SUCCESSION VERSUS HARVEST IN FAMILY BUSINESSES: THE ROLE OF PASSION AND FAMILY INVOLVEMENT IN EXIT STRATEGIES

By

JAMES P. RUETZ

Associate of Science in Oceanographic Technology
University of Florida Institute of Technology
Melbourne, Florida
1978

Bachelor of Arts in Geography
University of Wisconsin-Parkside
Kenosha, Wisconsin
1980

Master of Business Administration
University of Chicago
Chicago, Illinois
1989

Submitted to the Faculty of the
Graduate College of the
Oklahoma State University
in partial fulfillment of
the requirements for
the degree of
DOCTOR OF PHILOSOPHY
December, 2022

SUCCESSION VERSUS HARVEST IN FAMILY

BUSINESSES: THE ROLE OF PASSION AND

FAMILY INVOLVEMENT IN EXIT STRATEGIES

Dissertation Approved:

Dr. Matthew W. Rutherford

Dissertation Adviser/Chair

Dr. Kristen Madison

Dr. Curt Moore

Dr. Bryan D. Edwards

ACKNOWLEDGEMENTS

I want to acknowledge the help and support I received from my dissertation committee: Dr. Matt Rutherford – Committee Chair and Advisor, Dr. Curt Moore, Dr. Kincy Madison, and Dr. Bryan Edwards. Their guidance proved to be of incalculable value throughout the process of my dissertation, and the insights I gained from their combined knowledge kept me on track. I would also like to thank Dr. Duygu Phillips for her guidance and assistance.

I wish to thank Dr. Stephanie Royce, Donna Lamson, and Dr. Toby Joplin for their guidance and support throughout the E-PhD program and my fellow members of Cohort VIII, whose encouragement and energy were greatly appreciated.

A special thanks to my wife, Karen, and our two children, Jennifer and Jason, for their unwavering support during this journey. Without their help, this endeavor would not have been possible. Additional thanks to my two brothers and sister, who shared the family business journey with me.

I'm dedicating this dissertation to my father, George (Geo) Ruetz. Geo was my role model, boss, co-worker, and advisor. Geo taught me the essence of a family business and leadership commitment. His compassion and passion for the entirety of the organization, along with his inspirational entrepreneurial passion, guided our family and the firm through the company's 55-year life cycle. Geo's favorite statement about what makes a company is inscribed on the firm's walls: "If you lose the brick & motor of the building, all the inventory, and all else but are left with good people, you still have a company. It is the people that make a company great!"

Name: JAMES P. RUETZ

Date of Degree: December 2022

Title of Study: SUCCESSION VERSUS HARVEST IN THE FAMILY BUSINESS: THE ROLES OF FAMILY INVOLVEMENT AND PASSION IN EXIT STRATEGY

Major Field: BUSINESS ADMINISTRATION

Abstract

Through this research, I investigate the influence of leadership passion and family involvement on family businesses’ exit strategies (succession versus harvest). I execute two studies to do this: 1) a survey of 118 family business family managers, and 2) a survey of 33 private equity/investment professionals who acquire family businesses. In Study 1, I analyze how family leadership passion influences firms’ strategic choices toward succession versus harvesting. I also investigate whether family involvement in firms moderates the relationship between leadership passion and exit strategy. In Study 2, I use a postdictive survey to uncover how private equity investors view the value of leadership passion and family involvement in their intent to invest in family firms.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

INTRODUCTION

> *Our private equity deal team met with the chief executive officer (CEO) and the top management team (TMT) of a family-owned firm with strong financials and a long tenure in the business. Going into the meeting, we felt confident we'd issue a competitive letter of intent (LOI). However, during our post-meeting discovery, everyone commented on the lack of passion conveyed by the CEO and the TMT. We questioned who would champion the business moving forward if we invested in the firm but then had to replace the CEO, which would add a new risk element. In the end, much to our surprise, we elected to pass on this one.*
>
> – Excerpt from ecological validation interviews conducted with private equity investors.

One must wonder if leadership passion is significant when discussing family business strategies and whether a family firm can become a generational firm without passionate leadership. This assertion is backed up by comments from the ecological validation interviews of family business owners when the statement was made: "The passion I have for our business and our team is a big part of what makes us a family business" (Sensei interview, 2021). Clearly the firm under discussion had chosen a non-succession route since they were in dialogue with a private equity firm. Did the leadership team's lack of passion influence their decision to pursue an exit? Or were other factors in play? Did a lack of family involvement influence the exit decision? This research will seek to uncover the role the firm's leadership and top management team's passion and family involvement in the firm’s decision to pursue an exit strategy or a succession strategy. Besides a lack of passion, it may be that the private equity deal team perceived a lack of family involvement in the organization, which also made the firm less attractive. I hope to provide insights into questions like these with this research. Appropriate definitions of family business exits, leadership passion, family involvement, and private equity interests in family firms must be clarified to address these questions adequately.

Family Business Exits and Private Equity Buyers

Firms run by family-owner leadership with other family members involved in the business, either as owners or potential owners, often experience a persistent tug-of-war between family systems and the company itself (Litz, 2008). While succession is often a goal in family businesses, it may be that too much emphasis has been placed on succession as the quintessential identifier of a family business. For over 40 years, examining the family’s ability to create firm succession has been a central focus of family business research (Barnes & Hershon, 1976; Beckhard & Dyer, 1983; 1983b; Handler & Kram, 1988). In fact, generational transfer in family businesses has been touted as the most challenging problem family firms will face in their business’s lives (Barnes & Hershon, 1976). However, recent literature has begun to focus on a broader set of transition options available to family firms. That is, research in the broader literature has begun to explore strategic approaches to entrepreneurial exit (DeTienne, 2010; DeTienne & Cardon, 2012; Gimeno et al., 1997; Hessels et al., 2011; Ryan & Power, 2012; Salvato et al., 2010; Wennberg et al., 2010). From this research, we now understand that family firm exit strategies may play a significant role in the regeneration of family firms (Salvato et al., 2010). For example, using portfolio entrepreneurship (Sieger et al., 2011), family business harvest strategies add flexibility, reduce risk, aid in firm growth, create additional management opportunities for family members, and help preserve family wealth (Carter & Ram, 2003; Mulholland, 1997; Ram, 1994; Rosa 1998).

The shift in focus away from succession as the singular measure of family business success is significant since it highlights the notion that family businesses often consider numerous transition options. These options include harvest, acquisition, or succession as strategic tools for discovering new family opportunities (Feito-Ruiz & Menéndez-Requejo, 2011). Unfortunately, though, the nomological network (i.e., antecedents and outcomes) of this phenomenon remains poorly understood. In this work, I aim to shed partial light on this issue by considering two key constructs in the family business continuation process: leadership passion and the degree of family involvement present within the firm.

The most significant influence on the leadership of a family business often comes from within the family, specifically the family management team members (Litz, 2008). However, succession decisions can significantly stress the founder, CEO, family leader, or family board of directors. Succession may not be the best or only way to preserve the family wealth created by a family firm. Harvesting part or all of the business has become essential for creating and maintaining family wealth (Litz, 2008). The rise in the number of middle-market private equity firms in the last 20-plus years allows family businesses to harvest wealth and build an alternate form of succession where the components of family involvement (ownership) may be reduced, but where the essence of the family persists post-harvest. This alternate succession exists where some family members exit the company and others remain as investors with a private equity/investment partner but maintain family elements in the business. The proliferation of private equity firms investing in early generational family businesses creates a new form of a family business where ownership power may be significantly reduced, but other elements remain high. This new form of non-ownership or limited ownership family-led business brings into question the very definition of “family business,” which requires majority ownership in the business (Litz, 2008). While redefining the family business construct is not the goal of this research, I will focus on the significant role leadership, passion, and family involvement plays in family business strategies.

Leadership Passion and Family Involvement

This research will delve into the effects of passion and family involvement in two related studies to address the following questions:

1) what roles do family leadership passion and family involvement play in the firm’s exit strategy, and
2) what roles do family leadership passion and family involvement play in private equity firms’ intention to invest in family businesses?

These questions become increasingly important from a practitioner’s standpoint as more and more family businesses look at harvest opportunities to preserve family wealth and the socioemotional needs of family members. This paper will contribute to an existing gap in family business research on how family involvement impacts family business harvest versus succession decisions. I will attempt to better understand these questions by tapping into two existing constructs, family involvement using the familiness-power, experience, and culture scale (F-PEC) (Klein et al., 2005) and leadership passion (Cardon & Kirk, 2010; Vallerand, 2015). Family business leaders who are passionate about the business significantly influence the strategic decision to create succession or exit. However, most family business executives do not make these critical strategic decisions in a vacuum. Family involvement in day-to-day activities, board-level discussions, and willingness to take ownership risks influence leadership's strategic succession or exit decisions. Indeed, unlike nonfamily businesses, where the chief executive officers defend their strategy decisions to the board of directors, family leaders' decisions and strategies are routinely discussed at dinner or family events. In the second half of my research, I consider how private equity buyers view leadership passion and family involvement, specifically looking at organization's' ownership structure, generational involvement, family member board experience, and culture (Jensen, 1993; Markrides, 1998; Reid, 1996). The passion variable in Study 2 may uncover how private equity managers view leadership passion in their investment decisions (Hsu, Haynie, Simmons, & McKelvey, 2014; MacMillian et al., 1985). Private equity buyers offer a unique alternative to succession where some family members remain active and allow others to step aside, leaving a sustained family presence in the business (Dreux, 1992; Howorth et al., 2004).

Family Involvement

Despite years of family business research, it is somewhat surprising that between 20 and 30 definitions of family business have developed (Chua et al., 1999; Litz, 2008; Holt et al., 2010), with the vast majority not occurring until the turn of the last millennium. Standard classifications of family firms are based on ownership, governance, family participation in management, and generational transference (Anderson & Reeb, 2003; Silva & Mailuf, 2008; Mishra & McConaughy, 1999; Randøy & Goel, 2003). For example, Ahlers et al. (2017) see family firms as different from nonfamily firms because the family directly affects the firm's strategy, assets, and mission objectives. Perhaps the most salient description comes from

(Litz, 2008, p. ??), “a business becomes identifiable as a family business when two separate systems, family versus business, begin to influence one another.” This definition seems to be the most cogent and is the chosen paradigm for this study. Supporting the idea of a family system, Anglin et al. (2017) look at family involvement and the varied influences family members exert, termed “the family essence,” as a measure of family involvement and influence. Chrisman et al. (2005) consider philosophical differences between the components of involvement and an essence approach in defining a family firm. In simple terms, the components approach states that family involvement is enough to represent family firms. These components include activities such as ownership, active management, successive generational involvement, and governance of the family. Yet this approach sometimes fails to explain why firms with similar levels of involvement do not consistently identify as family firms. The essence approach takes a more theoretical slant. It considers family involvement a requirement, where the involvement must be accompanied by elements that give it the distinctive nature of a family business. These distinct elements include family involvement, visionary, specific intentions, and other behaviors consistent with family firms (Chrisman et al., 2005).

A lack of family involvement within firms may be identified as a measurable dysfunction between compan’ies’ cultures and cultures embedded in firms. These differences may include lower family member experience, generational contribution factors, or a broader dispersal of family ownership power. Family influence can positively and negatively influence family firms (Chrisman et al., 2005). Families who feel a sense of binding to one another towards a common goal become an extension of themselves and their family businesses (Dyer & Whetten, 2006; Zellweger, Eddleston, & Kellermanns, 2010). Family firms managed by family members don't always consider themselves family businesses (Chrisman et al., 2005). Alternatively, nonfamily-controlled firms sometimes do identify as family businesses (Westhead & Cowling, 1998). Conflict and harmony within family members may then result in flux, thus varying where firms see themselves in the family continua. The critical elements of the F-PEC measure (Astrachan et al., 2002; Klein et al., 2005) — namely generational experience, ownership percent, and culture — help to measure family involvement. As Westhead and Cowling (1998) discover, ownership is, at best, a nebulous means of how firms identify themselves. Financial owners (i.e., private equity) may own the majority shares, whereas leadership and TMTs influence firm's' experience and culture. Using these F-PEC elements as a measure, I posit that private equity firms seek out companies with high family involvement. When some aspects of family involvement remain high post-sale, it may also explain why family firms that are no longer family-owned still identify as family firms.

This study is important because it may give substantial guidance to both family firms considering a forward harvest/succession strategy and private equity investors, who often play a significant role in family firms' forward process when they involve exit stratagems. I will focus on two independent variables (DVs) that may influence whether a firm opts for a typical succession route or a harvest process to preserve ongoing family wealth: leadership passion and a moderating variable, the family involvement level of the firm. Since the harvest option often requires outside investors, my research will also examine these same variables in a separate study, looking at their influence on private equity firms' decisions to invest in family businesses.

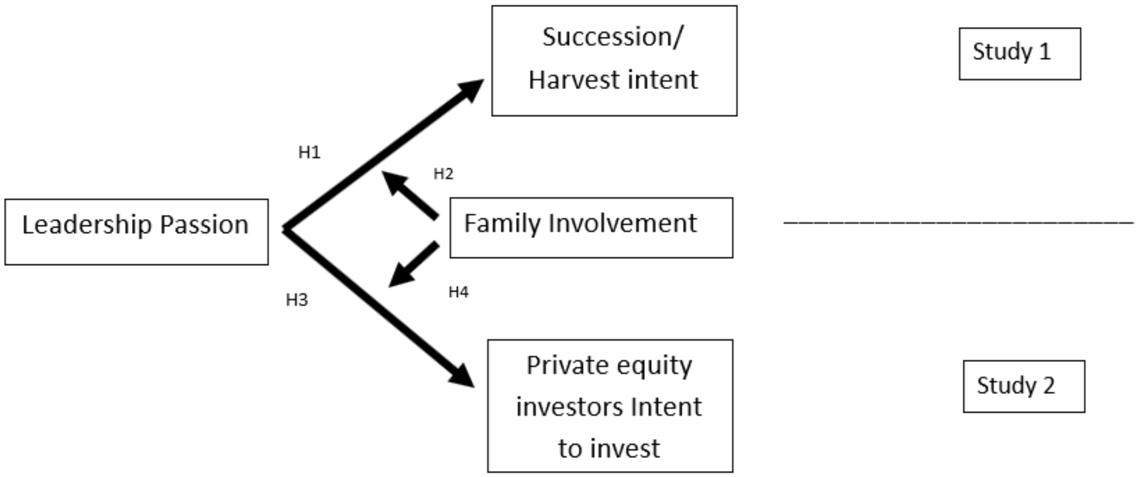


Figure 1. Model Studies 1 and 2

Exploration of Family Business Theory

Numerous theoretical conventions are used to explain the paradigms and heterogeneity involved in family firms. The most common theories identified in the family business literature are Agency Theory (Morck & Yeung, 2003; Schulze, et al., 2001) and Stewardship Theory (Miller & Le Breton-Miller, 2006). As an illustration, approximately half of the 84 articles I reviewed for this research (see Table 1) were built upon Agency Theory, Stewardship Theory, or a combination of the two. Agency Theory focuses on the difference in priorities between the agent and principals, where the agent often acts in their self-interest *viz-à-viz* the principal. Stewardship Theory holds that managers will act as responsible stewards in servant capacities. In early research, the expectation was that agency issues would be virtually nonexistent in family businesses due to consolidation of ownership, causing joint interest alignment (Chrisman et al., 2004; Jensen & Meckling, 1976; Fama & Jensen, 1983). However, recent work (e.g., Madison et al., 2016) sheds light on how both Agency and Stewardship Theories can provide foundations for understanding family business issues. For example, in their 2016 study, Madison et al. (2016) look at how family firms' use of governance or formal boards of directors can help mitigate agency problems. The melding of Agency theory and Stewardship Theory has contributed to family business research by helping to identify ways managers in nonfamily businesses might differ from those in family businesses (Madison et al., 2016; Chrisman, 2019). Moreover, Agency and Stewardship Theories employed in unison may help explain the succession/harvest decision every family firm will eventually face. By replacing the focus on firm performance with firm succession/harvest strategies, agency theory may shed light on owners' desires for self-interests and the continuation of the firms they created. While the steward guards and maximizes family shareholder wealth (Davis et al., 1997), we may better understand family firms' harvest strategies.

Other theories in family business include the Resource-Based View, Upper Echelon Theory, Threshold Theory, Socioemotional Wealth, and Social Identity Theory. The Resource-Based View (RBV) (Habbershon & Williams, 1999; Habbershon et al., 2003; Barney, 1991) is a managerial-based theory built around firms' use of resources to achieve a sustained competitive advantage. The broad theoretical premise of RBV is that selected resources carry more value than others, as in the case of intangible assets (Itami and Roehl, 1987; Grant, 1991; 1996). Chrisman et al. (2005) look at the combined influence of RBV, Agency Theory, and firm performance as critical markers to further develop family firm theory. Two significant contributions of the Chrisman et al.' (2005) work explaining the value of combining Agency Theory and RBV, and aide in explaining strategic management in family firms. First, they conclude that at least at the large-scale family level, empirical evidence suggests that founding family involvement positively impacts firm performance. Second, they argue that the Components-of-Involvement and Essence approaches might converge to create a theoretical definition of the family business. The Components-of-Involvement approach is based solely on the concept that family involvement in the firm is all that is needed to define a family firm. While the Essence approach requires family involvement, this involvement must also be represented by actions distinctly identified as family behaviors (Chrisman et al., 2005).

Upper-Echelon Theory (Hambrick & Mason, 1984) stresses that organizational outcomes might be partly projected by senior management's background and characteristics inside the firm. Hambrick and Mason (1984) demonstrate that quantitative traits such as education levels and managerial experience influence performance. They also suggest that qualitative aspects of upper management makeup such as leadership passion or other psychometric elements in leadership roles should be investigated.

Because many family businesses grapple with succession versus exit decisions, it is incumbent upon researchers to consider Threshold Theory when considering the drivers influencing family business exit decisions. Threshold Theory suggests that companies' decisions to exit are impacted by economic performance and their firms' threshold of performance (Gimeno et al., 1997). More succinctly put, Gimeno et al. (1997, p. 750) explain it as, "the level of performance below which the dominant organizational constituents will act to dissolve the organization." Researchers have begun to link Threshold Theory with other theories, such as Socioemotional Wealth and Social Identity Theory, to better understand the factors surrounding firm exits (DeTienne & Cardon, 2012; DeTienne & Chirico, 2013; Symeonidou et al., 2021).

While all these theories offer insight into family succession or exit and the interplay between family businesses and private equity buyers, I draw primarily upon the

Socioemotional Wealth Perspective and Social Identity Theory to develop my hypothesis for this study. Social Identity Theory and the Socioemotional Wealth Perspective offer a deeper understanding of leadership passion and those endowed qualities possessed or inherited through family involvement. Threshold Theory helps explain why family leaders sometimes exit their firms despite performance levels that would typically indicate they would not exit or, in other cases, would exit based on Standard Economic Theory, but do not. Thus, a firm's financial performance does not singularly determine its survival — instead, an exit decision is driven by a venture's economic performance relative to the threshold (Gimeno et al., 1997). Threshold Theory is not core to my hypothesis but instead supports the idea that factors other than economic considerations influence family exit strategies.

Contributions

This dissertation makes two contributions. First, it contributes to family business research by integrating the Socioemotional Wealth Perspective and Social Identity Theory. This is important as there is scant research making this connection, which is critical for a better understanding of family business succession and harvest strategies (for an exception, see Deephouse & Jaskiewicz, 2013). The theoretical relationship between families' socioemotional wealth needs and individual family members' goals — as explained by Social Identity Theory is part of the missing link in the ongoing theory development regarding family firms. My research expands on the use of Social Identity Theory in unison with the family perspective offered by the Socioemotional Wealth Perspective to understand how aspects of family involvement influence key family strategies like succession or exit decisions.

Second, this study contributes to family business research by examining investors' decision making. Extant research looks at Social Identity Theory and the Socioemotional Wealth Perspective and their influence on family goals (Deephouse & Jutkiewicz, 2013). To my knowledge, this research will be the first to use these theories as the backbone to gain greater insight into private equity investors' decision making when acquiring small and medium-size businesses.

CHAPTER II

LITERATURE REVIEW

I investigate two constructs studied in family business research: leadership passion and family involvement. While leadership passion certainly plays a role in nonfamily and family businesses, passion serves as a special motivational force driving both the entrepreneur and family members to succeed in family businesses (Vallerand et al., 2003; Cardon et al., 2017). In family firms, there is often little separation between the family members' identities and that of the family business. That is, if the company fails, so do the family members. Family involvement in a firm constitutes the core of a family firm; the interactions of family members, employees, and leadership teams influence the strategic direction and longevity of a firm. I suggest that the degree of leadership passion and level of family involvement may play a significant role in influencing the strategic direction of a family business, particularly in the critical succession versus exit strategy. I also suggest that investors' intentions to invest in family firms are influenced by leadership passion and family involvement. I build the theoretical logic supporting these arguments from the Socioemotional Wealth Perspective (SEW) and Social Identity Theory (SIT). Additionally, I employ Threshold Theory as a unifying framework between SEW and SIT.

In this chapter, I provide an overview of how SIT and SEW both independently and jointly help explain the theoretical logic behind family business succession versus exit strategies. Next, I discuss how these theories have been used in the extant literature and identify existing gaps in this literature. In addition, I demonstrate how Threshold Theory ties together elements of discovery in my research.

Social Identity Theory (SIT)

Social psychology attempts to separate social identity and identity theories of "self" into macro and micro points of view. However, social psychologists recognize that the micro and micro views are often employed interchangeably, making it unclear which theory is the micro and which is the macro (Hogg & Abrams, 1988). While the two approaches are closely linked, identity theory focuses on the role to which the individual identifies (micro), i.e., father, teacher, husband, friend, etc. Individuals have various identity roles, and each role has meanings and expectations tied to it. Changes in individuals' surroundings and interactions may substantially affect their identities. For example, individuals who go through a divorce or job loss may experience an identity change due to lower self-esteem (Stets & Burke, 2000).

SIT, on the other hand, addresses social intergroup relations, or how people see themselves as members of a specific group category (macro) (Stets & Burke, 2000). Social identity is a person's recognition of belonging to a social group or category (Hogg & Abrams, 1988). For example, conflict may arise when a family member identifies as a strong successor candidate (identity). However, despite his/her role identity, the family member is not recognized by firm leadership as a member of the successor candidate group (social identity).

Individual identification links SIT and Identity Theory. SIT uses “self,” whereas Identity Theory uses “identity centrality” to develop the concept of individual identity. Identity centrality is essential for this research because it has been linked to the construct of leadership passion (Vallerand et al., 2007; Cardon et al., 2009: Murnieks, 2007; Murnieks et al., 2014), and SIT has been the explanatory logic underlying entrepreneurial passion (Cardon et al., 2009).

Social Identity and Leadership Passion

Passion was introduced into social psychology in the 1970s and focused on intergroup relations. It is particularly relevant in family business research, where family members often identify with business and family management team segments. During the 1980s, SIT morphed into sub-theories emphasizing social effect and normative group behaviors, group leadership and intragroup leadership, self-enhancement and risk mitigation, and collective and individual behavior research (Stets & Burke, 2000). In contrast, Identity Theory focuses on “self-categorization” by individuals and is therefore important in developing individuals’ identities. In SIT, categorization is contingent upon a pre-named and classified environment (Stryker, 1980). For example, the businessperson who declares, “I am a passionate entrepreneur,” has self-identified as such. Conversely, SIT more accurately represents the environment within the family unit; everyone’s awareness as a social group member influences the generational family unit (Hogg & Abrams, 1988). For example, a family member is recognized as a second-generation family business member or a vital member of the family leadership team.

SIT is referenced in passion research studies (Cardon et al., 2013; Vallerand et al., 2007), where passion is considered an essential component in driving entrepreneurial-led family businesses (Bird, 1989; Cardon et al., 2017). Passionate entrepreneurs, in their many forms, provide resilience, rigor, and "intestinal fortitude" to family business leaders. Viewed from the family firm exit perspective, the extant literature demonstrates that family leadership draws upon emotive identification when considering strategic courses of action (Cardon et al., 2013). As individuals' identities change as a result of a drop in self-esteem or confidence, this may result in a decline in their passion for the job; a shift in firm strategy may become a resulting factor. Suppose family members have significant changes in their identities. This could impact their social identification as passionate members of their firm and thus may contribute to a move from a succession strategy to an exit strategy.

Leadership passion is an affective inclination driving individuals to commit their time and energy to entrepreneurial pursuits (Cardon et al., 2013). As entrepreneurial leaders' passion ebbs and flows, their entrepreneurial identities may influence their transition from or towards specific outcomes (i.e., succession, harvest). Entrepreneurial leadership passion is defined as "a demonstration of emotion, enthusiasm, and energy" (Pollack et al., 2012, p. 919) and plays a significant role in entrepreneurial venture development and firms' exit strategies. Passion has also been described as the driving mechanism attributed to an entrepreneur's ability to overcome obstacles, develop a singular focus, and contribute the necessary sweat equity to create firm success (Vallerand et al., 2003); Cardon et al., 2017). Indeed, passion may be at the very soul of entrepreneurship, giving rise to creativity, discovering new information, and the necessary drive to feed entrepreneurial perspicacity (Baron, 2008; Sundararajan and Peters, 2007). Smilor (1997, p. 342) considers passion "perhaps the most observed phenomenon of the entrepreneurial process."

Leadership passion through Identity Theory has been recognized as the fuel that flames creative thinking, willingness to work long hours, persistence and tenacity, the foundation for the intestinal fortitude to overcome obstacles, and drives entrepreneurs toward succession strategies (Cardon et al., 2009; Cardon & Kirk, 2010; Murnieks et al., 2014; Murnieks et al., 2016). Cardon et al. (2009) and others (e.g., Vallerand et al., 2007) assert that Identity Theory has a foundational relationship to passion, and entrepreneurial passion is linked with entrepreneurial identities (Cardon et al., 2009; Murnieks, 2007; Murnieks & Mosakowski, 2006).

As an individual's entrepreneurial identity ebbs and flows, his/her passion follows suit (Murnieks et al., 2014). Researchers have consistently linked their works in entrepreneurial passion to identities (Vallerand et al., 2007; Cardon et al., 2009). Specifically, the Vallerand et al. (2003) work on harmonious passion and the Cardon et al. (2009) work on entrepreneurial passion integrate identity components as essential to the inspirational drive that arises from passion. Cardon et al. (2009) connected how entrepreneurs identify with their firms as the source of their passionate drive, resulting in working long hours toward their firms' success. Entrepreneurs see themselves as an extension of the firm, whereby a firm's failure reflects directly on an entrepreneur's psyche. Sports athletes provide some excellent examples of passion fueling inspirational drive. Larry Bird, three-time league MVP, three-time NBA champion, two-time finals MVP, and 12-time All-Star NBA basketball player, stated: "I don't know if I practiced more than anybody, but I sure practiced enough. I still wonder if somebody somewhere was practicing more than me" (BrainyMedia, Inc.).

Bird was known for showing up two hours before his teammates arrived before a game to shoot three-point shots and free throws as part of his routine. He identified with his role as being the hardest-working player on his team and perhaps in the entire NBA. Like many successful athletes, Bird identified hard work with individual and, more importantly, team success. Entrepreneur owners who identify similarly with their firms are often the first to the office and last to leave.

In addition to the commentary above, extant research bestows further insights into how identity and leadership passion intermingle. Indeed, Vallerand et al. (2003) and Fischer et al. (2017) identify the dualistic nature of passion by attempting to differentiate between an entrepreneur's harmonious passion versus obsessive passion. In their empirical study, Warnick et al. (2018) research how angel investors view two passion types — entrepreneurial passion and product passion — and the entrepreneurs' openness to feedback in his/her decision to invest in a firm. Warnick et al. (2018) note that in the Vallerand et al. (2003) early passion studies, greater than 150 different activities were pointed out as potential sources of passion from various venues, including work passion, sports passion, and passion for hobbies. Still more significant is the finding that respondents identified them as central to their sense of self when asked about activities they loved. While the Warnick et al.' (2018) research lacked strong theory development, the work drew significant parallels between personal identification, leadership passion, and private investors' intent to invest, all of which are essential to this research. While entrepreneurial passion as a construct has gained significant attention, systemic analysis has been constrained, prompting some (e.g., Newman et al., 2021; Cardon, et al., 2009) to surmise that a lack of insight into passion's role in explaining entrepreneurs' decision processes is evident.

Socioemotional Wealth (SEW)

SEW is defined as "the nonfinancial aspects of the firm that meet the family's affective needs" (Gómez-Mejía et al., 2007). Theoretically, SEW offers an exposition of family business-specific nonfinancial dimensions (DeTienne & Chirico, 2013; Gómez-Mejía et al., 2007). Analytically formed, the SEW perspective summarizes the family firm's affective needs and value gains (Berrone et al., 2010; Gómez-Mejía et al., 2010). Moreover, the SEW perspective sheds light on how family-controlled firms make decisions that involve firm policy and strategic objectives (Berrone et al., 2012). These objectives include exit decisions and incorporate the collaborative actions integral to the core of family firms (Sundaramurthy & Lewis, 2003; Baron, 2008).

SEW is theoretically derived from Behavioral Agency Theory (Wiseman & Gómez-Mejía, 1998; Gómez-Mejía et al., 2000). Behavioral Agency Theory, in turn, comprises elements of a behavioral theory of the firm, Prospect Theory, and Agency Theory. At its core, Behavioral Agency Theory holds that firms will make choices based on the preferences and needs of the principal owners. In a family firm context, owners will make decisions to maintain the families' collective endowment, sometimes overshadowing the firm's needs. The SEW perspective diverges from Behavioral Agency Theory by recognizing the family's nonfinancial attachments and individual identity alignments with the firm. Maintaining SEW may become a critical element of owners' mindsets in transference to family firms. As a result, family owners frame decision points around how they will impact their socioemotional endowment (Gómez-Mejía et al., 2010).

Simply stated, the SEW endowment is a collective of the nonfinancial benefits derived from being a member of a family firm. There are many examples of these endowments, such as their identity attachment to the company, the pleasure gained from working with offspring or siblings, and working for a company with their name on the building (Gómez-Mejía et al., 2011). The SEW perspective holds that family firm decision-makers may forego economic profits to maintain certain endowment gains. For example, a firm may devise creative but economically costly processes to avoid layoffs during a recessionary period to support the family's community standing and reputation (Gómez-Mejía et al., 2010). The perpetuation of control and authority over strategic decisions is crucial to the family's SEW (Berrone et al., 2012; Zellweger et al., 2012), and family leadership is often willing to accept more risk to preserve SEW issues through their control and authority. Yet, in traditional financial risk situations, family businesses are typically more risk-averse than their nonfamily business counterparts (Gómez-Mejía, et al., 2010). The SEW family members try to preserve includes maintaining a positive family firm identity, exerting influence within and outside the business, and preserving the family's dynasty (Gómez-Mejía & Kalm, 2016).

SEW and Family Involvement

Family ownership is often used to identify and gauge the level of family involvement in a firm (Anderson & Reeb, 2008; Chrisman et al., 2012; Gómez-Mejía et al., 2010). Through ownership, family involvement enables family members to set strategies and impact a firm's culture and behaviors (Miller et al., 2018; Villalonga & Amit, 2006). Family involvement has been a critical element in more recent SEW research (Berrone et al., 2010; Gómez-Mejía et al., 2007; Zellweger et al., 2012). Family involvement includes family members' board presence (Chrisman et al., 2012; Miller et al., 2011; Villalonga & Amit, 2006; Yoshikawa & Rasheed, 2010; Zahra, 2010). Family involvement gives family members the power to pursue SEW goals such as providing employment opportunities to family members, passing the firm on to future generations, protecting the firm's reputation, and maintaining their social status in the community (Gómez-Mejía et al., 2007; Gómez-Mejía et al., 2001; Schulze et al., 2008; Dyer & Whetten, 2006). SEW is, in part, the investment the individual family members make in the firm and is reflective of the perceived value they receive from membership in the family group (Ashforth et al., 2008; Tajfel et al., 1982). These investments include loyalty, pride, and caring and are considered important attributable influences by family members on their firms (Klein et al., 2005).

Through the SEW perspective, we may also understand how family interactions and relationships influence family strategies, particularly in cases where the outcome, if viewed from a nonfamily perspective, would be considered a counterintuitive financial decision. For example, companies may forgo lucrative offers to sell their family firms at 12 to 15 times earnings (i.e., harvest) and instead opt to pursue a succession strategy. It may be that the family members enjoy their status as owners, a strong belief in the family's ability to overcome future obstacles, pride of accomplishment, or simply the love of working with family members that drive the decision to bypass a significant economic reward. How the family leadership identifies with their roles as leaders may determine the firm's strategic direction and whether the family business moves toward succession or a harvest of the firm. When family leadership takes strategic steps to establish a succession plan, they must work through their individual identities and those of the rest of the family unit. For example, in nonfamily businesses, the owner may fear the loss of a critical team member when naming a successor. When deciding to name a successor, a family business owner must also consider the social identity impact on the firm and the family unit. The SEW perspective offers insight into families' social identity endowments and connections within family units and throughout firms.

How respective family owners, specifically family leadership, individually identify with their companies can also impact family succession strategies. Individuals' identification has been linked to entrepreneurial passion (Cardon et al., 2013). When founders identify too closely with their companies, they may attribute any firm failure to their own shortcomings. To understand the theoretical link between family owners and how they passionately identify with their businesses, it is paramount that we understand individual identity (Identity Theory) and intra-group identity (Social Identity Theory).

Unifying Socioemotional Wealth, Social Identity Theory, and Exit

A short discussion of Threshold Theory is beneficial to better understand the unifying factors between the SEW perspective, SIT, and family exit strategies. Threshold Theory has been employed to weave SEW and SIT together and explain entrepreneurial exit (DeTienne & Cardon, 2012; DeTienne & Chirico, 2013; Symeonidou et al., 2021). In its simplest form, Threshold Theory recognizes that individuals or organizations make decisions based on comparable outcomes relative to some internal reference or aspiration level. Gimeno et al. (1997) cite their work on performance thresholds as complementary to theories in individual decision-making (Kahneman & Tversky, 1977; Cyert and March, 1963; March, 1988; March & Shapira, 1992). Family business exit is thought to be tied to economic performance considerations, i.e., once a firm's financial performance drops below a specific threshold, the owner moved toward an exit posture (Brüderl, Preisendörfer, & Ziegler, 1992). However, more recent work acknowledges that performance thresholds may be impacted by nonfinancial objectives focusing on socioemotional family endowments, passion, and other family factors (Cardon et al., 2013).

Indeed, researchers now believe that thresholds differ significantly between family units for a variety of reasons. When the owner and other family members refer to the firm as “their baby” (Sharma & Irving, 2005), their passion and pride in the business or “psychic income” results in a greater focus on nonfinancial outcomes leading to non-exit strategies. The concept of psychic income implies that “exit is more than the relinquishment of equity ownership, but also has psychological implications as well” (DeTienne, 2010, p. 205). The antipodal view of psychic income would be a psychic loss, where nonfinancial factors, i.e., loss of socioemotional endowments or passion, drive the family strategy toward the various exit approaches identified in extant literature.

DeTienne and Cardon (2012) identify three exit approaches common to family businesses: stewardship, financial reward, and cessation. The stewardship approach is influenced by how family leadership identifies with its role as family stewards. The stewardship approach is based on a strategy of an “ongoing sense of obligation or duty to others” (Hernandez, 2012, p. 174) and considers the general needs of the family, firm, and employees. The stewardship approach reflects what is commonly considered a typical family succession, where the firm moves toward transferring ownership within the family unit. The second approach recognizes the leaders’ role in protecting the families’ SEW endowment. This second exit approach, financial reward, is focused on achieving the highest economic gain for ownership. The third approach, cessation, is the least common in established firms where owners pick a point in the future to close shop; it is not a focus of this research. DeTienne & Chirico (2013) connect organizations’ economic performance thresholds of exit with the socioemotional wealth premise that firms value economic and noneconomic outcomes (Berrone et al., 2010; Gómez-Mejía et al., 2007).

In their empirical study, Symeonidou and colleagues (2021) draw on SEW and Threshold Theory to answer the question, "how does performance threshold affect family firm exit?" They used a Dunn and Bradstreet database of 1,192 family firms (excluding firms with only one owner) and conducted a longitudinal study of firms operating from 2008 to 2011. The firms in their study averaged nine employees; they note that nearly one-third of the sample firms exited by the last year of the study. The theoretical connection of Threshold Theory and SEW is similar to the conceptual approach in the DeTienne & Chirico (2013) work, specifically that leadership identity may be so closely connected to the firm that leadership may decide to persist regardless of firm performance: "In family firms, higher levels of socioemotional wealth (1) increase the likelihood that the family owners will select a stewardship-based exit strategy, and (2) decrease the likelihood of a financial reward or cessation-based exit strategy" (DeTienne & Chirico, 2013, p. 1304). While their paper is a theoretically developed study and not empirically tested, it is crucial because of its focus on SEW and family firm exits. Their study encouraged expanded investigations into family firm exits (Warnick et al., 2018).

Indeed, an essential component of the SEW perspective follows that when family involvement is high, the company will take on a greater degree of risk and uncertainty to pursue specific actions that result in greater noneconomic benefits versus financial gains (Berrone et al., 2012). For example, firms with high family involvement focused on succession strategies may be more active in acquiring competitors and taking on debt to ensure growth and opportunities for family members. They take these risks out of the need to preserve the SEW benefits of the family since acquisition growth is financially more costly and risker than organic growth. Through the intersection of the SEW perspective and SIT, we begin to hypothesize how family leaders who identify passionately with their firms might become focused on a succession strategy and how the shared perspective of family involvement may influence those leaders' drive to succession. In cases where families consider an exit strategy instead of succession, we explore how private equity investors view leadership passion and family involvement through the SEW perspective and SIT.

CHAPTER III

HYPOTHESIS DEVELOPMENT AND SUPPORT

Passion, Family Involvement, and Exit

Family business leaders who are passionate about their firms may see their companies as extensions of themselves. When this self-identification occurs, entrepreneurial leaders are inclined to focus on the growth and succession of their firms because they are focused on self-fulfillment (Cardon et al., 2013). However, should their passion wane or become redirected, they may reach a threshold at which socioemotional wealth factors replace the drive for succession. For example, recognition by a leader that the next generation lacks interest in a succession strategy may overtake the leader's passion for succession and give way to a strategy that will maintain family interests over their own aspirations. Individual high in entrepreneurial passion for starting businesses (e.g., Warnick et al., 2018) may refocus their efforts from the existing business to starting new entities of interest to their families and funding the new entities through exits of the original firms. For example, the passionate leader who sells his 50-year-old industrial supply company then acquires a more contemporary technology company developing robotic assembly arms. The new firm is acquired not because of the leader's passion for the robotics business, but because it interests successor generations and may result in a successful succession strategy, despite the leader’s passion for the industrial supply company he spent a lifetime building.

Passionate entrepreneurs may utilize a range of motivating factors to guide and sustain the firms they start (Morris et al., 2006; Stewart et al., 2003; Wiklund et al., 2003). Some of these motivations are driven by education, experience, and age, which affect passionate leaders’ thresholds for their firms. When reached, these thresholds impact their exit strategy decisions (DeTienne & Cardon, 2012). When threshold levels increase, leadership passion may wane because higher performance levels must be achieved to satisfy the current activities and begin the move toward an exit process. Conversely, if thresholds decrease, family leadership is more apt to stay the course (succession) when they are comfortable with the lower level of performance (DeTienne & Chirico, 2013). For example, as firms’ performance levels increase, leaders’ age may retard their ability to sustain their passionate motivation to take on higher performance levels. Or, as in the earlier example, recognition that a lack of interest by successors exists, the leaders’ motivation for succession is redirected. In both instances, firms may move toward harvest strategies and away from succession strategies.

Family strategic objectives such as a decision to engage in succession or harvest combine inputs from personal goals and family unit inputs. Further evidence that passion plays a significant role in family firm succession decisions is evidenced by the small number of family business leaders using structured strategic-planning processes. Moores and Mula (2000) find that fewer than 50% of family business leaders report effective use of long-term planning, while one-sixth of leaders indicate no long-term planning use, which is later confirmed by Craig et al. (2003). This lack of planning finding is crucial because it demonstrates that passion, not logic, drives entrepreneurs' strategic decision-making; their passion may outweigh other considerations, including strategic advice. Passionate family leaders, whether they are excited about the products or services they provide (domain passion) or the company itself (entrepreneurial passion), are likely to demonstrate a preference for the stewardship threshold position that will push the strategy toward succession.

Hypothesis 1: *There is a positive relationship between leadership passion and succession intent.*

While a succession/exit decision may significantly impact leadership passion, it does not operate in a vacuum. As discussed earlier, family successors may strongly influence succession/exit strategies by their lack of involvement in businesses or innate disinterest in becoming successors. Family members actively engaged on the board of directors and who take an active role in firms' management are logically more likely to engage in a succession plan. This family involvement within family businesses represents an essential link between founders/leaders and family members' ideals and values with those of family business culture (Klein, 1991). These components of family involvement can be operationalized through the SEW perspective both at the family level and the firm level.

Family disharmony and the resulting lack of professionalism can challenge family businesses in finding resources to implement strategies and develop necessary growth (Sirmon & Hitt, 2003; Dawson, 2011). Family management teams exert the most influence on family leadership; much of this effect results from family managements' expectations regarding the maintenance of SEW or threshold performance levels. In all respects, be it cultural, generational experience, or ownership, familiness may influence leadership and firms toward specific succession strategies. Family involvement may generate greater cooperation and harmony within family management teams and positively moderate the relationship between passionate leadership and succession outcomes. When high levels of family involvement are present, family firms are in many respects in sync culturally and generationally and thus support family succession strategies.

Hypothesis 2: *Family involvement positively moderates the relationship between passionate leadership and succession intent, such that family involvement will reinforce succession intent.*

In the same way that passionate leaders are likely to be attached to their ventures and resist harvest, they may also be attractive to private equity because of their devotion to the enterprise. Since many private equity buyers desire to stay connected to their acquired firms (at least in the near term) — but do not want to actively manage the day-to-day operations— passionate entrepreneurs considering an exit will positively influence private equity buyers' decisions to invest in firms (MacMillan et al., 1987; Warnick et al., 2018). The excerpt below, taken from the ecological pre-study for this paper, highlights the importance of leadership passion to private equity practitioners.

> *Our Private Equity deal team met with the CEO and the TMT of a family-owned firm with strong financials and long tenure in the business. Going into the meeting, we felt confident we'd issue a competitive LOI. However, during our post-meeting discovery, everyone commented on the lack of passion conveyed by the CEO and the TMT. We questioned who would champion the business moving forward if we invested in the firm. Suppose we had to replace the CEO, which would add a new risk element. In the end, much to our surprise, we elected to pass on this one.*

This notion is further supported by research showing that investors looking to fund or invest in entrepreneurs seek those who appear passionate in their presentations (Bussgang, 2010; Cardon et al., 2017; Hsu et al., 2014; Landström and Mason, 2016; Li et al., 2017;

Mitteness et al., 2012; Sudek, 2006). Indeed, Warnick et al. (2018) find that startup entrepreneurial passion (defined as the "desire to start a business") and domain passion (passion for a product or service) are significant influences in angel investors' decisions to invest in startup enterprise proposals. A similar study finds meaningful relationships between leadership passion and angel investors (Murnieks et al., 2016). Additionally, research involving 3,500 angel investors uncovers that angel investors find perceived passion as significant in their investment decisions (Mitteness et al., 2012). While Chen et al. (2009) do find that preparedness and not passion are important to venture capital investment decisions, their study uses a substitute sample of venture capitalists. Overall, the theory and related literature point to private equity investors' preferences for high levels of passion within family firm leaders.

Hypothesis 3: *There is a positive relationship between leadership passion and private equity investors' intent to invest.*

As noted, the family culture within family firms impacts strategic decision-making involving succession or harvest (LeCounte 2020). The presence of family involvement within firms may significantly moderate private equity investors' decisions to invest. Private equity managers recognize that part of that leadership comes from family involvement at various generational levels. A family with generational experience provides firms' current expertise, future leadership potential, and possible competitive advantage (Habbershon & Williams, 1999). When multiple generations are involved in management, generational experience is enhanced and is more attractive to private equity investors. This generational experience offers future leadership and brings forward the experience garnered over the years. Therefore, I posit that solid family involvement in ownership participation, management involvement, multiple generational contributions, and a strong company and family culture may influence private equity investors toward investment. As a practitioner, it sounds illogical that firms with low leadership passion would have strong company cultures. Still, if private equity perceives a strong company culture within a family and a firm, they might decide to invest even if leadership passion is moderate. In this case, private equity buyers gain confidence in family members' commitment and values (Sharma, 2004; Astrachan et al., 2002; Klein et al., 2005). Private equity buyers look to help professionalize some aspects of family firm post-acquisition but, in doing so, do not want to disrupt the chemistry that has caused the firm to be successful.

Hypothesis 4: *Family involvement positively moderates the relationship between leadership passion and private equity investors' intent to invest, such that family involvement will reinforce the positive relationship between leadership passion and private equity's intent to invest.*

Table 1. Literature Review of Research on Familiness, Passion,
Private Equity Investors, and Family Business

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Familiness:							
Astrachan, Klein, Smyrnios (2002)	Large sample >500 in U.S. and Europe to test external validity	Theoretical development towards distinguishing between family and nonfamily firm	U.S. and Europe for external validity	Power, Experience, Culture	Nonempirical article but argues that F-PEC can assist in strategy development and better understanding of how family elements influence decisions and can be measured.	Conceptual	Ownership Power, family member Experience, and firm Culture as a measure of the degree of familiness with in the family business. Items listed in appendix.
Carr, Massis, Pearson (2018)	Commentary	Theoretical discussion around Family firm theory	Article review of the Familiness construct	N/A	N/A	Conceptual	Summarize the Klein et al. and Astrachan et al. work on the F-PEC noting F-PEC as a distinctive first step.
Klein, Astrachan, Smyrnious (2018)	10,000 CEOs	Work toward development of a theory of the family firm	German Hapstadt database	Power, Experience, Culture	Firm performance	Empirical	Empirical evidence that Power, Experience, Culture may assist in developing and defining theory of the family firm.
Cliff & Jennings (2005)	Commentary	Discussion around development of a theory of family firm	Review of the item face and content validity	F-PEC Degree of influence as a moderating variable discussion	Discussion on the degree of Influence as dependent variable	Conceptual	Review of F-PEC construct validity and suggestions on face and content validity testing. Recommendations on further research directions for the construct. Brings into question the type of influence vs. the degree of influence, i.e. the family's communication styles, conflict-resolution techniques, degree of hierarchy, traditional gender role expectations, degree of enmeshment–disengagement,
Frank, Kessler, Rusch, Suess-Reyes, Weismier-Sammer (2016)	16 validity interviews, pretest 160 families, 512 sample firms	Social Capital and Systems Theory; New Systems Theory (nST). Contrast Resource Based View	AURELIA Neo Database; Austrian family businesses	6 subscales of FIFS	Familiness degree	Empirical	FIFS introduction and the creation of 6 subscales to measure familiness from a communicative standpoint
Holt, Rutherford, Kuratko (2010)	832 Firms	Linkage of RBV into family business theory	2002 American family business survey	F-PEC components	Familiness degree	Empirical	Strong indorsement of Klein et al. findings with the exception of the Culture element. F-PEC scores often higher in those respondents who expected to keep business 5 years or longer

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Rutherford, Kuratko, Holt (2008)	831 Firms 23 studies	Family firm theory development with regards to firm performance	2002 American family business survey	F-PEC components	Firm Performance	Empirical	Family involvement and firm performance. Assert that prior to 2000 family empirical studies were generally omitted from study. Mixed results.
Rau, Astrachan, Smyrnios (2018)	Commentary on initial design of F-PEC	Theoretical discussion of family business theory incorporating SEW	Discussion on progress of the F-PEC scale	Discussion of FIFS and Rutherford et al. development scales	F-PEC as a step toward a general theory of the family firm	Conceptual	Review of F-PEC progress as a supporting theory of family firms. Interlinks SEW with F-PEC, where F-PEC may explain the family influence part of SEW.
Zellweger, Eddleston, Kellermanns (2010)	Discussion of how familiness adds to family business	Resource Based View, organizational Identity theory	Discussion of past studies involving familiness concept	Organizational identity, essence	Performance in the firm	Conceptual	Addition of organizational identity, how does family contribute to firm success. Involvement and essence contributions to family competitive advantage. Brings organizational Identity into the discussion on familiness.
Passion:							
Brownhilder (2020)	500 South African university students	TPB Theory of planned Behavior	University students in South Africa	Entrepreneurial passion, entre-self efficacy mediates	Entrepreneurial intention	Empirical	Confirmed EP and Entr Self-Eff impact entr intentions and that Ent self Eff mediate EP to EI and social impact moderates ESF to EI.
Cardon, Wincent, Singh, Drnovsek (2009)	Review of numerous Passion studies	Numerous theories referenced including self-regulation theory	Numerous studies sited in table	Multiple studies and 7 propositional concepts	Multiple studies sited	Conceptual	Entrepreneurial passion as it relates to entrepreneurial role identities. Passions influence on goals and behaviors
Cardon, Post, Forster (2017)	Non-empirical review of team entrepreneurship	Affective transfer processes, identity creation processes, quality of team processes	3 elements in TEP	Individual passion, affective process, team process	TEP	Conceptual	Team Entrepreneurial Passion (TEP) as it is impacted by individual passion and the shared effect
Cardon, Gegoire, Stevens, Patel (2013)	Pilot studies and retest	Self-Efficacy Theory	Multiple MBA students, CEO founders	Item development for EP	Entrepreneurial Passion	Empirical	Domains & dimensions of EP distinct from each other as well as from other affective and cognitive variables related to entrepreneurship such as hopefulness, positive and negative emotions, and entrepreneurial self-efficacy.
Cardon & Kirk (2013)	169 of 3,084 surveys returned	Self-Efficacy Theory	D&B entrepreneurial founders	Entrepreneurial self-efficacy, EP found-ing, EP inventing, EP developing	Entrepreneurial persistence	Empirical	Found support for the mediating effect of entrepreneurial passion on persistence

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Chen, Lee, Lim (2019)	858 respondents in three studies	Dualistic models of passion	Working adults in two English-speaking groups U.S. & Singapore	Multiple forms of passion	Work Passion	Empirical	Empirically tested multiple forms of passion and checked for validity and time consistency, developed work passion scale
Curran, Hill, Appleton, Vallerand, Standage (2015)	94 studies	Multiple Theory	Multiple sources	27 criteria variables	Dualistic models of passion & intrapersonal outcomes	Empirical/conceptual	Meta analytic review of dualistic passion model (Vallerand) harmonious and obsessive 94 studies reviewed found positive affect with harmonious and post-negative affect with obsessive. Key for my study some relationships were moderated by culture and domain
Fisher, Merlot, Johnson (2017)	215 subjects	Theoretical model of Passion	Australian entrepreneurs	Harmonious and obsessive passion, SEC (sustained entrepreneurial commitment), resilience	Entrepreneurial Success	Empirical	Relationships between harmonious and obsessive passion (OP) and resilience. Passion and entrepreneurial success (ES) is mediated by sustained entrepreneurial commitment (SEC) and resilience. Harmonious passion contributes directly and indirectly to perceptions of ES through resilience; OP contributes to SEC which contributes to success through resilience.
Ho & Pollack (2014)	206 respondents from 15 network groups	Dualistic models of passion	BNI (Business Networking International	Harmonious and obsessive passion, out degree centrality, indegree centrality, referral income.	Business Income	Empirical	Argue that the type of passion makes a difference in financial outcomes using a dualistic model of harmonious and obsessive passion. Findings found non-causal relationships between passion type and financial outcomes.
Murnieks, Mosakowski, Cardon (2014)	221 entrepreneurs	Identity Theory	D&B database and a local business registry	Ent centrality identity, Ent identity salience, Ent passion, self-efficacy	Entrepreneurial Behavior	Empirical	Passion is associated with individual entrepreneurial behavior and entrepreneurial self-efficacy.
Murnieks, Cardon, Sudek, White, Brooks (2016)	53 angel investors in conjoint analysis/ 66 in qualitative study	Social Psychology and Management Theory	Angel investors organization	Passion, Tenacity, Inspirational Leadership	Probability of investing	emp/conc	Research states that angel investors are attracted to passionate entrepreneurs but question whether there is value in passion itself, or if it represents other traits such as tenacity and inspirational leadership. Results show passion is confirmed along with tenacity but inspirational leadership is not.

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Newman, Obschonka, Moeller, Chandan (2021)	Summary of both qualitative and quantitative studies	Numerous theories including social cog-nitive theory, Dualistic model of Passion, Social support theory	Multiple study sources	Numerous independent variables influencing entrepreneurial passion types.	Multiple dependent variables influenced by passion types.	Conceptual	An in-depth overview of past work in Passion research. Includes work on dualistic passion types, entre-preneurial passion (cardon), and qualitative passion research studies
Patel, Thorgren, Wincent (2015)	105 European projects	Psychological and management theories surrounding Harmonious and obsessive passion.	324 structural funding projects in Sweden	Harmonious & obsessive Passion as variables with environmental dynamism and environmental complexity as a moderating variable	Job creation	Empirical	Found that both forms of passion aided in job creation. Including with environmental dynamism and under environmental complexity
Shane, Droverb, Clingingsmitha, Cerf (2020)	15 subjects using MRI scanners	Entrepreneurial passion theories and cognitive neural science.	Affluent individuals but not practiced investors were used.	Investor interest financing founder startups	Investment decision and cognitive responses to passion video's	Empirical	Examine the link between entre-preneurial founder passion and investor interests. Showing causal effect and biological affect that passion has on investor interests.
Warnick, Murnieks, McMullen, Brooks (2018)	62 angel and venture capital investors from the western U.S.	Theory is built upon previous passion studies	Network of investors in the western U.S.	Domain passion, startup passion, openness to experience	Probability of investing	Empirical	Explores domain passion (passion for product or service) and startup passion (passion to start firms) with openness to feedback and how investors viewed these in their investment decisions.
Lee & Herrmann (2021)	Meta-analysis 63 passion related papers	Multiple theories reviewed, i.e., dualistic model of passion.	Various sample sets in the 63 research papers summarized.	Dualistic passion, passion for work, entrepreneurial passion and perceived passion	multiple dependent variables most common firm performance	Conceptual	Studied 4 types of passion: Passion for work, dualistic model of passion, entrepreneurial passion, and perceived passion. Meta analysis of 63 papers involving passion research.
Private Equity Investment:							
Ahlers, Hack, Kellermanns (2014)	Non-empirical review of three case studies	Financial options theory and family vs non-family valuation theory	3 options studies of family vs. non-family firms.	Valuation Premium, valuation parity, valuation discount.	Family firm valuations.	Conceptual	Buyers perspective on family firm valuations. Impacts of family exit on economic options for PE investors.
Bargeron, Schlingemann, Stulz, Zutter (2017)	252 private equity firms, 52 club investment firms, 928 public acquisition firms	Agency Theory	Securities data exchange - U.S. mergers and acquisition data base	PE CEO retention, public CEO retention	Target returns PE vs public firms	Empirical	PE buyers pay a premium when the target CEO remains on board. This conflicts with previous research that contents the opposite. Valuable CEO hypothesis better returns when CEO is retained in PE acquisitions.

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Baum & Silverman (2004)	204 startups between 1991 and 2000	Attribution Theory Entrepreneurship Theory -Human Capital Theory	Biotech startups in Canada. Canadian biotechnology Directory	Alliance, intellectual, and human capita	VC Financing	Empirical	Development of the VC scout and VC coach concepts where by VC are able to identify pre-investment those firms who will be winners (scout) and those firms post-investment those firms they can build winners (coach).
Baum, Locke, Smith (2001)	307 companies	Organizational Behavior Theory, Strategic Management Theory, Organization Theory, and entrepreneurship models	Architectural woodworking firms	Individual, organizational, environmental factors.	Venture Growth	Empirical	Individual, organizational, and environmental factors all predict venture growth better when the interplay between these factors are taken into account.
Basu, Dimitrova, Paeglis (2009)	2,613 firms	Agency Theory	SDC/Platinum New Issue database	Family ownership, various definitions of family stock,	Cumulative abnormal return	Conceptual	Level and change in family ownership in value creation. Uses public firms although findings support hypothesis - little value to my study
Bueno, Romana, Portillo (2019)	252 documents	Multiple studies	Bibliographic database WoS 1992–2018	Corporate governance and firm innovation	Identify main themes of focus by PE firms on FF SMEs	Conceptual	Review papers on PE and family firms particularly SME's in Europe. Published research showed empha-sis on governance and innovation.
Chen, Yao, Kotha (2009)	55 investors & 31 business plans	Unimodel of persuasion	VC firms, banks, and financial companies	Perceived passion and preparedness, business plan quality	Investor funding	Empirical/conceptual	Showed that preparedness and not passion was the reason VC's invested in fund ventures. Study was not focused on Family firms. The qualitative study was in conflict with the empirical study.
Dawson (2011)	35 PE firms	Agency/stewardship theory and Resource based view	2005 Italian PE Association's membership list	Presence of family members with work experience outside the family firm, presence of nonfamily managers, presence of family owners who wish to exit the firm, and ownership dispersion.	Presence of family members with work experience outside the family firm, presence of nonfamily man-agers, presence of family owners who wish to exit the firm, and ownership dispersion.	Empirical	PE professionals take into account family criteria, including HR and other opportunities to reduce agency costs. PE firms look for professionalized family businesses
Di Toma, Montanari (2017)	Single Case study	Corporate governance literature and agency costs,	Small Italian family firm	Corporate Governance, private equity investment	Entrepreneurial transition	Conceptual	European family corporate governance and PE non-empirical study.

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Drover, Wood, Payne (2013)	69 VCs	Agency and Configurations Theory	VC association directory in the United States	Perceived control, opportunity attract-iveness, entrepre-neurial prestige	VC's willingness to invest	Empirical	When the three independent variables are high then VC' willingness to invest is highest,
Fontenay (2019)	Boston University Law review	Agency Theory	Commentary	Shift from gover-nance and operational efficiencies to other means	Whether governance development is mainstay of PE value moving forward.	Conceptual	PE governance is no longer the strong influencing investment mechanism it once was.
Henn & Lutz (2017)	75 companies	Socioemotional Wealth (SEW)	Privately held German firms backed by PE	Personal experience with PE firms, family vs nonfamily firms	PE investment in family firms, shares sold to PE firms	Empirical	Private firms willingness to cede control to PE based on prior experience with PE firms. Family firms less willing to give up shares then nonfamily firms.
Hsu, Haynieb, Simmon, McKelvie (2014)	85 investors	Agency Theory	National Venture Capital Association	Economic potential, specific human capi-tal, strategic readi-ness, and passion	VC vs Angel investment decisions	Empirical	Strategic readiness and passion influence Angel investors while economic potential influences VCs.
Kahneman, Lovallo, Sibony (2011)	Harvard Business Review	Heuristics and Behavioral Theory	Harvard Business Review	Heuristics in decision making	Decision making outcomes	Conceptual	Article on Heuristics influence in decision making
Link, Ruhm, Siegeld (2014)	495	Management Theory	SBIR program of the NIH, within the Department of Health and Human Services	PE investment	Innovation performance	Empirical	Private equity positively influences small entrepreneurial firms ability to develop innovation technology in R&D arenas then when PE is not involved.
Dawson & Barridy (2018)	902 PE deals from 460 PE firms	Agency Theory, SEW	S&P Capital IQ, Canada 2009-2014	Type of PE firm, stake size of investment, Syndicated deal,	Invest in Family firm	Empirical	Compared partial investment by two groups of PE (traditional independent PE and captive corp. PE investment) found significance in PE preference for nonfamily investment by independent PE firms (For partial investment). Low sample of overall independents and non-controlling interests cause pause in conclusion values in my opinion.
Matusik, George, Heeley (2008)	66 participants	Human Capital Theory	NVCA and executive MBA students	Experience by doing, Educational degree, founder values	Founder Quality	Empirical	Values and experience by doing positively influence VC's view of founder quality.
Molly, Arijs, Lambrecht (2017)	11 Family businesses	Agency - Stewardship Theory	Belgian family businesses	Entry, cooperation, and exit phase of the PE FB relationships	Agency and steward-ship affects at each phase	Conceptual	Relationship between family business and PE firms in three areas: Entry, cooperation, exit

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
MacMillan, Zemann, Narasimha (1987)	67 VC firms 150 investments	Management Theory	National Venture Capital Association and Venture Magazine	3 criteria predicting unsuccessful screenings and 4 criteria for successful screenings	Successful ventures screened & unsuccessful ventures screened	Empirical	Predictors of VC success- market acceptance and competitive differentiation. Unsuccessful cluster lack of team experience, lack of prototype, no market for product. Successful cluster - highly qualified team experience, high levels of product protection, teams ability to drive the market, low tech with strong distribution skills.
Michel, Ahlers, Hack, Kellermanns (2020)	508 PE firms located across Europe	SEW, Upper Echelon Theory, and TMT Theory	Membership directories of national and European PE industry association	Bidders competition, buyers expertise, time limits	Perceived PE bargaining power	Empirical	Factors influencing PE bargaining power in family and nonfamily - team complexity in the family business reduces bargain power of the family with the PE firm.
Berrone et. al., 2012	Theoretical view of SEW	SEW	Discussion on SEW's place in family firm theory	None	None	Conceptual	Argue SEW is the best theory to use in family business studies
Mitteness, Sudek, Cardon (2012)	241 companies	Literature on affective reactivity	Largest angel organizations in the United States based in California	Perceived passion, multiple personal characteristics	Evaluations of funding potential	Empirical	In conflict with Chen et al. (2009) Perceived passion by angel investors was significant in their decisions in evaluating funding potential.
Murnieks, Haynie, Wiltbank, Harting (2011)	60 complete surveys	Dyadic nature of VC decision making	Partners or associates at VC firms in the United States	Decision-making processes of the founder, quality of the founder, and economic quality of the opportunity	Likelihood that venture capitalist would evaluate proposed	Empirical	Using conjoint analysis found that each of the three independent variables did influence the VC's decision to evaluate the proposal
Salerno (2017)	533 of which 107 are family & 426 nonfamily	Agency Theory	European union PE-backed SME period 2007-2012	Family influence positive. Family influence negative (use a dummy 0 and 1)	Performance of PE backed family and nonfamily firms	Empirical	Study results show family SMEs that were family owned out-performed nonfamily PE-backed SMEs
Schickinger, Leitterstorf, Kammerlander (2018)	50 papers	Pecking-order Theory, Agency Theory, Theory of Planned Behavior, SEW, bargaining power behavior, Stewardship Theory, resource based view, Contingency Theory, Managerial Hegemony Theory, Game Theory	50 relevant studies published in the fields of management, finance, and economics between 1990 and 2017.EBSCO Discovery Services (EDS)	Multiple IVs	Multiple DVs	Conceptual	Review of 50 papers on PE and family/nonfamily business interactions, 43 or 50 of the studies were completed in Europe or the UK. Looked at pre-deal, deal, and post deal views.

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Thiele (2017)	42 studies	Agency, SEW, Stewardship, Famili-ness, Pecking order	12 databases from social sciences i.e. EBSCO, JSTOR, etc..	Multiple IVs	Multiple DVs	Conceptual	32 of 42 Europe and UK
Voordeckers, Gils, Van de Heuvel (2007)	211 family firms	Agency Theory, Resource Dependence Theory	Small and medium size Belgium family firms	CEO power (duality & tenure), CEO education, generation, working family members, family firm goals.	Board composition in family firms	Empirical	CEO power, generational transition and influence board composition. But family variables have the most significance in affecting the board makeup and design.
Zacharakis & Meyer (1998)	53 practicing VCs	Social Judgement Theory	Denver/Boulder metro area, Silicon Valley in CA	VC introspection, increased information introspection, optimal information introspection, consis-tent application of information	VCs Decision process	Empirical	While VC have very consistent decision-making processes they inherently do not understand how their decision outcomes are made. The use of a scorecard or checklist may help VCs by formalizing the process of decision making.
Family Business:							
Ahlers, Hack, Madison, Wright, Kellermanns (2017)	107 family business articles	Agency and Steward-ship Theory	24 journals published between 2000 and 2014	Behavior and governance	Agency and Stewardship Theory review	Conceptual	An excellent summary of Agency and Stewardship Theories in family business. The combined elements of the two theories offer a broader understanding of family business theory.
Blumentritt, Mathews, Marchisio (2012)	Generalized mathematical model	Game Theory	Mathematical representation	Actors and variables in succession decisions	Succession success	Empirical/conceptual	An overview of how game theory may help to explain the succession process and offer theory to support future research.
Brenes, Madrigal, Requena (2011)	22 family businesses	No theory developed	Latin American Families	Clear Strategic Direc-tion, Members' Knowledge of Business, and Object-ive Decision-making Committees add value to management, has Committees on relevant topics	Company performance	Empirical	Board made up of nonfamily and family board members results in a balance that is very important to dynamic operation. Results show that contributions from both types of director complement each other.
Bracci & Vagnoni (2011)	Discussion of numerous succes-sion related articles	Intellectual Capital (IC) perspective. Knowledge management, RBV Theory	Articles involving succession in small business	Successor knowledge, incumbent knowledge	Successful succession in small business	Conceptual	How small family firms can maintain and increase their competitive advantage during the succession process, reducing the risk of failure.

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Chrisman, Chua, Sharma (2005)	Numerous papers referenced.	Agency and RBV Theory	Numerous journals and papers cited.	How RBV and Agency Theory might combine to add to SMTFF.	Strategic Management Theory of the family firm	Conceptual	Focuses on the trends in strategic management and the studying of family firms family involvement where it may affect firm performance. Working toward the development of a "strategic management theory of the family firm".
Chrisman, Chua, Sharma, Yoder (2009)	Article format with cases study examples	Practitioner article with no theory directly referenced but much agency related discussion.	Case study examples	Non-empirical article	Non-empirical article	Conceptual	Journal article on succession planning steps and guidelines. CPA's are often solicited to help with the succession process as trusted advisors.
Chisman, Chua, Steier (2003)	Discussion of theories use in family firms and succession,	RBV and system theory, agency theory, stewardship theory, financial theory, transaction costs, cognition theory	Theory discussion	Non-empirical article	Non-empirical article	Conceptual	How family business research is related to entrepreneurial management research and discussion of theories to be used in family business studies.
Craig & Moores (2005)	Uses a singular family to demonstrate how the BSC could be used.	Theory of the firm, F-PEC,	Australian based family used	BSC and PEC used to develop professionalization tools for family business strategy development.	Strategy for the family firm	Conceptual	Balanced Scorecard (BSC) familiness using the four BSC perspectives (financial, innovation and learning, customer, internal process) allowing firms to professionalize their management by the adoption of a BSC strategy map and a modified version of The F-PEC Scale
DeTienne & Cardon (2012)	189 firms + 35 firms interviewed	Threshold theory and Planned Behavior Theory	2002 Dun and Bradstreet directory	Entr experience level, Entr age, Entr education level	Exit Strategy	Empirical	Entrepreneurs have focused exit strategies with the intent of positive harvest outcomes. Exits by entrepreneurs are important. Different exit intentions can be determined in part by previous experience, age, and education depending on firm size. Intentions exist and can in part be determined by an entrepreneur's previous experience provide a foundation for new research in entrepreneurial exit
DeTienne, Chirico (2013)	Discussion on SEW and threshold on family exit strategies and effects	SEW and Threshold Theory	Non-empirical propositions	Three strategies and three factors each impacting exits in family firms	The development of strategies in family firms exits	Conceptual	Why family business owners exit and how they differ in families and family portfolios. Three factors of exit and three strategies deployed in exit

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Eddleston, Chrisman, Steier, Chua (2010)	Numerous studies looked with emphasis on trust and governance.	Agency Theory, Stewardship Theory, Social Capital Theory, and transaction cost economics	Theories of Family Enterprise Conference	Family business governance	Trust	Conceptual	A forum for development of theories of the family firm. Trust as a differentiator between family and nonfamily firms.
Filser, Kraus, Mark (2013)	314 papers analyzed - 21 dissected	Multiple theories relating to family business succession- Agency, Stewardship and RBV	Family Business Review 1997-2011	Multiple empirical papers with many independent variable studied	Primary dependent variable centered on succession with family firms	Conceptual	A literary review of family firms and the succession process from psychological perspective.
Gilding, Gregory, Cosson (2013)	60 interviews with family business stakeholders	Psychological and Management Theories	Family business owners and successors.	Individualization, implosion, harmony, continuity	Family succession	Empirical	Family business succession looked at in 4 quadrants involving family continuity and family harmony interactions.
Kavikondala, Stewart, Ni, Chan, Lee, Li, McDowell, Johnston, Chan, Lam, Lam, Fielding, Leung (2016)	17,461 residents from 7,791 households	Theories of psychology, psychopathology	Hong Kong residents, and households.	Communication, forbearance, conflict resolution, identity	Family Harmony measure, Depressive symptoms	Empirical	Development of a family harmony scale via psychometric examination of Chinese individuals in family settings
LeCounte (2020)	Develops a model for succession considerations in SMEs.	Upper Echelon Theory	No specific data was draw upon	Successor commit-ment, knowledge transfer, family business commitment, Founder transparency	Succession outcomes	Conceptual	Author develops a model to improve family business commitment, continuity, tacit knowledge, and a method for transfer to child successors.
Hernandez-Linares, Sarkar, Cobo (2018)	50 years of research and analyze 258 definitions	Bibliometric methods	e Web of Science, Social Science Citation Index (SSCI), Text books and handbooks prior to 2013	Study looked at 3 district time periods in their bibliometric analysis.	The end goal was to present a quantitative view of definitions used and evolving	Empirical/conceptual	A 50 year study of family business definitions. Acknowledgment that that heterogeneity of family business requires possible categorization of types of family business
Madison, Holt, Kellermanns, Ranft (2016)	107 family firm articles	Primarily Agency and Stewardship but related theories are referenced	Published articles between 2000 - 2014 in 24 journals	Individual behaviors and governance	Firm outcomes	Conceptual	A review of research in agency and stewardship theories or combined, regarding individual behaviors and firm level governance processes in family business that may predict firm outcomes.
Magrelli, Rovelli, Benedetti, Uberbacher, Massis (2022)	253 papers	Numerous theories around generational studies	Multiple journals	Focus on generational issues and locus (either family or societal)	30 plus research questions brought forth including inter-generational family business issues.	Conceptual	Review of papers with the focus and locus of generational family or societal view. Including inter-generational studies, i.e., Gen X, Millennial, etc..

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Mazagatos, Puente, Garcia (2016)	207 Spanish family	Agency Theory & Stewardship Theory	SABI2 database, more than 10 employees	Wholly owned family firm owners, passive family firm owners, board of directors, governance measures	Firm performance, ROA	Empirical	Passive family members who control the firm are more successful than active family members. The study all so finds that a BOD is not related to firm performance. But that governance policies did influence firm performance positively. Focus on the conflicts between active and passive ownership.
Miller, Steier, Miller (2003)	13 firms post succession	Psychodynamic and social theories	5-10 years post succession from Public information	Conservative, rebellious, wavering	Explain succession failure	Conceptual	Classification of failed firms into conservative, rebellious, and wavering categories to explain causes of failed succession companies. Study focuses on public firms which I don't believe is representative of the dynamics of the firms in my study.
Moss, Payne, Moore (2014)	94 high tech family businesses contract 113 nonfamily businesses	SEW	Compustat of grouping of public companies from 1997-2009- parsed out family and non	Strategic consistency in exploration and exploitation, organi-zation size, environ-mental munificence, environmental dynamism	Family business performance (ROA & ROE& Tobin's Q), nonfamily firms	Empirical	How families use exploration and exploitation through strategic consistency in the development of firm performance.
Pearson & Lumpkin (2011)	25 research studies	Focus is on measure-ment criteria used in family business studies	25 of the most cited family business studies	Focus on validity issues in family business constructs not specific variables	Developed guidelines to improve measure-ments used in family research (7)	Conceptual	Article points to the need for improvement in construct validity in family business measurements. Familiness was cited as one that could use more rigor.
Praet,(2013)	89 family firms	Agency Theory, SEW	Brussels Stock Exchange	Family ownership, active founder, family CEO, chairman family member, % of family on board, CEO duality	Divestment likelihood	Empirical	Ownership and governance have an impact on divestment decision in the sample. The use of public firms which are larger is suspect to me. The results were mixed as to significance.
Sharma (2004)	217 articles family business studies	F-PEC Familiness	Family business review	Integrity and commitment to the business	Performance characteristic as well as other dependent variables	Conceptual	In-depth analysis of 200+ family firm studies for direction of future research. Including methodology and strategies. Quadrant breakdown is interesting

Source	Sample	Theory or Concepts Developed	Data Source	Independent Variables	Dependent Variables	Type of Research Empirical/ Conceptual	Key Theoretical Findings
Sharma, Chrisman, Chua (2003)	118 family firms	Theory of Planned Behavior	Canadian Association of Family Enterprises no firms below 15 years of age	Presidents desire to keep the business in the family, family's commitment to continuation, propensity of trusted successor to take over	Successor selection & training, post succession strategy, defining post succession role of incumbent, communicating succession plan to stakeholders	Empirical	Propensity of the trusted successor to take over was the most significant. While presidents desire toward succession was not significant. A trusted successor, incumbent commitment, and succession communication are all key to successful succession strategy.
Steier, Chrisman, Chua (2015)	Non-empirical review of governance research	SEW, Agency, Self-Determination, etc.	Theories of family enterprises published in Entrepreneurship Theory and Practice	General review of research with governance variables	Governance topics in complex multi-family businesses	Conceptual	A review of governance issues in larger multi-family and multi-company complex family firms.
Symeonidou, DeTienne, Chirico (2021)	1191 firms - 2008–2011	Threshold and SEW Theory	Dun and Bradstreet's database firms in the USA 2008 to 2011 formed in 2004	Family firms, nonfamily firms, performance thresholds	Firm exit	Empirical	Suggesting that performance threshold is an important - understanding exits of family versus nonfamily firms.
Ward (1988)	200 family firms /300 firms study 2	No theory was mentioned but the studies lend themselves to theory of planned behavior	Illinois Manufacturers Directory from business employing 20 or more in 1924 (Strategic Planning Institute)	Educational article focused on the value of strategic planning in the 80s.	While not necessarily empirical studies the dependent variable in all cases was the effect of strategic planning	Conceptual	Article from the Family Business Review discussing the benefits of strategic planning to business continuation prospects. Three distinct studies on private and public firms.

CHAPTER IV

METHODOLOGY

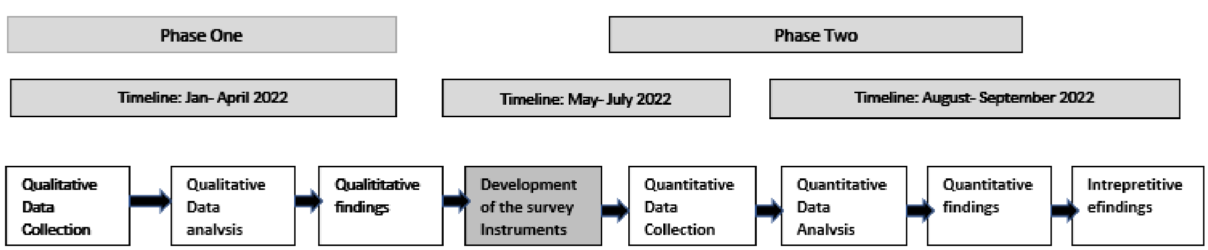
Ecological Validation Interviews

To test the study hypotheses, I created two independent surveys of family business owners (Study 1) and private equity managers (Study 2). I used the same construct measures in both surveys, leadership passion and family involvement.

Study Timeline Goals

Figure 2 summarizes the timeline followed to complete the entirety of the project. I began phase two of the project by creating the measurement documents and collecting data from the sources of family businesses and private equity managers, as noted below.

Figure 2. Data Timelines



Family Business Owners – Study 1

To obtain face validity for the general postulations in this study, I interviewed five family business entrepreneurs. These consisted of a cross-section of succession and exit-oriented firms. Two of the firms were succession-oriented (strategically aligning their companies for second or third generation succession). Two of the firms were exit-oriented (firms that do not have immediate exit plans but believe a succession strategy is unlikely to fit their firms), and one firm that had exited in the last six months. Participants supplied biographical data in advance, which included 21 items about the firms: average firm age (44.1 years), average age of the participants (61.8), and average revenue size of the firms ($91 million); all interviewees were male. Participants were given definitions of the Family Involvement and Leadership Passion constructs in advance. The constructs were reviewed again before the interviews to ensure that the respondents understood the measures to be discussed. The subjects were excluded from participating in the general study to avoid recency bias. The summary results from the 45-minute to one-hour interviews conducted via zoom conference calls or in-person interviews resulted in 38 pages of dictated responses. (See Appendix A.) The interviews revealed that the Family Involvement levels (family culture, board involvement, and generational participation) influence family leadership. Most interviewees pointed to the cultural component of the Family Involvement construct as the most crucial element: “If my brother and son didn’t believe in the culture of the business, I don’t think we would have created a succession plan” (Sensei interview). The two firms focused on succession strategies had three or fewer shareholders, written governance policies, outside board members on the board of directors, an average of 34 years of experience between shareholders, and cited the culture of their firms as essential parts of their firms/families. The two firms considering harvest and the one that exited in the last six months still felt strongly about the importance of culture to firm success, but they noted that the second generation lacked the first generation’s passion for the business (Poas, Cranberry, Wildcat interviews). The average experience level of these firms was approximately half of the succession firms (18 years). While each firm had concentrated ownership, none had established governance policies, nor did they have outside directors on the board. Experience levels of family members dropped significantly after the first-generation owners. In addition, each interviewee commented on the importance of CEO passion, particularly in family businesses: “I believe the level of leadership passion exhibited in a family business may be what differentiates a family business from nonfamily entities” (Wildcat interview).

In summary, the interviewees were unanimous about the critical role Leadership Passion plays in their organizations and pointed to family culture and generational experience as essential factors. The ownership and board participation discussions were mixed. Still, it is noteworthy that the two firms focused on succession had strong boards of directors with members from outside the families. Of the firm that had elected a harvest strategy, the firm that recently sold, and the firm that wanted to create succession but lacked confidence that he would be able to achieve it, none had formal boards.

Private Equity Managers – Study 2

I interviewed five private equity investors employed in private equity firms or previous managers in private equity firms to obtain face validity for Study 2. Each interview lasted approximately 45 minutes to one hour and was conducted via zoom or a conference call. Three interviewees were private equity executives with 24+ years of experience acquiring mid-size firms made up of family and nonfamily businesses. Two interviewees were private equity managers who had moved to roles as bankers (brokers) with an average of 22 years of helping mid-market firms exit their companies by selling to private equity or strategic firms.

Both bankers were formally private equity managers for 15 years before becoming bankers.[1] The summary results from the interviews, which resulted in 31 pages of dictated responses, revealed that executive team passion was critical in their investment decisions or decisions to represent businesses. One interviewee stated, in summary, that his private equity deal team met with the CEO and TMT of a family-owned firm with solid financials and long tenure in their business. He felt confident 'he would issue an LOI going into the meeting. However, during the post-meeting discovery, everyone commented on the lack of passion conveyed by the CEO and the TMT. They questioned who would champion the business moving forward if they invested in the firm but then had to replace the CEO, which would add a new risk element. Much to their surprise, they elected to pass on this one. This salient comment was used at the beginning of this paper to demonstrate the importance of perceived passion to investors. Interviewees also consistently felt they would prefer to acquire and work with firms with higher family involvement. Family culture was explicitly mentioned as an essential consideration when conducting their initial reviews of the firms. Interviewees commented that they sought to professionalize the firms and considered it vital to have a mix of family managers and nonfamily managers in pivotal roles. They strongly preferred integral family members to stay on post-sale and that family and nonfamily executives share in the firms' ownership through option plans. Like the subjects in Study 1, these subjects will be exempted from the general research to eliminate recency bias. However, in all validation studies, the subjects offered to participate in follow-up interviews to discuss the results once the main research was complete. All participants consented to join via IRB guidelines; no compensation was given for their participation.

[1] Note: The term "banker" is used in private equity circles to denote an individual or organization that acts as an agent/broker for the selling company and guides the exit process through the stages of the sell-side cycle.

In summary, Leadership Passion was unanimously noted as being of critical importance. The interviewees pointed to the importance of a strong culture in their investment criteria and multigenerational experience to a lesser extent. When queried about the power elements involving ownership percent, the private equity managers said they preferred fewer owners but found value in family firms with formal board of directors that included members from outside the company.

Sample Data – Study 1

There are approximately 2,500 family-owned companies holding memberships in the organizations I target for participants. Because these associations have general requirements regarding the number of years in business and minimum revenue levels to attain membership, the subject companies fit the guidelines I'd set for established, profitable firms. To effectively measure exit or succession, the study firms must have viable opportunities to sell firms as exit options. Firms with less than $500,000 in EBITDA have significantly fewer options to market their firms and thus may cause sample bias. Family businesses that are members of the organizations listed below are well-established firms and are free to develop strategies that include harvesting businesses or succession.

Representative family small and medium enterprises (SMEs) will be culled from four national associations: National Fastener Distributors Association (NFDA), Industrial Supply Association (ISA), Affiliated Distributors (AD), and Specialty Tools and Fastener Distributors Association (STAFDA). The firms in this sample set will be a combination of first, second, and third-generation family firms and range in revenue from $10 million to $500 million, with mean revenues of approximately $40-$60 million. EBITDA of the sample firms will generally range from $2 million to $100 million, with a mean EBITDA of roughly

$10 million. Historically, privately-held family businesses are reluctant participants in research studies; as a result, I used a medium effect size. My target number of participating companies is 10% of the pool (250 companies), which almost doubles the minimum number required (134) in my sample power analysis.

F-PEC Proxy for SEW Measures

The measures devised for SEW to date, namely FIBER and FIFS, have not been sufficiently vetted empirically. For this reason, I intend to use the F-PEC measure as a surrogate to measure familiness (Klein et al., 2005).

F-PEC Measure

The Family Involvement constructs measured through F-PEC are composed of elements of Culture, Power, and Generational Experience. The Power and Generational components represent the Components-of-Involvement approach, and Culture represents the essence approach. *Power* consists of family stock ownership in the firms, the level of governance exhibited by the families, and the presence of family members on the boards of directors (Klein et al., 2005; Holt et al., 2010). *Experience* represents the family managements' level of firm/industry experience, board involvement, and generational contribution (Klein et al., 2005; Holt et al., 2010). *Culture* is measured by how well the family culture is in sync with the firm's culture (Klein et al., 2005; Holt et al., 2010).

The Power subscale, which focuses on ownership, is easier to define as controlling than the other subscales. Holt et al. (2010) find higher F-PEC scores in respondents who express a desire to keep their businesses in their families over the next five years. They also find that F-PEC Power scores are heavily slanted toward the senior generations, while Experience and Culture reverberate with the next generation. Using measures of Family Involvement

(Astrachan et al., 2002; Klein et al., 2005) allows us to look beyond the ownership aspect of family businesses and focus on the two other F-PEC elements — family member experience and firm/family culture. Private equity buyers allow and encourage minority reinvestment by former family management and TMT members (Salerno, 2017). Additionally, they offer essential family and nonfamily team members stock options to incentivize management toward firm growth. In many transactions, family firms remain in managerial control of the family/firm leadership at the behest of the new owners.

The TMT members' Experience and the firms' Culture remain intact. Despite firms changing majority ownership, these two critical elements of F-PEC are preserved. When deposing the five owners in my ecological validation interviews, all five were asked, "which of the three elements of the F-PEC construct do you feel are the most important in identifying the Family Involvement level of a family business." Three responded vigorously that Culture was the most important (Wildcat, Sensei, Role Tide interviews). Two felt Generational Experience was the most crucial element but that Culture was not far behind (Poas, Cranberry interviews).

In contrast, none of the respondents considered F-PEC Power (stock ownership) the first or second most crucial element. Still, two respondents did feel involvement in a functional board was essential. This may reflect the sample make-up of the business owners interviewed. (The largest number of owners in any firm was three family owners.) However, their comments may also indicate that the firm Culture and family member Experience are categorically significant despite who controls the majority of shares in the firm. One of the firms interviewed (Poas), who recently sold his business but remained as CEO post-sale, staunchly identified his firm as a family business even though he no longer had a controlling interest after selling to an international firm. When considering a harvest strategy, family leadership must often balance their internal entrepreneurial passions regarding firm continuation against the influence of family managers and TMT members. The Family Involvement construct offers family leadership insight into which long-term strategies may fit family businesses (Klein et al., 2005). The importance of Leadership Passion in business has been investigated for at least 35 years (Bird, 1989; Cardon et al., 2017). Passion is the driving mechanism attributed to entrepreneurs' ability to overcome obstacles, develop a singular focus, and contribute to the sweat equity necessary to create firm success (Vallerand et al., 2003; Cardon et al., 2017). Indeed, Passion may be at the very soul of entrepreneurship and family businesses, giving rise to creativity, discovering new information, and the necessary drive to feed entrepreneurial perspicacity (Baron, 2008; Sundararajan & Peters, 2007). I posit that it is within family businesses that passionate leadership thrives. Without Passion, it is difficult to imagine the existence of a long-term family business. Attempts have been made to classify entrepreneurial Passion into multiple identities. Cardon et al. (2009) examine inventor, founder, and developer identities as distinctive leadership Passion types. They demonstrate that leadership Passion influences the goals and behaviors of family leaders and TMTs, impacting the strategies they develop for firms and families.

My research will focus on leadership Passion as the independent variable influencing family business harvest decisions and private equity investment decisions. However, which type or amount of Passion dominates particular situations in the previously mentioned dualistic Passion studies remains unclear. For this reason, I will not attempt to dissect the percentages of each Passion type but focus on leadership Passion. Passionate family leadership may influence the strategic direction of family businesses, but it may be that the collective family unit significantly affects firms' leadership. The Astrachan et al. (2002) and Klein et al. (2005) creation of the F-PEC measures provides a means to empirically measure the extent of firms' Familiness/Family Involvement. The measure of Familiness will result from the combined degree of each F-PEC element. That is, although a firm may have high power *vis-à-vis* concentration of ownership of one or two family members and no outside board members, the firm may lack family member experience and dysfunction between family and firm Culture, resulting in an overall low degree of Familiness in the firm.

Control Variables – Study 1

I will control for gender, age, years of tenure in the company, and the number of years the family has owned the company.

Table 2. Study 1: Sample Power Test

***t* tests -** Correlation: Point Biserial Model	
Analysis:	*A priori*, compute the required sample size
Input:	Tail(s) = Two
	Effect size $\lvert\rho\rvert = 0.3$
	α err prob = 0.05
	Power (1-β err prob) = 0.95
Output:	Noncentrality parameter δ 3.6404323
	Critical t = 1.9780988
	Df = 132
	Total sample size = 134
	Actual power = 0.9509217

Sample Data – Study 2

Private equity firms and managers will be solicited from one or more of the following associations or sources: the National Association of Investment Companies (NAIC), the Association of Investment Companies (AIC), my network of private equity contacts, and an Internet search of private equity firm managers.

These associations comprise some of North America's most significant private equity/ investor associations, with over 150 member firms. I will also reach out to the network of private equity firms with which I've worked over the past nine years to solicit fund manager participation. These predominately middle- and higher-middle-market private equity firms range from $350 million to $2 billion of capital under management, with a mean estimated to be in the $500 million range. Due to the smaller pool of member firms and the known difficulty of garnering participation by private equity managers, using a small effect size in the power analysis requires a minimum sample of 34. My sample size goal will be 60 participants. This sample size is consistent with other studies conducted with private equity, angel investor, or venture capital investors (Dawson, 2011; Chen et al., 2009; Zacharias & Meyer, 1998; Murnieks et al., 2011).

Control Variable – Study 2

I will control gender, age, tenure at the current firm, years of business experience, and the number of family businesses reviewed.

Table 3. Study 2: Sample Power Test

***t* tests -** Correlation: Point Biserial Model	
Analysis:	*A priori*, compute the required sample size
Input:	Tail(s) = One
	Effect size $\|\rho\|$ = 0.5
	α err prob = 0.05
	Power (1-β err prob) = 0.95
Output:	Noncentrality parameter δ = 3.3665016
	Critical *t* = 1.6938887
	Df = 32
	Total sample size = 34
	Actual power = 0.9504455

Measures: Study 1

To capture the direct effect of leadership Passion and the moderating variable Family Involvement on the dependent variable Harvest or Succession, using logistic regression in SPSS, I intend to use modified measures of two existing constructs: Leadership Passion will consist of the 13-item measure created and used by Cardon et al. (2009) and DeTienne and Cardon (2012). For Family Involvement, I will use the F-PEC scale (Klein et al., 2005; Holt et al., 2010). Power will consist of ownership percentage and family board participation. Experience will consist of generational ownership and generational involvement in the firm. Culture will consist of the 10-item measure from Klein et al. (2005) and Holt et al. (2010).

The dependent variable (Succession) path will be coded 1 for Succession and Harvest 0. Note that a third category of Succession and Harvest is possible when family leadership harvests the company via sale to other family members. However, I've elected to exclude this category because I believe this is a controlled succession plan, not a harvest. While money has changed hands, the price is often heavily discounted and ownership remains in the family.

Measures: Study 2

I will use a postdictive method utilizing a multilevel mixed logistic regression method to capture the impact of the independent variable Leadership Passion on the dependent variable Private Equity Intent to Invest. Private equity managers will be asked to consider recent decisions to move forward with offers to purchase family businesses. Participants will be asked to consider Passion and Family Involvement questions and how they feel they influenced their decisions to invest. In the second half of the survey, private equity managers will be asked to think about firms in which they decided not to invest and answer the same questions as in the first part while considering whether the items influenced their decisions not to invest. To measure the moderating variable of Family Involvement, I intend to use the same modified Familiness measure from (Klein et al., 2005: Holt et al., 2010).

CHAPTER V

RESULTS

Sample Description

Research Question 1: What roles do Family Leadership Passion and Involvement play in firms' exit strategies?

Hypothesis 1: *There is a positive relationship between Leadership Passion and succession intent.*

Hypothesis 2*: Family involvement will positively moderate the relationship between Leadership Passion and succession intent such that Family Involvement will reinforce Succession tendencies.*

In Study 1, I focused my efforts on surveying actual small- to medium-sized family business owners. I used the survey method and pulled participants from three associations containing over 2,500 small- to medium-sized family businesses. The associations' executive directors sent newsletters to their members stating that I was conducting a small business survey and looking for family business participants. The newsletter contained the link to my Qualtrics survey; no compensation was offered to participants. However, the newsletter stated that I would agree to review the survey results with association members at a future meeting. Over 30 days, 129 responses were received.

After eliminating responses with incomplete data, I retained 118 responses. Because I was trying to ascertain whether the constructs impacted succession or harvest decisions, the companies needed to be large enough to have meaningful harvest opportunities. Firms that were too small would have fewer options due to insufficient levels of EBITDA. On the other end of the spectrum, large, publicly-held family companies were excluded because I believe they tend to act more like public firms than closely-held family firms. The mean revenue size of my sample was $29.8 million in sales, which fits small- and medium-size firms.

In Study 2, my goal was to solicit participation from middle-market private equity managers. I solicited participation through two means: word of mouth via my network of private equity connections and blind emails to mid-market private equity firms' directors, owners, and managers via internet searches for mid-market private equity firms. I directly emailed and/or contacted approximately 255 private equity managers through these means. After 30 days, I received 39 responses. After eliminating incomplete surveys, I retained 33 responses. My sample means firm portfolio size was $1.2 billion of capital, and the mean EBITDA target was approximately $15 million. Looking at the specific EBITDA question, 18 (55%) of the firms fit the lower middle market definition (1-10 $ million EBITDA), and 13 (39%) were from the higher middle market definition ($10 to $50 million EBITDA). Two were from the over $50 million category. I decided to accept the two larger firms since their representation was limited and I was confident they were not publicly-traded family firms. I was initially surprised that the mean age of the participants was 55.63 years, but the older private equity managers I spoke to seemed the most intrigued by my study. All the participants held a minimum of a bachelor's degree, and nearly half held a graduate degree. In line with the mean age, the participants' mean business experience was 31.3 years, with a standard deviation of 12.05. The mean tenure of the private equity managers in their firms of 28 years was also in line with the mean age of the respondents. I did not track ethnicity or race. One of the more critical demographic statistics to this study was the mean number of family businesses the respondents had reviewed, 34, with a range of 4 to 54 firms. General demographic, variable statistics, and correlations can be found in Tables 4 and 5.

Table 4. Study 1: Sample Descriptive Statistics

	Mean (SD)	
Age	55.26	(12.77)
Categories	*n*	(%)
Gender		
Male	99	83.10
Female	19	16.10
Years Tenure	32	13.00
Years Owned Business	37.25	22.59
Owner %	8 of 44	22.40
CEO	83	70.34
Other Titles	35	29.66
Some International Sales	59	50.00
Domestic Sales Only	59	50.00
Level of Study		
High School/Some College	21	18.00
Bachelors/Some Graduate	61	52.00
Graduate Degree	12/	10.00
No response	24	20.00

Table 5. Study 2: Sample Descriptive Statistics

	Mean (SD)	
Age	55.6	(11.3)
Categories	*n*	(%) Dev
Gender		
Male	25	76
Female	8	24
Years Tenure	18	12.8)
Years Business Experience	31	12.1
Education		
Bachelor Degree	33	100
Graduate Degree	16	48.5
# Family Business Exposed To	33.8	18.6

Table 6. Study 1: Correlations

	Variable	1	2	3	4	5	6	7	8	9	10
1.	Passion	—									
2.	Culture	.20*	—								
3.	Gen Exp2	.16	.13	—							
4.	Gen Exp3	.02	.08	.62*	—						
5.	Own %	-.12	.07	-.01	-.04	—					
6.	Own Bd Mgt	.14	.13	.25*	.15	-.36*	—				
7.	Age†	.00	.19*	-.22*	.19*	.10	-.07	—			
8.	Tenure†	-.00	.11	-.11	-.05	.08	-.15	.00	—		
9.	Yrs Wrk†	-.07	.11	.-.07	-.05	.20*	-.10	.56*	.75*	—	
10.	Yrs Own†	-.03	.04	.00	.02	.05	.03	.22*	.22*	.59*	—
11.	Gender†	.38*	.20	.10	.02	-.08	.10	.12	.12	.19*	.11

N = 118, *p < .05 (2-tailed)

Variable Key: Passion = Passion level, Culture = family culture, Gen Exp2 = generation active on board of directors, Gen Exp3 = generation owning shares, Own% = present of shares owned by the family, Own Bd Mgt = family board participation.

†Control Variable key: Age = participant age, Tenure = years at the firm, Yrs Wrk = years of work experience, Yrs Own = years the family has owned the firm, Gender = male/female.

Study 1 Findings

I used linear regression to test the direct effect of Passion on the dependent variable and the Hayes PROCESS 4.1 model in SPSS to test moderation. Hypothesis 1 stated that Leadership Passion would be positively related to family firms' intentions toward Succession. The overall model for Leadership Passion using "Succession Intent" as the dependent variable was statistically significant at β = .14, error = .07, R^2 = .14. p < .04, Thus, Hypothesis 1 is supported.

To measure moderation, I independently ran each F-PEC variables with Passion (Astrachan et al., 2002; Klein, et al., 2005). The five family involvement items: culture (fit between family and firm) using the 10-item Likert scale, generational ownership (Gen Exp2), generational firm involvement (Gen Exp3), power represented by family ownership percent (Own %), and owner family board involvement (Own Bd Mgt). None of the moderating interactions between Passion and Succession were statistically significant (Tables 7-10), thus Hypothesis 2 is not supported. I did, however, find non-hypothesized direct relationships between some of the moderating variables and the dependent variable Succession (Table 7). Culture was positively related to Succession and significant at: β = .17 SE = .06 $p < .10$. I then regressed the other moderating variables directly on Succession. Except for generations owning shares (Gen Exp3), each of the variables was significant: Generations active (β = .43, SE = .13, $p < .00$), ownership% (β = .01, SE = -.00, $p < .05$), and family board participation (β = .08, SE = .04, $p < .05$).

Table 7. Survey 1 – All Variables

	Succession		
	β	**SE**	***p***
Passion	.14**	.07	.04
Culture	.10*	.07	.09
Gen Exp2	.42**	.12	.00
Gen Exp3	-.13	.11	.23
Fam Bd Mgt	-.08**	.04	.03
Own%	.01*	.00	.06
Age	-.11	.01	.05
Tenure†	.01	.01	.17
Yrs. Owned†	.00	.00	.76
Yrs. Work†	-.00	.00	.78
Gender†	.00	.14	.96
R^2	.55*		

Unstandardized βs are reported. $^{**}p < 0.05$, $^{*}p < 0.10$, $N = 118$

Variable Key: Passion = Passion level, Culture = family culture, Gen Exp2 = family gen involvement, Gen Exp3 = generation active on board, Fam Bd Mgt = family board involvement, Own% = percent of family ownership.

†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs. Wrk. = years of work experience, Yrs. Owned = years family-owned business, Gender = male/female

Table 8. Survey 1 – Passion × Culture

	Succession		
	β	SE	*p*
Constant	1.20*	.32	.00
Passion	.13*	.07	.04
Culture	.14*	.06	.02
Passion × Culture	.00	.07	.97
Age†	-.18*	.01	-.00
Tenure†	.01*	.01	.02
Yrs. Owned†	.00*	.00	.01
Yrs. Work†	.00*	.01	.01
Gender†	-.07	.08	.09
R^2	.14*		

Unstandardized βs are reported. *$p < 0.05$. $N = 118$
Variable Key: Passion = passion level, Culture = family culture, Passion × Culture = interaction between passion and family culture.
†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs Wrk. = years of work experience, Yrs. Own = years the family has owned the firm, Gender = male/female.

Table 9. Survey 1 – Passion × Gen Exp2

	Succession		
	β	SE	*p*
Constant	.94*	.30	.00
Passion	.12	.07	.04
Gen Exp2	.35*	.10	.00
Passion × Gen Exp2	-.17	.13	.90
Age†	-.01*	.01	.00
Tenure†	.01*	.01	.02
Yrs. Owned†	.00*	.00	.01
Yrs. Work†	.00*	.00	.01
Gender†	-.10	.08	.06
R^2	.19*		

Unstandardized βs are reported. *$p < 0.05$. $N = 118$
Variable Key: Passion = passion level, Gen Exp2 = family generational involvement, Passion × Gen Exp2 = interaction between passion and generation active on board of directors.
†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs. Wrk = years of work experience, Yrs. Own = years the family has owned the firm, Gender = male/female.

Table 10. Survey 1 – Passion × Gen Exp3

	Succession		
	β	**SE**	***p***
Constant	1.06*	.31	.00
Passion	.17*	.07	.01
Gen Exp3	.15	.09	.12
Passion × Gen Exp	.10	.13	.43
Age†	-.01*	.01	.00
Tenure†	.01*	.01	.02
Yrs. Owned†	.00*	.00	.01
Yrs. Work†	.00*	.01	.02
Gender†	-.09	.09	.08
R^2	.12		

Unstandardized βs are reported. *p < 0.05. N = 118

Variable Key: Passion = Passion Level, Culture = family culture, Gen Exp3 = generations owning shares, Passion × Gen Exp3 = Interaction between passion and generations owning shares.

†Control variable Key: Age = participant age, Tenure = years at the firm, Yrs. Wrk = years of work experience, Yrs. Own = years the family has owned the firm, Gender = male/female.

Table 11. Survey 1 – Passion × Own%

	Succession		
	β	**S.E.**	***p***
Constant	1.08*	.31	.00
Passion	.19*	.07	.00
Own %	.01*	.00	.00
Passion × Own%	.00	.00	.72
Age†	-.02*	.01	-.00
Tenure†	.01*	.01	.02
Yrs. Owned†	.00*	.00	.01
Yrs. Work†	.00*	.01	.01
Gender†	-.03	.08	.14
R^2	.17*		

Unstandardized βs are reported. *p < 0.05. N = 118

Variable Key: Passion = passion level, Own% = percent shares owned by family, Passion × Own% = interaction between passion and percent shares owned by family.

†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs. Wrk = years of work experience, Yrs. Own = years the family has owned the firm, Gender = male/female.

Table 12. Survey 1 – Passion × Family Board/Management

	Succession		
	β	**SE**	***p***
Constant	1.04*	.32	.00
Passion	.20*	.07	.01
Fam Bd/Mgmt.	-.065	.04	.08
Passion × Fam Bd/Mgt	.07	.07	.32
Age†	-.01*	.01	-.00
Tenure†	.01*	.01	.02
Yrs. Owned†	.00*	.00	.01
Yrs. Work†	.00*	.01	.01
Gender†	-.03	.09	.13
R^2	.12		

Unstandardized *β*s are reported. $^{*}p < 0.05$. $N = 118$
Variable Key: Passion = passion level, Fam Bd Mgt = family board participation, Passion x Fam Bd Mgt = interaction between passion and family board participation.
†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs Wrk = years of work experience, Yrs. Own = years the family has owned the firm, Gender = male/female.

Study 2 Framework

Research Question 2 asks: Do private equity buyers value Leadership Passion and Family Involvement in deciding whether to invest in family businesses? Private equity managers were asked to rate the presence of Leadership Passion in family businesses in which they intended to invest. They were then asked to rate the presence of Leadership Passion in family businesses in which they decided not to invest.

Hypothesis 3: *There is a positive relationship between leadership passion and private equity investors' intent to invest.*

To address the moderation model in study two: Does Family involvement moderate the relationship between leadership passion and investors' intent to invest?

Hypothesis 4: *Family Involvement positively moderates the relationship between Leadership Passion and private equity 'investors' intent to invest, such that Family Involvement will reinforce the positive relationship between Leadership Passion and private equity's 'intent to invest.*

Private equity managers answered questions regarding family culture, generational involvement, family ownership %, and board participation in the two scenarios (invest, not invest).

Study 2 Findings

Hypothesis 3 predicted a positive relationship between Leadership Passion and private equity investors' intentions to invest. Hypothesis 4 predicted that Family Involvement would positively moderate the relationship between Leadership Passion and private equity investors' intentions to invest such that Family Involvement would magnify the positive relationship between Leadership Passion and investors' intentions to invest.

I used multilevel mixed logistic regression in Stata to test the direct effect of Leadership Passion on private equity buyers' intentions to invest in family firms and to test the moderating effect of family Culture, generational experience, family ownership, and family board involvement. Similar to Study 1, due to the lack of a standard measurement scale I used each of the F-PEC items (Astrachan et al., 2002; Klein et al., 2005). After putting my data into long-form Excel and using odds ratios instead of coefficients in a multilevel mixed logistic regression, I ran all the variables without interaction effects (Table 13), checking for variables that indicated significance ($p < .05$) along with the magnitude of the odds ratio and the direction of the effect. Leadership Passion was significant and had a positive direction and a magnitude of 9.75 (OR = 9.75, SE = 9.95, $p < .03$). The odds ratios greater than one indicate a positive direction while the magnitude of 9.75 indicates that Leadership Passion has 9.75 times greater odds of an "invest" outcome than a "not invest" outcome. Hypothesis 3 is supported.

Table 13. Study 2: Correlations/Means

Variable	M	Std. Dev	1	2	3	4	5	6	7	8	9	10	11
Age†	55.64	1.39	.45	—									
Tenure†	18.12	1.58	.17	.56	—								
Yrs. Bus†	31.30	1.48	.52	.94	.60	—							
Gender†	5.18	.05	-.11	.30	-.17	.10	—						
# FBexp†	30.85	2.28	-.24	-.13	.18	-.12	-.16	—					
Passion	3.34	.10	.12	-.03	-.08	.01	.06	.10	—				
Culture	3.30	.09	-.01	-.01	-.02	-.01	.01	.21	.71	—			
Gen Exp	1.77	.07	.26	.19	.03	.04	.00	-.19	-.02	-.07	—		
Own%	73.71	2.25	.14	.13	.11	.12	-.00	-.29	-.26	-.10	.07	—	
Fam Bd/Mgt	1.85	.07	.38	.20	.20	.19	-.24	-.14	.29	.24	.38	-.14	—
Intent to Invest	.5	.06	0	0	0	0	0	0	.59	.64	-.00	-.15	.16

Variable Key: Passion = Passion, Culture = culture, Gen Exp = generational involvement, Own% = percent of shares owned by the family, Own Bd Mgt = family board participation.

†Control Variable Key: Age = participant age, Tenure = years at the firm, Yrs. Bus = years of work experience, Gender = male/female, # FBexp = number of family businesses opportunities buyer has been exposed.

To test moderation in Hypothesis 4, I estimated two-way interactions between each of the moderating variables and Passion; only one was significant. The two-way interaction between Leadership Passion and Family Culture was significant at OR = 2.49, SE = .77, $p < .00$ (Table 14). The Passion × Culture interaction had an odds ratio greater than one, indicating the combined effect of Passion and Culture is in the positive direction and has two and one-half times greater odds of an invest outcome than a noninvestment outcome. Because Hypothesis 4 looked at the moderating effect of Family Involvement (Family Culture is one of the sub-components), I consider Hypothesis 4 to be partially supported. None of the other two-way interactions in the moderation model was significant. However, as in Study 1, I found some significant non-hypothesized relationships between the moderation variables when run directly to invest. The other two significant variables from the non-interaction logistic regression run were Culture (cult) (OR = 36.25, SE = 44.52, $p < .00$) and owner board involvement (Own Bd Mgt) (OR = .12, SE = .13, $p < .05$). I was somewhat surprised by the magnitude that the odds ratio Culture had with invest; Culture had 36 times greater odds of an invest outcome than a not-invest outcome. But I was not surprised that Culture would play a direct role in the private equity investment thesis.

Table 14. Survey 2 – All Variables with No Two-Way Interactions

	Invest		
	Odds Ratio	**SE**	***p***
Constant	.00	.01	.54
Passion	9.75*	9.95	.03
Culture	36.25*	44.52	.00
Gen Exp.	1.92	1.80	.49
Owner%	.98	.03	.57
Fam Bd/Mgt.	.12*	.13	.05
Age	1.21	.21	.29
Tenure	1.05	.06	.39
Yrs. Bus.	.84	.13	.25
# F.B. Exp.	.96	.03	.11
Gender	.07	.14	.20

*$p < .05$ $N = 33$ (66 obs)

Variable Key: Passion = Passion, Culture = Culture, Gen Exp = Generational Involvement, Own% = percent of shares owned by the family, Fam Bd Mgt = family board participation.

Table 15. Survey 2 – Passion × Culture

	Invest		
	Odds Ratio	**SE**	***p***
Constant	.00	.05	.61
Passion	.28	.40	.38
Passion × Cult	2.49*	.77	.00
Age	1.08	.12	.47
Tenure	1.05	.06	.37
Yrs. Bus.	.91	.08	.31
# F.B. exp.	.97	.02	.20
Gender	.48	.76	.64

*p- value ≤ .05, $N = 33$ (66 obs)

Variable Key: Passion = Passion, Passion × Cult = interaction between Passion and Family Culture.

Table 16. Survey 2 – Passion × Gen Exp

	Invest		
	Odds Ratio	**S.E.**	***p***
Constant	1.37		
Passion	25.74*	22.60	.00
Passion × Gen Exp	.89	.18	.59
Age	1.13	.13	.26
Tenure	1.04	.04	.32
Yrs. Bus.	.90	.08	.28
# F.B. exp.	.99	.02	.51
Gender	.67	.89	.76

Note: *p-value ≤ .05, $N = 33$ (66 obs)

Variable Key: Passion = Passion, Passion × Gen Exp = interaction between passion and generational involvement.

Table 17. Survey 2 – Passion × Owner%

	Invest		
	Odds Ratio	**S.E.**	***p***
Constant	5.57	5.15	.07
Passion	19.30*	15.58	.00
Passion × Owner%	1.00	.01	.86
Age	1.10	.11	.32
Tenure	1.05	.04	.28
Yrs. Bus.	.92	.08	.34
# F.B. Exp.	.99	.02	.48
Gender	.86	1.08	.91

*= *p*-value ≤ .05, *N* = 33 (66 obs)
Variable Key: Passion = Passion, Passion x Owner% = interaction between passion and percent shares owned by family.

Table 18. Survey 2 – Passion × Own Bd/Mgt

	Invest		
	Odds Ratio	**S.E.**	***p***
Constant	2.13	.14	.14
Passion	61.53*	72.13	.00
Passion × Fam Bd/Mgt	.72	.17	.18
Age	1.19	.14	.14
Tenure	1.05	.04	.21
Yrs. Bus.	.87	.09	.16
# F.B. exp.	.98	.02	.36
Gender	.33	.48	.45

**p*-value ≤ .05, *N* = 33 (66 obs)
Variable Key: Passion = Passion, Passion × Fam Bd/Mgt = interaction between passion and owner board participation.

Table 19. Studies 1 and 2 Summary of Results

Hypothesis	Relationship	Study	Design	Dataset	Direction	Finding
H1	LP → Succession	1	Survey	Family Bus. Owners	Positive	Supported
H2	LP × Culture → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2	LP × Gen Exp2 → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2	LP × Gen Exp3 → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2	LP × Own% → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2	LP × Own Bd Mgt → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2*	Culture → Succession	1	Survey	Family Bus. Owners	Positive	Finding
H2*	Gen Exp2 → Succession	1	Survey	Family Bus. Owners	Positive	Finding
H2*	Gen Exp3 → Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H2*	Own% → Succession	1	Survey	Family Bus. Owners	Positive	Finding
H2*	Fam Bd Mgt→ Succession	1	Survey	Family Bus. Owners	N/A	Rejected
H3	LP→ PE Invest	2	Survey	Private Equity Mgrs.	Positive	Supported
H4	LP × Culture → PE Invest	2	Survey	Private Equity Mgrs.	Positive	Partial Sup.
H4	LP × Gen Exp → PE Invest	2	Survey	Private Equity Mgrs.	N/A	Rejected
H4	LP × Own % → PE Invest	2	Survey	Private Equity Mgrs.	N/A	Rejected
H4	LP × Fam Bd Mgt → PE Invest	2	Survey	Private Equity Mgrs.	N/A	Rejected
H3*	Culture →PE Invest	2	Survey	Family Bus. Owners	Positive	Finding
H3*	Gen Exp → PE Invest	2	Survey	Private Equity Mgrs.	N/A	Rejected
H3*	Fam Bd Mgt → PE Invest	2	Survey	Private Equity Mgrs.	Negative	Finding
H3*	Own% → PE Invest	2	Survey	Twitter	N/A	Rejected

Variable Key: Passion = Passion level, Culture = Family Culture, Gen Exp2 = generation active on board of directors, Gen Exp3 = generation owning shares, Own% = percent of shares owned by the family, Fam Bd Mgt = family board participation.
Variable Key: Passion = Passion, Culture = Culture, Gen Exp = Generational Involvement, Own% = percent of shares owned by the family, Fam Bd Mgt = family board participation.
* Non-hypothesized direct paths to the IV.

CHAPTER VI

DISCUSSION AND CONCLUSION

Overview

This chapter summarizes my research findings and outlines the empirical studies. To accomplish the goals of my research, I conducted two studies. The purpose of Study 1 was to gain a greater understanding of the drivers that influence family businesses to seek succession or harvest strategies. In Study 2, I attempted to gain a perspective on factors influencing private equity buyers' investment thesis decisions when considering family business acquisitions. Leadership Passion and Family Involvement were assessed in each study to answer two primary research questions: 1) do Leadership Passion and Family Involvement play a role in family business succession or harvest strategies? and 2) do private equity buyers of family businesses value Leadership Passion and Family Involvement in their investment thesis? This discussion will include theoretical and practical research applications, the limitations of this research, and future research recommendations The summarized findings from both studies may be found in Table 18 at the end of the Results section.

Implications for Theory

This paper contributes to extant theory development in three ways. First, my results suggest that those family leaders who identify closely with their businesses are more likely to create a succession strategy than an exit strategy. These results support the Cardon et al. (2017) and Vallerand et al. (2003) assertions that Passion serves as a special motivational force driving the entrepreneur and family members to succeed in family businesses.

Second, in their recent work, Symeonidou et al. (2021) utilized the SEW and Threshold Theory focusing on family versus nonfamily firm performance and proposed that threshold theory include additional nonfinancial attributes. Their suggested nonfinancial characteristics include entrepreneurial identity, the desire to pass on the family to the next generation, and the exertion of family influence. The significance of Leadership Passions' impact on succession in Study 1 and the findings of the non-hypothesized direct paths of generational involvement thresholds (family influence) support the Symeonidou et al. proposed additional attributes.

Third, the results of the non-hypothesized direct family involvement variables in both studies demonstrate the importance of SEW components, with particular emphasis on the cultural element as it relates to family succession strategies and family culture's influence on private equity buyers. In addition, expanding Threshold Theory into less traditional areas, such as generational family thresholds within family firms, helps sharpen our understanding of family members' influence on the exit process.

Research Question 1

Research Question 1 was: *What roles do Family Leadership Passion and Involvement play in the firm's exit strategy?* To address the Leadership Passion question, I surveyed small- and medium-sized family business owners. I asked them: "to think about how the passion items reflect their passion as a family leader" (independent variable). The dependent variable (Succession) was derived from the question: "Do you believe the firm is likely to create a succession strategy that will keep controlling interest in the family? In practical terms, on average, those leaders with higher Passion scores were more likely to believe the business would execute a family-based succession plan. This may be because passionate family leaders are so heavily invested in their firms and, as a result, have difficulty visualizing any other path for the firm. What is less clear is the type of Passion influencing their penchant for succession. For example, family owners have been found to possess entrepreneurial passion (Cardon, et al., 2013), passion for the products they sell, domain passion (Warnick et al., 2018), or owners who are obsessed with their company, obsessive passion (Vallerand et al., 2003).

Despite finding that 84 % of family business leaders intend to pass family control of the business to the next generation.[2] We know family succession success rates are low, particularly in the first and second generations. The average life span of a family business in the U.S. is approximately 24 years,[3] and only 30% of family businesses transition to the second generation, with as few as 10% transitioning to the third generation (Bechard & Dyer, 1983; Ward, 1987; Sonnenfeld & Spence, 1989). This disparity brings to question whether certain types of Leadership Passion or too much passion impeded the family's ability to create succession. One possible insight for practitioners is that passionate family leaders might benefit from input outside the family to help objectively (dispassionately) review the important succession/harvest decision. Chrisman et al. (2009) support this idea in their

[2] Making a Difference: The PricewaterhouseCoopers Family Business Survey 2007/08, Nov. 2008.
[3] Familybusinesscenter.com, 2010.

article, suggesting that family firms should seek guidance from outside sources like their CPA firm to enhance succession rates. In Study 1 of this research, half the respondents reported not having a formal board of directors. Of the firms with a formal board, 41% indicated they had no nonfamily members on the board of directors.

Additionally, fewer than 40% of those with nonfamily members on their board of directors had more than one nonfamily member on the board. Indeed, exit or succession is often perceived as a complex and challenging event, specifically when owners are emotionally involved with the business (DeMassis et al., 2008; Gimeno et al., 1997). The same passion which helped drive family leadership to success may also be a key impediment to creating succession.

The second half of the Study 1 research question focused on whether Family Involvement moderated the relationship between Leadership Passion and Succession. There were five moderating variables tapping involvement: 1) family culture, 2) generational board involvement, 3) generational ownership, 4) family ownership percentage, 5) family board and management participation. The results of each moderation model were not significant, indicating that none of the moderating variables had an appreciable influence on the relationship between Leadership Passion and Succession (DV). I was initially surprised that none of the moderators stood up to Hypothesis 2, especially culture and board experience, which was mentioned multiple times in the ecological pretest interviews by those owners focused on succession. However, when the moderation variables were treated as direct independent variables and regressed on the Succession (DV), Culture, generational board involvement, family ownership percentage, and family board and management involvement were all significant. The more objective variables in this group, specifically generational board and family board and management involvement, may be part of the answer to the question raised in the first half of Study 1. Might passionate leadership benefit from board-level inputs regarding succession strategies?

Besides the suggestion above regarding a formal board of directors and nonfamily member participation, practitioners in a family business inclined toward a succession strategy may also find value in having early generational involvement on the board of directors and general family ownership participation. While these suggestions may seem like common sense, the dynamics of family businesses are often dominated by leadership passion which can cause leaders difficulty relinquishing even small amounts of control. Therefore, outside board participation may help firms navigate the succession or harvest paradigm.

I have saved the discussion about the significance of family culture when regressed with succession for last. Unlike the more objective variables mentioned above, the subjective nature of culture is more challenging to wrap our minds around. The culture subcomponent variable I used in this study was taken from the F-PEC measure (Klein et al., 2005). The 10-question measure focused on the shared values, loyalty, and agreement among family members and between family members and nonfamily employees. I reviewed the comments from the validation study of the five family owner interviews and compared their comments with Study 1 results. I found that the two studies were consistent in that both the interviews and study results indicate that culture may play a significant role in family firms looking to create a succession strategy. The owners felt that the F-PEC measure’s culture and generational experience elements were important to their companies’ overall success and continuity. The results from survey one support these assertions. From a practitioner standpoint, it may benefit firms to take a greater interest in their cultural family-firm fit. A strong family culture may help align family involvement toward the same goals, including Succession.

In summary, I consider Study 1 to be a successful failure. While Passion significantly influenced family business leaders' intent to create Succession, the proposed moderating variables did not have significance. However, when I tested the moderation variables independently, I found four of the five had some direct relationship with the firm's intent to create succession.

Research Question 2

Research Question 2 states: *'Do private equity buyers value Leadership Passion and Family Involvement in deciding whether to invest in family businesses?* To address this question, I surveyed private equity investment professionals from around the United States using a postdictive survey format. In the first half of Study 2, private equity managers were asked to consider a recent family business they had vetted and decided to invest in. The managers were asked the same passion questions (Cardon et al., 2013) used in Study 1, but in Part A of Study 2, they were asked to consider the importance of the passion levels of a firm's leadership team in which they had intended to invest. This finding is in line with the comments made by the private equity managers and bankers in my pre-research validation study. Leadership Passion plays a vital role in private equity managers' investment theses. Since most private equity firms "consult" rather than direct the leadership team post-acquisition, the private equity team is looking for leaders who will passionately drive business growth.

In the Hypothesis 2 of Study 2, I looked at the moderating variables from the F-PEC measure and how they may have influenced the relationship between Leadership Passion and the private equity managers' intent to invest in the firm. Of the moderating variables, family culture, generational involvement, ownership percentage, and owner board/management involvement, only family culture was found to have a significant moderating effect. This finding was in sync with comments made by the private equity managers in the pretest survey regarding the importance they placed on the firm's strong positive culture. A firm's culture permeates into many company layers, including family and nonfamily members at all levels of authority. It seems logical that higher levels of embedded culture would moderate the passion–invest relationship since family business culture is founded by values embedded in the organization (Klein, 1991). The other quantitative moderating variables were not significant when tested in the moderation model.

However, similar to Study 1, I did find some non-hypothesized direct relationships of interest between the F-PEC components and the DV intent to invest. Both family culture and family board involvement were significant direct to the dependent variable private equity intent to invest. Looking at the results of both surveys from a simplistic, "20,000-foot" view, it appears passionate leadership in family businesses may influence family businesses toward succession to a greater extent than they do harvesting the company. Yet private equity buyers of family businesses look for passionate leadership as a part of their investment theses. There are also some interesting observations from both studies. For example, Klein et al. (2005) designed the three dimensions of the F-PEC measure to be used conjointly as a single measure of family involvement. However, my study designs did not translate well with the Klein et al. (2005) format, primarily because I am a neophyte in creating survey designs. For example, F-PEC measures in the Klein et al. (2005) study assumed all firms had either the one board model (U.S.) or the two board of directors' model (Euro model) and measured the percent of family participation in each type of board. However, half of the respondents in Study 1 reported they did not have a formal board of directors. In addition, 52% of the respondents in Survey Two reported that the firms they considered did not have a formal board of directors. Family culture and family board participation were significant as independent variables direct on succession in Study 1.

The takeaway for family business owners and private equity investors is that culture matters! The third variable of significance, owner-board involvement, was significant but had an odds ratio of less than one (.12), indicating it has a negative direction. For every unit of owner-board management involvement, the odds of investment go down by 88%, or (.12OR -1) × 100. These results could mean private equity buyers like family businesses with a formal board. But not boards with many owners. It may be that private equity managers see family businesses with a board of directors as valuable but view those with larger boards as more challenging to negotiate or convince to sell the firm.

Limitations and Directions for Future Research

Neither study is without limitations, most notably the low power in each (particularly Study 2). However, the relatively low power in both studies was offset somewhat by the quality of the participants. Post-study discussions with private equity participants uncovered that August was likely the worst time to solicit responses because August is a historical vacation period for the private equity community. A significantly longer allowance for collecting responses might improve response numbers, as would some form of compensation to encourage private equity participation. That said, I acknowledge that privately held business owners and private equity managers are likely two of the more challenging groups from which to solicit feedback. I had the most success when I connected personally with participants, which supports the idea of allowing more time to collect feedback. Another limitation of study one's design was that I could not track how many responses came from independent families versus multiple responses from the same family. However, one of the demographic questions I asked included the respondents' titles in the company. By the number of respondents identifying themselves as the firm's chief executive officer or president, assuming only one of these positions per company, I could estimate that at least 75% of the responses were from different firms.

There is value in allowing only one respondent from a firm or a design rather than allowing multiple respondents but somehow identifying them as from the same firm. Various responses from the same firm may offer researchers some insight into the generational aspects of family involvement. Yet another limitation is that Study 1 was a self-report which opens the study up to self-report bias. Another limitation was the non-ideal methodological design to capture moderation via the F-PEC components. The original intent was to mirror the Klein et al.' (2005) single-scoring F-PEC method composed of the three subcomponents. However, the postdictive format and scale design were not conducive to combining the F-PEC subcomponents. Overall, I believe the postdictive method used to uncover the private equity managers' ratings on the independent variables worked well. Despite the low sample size and design issues, the significance of the non-hypothesized moderation variables raises questions about how private equity managers think about family culture, generational experience, board participation and board presence when considering their investment theses in family businesses. Another limitation of my study was that two measures showed a .79 correlation. Culture and Passion's high correlation cause concern about whether the two measures are independent and not describing the same thing. However, after reviewing the questions in the measures and focusing on the adjectives used to describe the two constructs, I found that Culture adjectives described the family relationships with each other and the employees. The adjectives used to describe Culture in the F-PEC measure were: pride, loyalty, support, effort, and agreement. The Passion measures, on the other hand, focused on individuals, and the adjectives used were: enjoyable, motivated, excites, energizes, and important. While Passion and Culture describe emotional conditions — Passion represents heightened feelings specific to individuals. In contrast, Culture involves group interactions and focuses on pride, loyalty, and support rather than individual excitement and energy. An individual can be passionate, but an individual is not typically considered a culture unto themselves.

Future research might benefit from homing in on family businesses that forego boards of directors versus those that actively engage boards of directors with outside directors and their comparative success rate in creating succession. Future research might also consider focusing on family culture and its impact on establishing family boards and board participation since both generational involvement and the presence of a board appear to impact succession outcomes.

Conclusion

I entered this research focused on identifying the importance of leadership passion in the family business succession process and leadership passion's influence on private equity investors' family business investment thesis. I also suspected from my own experiences running and selling a family business that family involvement would play a significant role in family business succession strategies and private equity investment theses. The essential takeaways from Study 1 are that family businesses planning for a family succession strategy should consider the early adoption of a board of directors structure and involve future generations earlier and not later in the process. Takeaways from Study 2 underscore that leadership Passion and Culture "matter" to investors should family businesses elect a harvest strategy. The common thread in both studies is that Leadership Passion and Family Involvement, particularly Generational Family Involvement, are crucial ingredients regardless of whether family firms select a succession or harvest strategy.

REFERENCES

Ahlers, O., Hack, A., Kellermanns, F.W. (2014). Stepping into the buyers' shoes: Looking at the value of family firms through the eyes of private equity investors. *Journal of Family Business Strategy*, 5, 384–396.

Ahlers, O., Hack, A., Kellermanns, F.W., & Wright, M. (2016). Opening the black box. Power in buyout negotiations and the moderating role of private equity specialization. *Journal of Small Business Management*, 54(4), 1171–1192.

Ahlers, O., Hack, A., Madison, K., Wright, M., & Kellermanns, F.W. (2017). Is it all about money? Affective commitment and the difference between Family and nonfamily sellers in buyouts. *British Journal of Management*, 28(2), 159–179.

Aguinis, H., Bradley, K.J., (2014). Best practice recommendations for designing and implementing experimental vignette methodology studies. *Organizational Research Methods*, 17, 351-371.

Amburgey, L., & Rao, H. (1996). Organizational ecology: Past, present, and future directions. *Academy of Management Journal*, 39(5), 1265-1286.

Anglin, A., Reid, S., Short, J., Zachary, M., Rutherford, M., (2017). An archival approach to measuring family influence: An organizational identity perspective. *Family Business Review*, 30(1), 19-36.

Anderson, R.C., & Reeb, D.M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, 58(3), 1301-1328.

Ashforth, B.E., Harrison, S.H., & Corley, K.G. (2008). Identification in organizations: An examination of four fundamental questions. *Journal of Management*, 34, 325–374.

Astrachan, J., Klein, S., & Smyrnios, K. (2002). The F-PEC scale of family influence. A proposal for solving the family business definition problem. *Family Business Review*, 25, 45-55.

Barnes, L.B., & Hershon, S.A. (1976). Transferring power in the family business. *Harvard Business Review*, 54(4), 105-114.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Baron, R., (2008). The role of affect in the entrepreneurial process. *Academy of Management Review*, 33, 328-340.

Baum, J. (1996). Organizational ecology. In S. Clegg, C. Hardy, & W.R. Nord (Eds.), *Handbook of Organization Studies* (pp. 77–114). London: Sage.

Baum, J.R., & Locke, E.A. (2004). The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth. J*ournal of Applied. Psychology*, 89, 587– 598.

Baum, J.R., Locke, E.A., & Smith, K.G. (2001). A multidimensional model of venture growth. *Academy of Management Journal*, 44, 292-303.

.

Beckhard, R., & Dyer, W.G. (1983). Managing continuity in the family-owned business. *Organizational Dynamics*, 12(1), 5-12.
Berrone, P., Cruz, C.C., & Gómez-Mejía, L.R. (2012). Socioemotional wealth in family firms: A review and agenda for future research. *Family Business Review*, 25(3), 258–279.
Berrone, P., Cruz, C., Gómez-Mejía, L.R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly*, 55(1), 82–113Berry, B. (1975). The development of organization structure in the family firm. *Journal of General Management*, 3(1), 42-60.
Bertaux, D. (1981). From the life-history approach to the transformation of sociological practice. In D. Bertaux (Ed.), *Biography and Society: The Life History Approach in the Social Sciences* (pp. 29-45). London: Sage.
Bettinelli, C., Sciascia, S., Randerson, K., & Fayolle, A. (2017). Researching entrepreneurship in family firms. *Journal of Small Business Management*, 55(4), 506–529.
Bird, B.J. (1989). *Entrepreneurial Behavior*. Glenview, IL: Scott Foresman
Block, J. (2011). How to pay nonfamily managers in large family firms: A principal-agent model. *Family Business Review*, 24, 9-27.
Brüderl, J., Preisendörfer, P., & Ziegler, R. (1992). Survival chances of newly founded business organizations. *American Sociological Review*, 57(2), 227–242.
Burch, P., (1972). *Managerial Revolution Reassessed: Family Control in America's Largest Corporations*. Lexington, MA: Lexington Books
Burgelman, R.A. (1994). Fading memories: A process theory of strategic business exit in dynamic environments. *Administrative Science Quarterly*, 39(1), 24–56.
Bussgang, J., 2010. *Mastering the VC Ggame: A Venture Capital Insider Reveals How to Get From Start-up to IPO on your Terms*. New York: Penguin.
Cardon, M., Glauser, M., & Murnieks, C., (2017) Passion for what? Expanding the domains of entrepreneurial passion. *Journal of Business Venturing Insights*, 8, 24-32.
Cardon, M., Gregoire, D., Stevens, C., Patel, P. (2013). Measuring entrepreneurial passion: Conceptual foundations and scale validation. *Journal of Business Venturing*, 28, 373-396.
Cardon, M.S., Kirk, C. (2010). *Passion, self-efficacy, and persistence in entrepreneurship*. Academy of Management Conference, Montreal, Canada
Cardon, M.S., Wincent, J., Singh, J., Drnovsek, M. (2009). The nature and experience of entrepreneurial passion. Academy of Management Review, 34(3), 511–532.
Carter, R.B., Van Auken, H.E. (1992). Effects of professional background on venture capital proposal valuation. *Journal of Small Business Strategy*, 3, 45-55.
Carter, S., & Ram, M. (2003). Reassessing portfolio entrepreneurship. *Small Business Economics*, 21(4), 371-380.
Chen, X.P., Yao, X., Kotha, S. (2009). Entrepreneur passion and preparedness in business plan presentations: A persuasion analysis of venture capitalist' funding decisions. *Academy of Management Journal*, 52(1), 199-214.
Chrisman, J.J. (2019). Stewardship theory: Realism, relevance, and family firm governance. *Entrepreneurship Theory and Practice*, 43(6), 1051-1066.
Chrisman, J.J., Chua, J.H., & Litz, R.A. (2004). Comparing the agency costs of family and nonfamily firms: Conceptual issues and exploratory evidence. *Entrepreneurship Theory and Practice*, 28, 335-354.
Chrisman, J.J., Chua, J.H., & Steier, L. (2005). Sources and consequences of distinctive familiness: An introduction. *Entrepreneurship Theory and Practice*, 29(3), 238–247.
Chrisman, J.J., Chua, J.H., & Kellermanns, F.W. (2009). Priorities, resource stocks, and performance in family and nonfamily firms. *Entrepreneurship Theory and Practice*, 33, 739–760.

Chrisman, J.J., Chua, J.H., Pearson, A.W., & Barnett, T. (2012). Family involvement, family influence, and family-centered noneconomic goals in small firms. *Entrepreneurship Theory and Practice*, 36, 267–93.
Chua, J.H., Chrisman, J.J., & Sharma, P. (1999). Defining the family business by behavior. *Entrepreneurship Theory and Practice*, 23(45), 19-39.
Chua, J.H., Chrisman, J.J., & Sharma, P. (2003). Succession and non-succession concerns of family firms and agency relationships with nonfamily managers. *Family Business Review*, 16, 89-107.
Craig, J., & Dibrell, C. (2006). The natural environment, innovation, and firm performance: A comparative study. *Family Business Review*, 19, 275-288.
Craig, C.L., Marshall, A.L., Sjöstrom, M., Bauman, M.L., Booth, B.E., Ainsworth, M., & Oja, P, (2003). International physical activity questionnaire: Twelve-country reliability and validity. *Medicine and Science in Sports Exercise*, 35(8), 1381-1395.
Craig, J., & Moores, K. (2005). Balanced scorecards to drive the strategic planning of family firms. *Family Business Review*, 18(2), 105-122.
Croce, A., & Martí, J. (2016). Productivity growth in private-equity–backed family firms. *Entrepreneurship Theory and Practice*, 40, 657–683.
Curran, T., Hill, A., Appleton, P., Vallerand, R., & Standage, M. (2015). The psychology of passion; A meta-analytical review of a decade of research on intrapersonal outcomes. *Motivation and Emotion*, 39(5), 631-655.
Cyert, R.M., & March, J.G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice Hall.
Dawson, A. (2011). Private equity investment decisions in family firms: The Role of human resources and agency costs. *Journal of Business Venturing*, 26, 189-199.
Dawson, A., & Barrédy, C. (2018). Private equity investment in family firms: The role of stake size and deal syndication. *Venture Capital*, 20(4), 355-376.
Davis, J.H., Schoorman, F.D., & Donaldson, R. (1997). Toward a stewardship theory of management. *Academy of Management Review*, 22, 20-47.
Deephouse, D.L., & Jaskiewicz, P. (2013). Do family firms have better reputations than nonfamily firms? An integration of socioemotional wealth and social identity theories. *Journal of Management Studies*, 50(3), 337–360.
Dehlen, T., Zellweger, T., Kammerlander, N., & Halter, F. (2014). The role of information asymmetry in the choice of entrepreneurial exit routes. *Journal of Business Venturing*, 29(2), 193–209.
DeMassis, A., Chua, J.H., & Chrisman, J.J. (2008). Factors preventing intra-family succession. *Family Business Review*, 21, 183–199
DeTienne, D.R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process. Theoretical development. *Journal of Business Venturing*, 25(2), 203-215.
DeTienne, D.R., & Cardon, M. (2012). Impact of founder experience on exit intentions. *Small Business Economics*, 38, (4), 351-374.
DeTienne, D.R., & Chirico, F. (2013). Exit strategies in family firms: How socioemotional wealth drives the threshold of performance. *Entrepreneurship Theory and Practice*, 37(6), 1297–1318.
Dibrell, C., & Moeller, M. (2011). The impact of a service dominant focus strategy and stewardship culture on organizational innovativeness in family-owned businesses. J*ournal of Family Business Strategy*, 2, 43-51.
Dreux, D.R. IV, & Brown, B.M. (1994). Marketing private banking services to family businesses. *International Journal of Bank Marketing*, Vol 12(3), 26-35
Dyer, W.G., & Whetten, D.A. (2006). Family firms and social responsibility: Preliminary evidence from the S&P500. *Entrepreneurship Theory and Practice*, 30, 785-802.
Eddleston, K.A., & Kellermanns, F.W. (2007). Destructive and productive family relationships: A stewardship theory perspective. *Journal of Business Venturing*, 22, 545-565.

Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law & Economics*, 26, 301-325.
Feito-Ruiz, I., & Menéndez-Requejo, S. (2011). Cross-border mergers and acquisitions in different legal environments. *International Review of Law and Economics*, 31(3), 169-187.
Fischer, E., Gopaldas, A., & Scaraboto, D. (2017). Why papers are rejected and how to get yours accepted: Advice on the construction of interpretive consumer research articles. *Qualitative Market Research: An International Journal*, 20(1), 60-67.
Fisher, R., Merlot, E., & Johnson, L.W. (2018). The obsessive and harmonious nature of entrepreneurial passion. *International Journal of Entrepreneurial Behavior & Research*, 24(1), 22–40.
Frank, H., Kessler, A., Rusch, T., Suess-Reyes, J., Weismeier-Sammer, D. (2016). Capturing the familiness of family businesses: Development of the family influence familiness scale (FIFS). *Entrepreneurship Theory and Practice*, 41(5), 709-742.
Gagne, M., Marwick, C., Brun de Pontet, S., Wrosch, C. (2019). Family business succession: What's motivation got to do with it. *Family Business Review*, 34(2), 154-167.
Gilding, M., Sheree, G., Cosson, B. (2015). Motives and outcomes in family business succession planning. Entrepreneurship and Practice, 39(2), 299-312.
Gimeno, J., Folta, T., Cooper, A., & Woo, C. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, 42, 750-783.
Gómez-Mejía, L.R., Haynes, K.T., Núñez-Nickel, M., Jacobson, K.J.L., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52(1), 106–137.
Gómez-Mejía, L.R., Hoskisson, R.E., Makri, M., Sirmon, D.G., & Campbell, J. (2011). Innovation and the preservation of socioemotional wealth in family controlled high technology firms. Unpublished manuscript, Texas A&M University.
Gómez-Mejía, L.R., Makri, M., & Larraza Kintana, M. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, 47, 223-252.
Gómez-Mejía, L.R., Nuñez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal*, 44, 81–95.
Gómez-Mejía , L.R., Welbourne, T.M., & Wiseman, R.M. (2000). The role of risk taking and risk sharing under gainsharing. *Academy of Management Review*, 25(3), 492-507.
Grant, R.M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3), 114–135.
Grant R. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17(Winter Special Issue), 109-122.
Habbershon, T.G., & Williams, M. (1999). A resource-based framework for assessing the strategic advantage of family firms. *Family Business Review*, 12, 1-25.
Habbershon, T.G., Williams, M., & MacMillan, I.C. (2003). A unified systems perspective of family firm performance. *Journal of Business Venturing*, 18, 451-465.
Hambrick, D.C., & Mason, P.A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9, 193–206.
Handler, W.C. (1989). Methodological issues and considerations in studying family businesses. *Family Business Review*, 2(3), 257–276.
Handler, W.C., & Kram, K.E. (1988). Succession in family firms: the problem of resistance. *Family Business Review*, 1(4), 361–381.
Hauck, J., Suess-Reyes, J., Beck, S., Prügl, R., & Frank, H. (2016). Measuring socioemotional wealth in family-owned and -managed firms: A validation and short form of the (FIBER) Scale. *Journal of Family Business Strategy*, 7(3).

Hernandez, M. (2012). Toward an understanding of the psychology of stewardship. *Academy of Management Review*, 37(2), 172–193.
Hessels, J., Grilo, I., Thurik, R., & Zwan, P. (2011). Entrepreneurial exit and entrepreneurial engagement. *Journal of Evolutionary Economics*, 21(3), 447-471.
Hogg, M.A. (2016). Social Identity Theory. In McKeown, S., Haji, R., Ferguson, N. (Eds.), *Understanding Peace and Conflict Through Social Identity Theory. Peace Psychology Book Series*. New York: Springer.
Hogg, M.A., & Abrams, D. (1988). *Social Identifications: A Social Psychology of Intergroup Relations and Group Processes*. London: Routledge.
Holt, D., Rutherford, M., Kuratko, D. (2010). Advancing the field of family business research: Further testing the measurement properties of the F-PEC. *Family Business Review*, 23(1) 76-88.
Howorth, C., Westhead, P., Wright, M. (2004). Buyouts, information asymmetry, and family management dyad. *Journal of Business Venturing*, 19(4), 509-534.
Howorth, C., Wright. M., & Westhead, P. (2007) Succession, professionalization, and the staying power of “familiness”: A longitudinal study of management buyouts of family firms. *Frontiers of Entrepreneurship Research*, 27, 1.
Hsu, D.K., Haynie, J.M., Simmons, S.A., & McKelvey, A. (2014). What matters, matters differently, a conjoint analysis of the decision policies of angel capital investors. *Venture Capital*, 16, 1-25.
Invest Europe (2017). European private equity activity. Retrieved from https://www. investeurope.eu/media/651727/invest-europe-2016-european-private-equityactivity-final.pdf
Itami, H., & Roehl, T.W. (1987). *Mobilizing Invisible Assets*. Cambridge, MA: Harvard University Press.
Jensen, M.C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *Journal of Finance*, 48(3), 831-880.
Jensen, M.C., & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3, 305-360.
Kahneman, D., & Tversky, A. (1977). Intuitive prediction: Biases and corrective procedures. McLean VA: Defense Technical Information Center.
Kahneman, D., Tversky A., & Slovic, P. (1982). *Judgment Under Uncertainty: Heuristics and Bias*. New York: Cambridge University Press
Kalm, M., & Gómez-Mejía, L. (2016). Socioemotional wealth perspective in family firms. *Revista de Addministração (São Paulo)*, 51, 409-411.
Klein, S.B. (1991). Der Einfluß von Werten auf die Gestaltung von Organisationen. Berlin: Duncker & Humblot.
Klein, S.B., Astrachan, J.H., Smyrnios, K.X. (2005). The F-PEC Scale of Family Influence: Construction, Validation, and Further Implication for Theory. Third Conference of Theories of the Family Enterprise. Calgary 2003.
Landström, H., & Mason, C. (2016). *Handbook of Research on Business Angels*. Edward Elgar Publishing.
Lansberg, I., Perrow, E., & Rogolsky, S. (1988). Family business as an emerging field. *Family Business Review*, 1, 1-6.
LeCounte, J.F. (2020). Founder-CEOs: Succession planning for the success, growth, and legacy of family firms. Journal of Small Business Management, 1–18.
Li, J., Chen, X., Kotha, S., & Fisher, G. (2017). Catching fire and spreading it: A glimpse into displayed entrepreneurial passion in crowdfunding campaigns. *Journal of Applied Psychology*, 102(7), 1075–1090.
Litz, R.A., (1995). The family business: Toward definitional clarity. *Family Business Review*, 8(2), 71-81.
Litz, R.A. (2008). Two sides of a one-sided phenomenon: Conceptualizing the family business and business family as a Mobius strip. *Family Business Review*, 21(3), 217–236.

MacMillan, I.C., Siegel, R., & Narasimha, P.N.S. 1985. Criteria used by venture capitalists to evaluate new venture proposals. *Journal of Business Venturing*, 1(1), 119–128.
MacMillan, I.C., Zemann, L., & Narashimha, P.N., (1987). Criteria distinguishing successful from unsuccessful ventures in the venture screening process. *Journal of Business Venturing*, 2, 123-137.
Madison, K., Holt, D.T., Kellermanns, F.W., & Ranft, A.L. (2016). Viewing family firm behavior and governance through the lens of agency and stewardship theories. *Family Business Review*, 29, 65-93.
March, J.G. (1988). Variable risk preferences and adaptive aspirations. Journal of Economic Behavior & Organization, 9, 5–24.
March, J.G. & Shapira, Z.B. (1992). Behavioral decision theory and organizational decision theory. In M. Zey (Ed.), *Decision Making* (pp. 273–303). Newbury Park, CA: Sage.
Markrides, C. (1998). Strategic innovation in established companies. *Sloan Management Review*, 39(3), 31-42.
Martí, J., Menéndez-Requejo, S., & Rottke, O.M. (2013) The impact of venture capital on family businesses: Evidence from Spain. Journal of World Business, 48, 420–430.
Massis, A.l., Chua, J., & Chrisman, J. (2008). Factors preventing intra-family succession. *Family Business Review*, 21(2), 183-199.
Micelotta, E., & Raynard, M. (2011). Concealing or revealing the Family? Corporate brand identity strategies in family firms. *Family Business Review*, 24, 197-216.
Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review*, 19, 73-87
Miller, D., Le Breton-Miller, I., & Lester, R.H. (2011). Family and lone founder ownership and strategic behaviour: social context, identity, and institutional logics. *Journal of Management Studies*, 48, 1–25.
Miller, D., Breton-Miller, L., & Scholnick, B. (2008). Stewardship versus stagnation: An empirical comparison of small family and nonfamily businesses. *Journal of Management Studies*, 45(1), 51–78.
Mishra, C.S., & McConaughy, D.C. (1999). Founding family control and capital structure: The risk of loss of control and the aversion to debt. *Entrepreneurship Theory and Practice*, 23, 53-65.
Mitteness, C.R., Baucus, M.S., & Sudek, R. (2012) Horse vs. jockey? How stage of funding process and industry experience affect the evaluations of angel investors. *Venture Capital: An International Journal of Entrepreneurial Finance*, 14(4), 241–267.
Mitteness, C., Sudek, R., & Cardon, M. (2012). Angel investor characteristics that determine whether perceived passion leads to higher evaluations of funding potential. *Journal of Business Venturing*, 27, 592-606.
Molly, V., Arijs, D., & Lambrecht, J. (2017). Building and maintaining the family business-private equity relationship an integrated agency-stewardship perspective. *Journal of Small Business and Enterprise Development*, 25(1), 41-63.
Moore, K. (2012). Family Business, Your Most Important Issue: Successfully Passing It On! Accessed 12/6/22 at http://www.forbes.com/sites/karlmoore/2012/12/07/family-business-your-most-important-issue-successfully-passing-it-on/
Moores, K., & Mula, J. (2000). The salience of market, bureaucratic, and clan controls in the management of family firm transitions: Some tentative Australian evidence. *Family Business Review*, 13(2), 91–106.
Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship Theory and Practic*e, 27, 367-382.
Morris, M., Miyasaki, N., Watters, C., & Coombes, S. (2006). The dilemma of growth: Understanding venture size choices of women entrepreneurs. *Journal of Small Business Management*, 44, 221–244.

Morris, M., Williams, R., Allen, J., & Avila, R. (1997). Correlates of success in family business transitions. *Journal of Business Venturing*, 12(5), 385-401
Mulholland, K. (1997). The family enterprise and business strategies. *Work, Employment and Society*, 11(40), 685-711.
Murnieks, C.Y. (2007). Who am I? The quest for an entrepreneurial identity and an investigation of its relationship to entrepreneurial passion and goal setting. Unpublished doctoral dissertation, University of Colorado, Boulder.
Murnieks, C.Y., Cardon, M.S., Sudek, R., White, T.D., Brooks, W.T. (2016). Drawn to the fire: he role of passion, tenacity and inspirational leadership in angel investing. *Journal of Business Ventures*, 31(4), 468–484.
Murnieks, C.Y., Haynie, J.M., Wiltbank, R.E., & Harting, T. (2011). I like how you think: Similarity as an interaction bias in the investor–entrepreneur dyad. *Journal of Management Studies*, 48, 1533–1561.
Murnieks, C.Y., & Mosakowski, E.M. (2006). *Entrepreneurial passion: An identity theory perspective.* Paper presented at the annual meeting of the Academy of Management, Atlanta, GA.
Murnieks, C. Y., Mosakowski, E., & Cardon, M.S. (2012). Pathways of passion: Identity centrality, passion, and behavior among entrepreneurs. *Journal of Management*, 40(6), 1583-1606.
Murnieks, C.Y., Mosakowski, E., & Cardon, M.S. (2014). Pathways of passion: Identity centrality, passion, and behavior among entrepreneurs. *Journal of Management*, 40(6), 1583–1606.
Newman, A., Obschonka, M., Moeller, J., & Chandan, G.G. (2021). Entrepreneurial passion: A review, synthesis, and agenda for future research. *Applied Psychology: An International Review*, 70(2), 816–860.
Pannucci, C.J., & Wilkins, E.G. (2010). Identifying and avoiding bias in research. *Plastic and Reconstructive Surgery*, 126(2), 619.
Pearson, A.W., Carr, J.C., & Shaw, J.C. (2008). Toward a theory of familiness: A social capital perspective. *Entrepreneurship Theory and Practice*, 32(6), 949–969.
Philippe, F.L., Vallerand, R.J., Houlfort, N., Lavigne, G.L., & Donahue, E.G. (2010). Passion for an activity and quality of interpersonal relationships: The mediating role of emotions. *Journal of Personality and Social Psychology*, 98, 917–32.
Pollack, J.M., VanEpps, E., & Hayes, A.F. (2012). The moderating role of social ties on entrepreneurs' affect and coping behaviors in an adverse economic environment. *Journal of Organizational Behavior*, 33, 789–810.
Ram, M. (1994) *Managing to Survive. Working Lives in Small Firms*. Oxford, U.K.: Blackwell.
Randøy, T., & Goel, S. (2003). Ownership structure, founder leadership, and performance in Norwegian SMEs: Implications for financing entrepreneurial opportunities. *Journal of Business Venturing*, 18, 619–637.
Rau, S.B., Astrachan, J.H., & Smyrnios, K.X. (2018). The F-PEC revisited: From the family business definition dilemma to foundation of theory. *Family Business Review*, 31(2), 200–213.
Reid, G.C. (1996). Fast growing small entrepreneurial firms and their venture capital backers: An applied principal-agent analysis. *Small Business Economics*, 8(1), 1-14.
Rosa, P. (1998). Entrepreneurial processes of business cluster formation and growth by "habitual" entrepreneurs. *Entrepreneurship Theory & Practice*, 4, 43-61.
Rutherford, M.W., Kuratko, D.F., & Holt, D.T. (2008). Examining the link between "Familiness" and performance: Can the F-Pec untangle the family business theory jungle? *Entrepreneurship Theory and Practice*, 32(6), 1089–1110
Ryan, G., & Power, B. (2012). Small business transfer decisions: What really matters? Evidence from Ireland and Scotland. *Irish Journal of Management*, 31(2), 99-125.
Salerno, J.M. (2017). Seeing red: Disgust reactions to gruesome photographs in color (but not in black and white) increase convictions. *Psychology of Public Policy Law*, 23(3), 336–350.

Salvato, C., Chirico, F., & Sharma, P. (2010). A farewell to the business: Championing exit and continuity in entrepreneurial firms. *Entrepreneurship & Regional Development*, 22(3/4), 321-348.

Schickinger, A., Leitterstorf, M.P. & Kammerlander, N., (2018), Private equity and family firms: A systematic review and categorization of the field. *Journal of Family Business Strategy*, 9(4), 268–292.

Scholes, L., Westhead, P.,& Burrows, A. (2008) Family firm succession: The management buy-out and buy-in routes. *Journal of Small Business Entrepreneurial Development*, 15, 8–30.

Scholes, L., Wright, M., Westhead, P., & Bruining, H. (2010) Strategic changes in family firms post management buyout: Ownership and governance issues. *International Small Business Journal*, 28, 505–521.

Scholes, L., Wright, M., Westhead, P., Burrows, A., & Bruining, H. (2007). Information sharing, price negotiation and management buyouts of private family-owned firms. *Small Business Economics*, 29, 329–349.

Schulze, W.S., Lubatkin, M.H., & Dino, R.N. (2008). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, 18, 450-473.

Schulze, W.S., Lubatkin, M.H., Dino, R.N., & Buchholtz, A.K. (2001). Agency relationships in family firms: Theory and evidence. *Organization Science*, 12(2), 99–116.

Sharma, P. (2004). On overview of the field of family business studies: Current status and directions for future. *Family Business Review*, 17, 1–36.

Sharma, P. & Irving, P.G. (2005). Four bases of family business successor commitment: Antecedents and consequences. *Entrepreneurship Theory & Practice*, 29, 13–33.

Sharma, P., & Manikuti, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice*, 29, 293-311.

Sieger, P., Zellweger, T., Nason, R., & Clinton, E. (2011). Portfolio entrepreneurship in family firms: A resource-based perspective. *Strategic Entrepreneurship Journal*, 5, 327–351.

Silva, F., & Mailuf, N. (2008). Does family ownership shape performance outcomes? *Journal of Business Research*, 61, 609-614

Sirmon, D.G., & Hitt, M. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice*, 27, 339-358.

Smilor, R.W. (1997). Entrepreneurship: Reflections on a subversive activity. *Journal of Business Venturing*, 12, 341–346.

Sonnenfeld, J.A., & Spence, P.L. (1989). The parting patriarch of a family firm. *Family Business Review*, 2(4), 355-375.

Stets, J.E., & Burke, P.J. (2000). Identity theory and social identity theory. *Social Psychology Quarterly*, 63(3), 224-237.

Stewart N., Chater N., Stott H.P., & Reimers S. (2003). Prospect relativity: How choice options influence decision under risk. *Journal of Experimental Psychology: General*, 132(1), 23–46.

Stryker, S. (1980). *Symbolic Interactionism: A Social Structural Version*. Menlo Park, CA: Benjamin Cummings

Sudek, R. (2006). Angel investment criteria. *Journal of Small Business Strategy*, 17(2), 89–103.

Sundaramurthy, C., & Lewis, M. (2003). Control and collaboration: Paradoxes of governance. *Academy of Management Journal*, 28, 397-415.

Sundararajan, M., & Peters, L. (2007). Role of emotions in the entrepreneur's opportunity recognition process. Paper presented at the Academy of Management Conference, Philadelphia, PA.

Symeonidou, N., DeTienne, D.R., & Chirico, F. (2021). The persistence of family firms: How does performance threshold affect family firm exit? *Small Business Economics*, 59(2), 1–13.

Taguiri, R., & Davis, J. (1996). Bivalent attributes of the family firm. *Family Business Review*, 9, 199-208.

Tajfel, H. (1982). Social psychology of intergroup relations. *Annual Review of Psychology*, 33, 1–39.

Tal, B. (2012). Inadequate Business Succession Planning: A Growing Macroeconomic Risk. *CIBC in Focus.*

Tappeiner, F., Howorth, C., Achleitner, A.-K., & Schraml, S. (2012). Demand for private equity minority investments: A study of large family firms. *Journal of Family Business Strategy*, 3(1), 38–51.

Uhlaner, L.M. (2006). Business family as a team: Underlying force for sustained competitive advantage. In P.Z. Poutziouris, K.X. Smyrnios, & S.B. Klein (Eds.), *Handbook of Research on Family Business* (pp. 125-144). Cheltenham, England: Edward Elgar.

Vallerand, R.J. (2015). The Psychology of Passion: A Dualistic Model. New York: Oxford.

Vallerand, R.J., Mageau, G., Ratelle, C., Leonard. M., Blanchard, C., Koester, R., & Gagne, M. (2003). Les Passions de l' Ame': On obsessive and harmonious passion. *Journal of Personality and Social Psychology*, 85, 756-767.

Vallerand, R.J., Salvy, S., Mageau, G.A., Elliot, A.J., Denis, P.L., Grouzet, F.M.E., & Blanchard, C. (2007). On the role of passion in performance. *Journal of Personality*, 75, 505–533.

Villalonga, B., & Amit, R. (2006). How do family ownership, control, and management affect firm value? *Journal of Financial Economics*, 80, 385–417.

Ward, J.L. (1987). *Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership*. San Francisco: Jossey-Bass.

Warnick, B., Murnieks, C., McMullen, J., &Brooks, W. (2018). Passion for entrepreneurship or passion for the product? A conjoint analysis of angel and V.C. decision making. *Journal of Business Venturing*, 33, 315-332

Wennberg, K., Wiklund, J., DeTienne, D.R., & Cardon, M. (2010). Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers. *Journal of Business Venturing*, 25(4), 361-375

Westhead, P., & Cowling, M. (1998). Family firm research: The need for a methodological rethink. *Entrepreneurship Theory and Practice*, 23(1), 31–56.

Westhead, P., Cowling, M., & Howorth, C. (2001). The development of family companies: Management and ownership imperatives. *Family Business Review*, 14, 369-382.

Wiklund, J., Davidsson, P., & Delmar, F. (2003). What do they think and feel about growth? An expectancy-value approach to small business managers' attitudes toward growth. Entrepreneurship Theory and Practice, 27, 247– 270.

Wiseman, R.M. & Gómez-Mejía, L.R. (1998). A behavioral agency model of managerial risk taking. *Academy of Management Review*, 23, 133–153.

Wright, M., Renneboog, L., Simons, T., & Scholes, L. (2006). Leveraged buyouts in the U.K. and continental Europe: Retrospect & prospect. *Journal of Applied Corporate Finance*, 18(3), 18-55.

Yoshikawa, T., & Rasheed, A.A. (2010). Family control and ownership monitoring in family-controlled firms in Japan. *Journal of Management Studies*, 47, 274–95.

Yoo, S., Schenkel, M., & Kim, J. (2014). Examining the impact of inherited succession identity on family firm performance. *Journal of Small Business Management*, 52(2), 246–265.

Zacharakis, A.L., & Meyer, G.D. (1998). A lack of insight: Do venture capitalists really understand their own decision process? *Journal of Business Venturing*, 13, 57–76.

Zahra, S.A. (2010). Harvesting family firms' organizational social capital: A relational perspective. *Journal of Management Studies*, 47, 345–66.

Zahra, S.A., Hayton, J.C., Neubaum, D.O., Dibrell, C., & Craig, J. (2008). Culture of family commitment and strategic flexibility: The moderating effect of stewardship. *Entrepreneurship Theory and Practice*, 32, 1035-1054.

Zellweger, T.M., Eddleston, K.A., & Kellermanns, F.W. (2010). Exploring the concept of familiness: Introducing family firm identity. *Journal of Family Business Strategy*, 1, 54–63.

Zellweger, T.M., Kellermanns, F.W., Chrisman, J.J., & Chua, J.H. (2012). Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control. *Organization Science*, 23, 851–68.

Zellweger, T., Nason, R.S., Nordqvist, M., & Brush, C.G. (2013). Why do family firms strive for nonfinancial goals? An organizational identity perspective. *Entrepreneurship Theory & Practice*, 37(2), 229–248.

Zientara, P. (2017). Socioemotional wealth and corporate social responsibility: A critical analysis. *Journal of Business Ethics*, 144**,** 185–199.

APPENDICES

Appendix A: Interview Questions

Entrepreneurial Owners

1. Tell me about your firm in detail, including its history.
2. Do you consider your firm to be a family business? Why?
3. Do you feel family businesses are different from nonfamily businesses? Why?
4. Based on the definition of familiness provided to you, which element of familiness would you consider the most important: Power, Experience, or Culture.
5. Do you believe your firm has high, medium, or low levels of familiness? Why?
6. What five words would you consider the most important attributes necessary for a family business leader?
7. Please explain what passion means to you in the context of a family business.
8. Do you believe passion plays a role in a family business? Why?
9. Based on the definitions of the two types of entrepreneurial passion provided to you, do you believe that an individual can be passionate about starting a business while others are passionate about their business domains (products)? Can some entrepreneurs be passionate about both?
10. Tell me what you think private investment firms look for beyond financial results when evaluating family business investment opportunities?
11. Do you feel private investment firms place higher, lower, or the same value on family business versus nonfamily businesses with all financial measures being equal?
12. In the future, are you most likely to: A) exit via sale, B) create family business succession, or have you already exited wholly or partially via sale?
13. Other than financial measures, is there any other element of running a family business you would consider important that we did not discuss?

Private Equity Managers

1. Tell me about your firm, including your general investment/representation strategy.
2. Has your firm acquired/represented family businesses in the past?
3. Do you feel family businesses are different from nonfamily businesses? Why?
4. Based on the definition of "familiness" provided to you, tell me which element of familiness, if any, would you consider to be the most important in investment/ representation decisions involving a family businesses: Power, Experience, or Culture.
5. Based on the definition of "familiness" provided to you, would you be more inclined to invest/represent a family business if it had a higher or lower level of familiness, with all financial measures being equal?
6. What five words would you consider the most important attributes necessary for family business leaders?
7. Is leadership passion an important consideration when deciding to invest in a firm? Why?
8. Based on the definitions of the two types of entrepreneurial passion provided to you, when considering a firm in which to invest, would you prefer to have a CEO with entrepreneurial passion or domain passion, or do you believe it matters which type leads the firm? Explain.
9. All things being equal, from a financial standpoint, would you be more or less inclined to invest/represent a family business versus a nonfamily business? Why?
10. Tell me what you think family business owners look for when considering an exit via private equity partners?
11. Other than financial measures, is there any consideration when acquiring family businesses you would like to mention that we have not discussed?
12. How important is the CEO to your decision to invest/represent a firm?

Appendix B: Pre-Interview Data

Business Owners

1. Coded Name (assigned):
2. Age:
3. Years as an owner:
4. Years at the current firm:
5. Years of business experience:
6. Education: (highest level completed):
   High School   Undergraduate non-degree   Undergraduate degree
   Postgraduate work non-degree   Graduate degree
7. Company revenue range: Less than $10 million $10-$25 million
   $26-$50 million $51-$75 million $76- $125 million $126+ million
8. EBITDA % of sales range: 1%- 8%   9%-12%   13%- 17%   20%+
9. Number of family members in the business:
10. Percent of stock owned by family (if sold, answer 9-11 prior to sale):
11. Number of family members with ownership:
12. Ownership % split, i.e., owner 1: 53%, owner 2: 25% , owner 3: 22%:
13. The number of FTE employees:
14. Domestic % of revenue: International % of revenue:
15. General location of headquarters: East   Northeast   Midwest   South
    Southeast   Southwest   West   Northwest

Disclosure and Consent: By returning this form, I agree to participate in this dissertation project, including an interview to be conducted separately from this form. I understand that any reference to information provided will be used collectively. If any specific concerns are made, they will be coded so the participant's identity will not be disclosed. I understand that the information provided is general and does not disclose any trade secrets or personal disclosures.

Private Equity Managers

1. Coded Name: (assigned)
2. Age:
3. Years in Private Equity:
4. Years of business experience:
5. Education: (highest level completed):
   High School Undergraduate non-degree Undergraduate degree
   Postgraduate work non-degree Graduate degree
6. The number of portfolio companies managed by the firm:
7. Total $ under management by your firm:
8. The number of portfolio companies that are/were family businesses:
9. The number of portfolio companies with which you are currently involved:
10. Average size (revenue) of portfolio companies with which you work:
11. Does your firm generally acquire a controlling interest in acquisitions?
12. Estimate the total number of family businesses your firm acquired over the past 15 years?
13. The total number of FTE employees at your firm?
14. Percent of domestic portfolio companies? % International?
15. General location of headquarters: East West South North

Disclosure and Consent: By returning this form, I agree to participate in this dissertation project, including an interview to be conducted separately from this form. I understand that any reference to information provided will be used collectively. If any specific references are made, they will be coded so that the participant's identity will not be disclosed. I understand that the information provided is general and does not disclose any trade secrets or personal disclosures.

VITA

James P. Ruetz

Candidate for the Degree of

Doctor of Philosophy

Thesis: SUCCESSION VERSUS HARVEST IN FAMILY BUSINESSES: THE ROLE OF PASSION AND FAMILY INVOLVEMENT IN EXIT STRATEGIES

Major Field: Business Administration

Biographical

Education:

Completed the requirements for the Doctor of Philosophy in Business Administration at Oklahoma State University, Stillwater, Oklahoma Dec, 2022.

Completed the requirements for the Master of Business Administration at University of Chicago, Chicago, Illinois in 1989.

Completed the requirements for the Bachelor of Arts Geography at University of Wisconsin – Parkside, Kenosha, Wisconsin in 1980.

Completed the requirements for Associate of Oceanographic Technology at University of Florida Institute of Technology – Melbourne, Florida in 1978.

Experience:

Chief Executive Officer, All Integrated Solutions, Franksville, Wisconsin, 2015-2019
President/GM All Fasteners, Inc., Racine, Wisconsin, 1995-2015
Merchandising Manager, JJ Stangel Company, Manitowoc, Wisconsin, 1993-1995
Vice President, All Tool Sales Inc., Racine Wisconsin, 1981-1993

Professional Memberships:

National Fastener Distributors Association Board of Directors, 1998-2001
National Fastener Distributors Association, President/Chairman, 2000-2001
Alderman City of Oak Creek, Wisconsin 2012-2015