Spotlight
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Does founding their own venture make family business offspring more likely to take over?

Entrepreneurship experience boosts succession odds, until a thriving venture makes staying away more tempting.

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Most family business research treats a child's early career as preparation: a good degree, a few years learning the ropes elsewhere, then a seasoned return. Founding a company of their own rarely fits that script, and when it does, it tends to read as a goodbye rather than a detour. This study makes the opposite case. Drawing on the entire Swedish population of family firms, it shows that starting a venture early can be one of the strongest routes back into the family business, not a path away from it.

The catch is that the same experience cuts both ways. Running your own company teaches you how to own, lead, and decide under pressure, which is exactly what parents look for in a successor. It also shows you what life outside the family firm can offer, which can make coming home less appealing. Succession is never a one-sided decision. It happens only when parents want the child and the child wants the firm, and the authors call this a dual-agency process. Early-career entrepreneurship is where its tensions surface most sharply, because it strengthens a child's case for succession and widens their options at the same time.

WHAT WE STUDIED

The evidence comes from Sweden, and the scale is unusual. Statistics Sweden keeps administrative records on every company, resident, and worker in the country, which let the authors follow entire families and their firms across three decades. From this population they identified parent–child ownership transfers between 2001 and 2019, real handovers where parents stepped back and one or more children took control. They kept only families with more than one child, so that siblings effectively competed for the successor role.

Offspring who become entrepreneurs are not a random bunch. They differ from their siblings in ways that could easily distort a naive comparison, so the authors used coarsened exact matching, pairing each entrepreneurial child with a comparable non-entrepreneurial one of the same age, gender, education, region, family size, and succession year. That produced a balanced sample of 8,274 potential successors, half with venture experience and half without. Outcomes were modelled with survival analysis, which estimates not just whether someone becomes a successor but how the odds shift with each factor. Once a child took over, the authors stopped observing that family, since the firm was no longer at risk of a handover.

Two further details give the findings weight. Because a child might found a business precisely because they already expect to inherit, the authors ran an instrumental-variable correction, using how entrepreneurial a child's home municipality was to separate the effect of venturing from any hidden succession plan. The effect held. And as a sign of how fine-grained the data are, the sample even picks up the 2004 abolition of Sweden's inheritance tax as a visible spike in handovers that year. Sweden is a deliberate choice too: its individualistic, low-power-distance culture gives children genuine say over their careers, which is the condition the dual-agency argument needs.

KEY INSIGHTS

The study tests one main effect and a set of conditions around it. The main effect is clear and strong. The conditions are where the dual-agency tension becomes visible, and where the results turn out more mixed than the authors first expected.

Entrepreneurs are far more likely to take over

The headline result is large. Offspring with entrepreneurship experience were roughly 83 per cent more likely to become successors than otherwise comparable siblings without it. The effect survived controls for the credentials families usually prize most, including formal education, years spent working inside the firm, and years spent working outside it. From the parents' side, this is the selection mechanism at work: an entrepreneurial child is simply a more credible heir.

A quiet robustness check is what makes this convincing. When the authors replaced entrepreneurship experience with years of education and re-ran the analysis, education showed no comparable effect. **What moves the needle is not schooling or a generic CV; it is the specific experience of having owned and run something.** That experience builds what the authors call entrepreneurial human capital, the mix of ownership, leadership, and decision-making skills the successor role actually demands and that conventional jobs rarely teach.

But a thriving venture pulls in the other direction

Among children who had founded ventures, the better their company performed, the less likely they were to return. Each percentage point by which a venture beat its industry peers on return on assets cut the child's succession likelihood by about a quarter. The mechanism is opportunity cost. A successful founder has more to give up, including income, autonomy, reputation, and the proof that they can build something themselves, and the family firm has to compete with all of it. Even a venture that has since closed leaves a mark, because past success reshapes how a founder reads their own market value.

This is the most practical finding in the paper, and the most uncomfortable: the more impressive a child's own business, the harder they are to bring home. A modest venture, by contrast, leaves the family firm looking like the safer and more rewarding place to put those skills to work.

The family firm can tip the balance back

Not every expected pattern held, and the authors are candid about it. Whether a child's venture sat in a fast-moving, innovative industry had no effect on succession by itself. It mattered only in combination with the family firm's own performance. When the family business was doing well, children who had built their ventures in dynamic industries became markedly more willing to join; when it was doing badly, they stayed away. A strong family firm appears to signal that entrepreneurial energy will have room to be used.

The mirror-image idea, that a family firm in a dynamic industry would draw entrepreneurial children back, did not show up in the data. Rather than bury the null result, the authors read it as evidence that opportunity costs are context-dependent rather than mechanical. It is the honest interpretation, even if a fully confirmed model would have been neater.

TAKEAWAYS

For families, the first lesson is to stop reading a child's start-up as a defection. On average it does the reverse: it raises the odds they eventually take over, and it prepares them better for the job when they do. The harder task is reading the signals correctly as a venture matures.

A few points follow directly from the evidence:

- **A child's venture is preparation, not betrayal.** Entrepreneurship builds the very ownership and leadership skills succession requires, which is why entrepreneurial offspring make more attractive candidates in their parents' eyes.
- **Success raises the cost of bringing them home.** The more a child's business outperforms its peers, the stronger the pull to stay independent, so the recruitment conversation should start earlier rather than later.
- **The family firm's performance is leverage.** A well-run, growing business persuades an entrepreneurial child far more than appeals to duty or legacy ever will.
- **Generic credentials are not the same as entrepreneurial ones.** Education and outside employment did not predict succession the way running a venture did.

IMPACT

Part of the contribution is to settle an old framing. A run of well-known studies asked whether next-generation members would found or succeed, with titles like 'Should I stay or should I go?' and 'Fly away from the nest?' quietly assuming the two paths exclude one another. This paper shows they do not. For many families, founding is the road home.

It also links two bodies of work that usually run in parallel: family business succession and transgenerational entrepreneurship. Ventures launched by the next generation, even ones well outside the core business, turn out to feed the long-

term renewal of the firm rather than drain talent from it. That recasts a child's side venture as an investment in the family's entrepreneurial capacity, not a break with it.

RECOMMENDATIONS

For owners, advisors, and educators, a handful of concrete steps follow:

1. Treat a next-generation member's venture as part of succession planning, not a distraction from it. Keep track of what they are building and keep the door to the firm explicitly open.
2. Have the succession conversation while the venture is still young. Opportunity costs climb as a business succeeds, so the window for an honest, two-sided discussion is early.
3. Invest in the family firm's own performance as a recruitment tool. A thriving business is the most credible reason for an entrepreneurial child to redeploy their skills at home.
4. Be transparent on both sides about alternatives. Parents should say why they want the child as successor; the child should be candid about what else is on the table and what would make returning meaningful.
5. For entrepreneurship educators: help students from business families see venturing and succession as complementary, and build that reflection into career guidance.

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