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Satisfaction of entrepreneurs: A comparison between founders and successors

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Abstract

A growing amount of research compares the job satisfaction of employees to self-employed. For the first time, we have conducted an exploratory study to compare the level and the drivers of job satisfaction of founder and successor entrepreneurs. We conceptualize the nexus between the condition of founder or successor, and job satisfaction by leveraging on the notion of procedural utility, that refers to the gratifications that individuals experience in the process of carrying out a task. Building on the notion of post succession-discretion, we argue that the social and organizational context of family firms is less conducive to procedural utility for successors. Consistently with the compensating wage theory, we contend that successors' satisfaction is more dependent on material rewards, given the fewer opportunities to obtain procedural utility. A multivariate statistical analysis has been carried out on a sample of 147 entrepreneurs leading from small to medium enterprises operating in Italy. We find that successors derive less procedural utility from entrepreneurial function, and are more sensitive to economic outcomes than founders. We explain this result in terms of the lower level of strategic discretion, higher organizational inertia and commitment to family values and tradition that successors experience.

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1. Introduction

A growing amount of research compares the job satisfaction of entrepreneurs and employees (e.g., Andersson 2008; Benz & Frey 2008a; Lange 2012; Millán et al. 2013) and the findings indicate that self-employed people are generally more satisfied with their jobs than their waged counterparts. Such difference is related to demographic characteristics, preferences, motivations and expectations towards the job (Cortés Aguilar et al. 2013; Binder & Coad 2013; Carree & Verheul 2012; Lange 2012; Block & Koellinger 2009). This stream of research is particularly important since job satisfaction is a critical factor for entrepreneurial success, as it is positively related with important organizational outcomes, such as productivity, customer satisfaction, turnover and profitability (Judge et al. 2001), it fuels entrepreneurs with energy and enthusiasm and it is related to risk propensity and magnitude of investments (Cooper & Artz 1995; Álvarez & Sinde-Cantorna 2014; Bradley & Roberts 2004; Millán et al. 2013; Schjoedt 2009; Block et al. 2015).

However, limited attention has been devoted to the influence of the entrepreneurial mode of entry on the levels of job satisfaction and in particular, to the difference between individuals who found a new business and individuals taking over an existing one as successors. This gap is surprising, since taking over an existing firm and especially succeeding in a family business, is one of the most common ways for individuals to become entrepreneurs (Parker & van Praag 2012). Moreover, succession often represents a threat to the survival of a family firm (Gersick et al. 1997); given the paramount role of the owner/manager in the family business context, and especially in Small and Medium Enterprises (SMEs), it is reasonable to assume that the episodes of failure after succession might depend on how successors experience their entrepreneurial role (Dawson et al. 2013).

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The aim of this paper is to appreciate whether job satisfaction differs between founders and successors, carrying out an exploratory investigation on a sample of 147 entrepreneurs (66 founders and 81 successors) leading SMEs operating in Italy. We conceptualize the nexus between the condition of founder or successor and job satisfaction by leveraging on the notion of procedural utility (Frey et al. 2004), that refers to the gratifications and discontents that individuals experience in the process of carrying out a task, as distinguished from the utility derived from its outcomes, including pecuniary rewards.

In particular, we argue that successors have lower opportunities to derive procedural utility from their entrepreneurial role because existing organizational networks, routines and patterns limit their freedom to experiment and implement their business ideas (e.g., Randøy & Goel 2003; Begley 1995; He 2008). Furthermore, the notion of “post-succession discretion” (Mitchell et al. 2009) suggest that successors’ action is bounded also by the tensions between business and family goals and the persisting influence of family identity and values (Miller et al. 2011). Consistently with the compensating wage theory (Hamilton 2000), we contend that successors compensate the lower procedural utility with utility from pecuniary rewards.

Our study contributes primarily to the entrepreneurship literature by analyzing the mode of entry as a determinant of entrepreneurial job satisfaction. This allows us to get insights into the factors that might have an impact on the entrepreneurial experience, by suggesting that, along with motivational and occupation-related determinants (e.g., Cortés Aguilar et al. 2013; Block & Koellinger 2009; Schjoedt 2009), also social and organizational variables are important in influencing entrepreneurs’ job satisfaction. We also contribute to the family business literature. Family business research has addressed the satisfaction with the succession process (e.g., Sharma et al. 2001), but the work-related attitudes of successors are definitely an under-investigated topic (Lee 2006; Clark et al. 2008), and, to the best of our

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knowledge, this is one of the first attempts to compare the job satisfaction of founders and successors.

The rest of the paper is structured as follows. In the next section we will introduce the notion of procedural utility for entrepreneurs; then, we examine how founders and successors differ in their opportunity to obtain procedural utility from entrepreneurial work; afterwards, we discuss the moderating role of pecuniary rewards. In the fifth section we will describe the research design. In the following sections we will present and discuss the results of the empirical research. After presenting the limitations of the study and the prospects for future research, we conclude.

2. Procedural utility theory and entrepreneurial satisfaction

The concept of job satisfaction refers to a work-related attitude that expresses the degree to which an individual has a positive and affective relationship to his or her job, and considers it beneficial to him or her (Locke 1976; Schleicher et al. 2004). Recently, job satisfaction has been conceptualized as the result of the *procedural utility* (Benz & Frey 2008a; Benz & Frey 2008b; Benz 2007; Frey et al. 2004; Frey & Stutzer 2005; Benz & Stutzer 2003) that an individual derives from ones job. This theory puts forward that individuals obtain utility not only from *outcomes* of their decisions and actions –e.g., from pecuniary rewards or gratifications for achieving results– but also from the *processes* and the *conditions* that lead to these outcomes. These process-related factors include the quality of interaction with colleagues, work conditions, discretion in decision-making, opportunities to make use of skills and knowledge, autonomy and control over the job. This approach represents a notable refinement of mainstream economic theory, that traditionally emphasizes outcomes as a source of utility, as it introduces psychological elements related to control and esteem among the drivers of happiness (Block et al. 2015).

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This conceptual framework has been employed in the studies comparing satisfaction of employees and self-employed. These studies find that the latter are systematically more satisfied, despite a lower average income (Hamilton 2000) and longer working hours (Parasuraman & Simmers 2001). The explanation is that entrepreneurship entails a greater flexibility in organizing working time, it offers the possibility to design one own job so as to effectively exploit the skills accumulated with education, to carry out meaningful and varied tasks and to have freedom of decision making. Moreover, entrepreneurs have greater opportunities to express their creativity and to generate innovation (Álvarez & Sinden-Cantorna 2014; Lange 2012; Van Gelderen & Jansen 2006; Benz & Frey 2008a; Benz & Frey 2008b; Block & Koellinger 2009; Schneck 2014). All these work conditions help individuals to reinforce their sense of esteem and control over their job, and therefore strengthen their feeling that they are proceeding along paths of self-determination, that ultimately contributes to their well-being (Block et al. 2015; Carter et al. 2003).

These explanations are corroborated by the findings that managers and professionals – i.e., occupations characterized by high autonomy and opportunities for exploiting their human capital– present similar levels of job satisfaction as self-employed (Hundley 2001), and that individuals who became entrepreneurs out of necessity are less satisfied than employees and entrepreneurs who discovered an opportunity (Block & Koellinger 2009).

However, social psychologists point out that job satisfaction depends also on the expectations of the individual about the job, so that it will increase with the degree of fit between expectations and reality (Locke 1976). One example of this approach is the study by Cooper & Artz (1995), which demonstrates that females are generally more satisfied, as they are said to have lower aspiration levels.

3. Conceptualizing job satisfaction of successor entrepreneurs

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Entrepreneurs are not an undifferentiated set of individuals. They differ along several dimensions, a crucial one being the mode of entry. Individuals may start their entrepreneurial career by founding their own new firm, but they may also take over an existing firm, including a firm owned by a relative as the result of a succession process (Parker & van Praag 2012). We argue that successors of family businesses present distinctive features compared to founders, as a result of the influence of the family environment on their attitudes, behaviors and intentions throughout their life. As observed by Miller et al. (2003): *“At the core of problematic succession lies an inappropriate relationship between an organization’s past and its present. Either there is too strong an attachment to the past on the part of the successor, too wholesale a rejection of it, or an incongruous blending of past and present (p. 514)”*.

An emerging stream in family business literature that is inspired by the concept of “socio-emotional wealth” emphasizes that being part of an entrepreneurial family offers non-pecuniary rewards associated to the strong identification and emotional involvement of owners with business (Gomez-Mejia et al. 2007; Berrone et al. 2012). Accordingly, performing the entrepreneurial role in a family firm offers the opportunity to derive procedural utility from the motivations that are associated to the trans-generational dimension of the firm.

On the other hand, the institutional setting of a family firm implies also unique challenges. The notion of post-succession discretion developed by Mitchell et al. (2009) offers an insightful conceptualization of the constraints to the freedom that family successors have to conceive, adapt and implement a substantial change in the firm that they lead. Such constraints are brought by the orientation towards wealth preservation, the persisting influence of the predecessors, and the commitment to preserve the firm identity across generations.

3.1 Wealth preservation

Family firms tend to prioritize preservation of wealth and its distribution among family members over the undertaking of risky strategies (Carney 2005). This orientation may induce successors to replicate strategies and practices that have proven successful in the past, or to exclude some patterns of action that are not in line with the experience and values of the family firm. Indeed, the persistence of the original strategic orientation even in conditions demanding the deployment of novel strategies is one of the causes of rigidity of family firms that may endanger their survival (Sharma & Manikutty 2005).

3.2. The persisting influence of predecessors

A further constraint to successors' discretion is the persisting involvement and influence of the predecessor in business and family decisions (Sharma et al. 2001), that may hamper the loyalty of the other family members and employees toward the successor. However, not only the immediate predecessor affects discretion; a more subtle source is represented by the founder's *shadow* (Davis & Harveston 1999), that originates from the imprinting of the founders and from family dynamics.

The theory on organizational imprinting puts forward that in the early stage of a firm, founders take strategic decisions that are based on their personal values, vision, and cognitive approaches, as well as on their previous professional experience, family environment and social network; the outcomes of these decisions become embedded in the organizational structure, processes, routines, networks, identity and culture of the firm and tend to persist over time, representing a barrier to adaption and change, especially if they prove to be successful (Bryant 2012; Boeker 1989; Milanov & Fernhaber 2009; Simsek et al. 2015).

The resistances to change induced by the founders' legacy are particularly relevant to successors because of the unique combination of organizational inertia and propensity to

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preservation of family values. Indeed, family role models foster the process of trans-generational transmission of entrepreneurial values through the replication of resources, capabilities and beliefs of the family members (Jaskiewicz et al. 2015). Entrepreneurial role models offer inspiration, increase self-efficacy by showing that ambitions can be achieved, provide direct support and advice, and offer the opportunity to learn by example (Bosma et al. 2012; Konopaski et al. 2015). Throughout their life, young family members interact with parents and other relatives involved in the firm from which they form realistic expectations towards the challenges and rewards of entrepreneurial work (Zellweger et al. 2011; Chlosta et al. 2012). Such interaction enables also the absorption of the values, the culture and beliefs that will influence their leadership style if they decide to perform the entrepreneurial role within the family firm. The family represents therefore an additional driver to the preservation of the founder's influence even in post-succession stages, ultimately stimulating the prevalence of conforming behaviors (Miller et al. 2013).

Empirical research provides evidence on the role of the founder's shadow on second-generation entrepreneurs. Lee (2006) interestingly points out that the high levels of job satisfaction experienced by successors in her study, may be attributed to their limited interaction with parents and the substantial degree of discretion. Zellweger et al. (2011) find that individuals with a family business background and with high desire for independence prefer to found a new venture than to succeed in the family firm, and those with high self-efficacy prefer even subordinate employment to succession, arguably because they feel less constrained than in the family firm.

Furthermore, the older generations also affect the expectations of successors by defining the notion of "success", or by expressing distrust towards their entrepreneurial capabilities (Davis & Harveston 1999). The continuous comparison with the predecessor and a sense of inadequacy, may generate not only the tendency to replicate the predecessor's

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decisions, but also a level of stress that balances the level of satisfaction of being self-employed (Cadieux 2007). Indeed, Clark et al. (2008) attribute the lower job satisfaction of second-generation self-employed to their tendency to compare their professional outcome with that of their parents.

3.3 Prioritizing family over business

Finally, successors are often motivated by the desire of preserving the cohesion of the family, especially when it has represented a source of competitive advantage for the firm. For example, altruism contributes to the establishment of trust among family and firm members that ultimately reduces control needs (Pieper et al. 2008; Berent-Braun & Uhlaner 2012). Strategies favoring family cohesion tend to emphasize the continuity of the vision of the firm, rather than its renewal (Chrisman et al. 2005). However, pursuing family interests may be harmful for the firm, for instance when decisions are driven by “kinship responsibility”, i.e., by perceived obligations towards family members (Blegen et al. 1998). Kinship responsibility may drive to nepotistic behavior when, for example, brothers, sisters or children have no other option on the labor market than working in the family business. Conflicts between kinship and market logic (Stewart 2003) may impact negatively on job satisfaction especially in family businesses (Lee 2006).

Overall, these family-related challenges limit the chances for successors to shape the firm strategy according to their vision, reducing the opportunities of self-actualization through the entrepreneurial work. Therefore, we expect:

Proposition 1. Successors in a family business derive lower job satisfaction from entrepreneurial work than founders.

4. The moderating effect of pecuniary rewards

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The discussion on the non-pecuniary features of entrepreneurship should not downplay the importance of material rewards in driving entrepreneurs' job satisfaction: as observed by Block & Koellinger (2009), "*entrepreneurs do care about money* (p. 205)". Indeed, for entrepreneurs who prioritize financial success over non-pecuniary goals, the financial success of their firm is a major driver of utility and satisfaction (Cooper & Artz 1995).

A favorable feedback from the market proves the sustainability of the business idea and is therefore likely to increase individual utility in terms of self-realization and self-determination, factors that rank high in founders' psychological profile (McCann & Vroom 2013). Successors are sensitive to material income because it relates to the capacity of the firm to continuously generate returns for the needs of the family (Molly et al. 2010) and enables the preservation of organizational assets (Miller et al. 2013).

While the financial dimension matters for both groups of entrepreneurs, we put forward that its importance varies depending on the opportunities offered by the entrepreneurial work. We ground our argument on the theory on compensating wage differentials that suggests that there is a trade-off between work conditions and compensation, so that individuals engaged in tasks that are less intrinsically rewarding demand a higher material reward (Hamilton 2000).

Therefore, we expect that the satisfaction with material rewards, such as level of income, is positively associated with procedural utility and, by virtue of the compensating differential effect, the effect is stronger in the group of entrepreneurs that has less opportunities for deriving procedural utility. Therefore, we expect:

Proposition 2: The positive effect of satisfaction with material rewards on job satisfaction is higher for successors.

5. Research design

5.1 Sample

Our empirical study relies on an original dataset on the profile of Italian entrepreneurs and their firms, that are SMEs with less than 250 employees. We surveyed by telephone 257 entrepreneurs (CEOs or equivalent, who owned a stake in the firm) in the period July-September 2012; after removing the cases that did not answer to all the questions and those referring to 24 entrepreneurs who acquired an existing firm, we obtained a final sample with 147 observations.

We excluded the entrepreneurs who acquired an existing company because this mode of entry represents an intermediate condition between founder and successor in terms of discretion. This condition deserves a thorough examination, which, regrettably, the low number of cases in our sample does not allow. Anyhow, in the robustness tests, we assess whether this choice influences our results.

The questionnaire investigated the satisfaction of entrepreneurs with regard to the achievement of their career goals, and various attributes of their professional and personal profile. Firm-level data –i.e. number of employees and economic performance– were collected from the Bureau Van Dijk database.

As part of our data have been collected at the same point in time, from the same respondent and using the same medium, common method bias could be a concern for reliability of our results (Podsakoff et al. 2003). To limit this bias, we designed the instrument in a way that questions on satisfaction, family status and personal background were separate, so that respondents were not aware of the conceptual framework; we phrased the questions in a precise and unambiguous manner, and we encouraged respondents to

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provide honest answers, assuring that no “right” or “wrong” answer exist, and guaranteed their anonymity.

5.2 Variables

The outcome variable is *Job Satisfaction* that, following Benz & Frey (2008a), we consider a direct measure of procedural utility. We appraised *Job Satisfaction* with a single-item question, in line with Oshagbemi (1999); specifically, we asked: “Today, what is the overall degree of satisfaction with your job in general?” and we measured responses on a Likert scale from 1 (very low) to 5 (very high). To facilitate the interpretation of results, in the regression models we merge categories 1 and 2 because they are infrequent. In a robustness test, we employ a four-item measure of this construct, which is based on the instrument developed by Bacharach et al. (1991). As each item has been measured on a scale from 1 to 5, the variable takes values ranging from 4 to 20.

The key explanatory variables are the *Mode of entry* and the satisfaction with the level of income of entrepreneurs. Based on the theoretical discussion presented in the previous sections, we distinguish between individuals who became entrepreneurs because they inherited (successors) and those who founded a firm (founders, that are the reference category in the regression models). We assessed the self-evaluated degree of *Satisfaction with earnings* with a single-item question measured on a Likert scale from 1 (very low) to 5 (very high), following Guerra & Patuelli (2014).

We better specify the relationship between mode of entry and procedural utility by using three variables. The dummy *Family involvement* appreciates whether any family members are involved in the firm; those members may directly voice their personal priorities, and the interests of the family towards the firm. *Discretion* considers the degree of formal and substantial freedom of an entrepreneur in taking strategic decisions, which only partially

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overlaps the notion of “successors’ discretion” discussed above. Discretion is measured with the 14-item instrument developed by Pearce & Zahra (1991). The third variable, *Entrepreneurial choice*, distinguishes between individuals for whom being an entrepreneur has always been an ideal job, or more preferable to other career paths (“primary choice”, that serves as a reference category), and those for whom entrepreneurship has been a “second best”. This variable is closely related to the distinction between “opportunity” and “necessity” entrepreneurs, that is associated to different levels of procedural utility (e.g., Block & Koellinger 2009 and Block et al. 2015); however, this distinction is of little relevance in our case, because successors typically became entrepreneurs as a consequence of the succession process.

We include six controls. First, we consider the actual performance of the firm compared to its competitors (*Economic performance*) because it proxies the level of income generated by a firm to its entrepreneur, which influences the perceived satisfaction with earnings. The measure is based on the Industry Adjusted Return on Assets, i.e. the ratio between the ROA of the firm and the average ROA of the firms in the same two-digit NACE code industry. This measure has been employed, e.g., by Miller et al. (2014). We also consider the human capital –captured by the dummy *Degree* that takes value 1 if the entrepreneur holds a bachelor, master, or post-graduate degree– because it offers more employment opportunities and professional expectations that are potentially competing with the entrepreneurial career (Carree & Verheul 2012; Lange 2012). *Gender* (with Male serving as the reference category) is relevant because women often have lower expectations than men towards their job, and therefore tend to achieve higher satisfaction (Crosby 1982). We also include the self-reported number of *Working hours* per week (Millán et al. 2013) and the *Size* of the firm expressed by the number of employees (Carree & Verheul 2012). Finally, we consider the *Entrepreneurial tenure*, expressed as the number of years since the interviewee

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has been the leader of his or her current firm, as it proxies the level of cognitive and organizational inertia (Datta et al. 2003). In our sample this variable is highly correlated with the age of the entrepreneur (0.72), that is left out of our analysis.

5.3 Analytical strategy

We examine the relationship between Job Satisfaction, Mode of entry and Satisfaction with Earnings with a preliminary descriptive statistics, followed by a regression analysis and a fine-grained descriptive study focused on the subset of successors. We employ an ordinal logistic regression model given the nature of the dependent variable, *Job Satisfaction*. Ordinal regression assumes that the dependent variable reflects a latent continuous variable (here, the pleasure received from carrying out entrepreneurial tasks). The coefficients of the regression indicate how changes in the independent variables affect the latent variable. However, being the ordinal logistic a non-linear model, *“the magnitude of the change in the outcome probability for a given change in one of the independent variables depends on the levels of all the independent variables”* (Long & Freese 2006, p.183). For this reason, we calculate the average marginal effects of independent variables for each of the levels of the dependent variable. In this way, we appreciate whether an explanatory variable is associated with e.g. very high satisfaction but not with high satisfaction. We also calculate the marginal effects of some variables of interest for Founders and Successors, so as to appreciate their different effect in the two groups (Long & Freese 2006; Cameron & Trivedi 2010).

As we find that the Brant tests for all models are not statistically significant, we conclude that the parallel regression assumption is not violated and therefore the use of an ordinal logistic model is appropriate. We can rule out that our estimates are severely biased by multicollinearity, since the maximum correlation coefficient between independent variables is below 0.40, and the maximum variance inflation factor is 2.52, lower than the threshold of 10 indicated by Wooldridge (2013). In Appendix, Table S.1 presents the

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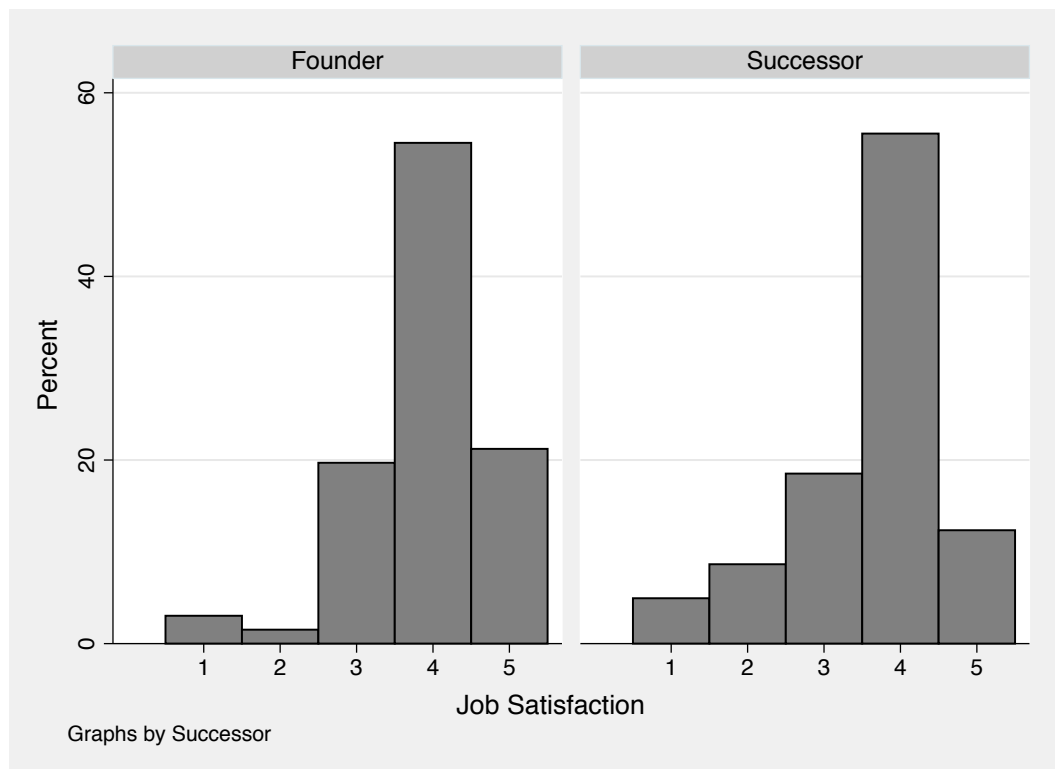
correlations for all the variables. Throughout the paper, we indicate significance levels with the following notation: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

6. Results

6.1 Descriptive analysis

The level of satisfaction of the entrepreneurs in our sample is quite high, as the 55% of respondents affirms that they are “satisfied” with their job, and an additional 16% is “very satisfied”. However, Figure 1 shows that there are less “very satisfied” and more “non-satisfied” successors, while the proportion of “satisfied” entrepreneurs is similar in the two groups; with a Wilcoxon rank sum test we ascertained that the distributions of job satisfaction in the two groups are significantly different at 10% level. Founders are more satisfied, as confirmed also by the mean level of the variable, that is 3.89 vs. 3.61 of successors.

Figure 1. Distribution of *Job satisfaction* among founders and successors.



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Table 1 summarizes the descriptive statistics, distinguishing between founders and successors.

Table 1. Descriptive statistics

				Founder		Successor	
	N. (%)	Mean (S.D.)	Min – Max	N. (%)	Mean (S.D.)	N. (%)	Mean (S.D.)
Job Satisfaction		3.78 (0.83)	2 – 5		3.89 (0.86)		3.62 (0.98)
Satisfaction with earnings		3.34 (0.94)	1 – 5		3.32 (0.93)		3.36 (0.95)
Mode of entry	81 (55%)			66 (100%)		81 (100%)	
Family involvement	119 (81%)			50 (75%)		69 (85%)	
Discretion		55.46 (8.15)	19 – 72		56.27 (7.36)		54.80 (10.58)
Entrepreneurial choice	49 (33%)			20 (30%)		29 (36%)	
Economic performance		0.16 (8.13)	-43.4 – 26.5		0.04 (8.61)		0.266 (7.76)
Degree	44 (30%)			16 (24%)		28 (35%)	
Gender	35 (23%)			6 (9%)		29 (36%)	
Working hours		56.05 (13.1)	20 – 100		55.70 (11.99)		56.35 (13.95)
Size		28.98 (36.1)	1 – 239		29.65 (35.33)		28.43 (36.87)
Entrepreneurial tenure		20.51 (10.9)	1 – 48		23.38 (10.60)		18.17 (10.58)

The two groups of entrepreneurs present quite similar profile, also for what concerns the level of *Satisfaction with earnings* and *Economic performance*.

We calculated Spearman correlation coefficients between *Satisfaction with earnings*, *Economic performance* and *Job satisfaction* in the two groups. *Satisfaction with earnings* is positively correlated with *Job satisfaction*, and the relationship is stronger among successors. Interestingly, in this group, *Economic performance* is positively, but not significantly, correlated with *Job satisfaction* and *Satisfaction with earnings*, while weak positive relationships are found significant among founders. The insight is that *Job satisfaction* of founders tends to be less influenced by the perceived financial satisfaction, which, however, does not seem to be considerably affected by objective financial results. We also found that *Job Satisfaction* is positively although weakly correlated with *Discretion*, and that the

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relationship is stronger for successors (Spearman correlation 0.388 vs. 0.230, significant respectively at 0.1% and 10% level).

6.2 Regression analysis

To further validate the preliminary insights offered by the descriptive analysis, and to ascertain the moderating effect of *Mode of entry* on *Satisfaction with earnings*, we carry out a regression analysis whose results are presented in Table 2.

Table 2. Results of ordinal logistic regression. Dependent variable: Job satisfaction.

	Model 1	Model 2	Model 3	Model 4
Size	0.010** (0.01)	0.003 (0.01)	0.001 (0.01)	0.001 (0.01)
Gender	-0.012 (0.38)	0.554 (0.42)	0.942** (0.45)	0.902** (0.46)
Degree	-0.545 (0.36)	-0.490 (0.40)	-0.701 (0.43)	-0.688 (0.44)
Working Hours	0.005 (0.01)	-0.0003 (0.01)	0.012 (0.01)	0.009 (0.01)
Entrepreneurial tenure		0.004 (0.02)	0.003 (0.02)	0.003 (0.02)
Entrepreneurial choice		-0.733** (0.36)	-0.764** (0.38)	-0.742* (0.39)
Family involvement		-0.705 (0.44)	-1.068** (0.48)	-1.000** (0.48)
Discretion		0.117*** (0.02)	0.080*** (0.03)	0.082*** (0.03)
Economic performance			0.060*** (0.02)	0.058*** (0.02)
Satisfaction with earnings			1.215*** (0.23)	0.790*** (0.29)
Mode of entry			-0.813** (0.38)	-1.086*** (0.40)
Mode of entry X Satisfaction with earnings				0.836** (0.38)
Cut-off 1	-1.872 (0.78)	3.207 (1.44)	0.894 (1.56)	0.635 (1.59)
Cut-off 2	-0.500 (0.76)	4.784 (1.47)	2.863 (1.57)	2.748 (1.60)
Cut-off 3	2.133 (0.78)	7.746 (1.55)	6.470 (1.64)	6.355 (1.67)
Log-likelihood	-168.311	-153.836	-132.537	-130.057
Chi2	5.620	34.571**	77.169**	82.130**

Coefficients and standard errors (in parentheses). N=147.

The models reveal that several explanatory variables are significantly associated with *Job satisfaction* and that the relationship goes in the expected direction. In particular, *Satisfaction with earnings* and the status of successor are respectively positively and negatively associated with *Job Satisfaction*. Most important, Model 4 shows that the interaction term between these two explanatory variables is positive and significant, at 1% level. This offers evidence of the moderating effect of *Mode of entry* on *Satisfaction with*

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earnings, indicating that the effect of the latter variable is stronger among successors than founders.

However, we need to analyze the average marginal effects at each level of the dependent variable in order to have a more accurate assessment of the relationships. Table 3 provides the calculations based on Model 4.

Table 3. Average marginal effects calculated on the outcomes of Model 4.

	Very low / low	Moderate	High	Very high
Size	-0.0001 (0.0002)	-0.0001 (0.0004)	0.0001 (0.0001)	-0.0001 (0.0005)
Gender	-0.043** (0.02)	-0.069** (0.03)	0.005 (0.02)	0.106 (0.06)
Degree	0.041 (0.03)	0.056 (0.04)	-0.030 (0.03)	-0.067* (0.04)
Working Hours	-0.001 (0.001)	-0.001 (0.001)	0.0003 (0.001)	0.001 (0.001)
Entrepreneurial tenure	-0.0001 (0.001)	-0.0002 (0.001)	0.0001 (0.001)	0.0002 (0.001)
Entrepreneurial choice	0.042* (0.03)	0.061* (0.03)	-0.030 (0.03)	-0.073** (0.04)
Family involvement	0.046** (0.02)	0.074** (0.03)	-0.001 (0.02)	-0.119* (0.06)
Discretion	-0.004*** (0.002)	-0.007*** (0.002)	0.003 (0.002)	0.008*** (0.003)
Economic performance	-0.003** (0.001)	-0.005** (0.002)	0.002* (0.001)	0.006*** (0.002)
Satisfaction with earnings	-0.075*** (0.02)	-0.094*** (0.02)	0.045** (0.02)	0.124*** (0.02)
Mode of entry	0.081*** (0.03)	0.059* (0.04)	-0.104*** (0.04)	-0.036 (0.04)

Coefficients and delta-method standard errors (in parentheses).

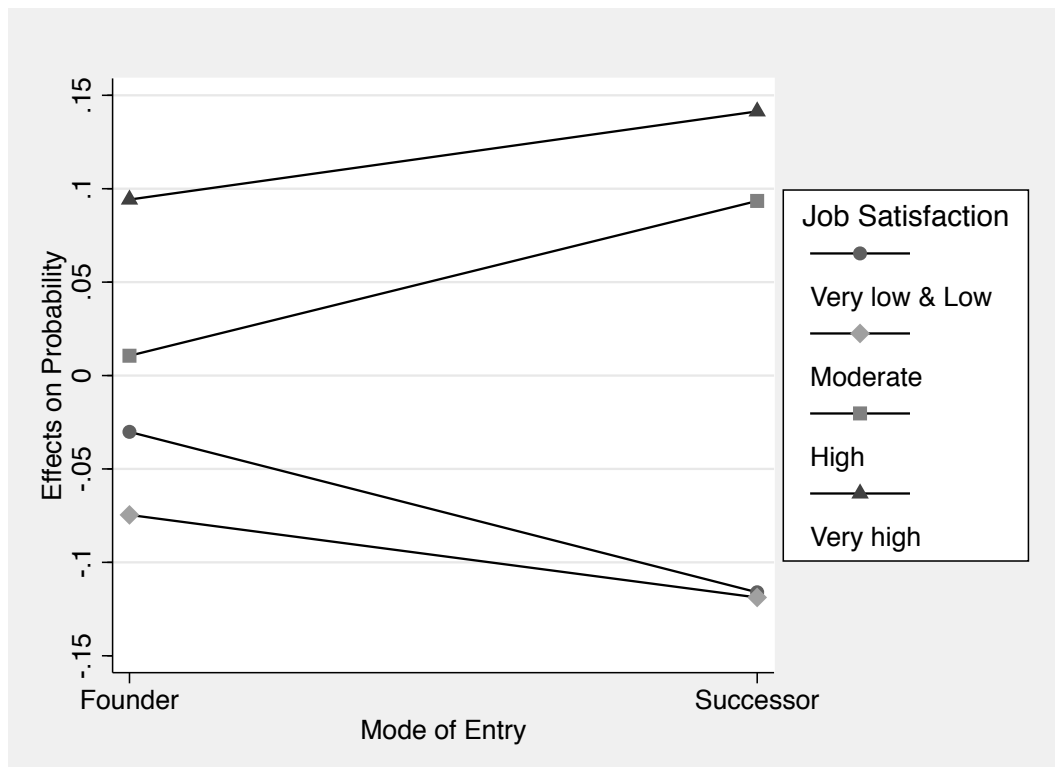
The Table offers various insights. Only two controls are significant: *Gender*, with males being more likely to have less than moderate satisfaction, and *Degree*, that reduces the likelihood to be very highly satisfied. Turning to the explanatory variables, individuals for whom entrepreneurship was a secondary career option are less likely to be highly satisfied, and more likely to have a less than moderate satisfaction. A similar pattern is found for those who lead firms in which relatives are involved. Instead, greater *Discretion* tends to trigger higher *Job satisfaction*. All these relationships move in the expected direction.

Turning to the key variables, we find that higher *Satisfaction with earnings* is positively associated with increases in *Job satisfaction*, at any levels of *Economic performance*. Also, successors are more likely to have very low, low and moderate *Job satisfaction*, while founders are more likely to be highly satisfied; *Mode of entry*, however, does not seem to affect very high satisfaction.

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We dig into the relationship between these two variables by analyzing how the marginal effects of *Satisfaction with earnings* on each of the four levels of the dependent variable vary between founders and successors (Figure 2). We observe that increases in *Satisfaction with earnings* are positively associated with the likelihood of being “very highly” and “highly satisfied”, and that the effect is more pronounced among successors than founders; conversely, growth of *Satisfaction with earnings* increase the likelihood of medium, low, and very low *Job satisfaction*.

Figure 2. Average marginal effect of *Satisfaction with earnings* for founders and successors.



To summarize, the regression analysis indicates that founders are likely to be more satisfied than successors, although the difference between the two groups is not significant for very high levels of satisfaction. This finding supports the expectations of Proposition 1. *Satisfaction with earnings* is positively associated with increasing levels of *Job satisfaction*.

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This effect is found both for founders and successors, however in the latter group –that is less likely to experience higher job satisfaction– the effect is significantly stronger, as expected by Proposition 2.

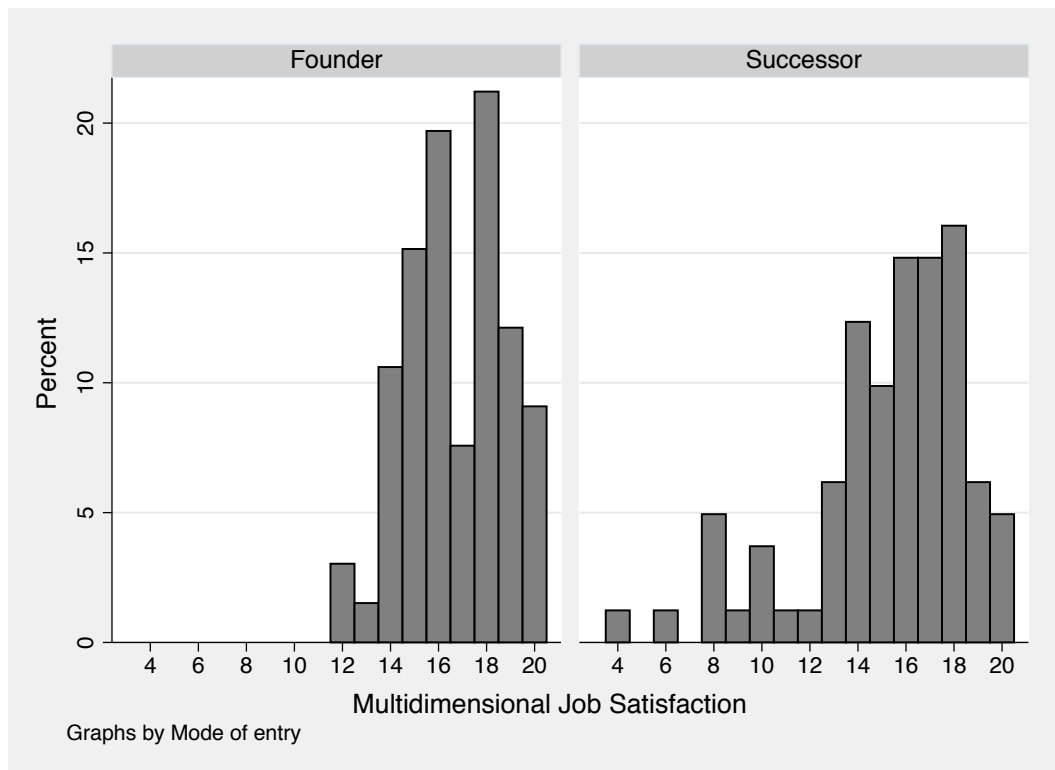
We further explored whether the *Mode of entry* moderates the impact of other explanatory variables, such as *Family involvement*, *Discretion*, and *Entrepreneurial tenure* on *Job satisfaction*, with a series of regression models, none of which found a statistically significant interaction term. The only driver of *Job satisfaction* that differs between the two categories of entrepreneurs, and therefore seems to have a distinctive role in the utility function of entrepreneurs, is *Satisfaction with earnings*.

6.3 Robustness tests

We carried out robustness tests to ascertain whether our findings are influenced by the instrument used to measure job satisfaction, and by the decision to exclude those who have acquired a company from the analysis.

The use of *Multidimensional job satisfaction* reiterates the finding that founders are more satisfied than successors (mean: 16.70 vs. 15.23), as shown also by Figure S.1, available as a supplementary material.

Figure S.1. Distribution of *Multidimensional job satisfaction* among founders and successors.



We tested the robustness of our findings with three regression models. First, we used a version of *Multidimensional job satisfaction* that clusters in a single category all the outcomes lower than 13, thus reducing the outcomes to 9. Then, we considered those who become entrepreneurs by acquiring an existing firm; we included them, first in the group of founders, and then in that of successors. The results of these models, that are available as supplementary materials in Table S.2, all reiterate the findings of Model 4, although with weaker significance for some variables, thus providing support to Propositions 1 and 2.

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Table S.2. Results of ordinal logistic regression. Robustness tests.

	Model 5	Model 6	Model 7
Dependent variable	Multidimensional Job Satisfaction	Job Satisfaction	Job Satisfaction
Size	0.001 (0.00)	0.000 (0.00)	0.000 (0.00)
Gender	0.798 ^{**} (0.40)	0.845 ^{***} (0.44)	0.814 ^{***} (0.43)
Degree	-0.645 ^{***} (0.38)	-0.525 (0.40)	-0.597 (0.40)
Working Hours	0.024 ^{**} (0.01)	0.010 (0.01)	0.009 (0.01)
Entrepreneurial Tenure	0.011 (0.02)	0.001 (0.02)	0.001 (0.02)
Entrepreneurial Choice	-0.418 (0.33)	-0.755 ^{**} (0.35)	-0.712 ^{**} (0.35)
Family involvement	-0.427 (0.40)	-0.653 (0.42)	-0.791 ^{***} (0.42)
Discretion	0.105 [*] (0.03)	0.087 [*] (0.02)	0.082 [*] (0.02)
Economic performance	0.050 [*] (0.02)	0.060 [*] (0.02)	0.062 [*] (0.02)
Satisfaction with earnings	0.717 [*] (0.25)	0.768 [*] (0.25)	0.743 [*] (0.28)
Mode of entry	-1.329 [*] (0.36)		
Mode of entry X Satisfaction with earnings	0.633 ^{***} (0.35)		
Mode of entry (Successor vs. founder & takeover)		-0.975 [*] (0.37)	
Mode of entry (Successor vs. founder & takeover) X Satisfaction with earnings		0.782 ^{**} (0.35)	
Mode of entry (Successor & takeover vs. founder)			-0.990 [*] (0.37)
Mode of entry (Successor & takeover vs. founder) X Satisfaction with earnings			0.706 ^{**} (0.35)
Cut-off 1	3.256 (1.47)	1.384 (1.39)	0.869 (1.40)
Cut-off 2	3.979 (1.47)	3.447 (1.41)	2.914 (1.41)
Cut-off 3	5.194 (1.50)	6.912 (1.48)	6.388 (1.48)
Cut-off 4	6.064 (1.52)		
Cut-off 5	7.076 (1.54)		
Cut-off 6	7.750 (1.56)		
Cut-off 7	9.119 (1.60)		
Cut-off 8	10.247 (1.64)		
Log-likelihood	-263.592	-155.285	-155.332
Chi2	96.237	90.019	89.925
N	147	171	171

Coefficients and standard errors (in parentheses).

Finally, we consider the issue of organizational inertia more in detail. While all firms ran by founders are, by definition, first-generation firms, successors lead firms that have at least one previous generation entrepreneur. In our sample, the 84% of successor-led firms are second-generation firms, and the remaining 16% are of third- or fourth-generation. The mean *Job satisfaction* of second-generation successors is higher than third- or fourth-generation successors (3.66 vs. 3.38); however, a regression conducted on the subsample of successors, finds that the variable is not significantly associated with *Job satisfaction*.

7. Discussion

The distribution of Job Satisfaction in our sample indicates that most of entrepreneurs are satisfied or very satisfied, consistently with previous studies on employees and entrepreneurs (e.g., Benz & Frey 2008a; Lange 2012; Millán et al. 2013; Schneck 2014). However, our study –which for the first time distinguishes between founders and successors– shows that the latter group presents systematically a lower level of satisfaction. This result resonates the outcome of the study by Clark et al. (2008) who find a higher satisfaction of first-generation compared to second-generation self-employed.

We interpret this finding as evidence that successors derive a lesser procedural utility from carrying out the entrepreneurial function –i.e., from dealing with the various strategic, operative, organizational and social tasks that entrepreneurs carry out in SMEs.

Our study explores the possible reasons of this difference. Previous research comparing satisfaction of self-employed and employees, highlights the degree of discretion that a person has in carrying out an activity as a driver of procedural utility (e.g., Benz & Frey 2008a). Our results confirm that discretion is positively associated with job satisfaction and is therefore a driver of procedural utility; however, it does not fully explain the different satisfaction of founders and successors, that indeed persists even when the regression models include this variable. To this purpose, it is important to notice that our measure of “discretion” privileges the strategic dimension, neglecting those referring to the often idiosyncratic relationship between individual, family and firm. This fact invites to appreciate successors’ discretion in broad terms, encompassing formal power, commitment to the founder’s legacy, and influence of family interests –in line with the notion of “successor discretion” elaborated by Mitchell et al. (2009).

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Support to this view is offered by the finding that the presence of family members in the firm negatively affects procedural utility, that we interpret as evidence of the fact that entrepreneurs suffer from dealing with these important internal stakeholders. This result, combined with the main finding that successors derive less procedural utility from entrepreneurship than founders do, suggests that operating in a family business represents a burden –rather than a motivation– for an entrepreneur.

This insight offers a new light on the established literature on family business that instead emphasizes the beneficial effects of family bounds for the development of the business, and the studies that highlight the role of non-economic and socio-emotional preferences in positively influencing the extent of job satisfaction by successors (e.g., Khanin et al. 2012). By contrast, our results are consistent with several observations that emphasize the burden of family embeddedness in terms of cognitive frames, normative imperatives and political pressures (Miller et al. 2011), and the deleterious effect of the “founder shadow” on successor’s behavior (Davis & Harveston 1999).

It is insightful to read this finding in relation to the recent evidence that family members derive utility from working in their own family business, not only because of their sense of identity and feeling of psychological ownership but also because of the better working conditions offered by a family business to family members (Block et al. 2015). Our results suggest that altruistic behaviors (Schulze et al. 2003), preservation of family control (Gomez-Mejia et al. 2007), creation of employment opportunities for relatives (Bennedsen et al. 2007) –although necessary for the preservation of the socioemotional wealth of the family, and therefore beneficial for the equilibrium of family and business– represent a burden for the *individual* entrepreneur who seems to face a trade-off between self-actualization by means of the firm, and responsibility towards the family and the firm. Therefore, it is relevant to analyze how the socioemotional wealth created by a family business is distributed among

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its stakeholders –namely, external stakeholders, family owners, family employees, other family members, and, not least, the family entrepreneur.

Our research also identifies some possible mechanisms that may help a successor to reduce the trade-off between individual, family and firm. We find that, for any level of actual economic performance, satisfaction with material rewards is more conducive to job satisfaction among successors than among founders. We interpret this finding in light of the compensating wage differential, as evidence that successors, in order to overcome the organizational and psychological resistances that impede a free deployment of their vision and strategy, need more material rewards to enjoy entrepreneurial activity as founders do. This result suggests that entrepreneurs derive utility from individual-level rewards to a large extent than from contributing to the socio-emotional wealth of their family.

8. Limitations and prospects for future research

This study is affected by some shortcomings that limit the generalizability of the findings, that should be considered as the result of an exploratory endeavor that demands for further investigations.

A first limitation is associated with the rather small size of our sample, comprising a total of 147 entrepreneurs. Size may be a matter of concern for the consistency of the estimates of ordinal logistic models, as some of the categories of the dependent variable rarely occur in our sample. However, our models satisfy the post-estimation tests, and therefore the results can be considered as reliable. Future studies should replicate the analysis on larger samples.

Another source of weakness may rest in the comparability of successors to founders, rather than to entrepreneurs who took over an existing firm. As we have already pointed out, organizational inertia and resistances are arguably lower in a first generation firm, at least in

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its early stages of life. Founders do not face such resistances, while those who take over a firm do. Therefore, comparing successors to this latter group of entrepreneurs would allow appreciating the effect of the family legacy in similar conditions of organizational malleability. Unfortunately, the small size of our sample did not allow us at conducting such comparison, nor at using a variable of mode of entry that considered all the three options, due to the reliability of the econometric models.

Furthermore, it is important to notice that firms led by founders and successors are subject to a different level of barriers to exit: due to the lower psychological bond to the firm and its history, it is possible to argue that founders have greater freedom to turn down an unprofitable business, while successors are likely to experience a much stronger pressure to persist in the activity. This observation may contribute to explain the lower level of satisfaction of successors. While we do not have a direct measure of psychological barriers to exit, we partially address this issue by controlling for the economic performance, as a negative economic performance may stimulate the intention to exit.

A possible shortcoming is associated with the fact that we addressed individuals, while the entrepreneurial function is often collective (Klotz et al. 2013). Further studies should pay greater attention to entrepreneurial teams and dual leadership.

Finally, we are aware that the relationship of the family environment on procedural utility may be driven by the specific national context in which the study has been carried out. It is well known that the role of family vs. individual is culturally dependent, and therefore a multi-country study, covering also non-Western countries, would improve the validity of our findings. However, in light of this observation, we consider our results even more surprising as the Italian culture is typically characterized as strong in terms of family bonds (e.g., Alesina & Giuliano 2010). We find that, even in this context, individual factors are stronger than the socio-emotional ones in driving entrepreneur's utility.

9. Conclusion

This study conducted an exploratory investigation of how individuals derive procedural utility from entrepreneurial role, distinguishing between two types of entrepreneurs who are differently exposed to the incentives and constraints associated with the family environment: founders and successors in a family business.

The paper contributes to the literature on satisfaction of entrepreneurs, being the first attempt to appreciate the effect of the organizational and social settings that characterize the different modes of entry to entrepreneurship, such as new venture foundation and succession in a family firm. From this perspective, our work contributes to advancing entrepreneurship research through contextualization (Zahra et al. 2014). Our results call for further investigations on job satisfaction accounting for the heterogeneity of the entrepreneurial function, beyond purely demographic characteristics (e.g., necessity versus opportunity entrepreneurs; academic versus other kinds of high technology entrepreneurs; professionals, artists, craftsmen).

This study offers also important insights to the family business literature, by taking to the light the contradiction that a family entrepreneur experiences between the will to preserve the family firm –and the bundle of values and social relationship that have been build along the generations– and the desire to pursue a personal entrepreneurial project by means of the firm. In other terms, we put forward that accumulation and preservation of socio-emotional wealth in family firms demands a successor to sacrifice to some extent his/her individual aspirations in favor of the welfare of the family. Therefore, we contribute to the debate on socio-emotional wealth by discovering a “dark-side” of the concept.

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Furthermore, our paper connects to a much-discussed theme in the family business literature, such as the causes of failure of the transition process. We speculate that some of these causes may be traced back to the lower levels of satisfaction of successors.

Finally, our paper offers also insights for entrepreneurs and their advisors. First, successors should be aware that the focus on short-term economic outcomes as a main source of satisfaction could distract resources and efforts from strategies of stakeholder inclusion, innovation and long-term sustainability of the business. Moreover, our results corroborate the importance of a clearly defined roadmap for the transition of the leadership role, resulting in the ultimate exit of the predecessor.

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Appendix

Table of correlations

	1	2	3	4	5	6	7	8	9	10	11	12
1. Job Satisfaction ^a	1											
2. Size	0.29	1										
3. Gender	-0.04	-0.01	1									
4. Degree	-0.09	0.30	0.12	1								
5. Working hours	0.02	-0.07	-0.29	-0.18	1							
6. Entrepreneurial tenure	0.08	0.10	-0.19	-0.28	0.13	1						
7. Entrepreneurial Choice	-0.16	-0.11	0.11	0.11	-0.07	-0.11	1					
8. Family involvement	-0.03	0.15	0.19	-0.06	0.02	0.09	-0.10	1				
9. Discretion	0.32	0.24	-0.18	0.02	0.26	0.12	0.02	0.10	1			
10. Economic performance	0.26	0.07	0.03	0.02	0.01	0.08	0.06	0.09	0.12	1		
11. Satisfaction with earnings	0.50	0.29	-0.02	0.05	-0.02	0.03	-0.06	0.11	0.40	0.13	1	
12. Mode of entry	-0.14	-0.04	0.31	0.11	0.02	-0.23	0.06	0.12	-0.05	-0.09	0.05	1

^a. We use the modified version of Job satisfaction that is used in the regression models.