1.01	0.55	1.74	0.49
Birth order	1.88	1.04	1.72	0.93	1.84	1.00	1.70	0.90
Parents' age	57.33	7.96	59.90	7.79	60.04	7.21	58.87	7.20
Parents' education	11.76	3.67	10.41	2.93	10.84	3.33	10.50	2.95
Family firm's age	12.61	0.07	9.81	0.08	10.71	9.16	9.51	8.47
Family firm's Altman Z-score	5.15	4.44	4.92	4.55	5.08	4.49	4.93	4.55
Family firm's industry munificence	-0.03	0.14	-0.04	0.14	-0.04	0.12	-0.04	0.14
Matching variables								
Offspring's age	28.31	8.53	32.24	8.24	30.63	7.58	30.99	7.52
Offspring's education	12.15	2.94	11.72	1.99	12.15	2.15	11.89	1.84
Offspring's gender	0.54	0.50	0.24	0.43	0.30	0.48	0.26	0.44
Number of siblings	2.37	1.52	2.12	0.66	2.18	0.89	2.12	0.65

[a]Values calculated in the year of succession.

stakes and engage actively in the management of the business.[5] After this first event year, we removed all post-event person-years of the successor, as well as those of their non-succeeding siblings, from the dataset as the family firm is no longer at risk of succession. Thus, after a succession event, there are no further observations on any of the family's offspring left in the data.

Independent Variables

Entrepreneurship experience. We measured offspring's entrepreneurship experience as whether a potential successor has been an owner of a privately-held business not also (previously) owned by their parents. This definition is consistent with previous literature relating prior entrepreneurship experience to private business ownership (see Ucbasaran et al., 2010). Following Naldi et al. (2020), we dummy-coded the variable as 1 if the offspring engaged in an entrepreneurial activity between 1990 and the year of the matching (0 otherwise).

Offspring's venture's performance. In the subsample of offspring with entrepreneurship experience (i.e., for whom the variable described above is coded 1), we measured the average performance of businesses that passed the revenue threshold for having to report balance sheet information relative to industry peers during their years of operation (with 1998 as earliest available year). Specifically, following Dong (2021), the measure calculates the difference in return on assets (ROA) between the firm and the average within its industry (five-digit SNI code), weighing in both the present year value and the historical values.[6] The variable refers to the performance of the offspring's latest recorded firm. In cases where more than one firm had been recorded in the last year of entrepreneurial activity, the measure refers to the firm that constituted the largest source of income for the entrepreneur in that year (salary and dividends).

Offspring's venture's industry dynamism. In the same subsample, industry dynamism was calculated as the average standard error of regression slopes of time against sales in the offspring's venture's industry (four-digit NACE code) over the preceding three-year period (Keats and Hitt, 1988).

Moderating Variables

Family firm performance. Using the same approach as for the offspring's venture performance, also the performance of the family firm was measured relative to its respective industry average. In line with Dong (2021), we computed the weighted difference between the past two years' ROA of the firm and the corresponding average within their respective five-digit industry (SNI).

Family firm's industry dynamism. As for the offspring's venture, dynamism in the family firm's industry was calculated as the average standard error of regression slopes of time against sales in the family firm's industry (four-digit NACE code) over the preceding three-year period (Keats and Hitt, 1988).

Control Variables

In relation to the offspring, we control for potential confounding effects of other, more traditional indicators of human capital in potential successors, using two measures: tenure at the family's firm – the number of years for which the potential successor has taken paid employment in their family's firm (Murphy and Lambrechts, 2015), and total outside employment experience – referring to the number of years offspring engaged in paid employment in organizations outside the family firm (Jaskiewicz et al., 2015). Then, to adjust for the transferability of the offspring's overall human capital to the family business, we control for skill relatedness – referring to the median value of skill relatedness between the offspring's historical places of work and the family firm, measured following Neffke and Henning (2013) on the five-digit industry level (SNI). Furthermore, to account for the potential impact of birth order among siblings even in our Swedish context (Calabrò et al., 2018), we add a count variable that takes value 1 if the individual is the first born, 2 for the second born, etc.

Regarding the parental family firm owners, we controlled for their age and education. Parents' age refers to the age of the parent owning the business. When both parents are owner-managers of the same business, it refers to their average age; when they are owner-managers of separate businesses, it refers to the age of the parent in the largest organization (i.e., number of employees). Parents' education refers to the parents' number of years of educational attainment (Ucbasaran et al., 2003) and refers to the parent engaged as an owner-manager. When both parents are owner-managers of the same firm, it refers to their average years in education; when they are owner-managers of separate firms, it refers to the length of education of the parent in the largest firm (i.e., number of employees).

Lastly, we control for the characteristics of the family firm in terms of firm age, measured using the registration date of the firm in Swedish registries, and Altman Z-score. The Altman Z-score has proven to be a robust and accurate tool for predicting financial distress and financial performance (see Gómez-Mejia et al., 2023) and was thereby included as a complement to the performance relative to the industry average of the family firm.[7] Also, we accounted for the family firm's industry – measured at the two-digit industry level (SNI),[8] and the family firm's industry munificence. The latter was computed by averaging the coefficients of regression slopes of time against sales in the family firm's industry (4-digit NACE code) over the preceding three-year period, as used for the industry dynamism calculations (Keats and Hitt, 1988).

Analysis

Survival analysis. We employed a Cox proportional hazards model to test our hypotheses on the population obtained from the CEM. This analytical method estimates the probability of an event occurring based on the values of the independent variables (Cox, 1972; Spruance et al., 2004). The Cox proportional hazards model is able to account for biases that might occur because of data censoring at the end of the study (right censoring; see Moss et al., 2015). In our study, the Cox model thus estimates the association of the independent variables with the offspring's probability of becoming a successor while accounting for right censoring. Coefficients in these regression models take the form of hazard ratios. In our case, if the reported hazard ratio is below 1, the predictor is associated with a lower probability of the offspring becoming

a successor, while a hazard ratio above 1 associates with an increased probability of the offspring becoming a successor.

Risk set and time scale. We estimate Cox proportional hazards models on annual person-year data. For each potential successor i, time at risk begins in the first calendar year i is observed in our registers (no earlier than 1990) and ends at the earliest of: (i) the first calendar year i becomes a successor (event), (ii) the calendar year a sibling of i becomes the successor in the family firm (firm-level risk ends), (iii) attrition from administrative registers, or (iv) end of data availability (2019). Observations ending due to (iii) or (iv) are right-censored. Consistent with this setup, no post-succession rows are included in the estimation sample; individuals (and their siblings) exit the risk set at succession.

Controlling for endogeneity. Offspring's entrepreneurship experience may be endogenous to their succession likelihood, potentially influenced by unobserved factors such as succession anticipation or unmeasured family firm dynamics. Although our dependent variable – becoming a successor – is lagged and our use of CEM addresses prominent endogeneity concerns (Wooldridge, 2012), we further employed an instrumental variable approach to empirically correct for potential bias. Specifically, we implemented a two-stage residual inclusion (2SRI) model as recommended in non-linear contexts (Terza et al., 2008). Following the approach adopted by Patel et al. (2018), in the first stage, we used two proxies for regional startup activity to predict entrepreneurial experience, leveraging exogenous variations in the entrepreneurial environment. The first one is calculated as the number of new firms divided by the total number of firms in the respective municipality; the second one is the number of new firms divided by the population in the respective municipality (i.e., the number of persons in the municipality's workforce) (Fritsch and Mueller, 2004). These proxies are theoretically justified as strong predictors of entrepreneurial entry. Higher regional startup activity reflects more vibrant entrepreneurial ecosystems which foster social exposure to entrepreneurship, increase perceived feasibility and desirability of venturing (e.g., Acs et al., 2014), and provide greater structural support for nascent entrepreneurs. At the same time, these regional proxies are unlikely to directly influence family business succession. Succession is typically shaped by intrafamily dynamics, individual competencies, and firm-level considerations, rather than regional entrepreneurial conditions. Furthermore, our matching procedure already adjusts for municipality of residence and family composition, reducing potential omitted variable bias. Thus, the instruments should not correlate with the error term in the second-stage regression. In the second stage, we included the residuals from this first-stage regression as controls in our main model, labelled as *endogeneity score*, ensuring that the component of entrepreneurship experience used in the estimation is not confounded by succession anticipation.

RESULTS

Correlations

The descriptive statistics and pairwise correlations in the sample obtained from the CEM are presented in Table IV. In line with our predictions, we observe a strong correlation of

Table IV. Descriptive statistics and correlations for matched sample

Variable	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*
1. Successor	0.21	0.41														
2. Entrepreneurship experience	0.26	0.44	0.65													
3. Offspring's venture's performance	0.16	0.19	−0.04	0.00												
4. Offspring's venture's industry dynamism	0.05	0.07	−0.04	−0.01	−0.06											
5. Family firm's performance	1.28	0.96	−0.06	−0.10	0.44	−0.03										
6. Family firm's industry dynamism	0.06	0.11	0.01	0.01	−0.02	0.07	0.02									
7. Tenure at family firm	3.92	5.84	0.43	0.42	−0.12	−0.05	−0.11	−0.01								
8. Total outside employment experience	13.88	13.45	−0.18	−0.24	0.02	0.02	0.12	−0.01	−0.29							
9. Skill relatedness	1.26	0.65	0.36	0.38	−0.09	−0.02	−0.08	−0.00	0.56	−0.29						
10. Birth order	1.88	1.00	−0.01	−0.00	0.00	0.00	−0.01	−0.01	−0.03	0.03	−0.00					
11. Parents' age	57.89	7.87	0.20	0.26	−0.01	0.01	−0.07	0.02	−0.01	−0.08	−0.00	0.11				
12. Parents' education	11.11	3.33	−0.11	−0.13	−0.01	0.07	0.24	0.05	−0.15	0.04	−0.16	−0.00	−0.02			
13. Family firm's age	13.77	9.37	−0.04	−0.04	0.01	0.01	0.10	−0.00	−0.06	0.01	−0.05	0.01	0.06	0.09		
14. Family firm's Altman Z-score	5.14	4.61	0.02	0.00	0.09	−0.02	0.18	0.01	−0.05	0.05	−0.01	0.03	−0.03	−0.03	−0.04	
15. Family firm's industry munificence	−0.04	0.13	0.02	0.01	−0.02	0.01	−0.02	−0.73	−0.00	0.00	−0.02	0.01	0.02	0.02	0.01	−0.01

Note: Correlations with values of |0.01| or greater are significant at $p < 0.05$.

the offspring's entrepreneurship experience and becoming a successor in the family business (r = 0.65). Variance inflation factors (VIFs) show that multicollinearity among our explanatory variables was not a concern, as all coefficients were below the cutoff of 5 (O'Brien, 2007).

Hypothesis Testing

Table V presents the results of our survival analyses on the sample obtained from the CEM, with Models 1 and 2 estimated on the full matched sample, and Models 3-8 on the subsample of offspring with entrepreneurship experience. As shown in Model 2, offspring with entrepreneurship experience are approximately 83 per cent more likely to become successors than offspring without entrepreneurship experience (hazard ratio = 1.833; p = 0.000). Therefore, Hypothesis 1 is supported. Looking at Model 3, we find support for Hypothesis 2a, since we can observe a coefficient significantly lower than 1 (hazard ratio = 0.744; p = 0.006), indicating that an entrepreneurial offspring's venture's performance is negatively associated with their likelihood of becoming a successor. In other words, each percentage point with which the offspring's venture outperforms the respective industry peers (in terms of ROA) reduces their likelihood of becoming a successor by approximately 25.6 per cent. Model 4 shows non-significant results for offspring's venture's industry dynamism (hazard ratio = 0.817; p = 0.703), rejecting Hypothesis 2b. Moving toward the proposed moderation effects of family business performance, Model 5 indicates that the interaction coefficient (with offspring's venture performance) is not significant (hazard ratio = 0.991; p = 0.833), rejecting Hypothesis 3a. Model 6, in turn, shows a positive and significant interaction with offspring's venture's industry dynamism (hazard ratio = 4.298; p = 0.014), supporting Hypothesis 3b. Turning to the expected moderation effects of the family firm's industry dynamism, Model 7 (hazard ratio = 0.568; p = 0.757) and Model 8 (hazard ratio = 0.000; p = 0.062) present non-significant results for the interaction terms. Thus, we need to reject both Hypotheses 4a and 4b.

Figure 1 visualizes the interaction calculated in Model 6, as it plots the marginal effects of the offspring's venture's industry dynamism on the relative hazard of an offspring becoming a successor at different levels of family firm performance. We can clearly see the absence of a main effect of the offspring's venture's dynamism because the line at the mean level of family firm performance is almost completely flat. Instead, the effect is fully contingent on the family firm's performance, as demonstrated by steepening upward (downward) sloping lines at values of family firm performance increasingly above (below) the mean.

Robustness Tests

Starting with our entrepreneurship experience construct, we developed a continuous variable by considering the entrepreneurial tenure of a potential successor. We calculated a count variable that adds 1 for each year an individual was registered as an independent entrepreneur (i.e., a business owner) in the LISA database between 1990 (the first year available in our database) and the focal year (ranging from 2001 to 2019). We found results consistent with those in Table V (Model 2). We also calculated an alternative binary variable, proxied by the median value of entrepreneurial status – that is, whether a person has been an independent entrepreneur for the majority of the period – obtaining consistent results.

Table V. Survival analysis: Entrepreneurship experience and offspring's likelihood of becoming a successor

		Model 1		*Model 2*		*Model 3*		*Model 4*		*Model 5*		*Model 6*		*Model 7*		*Model 8*	
CVs	Tenure at family firm (log)	1.592	***	1.576	***	1.494	***	1.491	***	1.480	***	1.475	***	1.491	***	1.491	***
		(0.018)		(0.017)		(0.055)		(0.055)		(0.054)		(0.054)		(0.055)		(0.055)	
	Total outside empl. experience (log)	0.965	***	0.967	***	0.967	***	0.967	***	0.967	***	0.968	***	0.967	***	0.967	***
		(0.002)		(0.002)		(0.007)		(0.007)		(0.007)		(0.007)		(0.007)		(0.007)	
	Skill relatedness (log)	4.238	***	3.761	***	3.215	***	3.148	***	2.827	***	2.816	***	3.204	***	3.208	***
		(0.066)		(0.055)		(0.155)		(0.156)		(0.147)		(0.153)		(0.157)		(0.159)	
	Birth order	0.780	***	0.776	***	0.912	***	0.912	***	0.916	***	0.914	***	0.911	***	0.910	***
		(0.005)		(0.005)		(0.017)		(0.017)		(0.017)		(0.017)		(0.017)		(0.017)	
	Parents' age	1.117	***	1.113	***	1.096	***	1.095	***	1.092	***	1.091	***	1.095	***	1.095	***
		(0.006)		(0.006)		(0.020)		(0.020)		(0.020)		(0.020)		(0.020)		(0.020)	
	Parents' education	1.013	***	1.015	***	1.042	***	1.042	***	1.035	***	1.038	***	1.043	***	1.043	***
		(0.003)		(0.003)		(0.009)		(0.009)		(0.009)		(0.009)		(0.009)		(0.009)	
	Family firm's age (log)	0.980	***	0.982	***	0.988	*	0.987	*	0.989	*	0.987	*	0.988	*	0.987	*
		(0.002)		(0.002)		(0.005)		(0.005)		(0.005)		(0.005)		(0.005)		(0.005)	
	Family firm's Altman Z-score	1.019	***	1.016	***	1.008		1.006		1.002		1.002		1.008		1.006	
		(0.001)		(0.001)		(0.005)		(0.005)		(0.005)		(0.005)		(0.005)		(0.005)	
	Family firm's industry munificence	1.840	***	1.880	***	1.553	**	1.565	**	1.519	**	1.575	**	1.116		1.190	
		(0.088)		(0.090)		(0.226)		(0.229)		(0.216)		(0.233)		(0.271)		(0.288)	
IVs	Entrepreneurship experience (H1)			1.833	***												
				(0.027)													
	Offspring's venture's performance (H2a)					0.744	**			0.409	***			0.758			
						(0.079)				(0.076)				(0.114)			
	Offspring's venture's industry dynamism (H2b)							0.817				0.167				2.081	
								(0.434)				(0.158)				(1.149)	
	Family firm's performance									1.290	***	1.085	*				
										(0.037)		(0.037)					
	Family firm's industry dynamism													0.630		1.234	
														(0.239)		(0.535)	

(Continues)

Table V. (Continued)

		Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*
Interactions	Offspring's venture's performance × Family firm's performance (H3a)					0.991			
						(0.062)			
	Offspring's venture's industry dynamism × Family firm's performance (H3b)						4.298 *		
							(2.538)		
	Offspring's venture's performance × Family firm's industry dynamism (H4a)							0.568	
								(1.040)	
	Offspring's venture's industry dynamism × Family firm's industry dynamism (H4b)								0.000
									(0.000)
	Endogeneity Score	0.353 ***	0.342 ***	0.347 ***	0.351 ***	0.359 ***	0.364 ***	0.349 ***	0.350 ***
		(0.014)	(0.014)	(0.046)	(0.047)	(0.048)	(0.048)	(0.046)	(0.046)
	AIC	585,155.80	583,316.20	54,669.85	54,677.60	54,571.00	54,625.72	54,616.88	54,620.84
	BIC	585,248.00	583,417.06	54,757.84	54,755.58	54,663.17	54,717.88	54,709.04	54,713.00
	Number of observations	73,652 (F)	73,652 (F)	8806 (S)	8806 (S)	8806 (S)	8806 (S)	8806 (S)	8806 (S)

Notes: Potential successors with and without entrepreneurship experience are matched by age, gender, level of education, municipality of residence, number of siblings, and year of succession. The regressions also control for family firm industry (two-digit level). Models 1-2 are calculated on the full sample (F) and Models 3-8 on the subsample with entrepreneurship experience (S). Coefficients are hazard ratios; robust standard errors are in parentheses.

*p < .05.

**p < .01.

***p < .001.

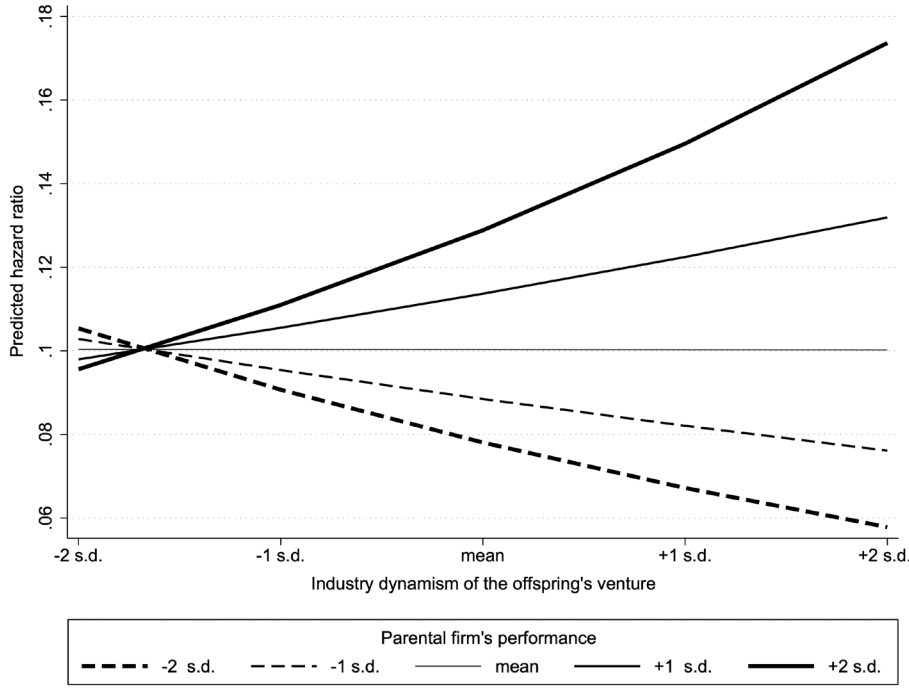

Figure 1. Interaction effect of family firm performance and dynamism in the entrepreneurial offspring's industry

Then, we delved deeper into the type of entrepreneurship experience offspring have gained by controlling for serial and portfolio entrepreneurship (Westhead et al., 2005). We calculated serial entrepreneurship by computing a count variable that accounts for the number of firms that potential successors owned between 1990 and the matching year, and we computed portfolio entrepreneurship as a count variable that accounts for the total number of firms owned by potential successors each year. Again, the results of our analysis were consistent, confirming the signs and significance levels. Also, we considered an alternative measure of the offspring's venture's performance by using employee growth, calculated as the percentage increase of the number of employees between the year t–2 and the year t–1. The results are consistent with the main analyses in relation to H2a, H3a, and H4a.

Furthermore, to verify the relevance of EHC over and above other, more traditional human capital sources, we ran our analyses using education as an alternative human capital indicator instead (Becker, 1964; Schultz, 1961). Specifically, we used years of education (i.e., one of our matching criteria) instead of entrepreneurship experience and re-ran our analyses. We found neither a direct effect on succession likelihood nor any significant interactions with our opportunity cost variables in the subsample of entrepreneurial offspring.

Finally, to validate the matching procedure, we ran our analyses on the full unmatched population, whereby we included our matching variables age, gender, level of education, municipality of residence, number of siblings, and year of succession as control variables. The coefficient for the offspring's venture's performance (H2a) becomes non-significant (i.e., point estimate closer to 1; standard errors are comparable to the matched model),

and the interaction related to Hypothesis 3b is only marginally significant. Given that the standard errors are similar while the hazard ratios shift toward the null, this reduction of significance reflects attenuation due to residual imbalance rather than noisier estimates. This indicates that relying on the matched specification, where covariates are balanced, in our main analysis is meaningful.[9]

DISCUSSION

Our study set out to demonstrate the importance of theorizing family business succession as a dual-agency process when examining the implications of offspring's early-career experiences. Building on human capital theory and opportunity cost logic, we use early-career entrepreneurship as a particularly revealing case to show how the same experience can simultaneously enhance offspring's attractiveness as successors in the eyes of their parents while reducing their own willingness to pursue succession.

Specifically, we suggest that entrepreneurship experience enhances offspring's attractiveness as successors by building valuable EHC that signals readiness for ownership and leadership (Lazear, 2004; Rieger et al., 2023). Yet, it may simultaneously broaden their perceived set of attractive career alternatives, increasing the opportunity costs of joining the family business (Giménez and Novo, 2020; Mahto et al., 2020). Our findings based on a comprehensive dataset of Swedish potential family business successors support this logic. Entrepreneurship experience increases the overall likelihood that offspring eventually become successors in their family's firm. However, this effect weakens when the offspring's own venture's performance is strong and thereby raises the opportunity cost of succession. Furthermore, the opportunity costs of succession associated with gaining entrepreneurship experience in dynamic, opportunity-rich industries are fully contingent on family business performance. Only when the family business performs particularly strongly, redeploying EHC gained in a dynamic entrepreneurial environment in the family firm becomes more appealing; and only when it performs particularly poorly, it becomes less so.

With these insights, we illuminate how early-career experiences shape succession not only through the competencies they build, but also through the opportunity structures they create. This lays the groundwork for several valuable contributions to the literature on family business succession.

Contributions to the Family Business Succession Literature

Our central theoretical contribution to the literature on family business succession lies in promoting a dual-agency perspective on succession. We do so by demonstrating that offspring's early experiences can have dual and partly conflicting implications for succession when considering both the parents' and the offspring's perspectives. Whereas prior research has typically examined what makes offspring either *attractive* successors to parents (e.g., Ahrens et al., 2015; Chrisman et al., 1998; Richards et al., 2019; Schlepphorst and Moog, 2014), or *willing* to succeed themselves (e.g., Lee et al., 2019; Marques et al., 2022; Parker, 2016), our findings show that the same experience can pull these dimensions in opposite directions. This 'dual-agency' perspective extends succession research beyond additive explanations of successor selection, offering a framework for understanding how early-career experiences

may simultaneously promote and inhibit intrafamily succession. By modelling both selection and choice mechanisms, our study thus extends prior work that implicitly recognized the importance of both generations' roles in succession but rarely accounted for their joint influence in explaining succession outcomes (e.g., De Massis et al., 2008; Schell et al., 2020; Venter et al., 2005). In particular, integrating human capital and opportunity cost perspectives provides a conceptual lens that helps explain why certain successor characteristics may not have uniformly positive effects. Entrepreneurship experience provides a particularly revealing illustration of this logic: it can strengthen attractiveness for succession while also expanding alternative career opportunities.

A second, empirical contribution of our study to the family business succession literature lies in challenging prior work largely framing entrepreneurship and succession as mutually exclusive career choices. Titles such as 'Should I stay or should I go?' (Zellweger et al., 2011), 'Founding or succeeding?' (Hahn et al., 2021), or 'Fly away from the nest?' (Pittino et al., 2018) reflect this bifurcation and imply that the act of creating one's own venture directly translates into a renouncement of any future involvement in the family business. By introducing entrepreneurship experience as a highly relevant but previously overlooked developmental path for future family business successors, we question this dichotomy as we show that early-career entrepreneurship can, in fact, serve as a pathway toward succession. On average, entrepreneurship experience increases the likelihood that offspring eventually become successors in their family's business, suggesting that such experiences can help prepare them for ownership and managerial responsibilities rather than diverting them from the family firm. As such, this insight expands the range of recognized succession preparation routes beyond the traditional focus on formal education, structured work experience, or staged involvement in the family firm (e.g., Ahrens et al., 2019; Murphy and Lambrechts, 2015; Sardeshmukh and Corbett, 2011). Entrepreneurship develops a distinctive bundle of capabilities (i.e., EHC) that appears highly valued in the family business context, complementing rather than replacing other forms of preparatory human capital. By empirically demonstrating the positive, though contingent, effect of entrepreneurship experience on succession, our study therefore broadens prevailing assumptions about how offspring best develop into successors.

Third, we contribute to the family business succession literature more broadly, by bridging it with the previously rather isolated debate on transgenerational entrepreneurship (e.g., Habbershon et al., 2010; Jaskiewicz et al., 2015; Zellweger et al., 2012). Specifically, our study highlights the value of examining entrepreneurial activities at the business family – not just the family business – level of analysis (Habbershon et al., 2010; Jaskiewicz et al., 2015; Zellweger et al., 2012). It shows that entrepreneurial venturing among next-generation family members can serve not just individual ambitions but also the long-term continuity and renewal of more established family enterprises. As such, entrepreneurial career steps outside the family firm should be seen as investments in the broader entrepreneurial potential of the business family, rather than as signs of detachment or rupture (cf. Combs et al., 2023). This insight reinforces prior calls to cultivate entrepreneurship in business families beyond the founding generation (Kellermanns and Eddleston, 2006; Nordqvist et al., 2013; Zahra, 2018). Moreover, it extends and generalizes insights from recent qualitative work by showing that parents systematically value next-generation family members' experimentation with entrepreneurship in contexts

where early-stage 'growing pains' do not directly disrupt the family's core business (Bearzi et al., 2025; Ramirez-Pasillas et al., 2021; Wiedeler and Kammerlander, 2021).

Taken together, these contributions underscore that understanding succession outcomes requires theorizing not only what experiences offspring accumulate, but how those experiences simultaneously reshape incentives on both sides of the intergenerational divide.

Future Research Directions

Our findings open important avenues for future research. Future research might, for instance, further explore how entrepreneurial experience interacts with other developmental trajectories, and under what circumstances it most effectively equips next-generation members for family business succession. Beyond examining the developmental effects of entrepreneurship, future research could also delve more deeply into the decision-making processes and theoretical mechanisms underlying offspring's succession willingness. Our framework suggests that the appeal of succession is shaped not only by objective opportunity structures, but also that the evaluation of the family business as a career option by potential successors may vary across time, depending on their evolving experiences and external opportunities. Longitudinal studies could therefore explore how offspring interpret and compare the attractiveness of succession relative to alternative career paths as they progress through key formative stages outside the family sphere – such as their education, early employment elsewhere, or, as in our study, founding their own ventures. Understanding how these perceptions shift over time, and what cues or experiences prompt renewed interest or disengagement from succession, would provide valuable insight into the micro-foundations of the dual-agency process we identified. It may also be fruitful to examine how family business incumbents, advisors, or mentors can shape or support these evolving frames – for instance, by helping offspring integrate entrepreneurial learning into their sense of what it would mean to lead the family firm (e.g., Li et al., 2025).

On a more general level, our dual-agency perspective on family business succession may inspire research in other fields in which investments in human capital simultaneously shape individuals' usefulness within a given context and the attractiveness of external opportunities available to them. Such dynamics may arise, for instance, when organizations invest in employees' human capital through executive education, international assignments, or leadership development programs. This may enhance their value to the organization by building firm-specific human capital (Coff and Raffiee, 2015), yet simultaneously increase their attractiveness in external labour markets through gains in more easily transferable general competencies (Funk, 2025). In such cases, the very investments that strengthen internal fit may also raise the opportunity costs of remaining, creating tensions that cannot be fully understood from either side of the relationship in isolation.

In addition, while we show that early-career entrepreneurship can build human capital valued within potential successors, much remains unknown about how these competencies are leveraged – or, when necessary, restricted – within the family firm context during and after generational transitions. Future qualitative work may therefore explore the mechanisms through which the particular skills and competencies of offspring with an entrepreneurial past are integrated into the family firm's existing structures and operations, and under what conditions they are encouraged, modified,

or suppressed to fit existing organizational logics. For example, how do incumbent leaders and other family members perceive and respond to entrepreneurial initiatives introduced by successor offspring? Under what conditions are entrepreneurial competencies treated as a resource versus a threat to organizational continuity? How do entrepreneurial successors themselves reconcile their entrepreneurial identity and competence with expectations to conform to established family business norms (see Nielsen and Gish, 2024)? Addressing such questions would enrich our understanding of the dynamic and sometimes contested integration of EHC into established family businesses (Jaskiewicz et al., 2015).

Quantitative scholars may examine potential post-succession performance differences related to installing successors with more versus less, or with different configurations of EHC. We therefore encourage scholars to examine possible differences in terms of post-succession entrepreneurial initiatives as well as their economic and/or non-economic outcomes (see also Minichilli et al., 2014; Zybura et al., 2021). In addition, quantitative work may seek to use primary data to explicitly capture our theorized opportunity cost mechanism underlying succession decisions.

Lastly, future research would benefit from further integrating succession research with theories of transgenerational entrepreneurship (Jaskiewicz et al., 2015) to better capture how entrepreneurial capabilities are cultivated across generations and how they influence both family and firm-level outcomes over time. In doing so, taking on a portfolio perspective distinguishing families' legacy businesses from their more entrepreneurial satellite ventures could be fruitful (see Sieger et al., 2023).

Implications for Practice

Our findings suggest that early-career entrepreneurship can constitute a valuable asset for family business succession. For offspring of business owners, this implies that launching a new venture need not be seen as incompatible with eventually returning to the family firm. However, it is important to consider that its implications are not universally positive or negative. Entrepreneurship experience may make offspring more attractive successors, yet succession might appear less attractive to entrepreneurial offspring themselves – particularly when their venture has been very successful and alternative opportunities outside the family firm are abundant. At the same time, a strongly performing family business can be a more compelling destination, as it offers greater rewards for offspring that would otherwise be attracted to more dynamic environments. Parents and offspring considering an entrepreneurial career may therefore benefit from engaging in open, balanced conversations around succession. These should focus on whether, why, and to what degree parents regard offspring as attractive successors, and how attractive succession appears to offspring in turn. In particular, offspring should be transparent about their alternative career considerations, and whether eventually redeploying their entrepreneurial capabilities in the family business might appear most meaningful to them. More broadly, in line with a transgenerational entrepreneurship perspective, families can benefit from recognizing entrepreneurial activity as a potential contribution to their own long-term vitality, even when it occurs outside the core business. Rather than viewing entrepreneurship

as a departure from the family legacy, it can be viewed as a meaningful developmental path that expands the family's entrepreneurial potential and may open future opportunities within or beyond the established firm.

Our study also has implications for entrepreneurship educators. As many students come from business-owning families (see GEM, 2023), educators should encourage them to reflect on how their entrepreneurial interests relate to their family business succession aspirations. Doing so requires acknowledging that early-career entrepreneurial experience not only builds valuable skills but will also shape their perceptions of career alternatives. Curriculum design and career guidance should therefore help students assess how the competencies and opportunities they may gain through entrepreneurship relate to the potential rewards of joining the family firm. In this way, educators can better support non-linear career paths that recognize the developmental value of entrepreneurship while keeping open the option of returning to the family business after independent entrepreneurial experiences.

Limitations and Boundary Conditions

Like any study, ours is not without *limitations*. First, while most of our conceptual logic received empirical support, some effects emerged in more contingent forms than others. For instance, we did not find a significant average effect of the offspring's venture's industry dynamism on succession likelihood. Instead, this relationship appeared to be fully contingent on family firm performance. We regard this as a theoretically meaningful pattern rather than as a null finding because it is consistent with our argument that opportunity costs are context-dependent. By contrast, the hypothesized effects of dynamism in the family firm's industry could not be observed. To further unpack the opportunity costs associated with redeploying EHC gained in a dynamic entrepreneurial environment in the family business, and to examine whether such costs can be compensated by environmental conditions within the family firm, future research may consider alternative ways of capturing the space for entrepreneurial initiative in the family business, such as the intensity of innovation activities. Unfortunately, such behavioural measures are not available in the administrative data used here.

A second limitation concerns potential self-selection into early-career entrepreneurship. It is conceivable that offspring might create their own business exactly because they seek or are pre-destined to take over the family firm later on. We acknowledge that such motivation might play a role that cannot be fully ruled out theoretically, even though we controlled for endogeneity empirically. At the same time, we are confident that this is not a major problem. Prior research documents that offspring of business owners engage in entrepreneurship for a wide variety of reasons, including genetic predisposition, parental role modelling, childhood exposure, and identity considerations rather than using it as a strategic step toward succession (see Aldrich and Cliff, 2003; Foerch and Prügl, 2026; Hopp et al., 2019; Zellweger et al., 2011). Thus, while succession anticipation may explain some cases, it is unlikely to be the dominant driver of early entrepreneurial entry among family business offspring. However, future studies that explicitly measure the motivations – both related and unrelated to succession aspirations – behind early-career entrepreneurship in business families would nevertheless be highly valuable.

Beyond these empirical considerations, our conceptual logic also rests on certain *boundary conditions* that invite further exploration. First, the dual-agency framing of our study assumes that the preferences of both parents and their children must align for succession to take place. Testing this framework in Sweden was thus conceptually appropriate, as the country's individualistic and low power distance culture (Hofstede, 2001) affords offspring considerable autonomy and agency in their career choices. At the same time, this implies important cultural boundary conditions. In more collectivist contexts characterized by stronger norms of filial duty, deference to parental authority, and norms of primogeniture (Calabrò et al., 2018), offspring enjoy less discretion over their career choices (Akosah-Twumasi et al., 2018). In such settings, succession may occur even in the absence of preference alignment, as parental will dominates and succession follows a single-agency rather than a dual-agency logic. Accordingly, while offspring may generally associate certain opportunity costs with becoming a successor in their family's firm, such considerations may carry less weight where offspring agency is constrained. Replications of our study in these settings would therefore be valuable for assessing the cross-cultural generalizability of our conceptual arguments and empirical findings (see Brinkerink et al., 2022).

Second, beyond intergenerational power dynamics, our theorizing is also bounded by assumptions about family composition and the meaning attached to the concept of 'family' itself. Cultures differ not only in the distribution of authority between generations, but also in how broadly or narrowly family boundaries are drawn – ranging from nuclear to extended and multigenerational constellations (e.g., Georgas et al., 2006; Klein, 2008). Such variation shapes who is considered part of the relevant family unit, and, by extension, who 'gets a seat at the table' when important decisions are made (Santiago, 2011). Accordingly, in some contexts, our dual-agency perspective may need to accommodate multiple voices on the 'family' side of the selection process, as authority over offspring's future may extend beyond parents alone in more broadly defined family settings (Verver and Koning, 2018). Similarly, because our theorizing focuses on how early experiences differentiate between multiple potential successors, our study focused on family constellations with multiple offspring. Single-child successions therefore fall outside the scope of our study, but would be worth investigating (see also Hayward et al., 2023). In the absence of sibling competition, entrepreneurship might function less as a differentiator and more as a way for sole offspring to build legitimacy among stakeholders – particularly given that succession in such cases is typically 'gifted' and thereby not automatically perceived as 'earned' (e.g., Dalpiaz et al., 2014).

Third, our theorizing is specific to successions with family relationships involved. It would, however, be interesting to assess whether the impact of EHC on succession likelihood is different among non-family successors, or how EHC-related considerations affect the choice between family versus non-family successors (see Miller et al., 2014; Wennberg et al., 2011).

To conclude, our study demonstrates that early-career venturing can meaningfully shape whether and when family business offspring step into successor roles. Ultimately, whether entrepreneurial offspring return home depends not only on the skills they build

while flying solo but also on how the opportunities they unlock along the way compare to those awaiting them in the family firm.

ACKNOWLEDGEMENT

Open access publishing facilitated by Universitat Bern, as part of the Wiley - Universitat Bern agreement via the Consortium Of Swiss Academic Libraries.

NOTES

[1] We note that we follow Davidsson (2023) and define entrepreneurship and entrepreneurs as the creation and creators of a new business, respectively (see also Gartner, 1985).
[2] Our conceptual and theoretical arguments apply both when entrepreneurial offspring are still actively running their ventures at the time of the succession decision and when they are not running it anymore at that point in time.
[3] There are more successors than successions because in some cases more than one successor took over.
[4] It is worth noting the particularly high number of successions in the year 2004, preceded by lower values in the previous years compared with the later years. The reason can be found in the abolition of the Swedish inheritance tax in 2004. We invite the reader to refer to the study by Henrekson and Waldenström (2016) for a deeper discussion on the topic and the report by Ydstedt and Wollstad (2015) to learn more about the aftermath.
[5] All independent, moderator, and control variables have a 1-year lag relative to the dependent variable. All variables and their calculations are summarized in Table A.1 in the Appendix.
[6] Delimiting the analysis to performance in the past 2 years leading up to succession versus across additional years of operation yields equivalent results.
[7] In line with Altman (Altman, 1968, 1983) and subsequent literature (e.g., Gómez-Mejia et al., 2023), we calculated the Altman Z-score as A*3.3 + B*0.99 + C*0.6 + D * 1.2 + E*1.4. Here, A = earnings before interest and taxes/total assets; B = net sales/total assets; C = book value of equity/total liabilities; D = working capital/total assets; and E = retained earnings/total assets.
[8] The industry of the offspring's venture was excluded because of its close correspondence to skill relatedness, whereby collinearity implies the choice of including one of these measures rather than both.
[9] The detailed results of our robustness tests are available from the authors upon request.

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APPENDIX

Table A1. Variables and Definitions

Variable	*Definition (*Database*)*
Successor$_t$ (1/0)	Whether the offspring has entered the family's business as an active owner during year t (source: LISA)
Entrepreneurship experience$_{t-1}$ (1/0)	Whether offspring engaged in an entrepreneurial activity between 1990 and the year of the matching ($t-1$) (source: LISA)
Offspring's venture's performance$_{t-1}$	Average of measure from Dong (2021) from 1998 to year $t-1$ $ROA^{\Psi}_{it} = \gamma ROA^{\Psi}_{it-1} + (1-\gamma)(1+\mu)P_{jt}$ where $\gamma = 0.5$, $\mu = 0.05$, $ROA_{it_0} \sim N(0,1)$, ROA_{it} refers to the return on assets in offspring i's firm in year t, and P_{jt} refers to the median return on assets of industry j^{Φ} in year $t-1$ (source: FEK)
Offspring's venture's industry dynamism$_{t-1}$	Standard errors of the regression slopes of time against sales of offspring's firms' industry over a 3-year period (4-digit SNI code) in year $t-1$. Based on Keats and Hitt (1988) (source: FEK)
Family firm's performance$_{t-1}$	Measure from Dong (2021): $ROA^{\Psi}_{kt} = \gamma ROA^{\Psi}_{kt-1} + (1-\gamma)(1+\mu)P_{jt}$ where $\gamma = 0.5$, $\mu = 0.05$, $ROA_{it_0} \sim N(0,1)$, ROA_{kt} refers to the return on assets in family i's firm in year t, and P_{jt} refers to the median return on assets of industry j^{Φ} in year $t-1$ (source: FEK)
Family firm's industry dynamism$_{t-1}$	Standard errors of the regression slopes of time against sales of family firms' industry over a 3-year period (4-digit SNI code) in year $t-1$. Based on Keats and Hitt (1988) (source: FEK)
Tenure at family firm$_{t-1}$ (*log*)	Tenure (number of years) of offspring's official engagement in family firm (1990–year $t-1$) (source: LISA)
Total outside employment experience$_{t-1}$ (*log*)	Number of years offspring engaged in paid employment in organizations outside of the family firm (1990–year $t-1$) (source: LISA)
Skill relatedness$_{t-1}$ (*log*)	Median industry skill relatedness$^{\Psi}$ of offspring's place of work (i.e., the industry in which they either ran their own business or worked as employees) and family firm k (1990–year $t-1$). Based on Neffke and Henning (2013) (source: LISA)
Birth order$_{t-1}$	Birth order of offspring among siblings, 1 for first born, 2 for second born, etc., year $t-1$ (source: RTB)
Parents' education$_{t-1}$	Number of years of educational attainment by parent(s) involved in the business. If both parents are involved in the same business, this refers to their average number of years in education. If both parents are involved in separate businesses, this concerns the education of the parent whose business has the most employees, year $t-1$ (source: LISA)
Parents' age$_{t-1}$	Age of parent(s) involved in the business. If both parents are involved in the same business, this refers to their average age. If the two parents are involved in separate businesses, this concerns the parent whose business has the most employees, year $t-1$ (source: LISA)
Family firm's age$_{t-1}$ (*log*)	Age of family firm, year $t-1$ (source: RAMS)

(Continues)

Table A1. (Continued)

Variable	*Definition (*Database*)*
Family firm's Altman Z-score$_{t-1}$	Altman Z-score (private firms) of family firm, year $t-1$ (source: FEK)
Family firm's industry munificence$_{t-1}$	Coefficient of the regression slopes of time against sales of the family firm's industry over a 3-year period (4-digit SNI code) in year $t-1$. Based on Keats and Hitt (1988) (source: FEK)
Family firm's industry$_{t-1}$	2-digit level of SNI rev. 2 for the years 1998-2001, SNI rev. 3 for the years 2002-2010, and SNI rev. 4 for the years 2011-2013, year $t-1$. The Swedish Standard Industrial Classification (SNI) is based on the EU recommended standard (NACE) (source: RAMS)

Matching variable	*Definition*
Age$_{t-1}$	Age of the offspring, year $t-1$ (source: LISA)
Gender (1/0)	Gender of the offspring (1 = female, 0 = male) (source: LISA)
Education$_{t-1}$	Number of years of educational attainment of the offspring, year $t-1$ (source: LISA)
Municipality$_{t-1}$	Municipality of residence of the offspring, year $t-1$ (source: LISA)
Number of siblings$_{t-1}$	Number of siblings of the offspring, year $t-1$ (source: RTB)
Year of succession	Year in which family firm underwent succession, year $t-1$ (source: LISA)

Notes: $^{\Psi}$Winsorized at the 1st and 99th percentiles.