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## Satisfaction of entrepreneurs: A comparison between founders and family business successors

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### ABSTRACT

Although a substantial body of literature compares the job satisfaction of employees to that of the self-employed, scholars rarely take into account the heterogeneity of the latter population. We compare the level and the drivers of job satisfaction of founders and successors in family businesses. Building on the notion of procedural utility, which entails the gratification that individuals experience in the process of performing a task, we find that job satisfaction and perceived discretion in decision making is lower for successors. We also find that perceived discretion fully mediates the relationship between mode of entry into entrepreneurship and job satisfaction.

### KEYWORDS

Job satisfaction; family business; mediation; perceived discretion

## Introduction

Investigating the satisfaction of entrepreneurs with their job matters because it is not only a critical measure of success of small and medium enterprises (SMEs) (Cooper & Artz, 1995), but also because of its role in all the stages of the entrepreneurial process: satisfaction affects entrepreneurial entry, produces changes during the entrepreneurial tenure, and affects the decision to leave entrepreneurship. Furthermore, it also explains some entrepreneurial attitudes and decisions, such as risk propensity, willingness to make investments, commitment to change, and intention to continue with the venture (Álvarez & Sinde-Cantorna, 2014; Block, Sandner, & Spiegel, 2015; Bradley & Roberts, 2004; Carree & Verheul, 2012; Cooper & Artz, 1995; Millán, Hessels, Thurik, & Aguado, 2013). Therefore, understanding the drivers of job satisfaction of entrepreneurs may help us to gain insight not only into their behavior but also on the strategy, performance, and persistence of their firms.

The literature highlights that job features, such as the autonomy on the job, greatly affect satisfaction. This insight helps to interpret the finding that self-employed are systematically more satisfied than employees, despite a lower average income (Hamilton, 2000) and longer working hours (Parasuraman & Simmers, 2001). We argue that the procedural utility that

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entrepreneurs derive from their job is a result of their perceived discretion, a concept closely related to that of autonomy on the job. The notion of procedural utility (Frey, Benz, & Stutzer, 2004) refers to the gratifications and discontents that individuals experience in the process of carrying out a task, as distinguished from the utility derived from the task's outcomes. Procedural utility arises from the intrinsic satisfaction of performing a job with certain characteristics (Hackman & Oldham, 1976) and is associated with the concept of "psychic income," an expression used to designate the nonmonetary benefits of work (Becker, 1975; Simon, 1959).

The studies that have analyzed job satisfaction of the self-employed tend to overlook the heterogeneity of this population, as they discriminate only along the lines of motivational and occupation-related determinants (Block & Koellinger, 2009; Cortés Aguilar, García Muñoz, & Moro-Egido, 2013; Schjoedt, 2009). This paper adds another dimension to the analysis, namely, the mode of entry into entrepreneurship. Specifically, this paper aims at investigating the relationship between mode of entry as a founder of a new firm or successor in a family business and job satisfaction, and focuses on the mediating role of perceived discretion in decision making in such relationship.

We argue that successors have fewer opportunities to obtain procedural utility from their entrepreneurial role, mainly because their job is characterized by lower levels of discretion in decision making in comparison to founders. As family firms at the second or later generation have already developed organizational routines, patterns, and networks (Begley, 1995; He, 2008; Mitchell, Hart, Valcea, & Townsend, 2009; Randøy & Goel, 2003), successors operate in a context that offers more limited autonomy, independence, and latitude of action in entrepreneurial work (Hambrick & Finkelstein, 1987; Pearce & Zahra, 1991). Thereby, we expect that the lower discretion perceived by successors explains their lower level of job satisfaction compared to founders. We find empirical support for this relationship in an original sample of 148 entrepreneurs leading SMEs operating in Italy, in which we unambiguously identify founders and family business successors.

We believe that addressing the research gap relative to the relationship between mode of entry and satisfaction points to a crucial issue, as taking over an existing firm – and, especially, succeeding in a family business – is one of the most common ways in which individuals become entrepreneurs (Parker & van Praag, 2012). Moreover, given the paramount role of the entrepreneur in the family business context, succession often represents a threat to the survival of a family firm (Gersick, 1997). Particularly in SMEs, where the entrepreneur typically embodies the functions of owner and manager (Daily, McDougall, Covin, & Dalton, 2002), it is reasonable to assume that episodes of failure after succession might depend, in part, on

how successors experience their entrepreneurial role (Dawson, Sharma, Irving, Marcus, & Chirico, 2015).

This study makes three contributions. First, it adds to the literature on entrepreneurial satisfaction by introducing the mode of entry as an analytical dimension of the phenomenon. The consideration of social variables, such as the embeddedness in a family business, enriches our understanding of the factors that might have an impact on the entrepreneurial experience. Moreover, by assessing the role of perceived discretion, we look, in greater depth, at the job-related determinants of the procedural utility perceived by entrepreneurs in their activity (Benz & Frey, 2008a, 2008b), thus establishing a link with the consolidated organizational behavior literature on the importance of job characteristics as a source of intrinsic motivation and satisfaction (Hackman & Oldham, 1976; Oldham & Hackman, 2010). In this sense, our work contributes to the development of the studies on entrepreneurial well-being, which encompasses financial rewards as well as subjective satisfaction with living standards and lifestyle (Carter, 2011) and with entrepreneurial experience (Uy, Foo, & Song, 2013).

Second, we contribute to the family business succession literature. Family business research has addressed the involved actors' satisfaction with the succession process (Sharma, Chrisman, Pablo, & Chua, 2001), but the work-related attitudes of successors are an underinvestigated topic (Lee, 2006; Sharma & Irving, 2005). To the best of our knowledge, this is one of the first attempts to examine the job satisfaction of founders and successors, not only by comparing different generations of the self-employed (Clark, Colombier, & Masclet, 2008) but also by taking into account the specific traits of the family business context and the processes leading to different satisfaction outcomes. This allows us to contribute to another area of research – the factors preventing intrafamily succession (De Massis, Chua, & Chrisman, 2008) – as a successor's low degree of job satisfaction could discourage later generations from continuing in the family business (Mitchell et al., 2009; Sharma, Chrisman, & Chua, 2003) and, more generally, increase the likelihood of entrepreneurial exit (DeTienne, 2010; DeTienne & Cardon, 2012).

Third, we extend knowledge about noneconomic goals, which are portrayed as one of the key drivers of entrepreneurial decision making, especially in family firms (Berrone, Cruz, & Gomez-Mejia, 2012; Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Shepherd & Zacharakis, 2000). We do this by providing a direct test of the importance for business leaders of the individual psychic income as a component of the nonfinancial dimensions of the family firm's setting.

## Theory and hypotheses

### *Evidence on the drivers of entrepreneurial satisfaction*

Several studies consistently find that the self-employed report higher satisfaction than employees even in case of lower income (Blanchflower, 2000; Blanchflower & Oswald, 1998; Blanchflower, Oswald, & Stutzer, 2001; Eden, 1975; Hundley, 2001; Katz, 1993; Millán et al., 2013; Taylor, 2004; Thompson, Kopelman, & Schriesheim, 1992), with the exceptions of Jamal (1997) and Kwon and Sohn (2017) who suggest that the relationship may not hold in developing economies.

The higher satisfaction of entrepreneurs may be the consequence of the fact that dissatisfaction with a salaried job may nurture the intention to become self-employed (Henley, 2007; Lee, Wong, Der Foo, & Leung, 2011; Yitshaki & Kropp, 2016), though its influence on the actual start-up is unclear (Guerra & Patuelli, 2016; Schjoedt & Shaver, 2007). Anyhow, those who become self-employed tend to report an increase in job satisfaction compared to their previous occupation to a larger extent than those who shift to another salaried job (Andersson, 2008; Benz & Frey, 2008a). However, the recent studies by Hanglberger and Merz (2015) and Georgellis and Yusuf (2016) warn us that such effect could be transitory and occur only in the early period after the transition to self-employment.

A possible explanation for this phenomenon refers to the notion of relative deprivation and aspiration, which puts forward that individuals who, due to their personal resources and conditions, cannot aspire to well-rewarded salaried jobs would be satisfied with a rather low income from self-employment; such income, however, would dissatisfy more ambitious individuals. Clark (1997) and Bender and Roche (2016) adopt this perspective to interpret the higher satisfaction of self-employed women compared to employees.

On the other hand, the higher satisfaction of the self-employed may be related to the levels of autonomy, flexibility, creativity, variety, and feedback that they experience on the job. This approach has been pursued in the cross-country studies by Schneck (2014) and Benz and Frey (2008b), as well as those by Álvarez and Sinde-Cantorna (2014), Schjoedt (2009), and Lange (2012). Their findings resonate those by VandenHeuvel and Wooden (1997), according to whom contractors are more satisfied than employees only if they are autonomous from the hiring firm, and not if they are dependent. Importantly, Lange (2012) finds that the characteristics of the job are a driver of satisfaction for men and women, therefore emphasizing their importance over aspirations. The studies by Hytti, Kautonen, and Akola (2013) and McClough, Hoag, and Benedict (2014) on highly educated workers confirm the relationship, with specific regard to control and autonomy after controlling for individual endowment and sociodemographic features. Cortés

Aguilar et al. (2013) reiterate the finding on the satisfaction of professionals and business owners in the Latin American context and also discover that precarious self-employed are less satisfied than employees. Furthermore, Fuchs-Schundeln (2009) also considers entrepreneurs' motivations, highlighting the positive association between the motive of independence and satisfaction; these results contradict the earlier findings by Feldman and Bolino (2000) that creativity is a more relevant driver than autonomy and independence.

### ***Procedural utility, discretion in decision making and entrepreneurial job satisfaction***

The concept of job satisfaction refers to a work-related attitude that expresses the degree to which an individual has a positive and affective relationship with his or her job and considers it beneficial to him or her (Locke, 1976; Schleicher, Watt, & Greguras, 2004). Several studies have conceptualized job satisfaction as the procedural utility that an individual derives from his or her job (Benz, 2007; Benz & Frey, 2008a, 2008b; Benz & Stutzer, 2003; Frey & Stutzer, 2005). According to this view, individuals have preferences about and obtain utility not only from the outcomes of their decisions and actions – from pecuniary rewards or gratification for achieving results – but also from the processes and the institutions that lead to these outcomes. These two sources of utility are independent; therefore, individuals may be scarcely satisfied by a positive outcome if the procedure that lead to it was ill suited, and vice versa.

According to this view (see Frey et al., 2004, in particular), procedures generate utility because they contribute to a positive sense of self of individuals, as they provide information that may reinforce one's self-perception and the perception of others. This conceptualization builds on the self-determination theory (Deci & Ryan, 1985; Ryan & Deci, 2000), that identifies three innate psychological needs: autonomy, relatedness, and competence. The need for autonomy refers to the desire of self-organizing one's own action; relatedness concerns the desire for love, care, and respect; competence deals with the orientation toward controlling the environment and feeling capable. Different institutional systems for regulating decision making (e.g., democracy, market, and hierarchy) offer different conditions for addressing such innate psychological needs and individuals to derive well-being. This is due to individuals' preference for the different institutions as well as for the social exchanges that such institutions stimulate (e.g., relationships between managers and employees in firms). With regard to business organizations, hierarchy is a widespread institutional arrangement for decision making, which tends to limit self-determination because it tends to compresses autonomy and competence; by contrast, entrepreneurs are less bounded by

these constraints and can derive more utility from the fact that they carry out an entrepreneurial job. As suggested by Benz and Frey (2008a), the main driver of procedural utility for entrepreneurs is that they are not subject to hierarchical decision making, which means they have control over a wide array of actions. It is, therefore, likely that different levels of decisional discretion experienced by individuals in their entrepreneurial roles will lead to different outcomes in terms of job satisfaction.

This theoretical framework has the great merit of introducing the dimension of processes as a driver of utility to interpret a wide array of social phenomena, in the domains of economics, business organization and law, and of highlighting the role of institutions in this regard. However, we contend that characterizing business organizations as hierarchies only partially captures the richness of decision-making processes and their effect on individual well-being because it overlooks the effect of organizational design choices in shaping the conditions for decision making and agency. To gain insight on the role of organizational design, we refer to the long-established job characteristics theory (Hackman & Oldham, 1976; Oldham & Hackman, 2010) that offers a more nuanced conceptual framework that is largely consistent with the theory of procedural utility.

According to job characteristics theory, certain job attributes are likely to contribute to internal motivation and satisfaction: skill variety, that is the range of different activities, skills, and talents required to carry out an activity; task identity, which refers to the possibility of completing a “whole piece of work”; task significance that indicates the substantial impact of the job on other people; autonomy, concerning the degree of freedom, independence, and discretion; and job-based feedback, referring to the opportunity to obtain information about the effectiveness of performance.

Indeed, entrepreneurial work presents attributes corresponding to the drivers of job satisfaction outlined by the job characteristics theory, such as opportunities to design one’s own job to effectively exploit the skills developed through education, to carry out meaningful and varied tasks, to have freedom in decision making, to express creativity, and to generate innovation (Álvarez & Sinde-Cantorna, 2014; Benz & Frey, 2008a, 2008b; Block & Koellinger, 2009; Lange, 2012; Schneck, 2014; Van Gelderen & Jansen, 2006). Furthermore, all these work conditions help individuals to reinforce their sense of esteem and control over their job, which ultimately contributes to their well-being (Block et al., 2015; Carter, Gartner, Shaver, & Gatewood, 2003). These explanations are further corroborated by the findings that managers and professionals – which are positions characterized by high autonomy and opportunities to exploit one’s human capital – present similar levels of job satisfaction as the self-employed (Hundley, 2001).

The theory of procedural utility and the job characteristics theory recognize the centrality of autonomy as a factor explaining the differences in the



levels of satisfaction within the population of entrepreneurs. Empirically, Schjoedt (2009) finds that entrepreneurs' degrees of autonomy and feedback significantly predict their job satisfaction, with autonomy exerting the highest influence.

Therefore, building on this insight, we argue that the concept of discretion in business decision making is appropriate to specify the level of autonomy that an entrepreneur enjoys. According to Hambrick and Finkelstein (1987), *discretion* refers to the "latitude of action" that allows business leaders to influence firm outcomes, or, in other terms, the array of strategic options that is available to them. It is important to notice that the concept concerns the actions that decision makers can potentially take, rather than their actual behavior (Key, 1997). As a matter of fact, from the outset, research on managerial discretion has mainly addressed the study of discretionary environments rather than discretionary behavior (Wangrow, Schepker, & Barker, 2015). An important linkage between environment and behavior is the perceived discretion of decision makers. This notion acknowledges that individuals operating in similar organizations or industries may variously interpret the boundaries of the scope for their action, depending on the level ambiguity of the problem they are addressing and personality characteristics. Actual behavior will consist in one of the options conceived in the perceived discretionary space (Carpenter & Golden, 1997; Key, 1997, 2002). This understanding of perceived managerial discretion emphasizes the distinction with the concept of "power," that refers to the ability to influence others; importantly, the concept of power entails that such influence is recognized by other organizational actors. Therefore, as Carpenter and Golden (1997, p. 191) put forward, "*power is an inter-person phenomenon, whereas perceived discretion is an intra-person phenomenon.*"

Individuals who perceive high levels of discretion on the job find more opportunities to satisfy their need for autonomy and perceive greater control over their actions. Because these patterns are conducive to perceived discretion, we expect:

Hypothesis 1. The level of perceived discretion in decision making is positively related to entrepreneurs' job satisfaction.

### ***Perceived discretion of founders and family business successors***

Not all entrepreneurs perceive the same level of discretion in decision making, as it may depend on three factors (Finkelstein & Hambrick, 1990, p. 489), namely, (1) the degree to which the environment allows variety and change, (2) the degree to which the organization itself is amenable to an array of possible actions and empowers the business leader to formulate



and execute those actions, and (3) the degree to which the leader is personally able to envision or create multiple courses of action. The second and third factors are particularly influenced by the organizational and social context faced by the entrepreneur.

These contextual dimensions are closely linked with the patterns through which individuals choose to become self-employed (Parker & van Praag, 2012). Individuals may start their entrepreneurial careers by founding their own new firms but may also take over an existing firm, including a firm owned by a relative, as the result of a succession process. We argue that successors in family businesses – which are firms in which ownership and management are concentrated within a family, with multiple family members striving to maintain intra-organizational family-based relatedness (Arregle, Hitt, Sirmon, & Very, 2007) – enjoy significantly lower levels of discretion in decision making compared to founders as a result of the influence of the family context on their attitudes and behaviors.

Founders often identify the core reason that led them to embrace an entrepreneurial career in the possibility of exercising discretion and autonomy. As a result, they make decisions that are based on their own values, visions, goals, and cognitive approaches (Birley & Westhead, 1994; Carter et al., 2003; Kolvereid, 1996). Moreover, the organizational structure, processes, routines, and networks of the firm are created and shaped by its founder; therefore, these features are not perceived as constraints on his or her decision making (Cruz & Nordqvist, 2012).

On the other hand, a successor takes the lead of a firm in which beliefs, values, and norms, as well as structures and relationships, are inherited from the previous generation and are shaped by the historical patterns of interaction between the family and the organization (Gersick, 1997). High levels of family embeddedness usually characterize later generations of family businesses (Miller, Le Breton-Miller, & Lester, 2011; Schulze, Lubatkin, & Dino, 2003) and translate into the following: (1) inherited cognitive frames, consisting of shared perspectives and scripts for interpreting the world; examples of such frames are the constructs of “family loyalty” and “family reputation”; (2) normative imperatives, which concern the fact that intimacy and a sense of responsibility engender altruistic behaviors toward other family members; (3) political pressures, when family members try to directly impose their own agendas on the business leader (Miller, Minichilli, & Corbetta, 2013).

These pressures are less strong for founders, who are more likely to follow an “entrepreneurial logic”, which privileges their interactions with external constituencies (like investors, business partners, customers) and gives priority to innovation, growth, and return maximization rather than to the fulfillment of family material and immaterial needs (Miller et al., 2011). Successors, however, are significantly affected by family embeddedness, which creates constraints on their decision making (Mitchell et al., 2009)

and limits their opportunities to conceive, adapt, and implement substantial changes in the firm.

In particular, successors' discretion appears to be bounded by family firms' tendency to prioritize the preservation of wealth and its distribution among family members over the implementation of risky strategies (Carney, 2005; Mahto & Khanin, 2015). This orientation may induce successors to replicate strategies and practices that have proven successful in the past or to exclude some patterns of action that are not in line with the experience and values of the family firm. Indeed, the persistence of the original strategic orientation, even under conditions demanding the deployment of novel strategies, is one of the causes of rigidity in family firms that may endanger their survival (Sharma & Manikutty, 2005).

A further constraint on successors' discretion is the potentially persistent involvement and influence of the predecessor in business and family decisions (Sharma et al., 2001), which may hamper the loyalty of the other family members and employees toward the new leader. However, not only the immediate predecessor affects discretion; a subtler influence is the founder's shadow (Davis & Harveston, 1999), which originates from the legacy of the founders and family dynamics. The resistance induced by the founders' legacy is particularly relevant to family successors because of the unique combination of organizational inertia and propensity to preserve family values. Indeed, family role models foster the process of trans-generational transmission of entrepreneurial values through replicating the resources, capabilities, and beliefs of the family members (Jaskiewicz, Combs, & Rau, 2015).

Entrepreneurial role models offer inspiration, increase self-efficacy by showing that ambitions can be achieved, provide direct support and advice, and teach by example, thus giving others the opportunity to learn (Bosma, Hessels, Schutjens, Van Praag, & Verheul, 2012; Konopaski, Jack, & Hamilton, 2015). Throughout their lives, young family members interact with parents and other relatives involved in the firm, from which they form realistic expectations about the challenges and rewards of entrepreneurial work (Chlosta, Patzelt, Klein, & Dormann, 2012; Zellweger, Sieger, & Halter, 2011). Such interaction allows them to absorb the values, culture, and beliefs that will influence their leadership style if they decide to assume an entrepreneurial role within the family firm. Therefore, the family represents an additional impetus to preserve the founder's influence even in postsuccession stages, ultimately stimulating the prevalence of conforming behaviors (Miller et al., 2013).

Furthermore, the older generations also affect the expectations of their successors by defining the notion of "success" or by expressing distrust toward the entrepreneurial capabilities of younger family members (Davis & Harveston, 1999). This continuous comparison with the predecessor,

combined with a sense of inadequacy, may create a tendency for the successor to replicate the predecessor's decisions (Cadieux, 2007).

It is important to point out that the enduring legacy of the previous generations regarding values and strategic orientation contributes to increase organizational stability, a factor that slows down the processes of learning and change of leaders (Hambrick & Fukutomi, 1991). Therefore, we expect that the levels of perceived discretion of successors are only marginally affected by the length of their tenure. As a matter of fact, Boling, Pieper, and Covin (2016) find that along an entrepreneur's tenure, family firms tend to change the level of entrepreneurial orientation much more slowly than nonfamily firms.

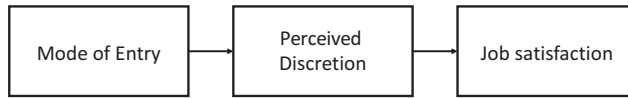
Based on the previous reasoning, we propose:

Hypothesis 2. Successors in a family business exhibit lower levels of perceived discretion in decision making compared to founders.

We put forward that perceived discretion is the most prominent factor explaining differences in job satisfaction between individuals who entered entrepreneurship as founders and successors, and, specifically, the lower job satisfaction of the latter.

Indeed, each of the two modes of entry is characterized by contradictory motives that can affect job satisfaction. Individuals may decide to found a firm motivated by either the willingness to pursue an opportunity or by necessity, with the latter being less satisfied than the former and even than employees (Block & Koellinger, 2009). Furthermore, as mentioned above, the literature highlights that the relationship between dissatisfaction for a salaried job and the outcomes of the entrepreneurial process (even with regard to job satisfaction) are far from being straightforward and conclusive. Also, the population of successors appears heterogeneous in terms of the features related to job satisfaction. For instance, Sharma and Irving (2005) posit that successors may present four kinds of commitment toward the family firm, namely, affective, normative, calculative, and imperative. The authors put forward that the emotional attachment and identification with the family firm, characterizing the affective commitment, allows individuals to derive a gratification from working in such professional setting. On the other hand, the other forms of commitment represent ambivalent relationships with the family firm that may be detrimental in terms of job satisfaction.

In other words, both modes of entry are associated with various sources of procedural utility and disutility; however, only successors may perceive a limitation in their discretion due to the embeddedness in the family environment, as discussed above. For these reasons, we expect:



**Figure 1.** Theoretical model.

Hypothesis 3. The condition of the family business successor has a negative effect on entrepreneurial job satisfaction; such effect is fully mediated by perceived discretion in decision making.

Figure 1 summarizes the proposed relationships.

## Research design

### *Sampling strategy*

We investigated the relationship between mode of entry, perceived discretion, and job satisfaction through an econometric analysis of survey data consistently with a well-established practice in the studies on entrepreneurial job satisfaction, and in particular, those comparing self-employed and salaried employees. These works typically use large-scale, longitudinal, cross-country surveys, such as the German Socio-Economic Panel Survey, the British Household Panel Survey, the Swiss Household Panel Survey, the Swedish Level-of-Living Survey, the International Social Survey Programme, the European Social Survey (see Andersson, 2008; Benz & Frey, 2008a; Blanchflower et al., 2001; Bradley & Roberts, 2004; Hundley, 2001; Lange, 2012; Schneck, 2014). These studies have the merit of establishing a rigorous methodological approach for the measurement and statistical analysis of constructs such as job satisfaction. However, the phenomenon of job satisfaction has also been investigated with smaller-sized data sets, especially when they explored populations or relationships that required the development of an ad-hoc survey. The hurdles of carrying out an original survey with limited resources necessarily limit the sample size. This is the case of the works by Davis (2004) who focuses on job satisfaction of employees of SMEs and relies on a sample of 80 observations; Nagy (2002) who compares different measures of job satisfaction in a sample of 207 employees; Strauss, Griffin, Parker, and Mason (2015) who study the relationship between job satisfaction and proactivity on a sample of 70 employees.

This work falls in this latter group, as it is a first step in the investigation of a phenomenon that has never been studied before, namely, the job satisfaction of successors compared to founders, which examines fine-grained issues at individual and firm level – such as the perceived discretion, the mode of entry, the entrepreneurial tenure – that existing large-scale surveys do not consider.

Our empirical study relies on an original data set profiling Italian entrepreneurs and their firms, which are SMEs with fewer than 250 employees. We defined *entrepreneurs* as individuals who owned a stake in the firm and had the power to take and enact decisions about the strategy of the firm.

Initially, we identified a sample of 1455 entrepreneurs by extracting firms from the Bureau Van Dijk database. This sample was representative of the national population of entrepreneurs in manufacturing SMEs with regard to key demographic variables (size, gender, age, and technological intensity of the industry according to the OECD – Eurostat categorization) according to the census data collected by the Italian Institute of Statistics (ISTAT).

We contacted the firms in July 2012 explicitly asking for an interview with the owner who was responsible for the majority of the decisions in the firm. Between June and September 2012, 257 entrepreneurs accepted to answer to one-hour long phone interviews (response rate: 17.7 percent, not dissimilar to that of other studies on the satisfaction of entrepreneurs, e.g., Hmieleski and Corbett 2008). By means of a structured questionnaire, we investigated the satisfaction of entrepreneurs about the achievement of their career goals and other characteristics of their personal profile. This information was complemented with firm-level data gathered from the Bureau Van Dijk database.

We excluded from the analysis the entrepreneurs whose mode of entry was the acquisition of an existing company. This mode of entry represents an intermediate condition between founding and succeeding with regard to discretion and deserves a thorough examination. Unfortunately, the low number of cases in our sample does not allow such investigation. After removing the cases that did not answer all the questions and those referring to 24 entrepreneurs who had acquired an existing firm, we obtained a final sample with 148 observations.

This sample is composed of 67 successors and 81 founders. The large majority of entrepreneurs are male, even though the share of women is double among successors (30 percent vs. 15 percent). Holding a university degree is more common for successors (35 percent) than for founders (25 percent). The former group is characterized also by a longer tenure (26 vs. 21 years on average), though they are similar for what concerns the working hours (55 per week on average). One third of the firms operates in the high-tech sectors.

The respondents to the questionnaire are representative of the initial population, as chi-squared statistics do not reveal significant differences in the distribution of each of the analytical variables. The comparison of early and late respondents through ANOVA tests on the main variables allows us to rule out that our results are affected by nonrespondent bias.

This research design is prone to common method bias, as part of our data had been collected at the same point in time, from the same respondent and

using the same medium (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). However, in structuring the survey we had taken some countermeasures, such as designing the instrument in a way that the underlying theoretical framework was not apparent, and we separated questions on satisfaction, family status, and personal background. We also phrased the questions in a precise and unambiguous manner; we encouraged respondents to provide honest answers, assuring them that no “right” or “wrong” answers existed; and we guaranteed their anonymity. Nevertheless, the Harman test gave a result of 0.53. To correct for common method variance, we, therefore, employed the common latent factor. The results of the confirmatory factor analysis and the mediation model include such correction.

### Variables

The outcome variable is satisfaction. Following Benz and Frey (2008a), we consider this a direct measure of procedural utility. We asked entrepreneurs to rate, with a Likert-type scale ranging from 1 to 5, their level of agreement with seven items referring to the different building blocks of satisfaction, ranging from career expectations, enjoyment to general feelings during the workday (see further Table 1). These items were drawn from the instruments developed by Bacharach, Bamberger, and Conley (1991) and Hytti et al. (2013). The use of a multiple-item instrument allowed us to capture the various dimensions of satisfaction more accurately than single-item measures that are typically employed in large-scale researches.

To use the variable in the analytical models, we validated our measure with an exploratory (EFA) and a confirmatory factor analysis (CFA). Although in the EFA all of the items load satisfactorily onto one factor having a loading higher than 0.70 (see Table A1), the CFA indicated not to include the item *satisfaction with your present job when you consider the expectations you had when you took the job*, as its loading was lower than 0.70. The items in the

**Table 1.** Descriptive statistics of the items of satisfaction by mode of entry.

Items	Mean (SD)	Mean (SD)	Mean (SD)
	Founders	Successors	Sample
1. Your present job when you compare it to jobs in other organizations	4.10 (0.65)	3.49 (1.10)	3.77 (0.97)
2. The chance your job gives you to do what you are best at	4.00 (0.74)	3.46 (1.00)	3.70 (0.93)
[3. Your present job when you consider the expectations you had when you took the job]	4.36 (0.60)	3.68 (1.17)	3.99 (1.01)
4. Your present job in light of your career expectations	4.40 (0.64)	3.69 (1.21)	4.05 (1.07)
5. Most days I am enthusiastic about my work	3.57 (0.86)	3.22 (1.04)	3.38 (0.97)
6. I like my job better than the average worker does	3.87 (0.76)	3.31 (1.13)	3.56 (1.019)
7. I find real enjoyment in my work	4.06 (0.63)	3.60 (1.09)	3.81 (0.94)

The item in brackets is excluded from the structural equation modeling.

resulting scale are sufficiently correlated ( $r$ 's = 0.56 to 0.78,  $p$ 's < 0.01) and the scale presents high reliability (Cronbach's  $\alpha$  = 0.915).

The explanatory variable is the mode of entry. Based on the theoretical discussion presented in the previous sections, we asked interviewees to state how they became an entrepreneur. We considered three possible options: acquisition of an existing firm, inheritance of the family firm (successors), foundation of a new venture (founders). In the analysis, because we excluded those who became entrepreneurs by taking over a firm, the variable takes value 1 for successors and 0 for founders.

The mediation variable, perceived discretion, considers the degree of strategic decision-making freedom, as perceived by an entrepreneur. Respondents were asked to rate on a 5-point Likert-type scale the extent to which they believed to have discretion in each of eight strategy dimensions drawn from the instrument developed by Pearce and Zahra (1991) in their examination of CEOs and board of directors power. To the original scale, developed to investigate the context of large corporations, we added items 1, 2, 3 to consider a core dimension of a firm business model. We excluded the items referring to "changing company by-laws," "policy formation," "future acquisitions" as, in the context of SMEs, they largely overlap the other items. As with satisfaction, the procedure we adopted to use the variable in the structural equation models led us to exclude some items. In the EFA items 2, 8, 9, 14, 15 did not load satisfactorily on the factor whereas the analysis did not suggest the existence of more than one factor (see [Table A2](#)). The CFA suggested also dropping items 10 and 11 as the loadings were lower than 0.70. The remaining items are correlated ( $r$ 's = 0.312 to 0.77,  $p$ 's < 0.00) and the resulting construct turns out to be highly reliable (Cronbach  $\alpha$  = .911).

We believe that the remaining eight items (see further [Table 2](#)) meaningfully characterize the scope of discretion of leaders of SMEs. Indeed, they concern the mission of the firm (number 7), long-term investment and financing decisions (numbers 3, 5, 6, 13), as well as operational (numbers 1 and 4) and human resource management decisions (number 12). The items excluded because of their poor fit with the CFA refer to dimensions of strategy that are less neatly defined in SMEs in comparison to large corporations (e.g., medium-term goals may not be clearly distinguished from long-term ones) or for which not great variance exists among entrepreneurs (e.g., choice and evaluation of managers).

It is important to notice that – differently from Pearce and Zahra's (1991) study, and consistently with our interest in perceived discretion – we did not investigate the extent to which other organizational actors recognize an entrepreneur as influential, but the extent to which entrepreneurs themselves believe to have formal or substantial powers. We adopted this approach given the paucity of existing instruments for measuring perceived discretion (Wangrow et al., 2015), and in particular of instruments that are not firm



**Table 2.** Descriptive statistics of the items of perceived discretion by mode of entry.

Items	Mean ( <i>SD</i> ) Founders	Mean ( <i>SD</i> ) Successors	Mean ( <i>SD</i> ) Sample
1. Products and services	3.96 (0.79)	3.41 (1.03)	3.66 (0.97)
2. [Served markets]	3.63 (0.85)	3.33 (1.12)	3.47 (1.01)
3. Suppliers	3.85 (0.82)	3.19 (1.04)	3.49 (1.00)
4. Divestments	3.60 (0.84)	3.25 (0.93)	3.41 (0.90)
5. Capital structure	4.12 (0.93)	3.57 (1.29)	3.82 (1.17)
6. Long-term investments in physical resources	3.60 (0.84)	3.22 (0.95)	3.39 (0.92)
7. Long-term goals	3.60 (0.89)	3.15 (0.98)	3.35 (0.96)
8. [Medium-term strategy]	3.85 (0.78)	3.46 (1.09)	3.64 (0.98)
9. [Planning for top leadership succession]	3.31 (1.00)	2.81 (0.95)	3.04 (1.00)
10. [Choice of managers]	4.27 (0.75)	3.75 (1.03)	3.99 (0.95)
11. [Evaluation of managers' performance]	4.36 (0.67)	3.74 (1.09)	4.02 (0.97)
12. Compensation of managers	4.30 (0.63)	3.57 (1.04)	3.90 (0.95)
13. Investments in technologies	3.84 (0.99)	3.30 (1.16)	3.54 (1.16)
14. [Contributions to charities]	3.37 (0.87)	3.28 (0.95)	3.32 (0.91)
15. [Dealing with stakeholders]	3.94 (0.74)	3.70 (0.94)	3.81 (0.86)

The items in brackets are excluded from the structural equation modeling.

specific – like the one used in the simulation by Carpenter and Golden (1997) – or referring to hypothetical scenarios, like Key's (1997) Individual Discretion Questionnaire. Although the instrument considers various organizational situations, they may not be generalizable to the problems that entrepreneurs face in heterogeneous organizations. By contrast, Buchholtz, Amason, and Rutherford (1999) used one of the items of Pearce and Zahra's questionnaire in their analysis of CEOs' discretion for decisions regarding charitable contributions.

### **Control variables**

We used a number of control variables, which potentially affect our dependent measure.

We considered human capital – captured by the dummy degree that takes value 1 if the entrepreneur holds a bachelor's, master's, or postgraduate degree – because it provides more employment opportunities and professional expectations that potentially compete with the entrepreneurial career. Previous studies show the existence of a negative relationship between the level of education and job satisfaction among employees, particularly among those who have developed high aspirations regarding career or salary in connection with high degrees (Carree & Verheul, 2012; Lange, 2012; Mottaz, 1984). The relationship is however not definite. Indeed, some studies found that the difference disappears after controlling for income (Blanchflower & Oswald, 1998; Clark & Oswald, 1996).

Several contributions show that women tend to be more satisfied with their jobs because of their lower career expectations compared to men,

because of differences in their comparison groups (Clark, 1997; Gazioglu & Tansel, 2006) and for participation effects, as women are often not the main breadwinners and are likely to leave their jobs if not satisfied. Gender (with male serving as the reference category) is therefore expected to be related to job satisfaction.

The relationship between firm size and job satisfaction among employees and managers has not reached definite results, as some show a positive relationship, whereas others show a negative one (see, e.g. Clark, Oswald, & Warr, 1996; Eskildsen, Kristensen, & Westlund, 2004). However, one recent work on the job satisfaction of the self-employed has found that the satisfaction is higher in SMEs rather than in large companies (Millán et al., 2013). As we are analyzing SMEs, we expect to find a positive relationship as the size of the firm is a sort of proxy of prestige and success of the entrepreneur, therefore triggering satisfaction (Weaver, 1977). The variable *size* is the natural logarithm of the number of employees of the firm.

We also include the actual performance of the firm compared to its competitors (Economic performance). We consider an economic measure of the firm performance because it proxies the level of income generated for its entrepreneur, which the literature suggests to be a central component of satisfaction. Indeed, notwithstanding contributions such as that of Herzberg (1965), who includes pay among the hygienic factors, and other authors who argue that extrinsic rewards tend to undermine intrinsic ones, income has been repeatedly shown to be positively associated to the extent of job satisfaction (for a meta-analysis, see Judge, Piccolo, Podsakoff, Shaw, & Rich, 2010). Because research on job satisfaction of employees found that pay differential rather than pay has a stronger impact on satisfaction (Trevor, Gerhart, & Boudreau, 1997), we consider a relative measure, such as the Industry-Adjusted Return on Assets (ROA). This is the ratio between the ROA of the firm and the average ROA of the firms in the same two-digit Nomenclature statistique des activités économiques dans la Communauté européenne (NACE) code industry.

Finally, we also include three control variables in the relationship between mode of entry and discretion. The first is entrepreneurial tenure, expressed as the logarithm of the number of years since the interviewee became the leader of his or her current firm. As far as the employees are concerned the literature has shown a positive relationship between the extent of turnover and the extent of perception of control. In theoretical terms, the phenomenon is typically explained in terms of job experience model (Katz, 1980; White & Spector, 1987), whereby the longer the tenure in a specific position or organization, the greater the extent of feelings of control on one's job, salary, and prestige. No previous study has analyzed the impact of tenure on the perceived discretion of the entrepreneurs. However, part of the arguments brought for the employees can be easily transposed to the case of

entrepreneurs. One can indeed argue that after some years also the entrepreneur is likely to increase the feeling of control and prestige of his or her role and functions. Also, one can argue, that the longer the tenure, the more the company will reflect the goals, ideas, and aspirations of the entrepreneur. We, therefore, expect a positive relationship between tenure and discretion. However, Hambrick and Fukutomi's (1991) work on the seasons of CEOs warns us that the positive impact on the company of experience fades out due to several factors among which are conservativeness and obsolescence. It may be expected that the entrepreneur becomes progressively aware of the lower impact of his or her experience on the ability to master and control different aspects of the organization. We therefore included also a quadratic component of the variable *entrepreneurial tenure* to account for the diminishing returns.

In our sample, this variable is highly correlated with the age of the entrepreneur (0.72), which, therefore, is left out of our analysis.

The second control, industry, is a dichotomous variable that takes value 0 if the firm led by the entrepreneur operates in a medium-low or low technology sectors, and value one if it operates in medium-high and high-technology sectors. The distinction is based on the OECD classification of technology sectors. Due to the innovation intensity of high-tech sectors and the continuous changes of markets, technologies, products, we expect the perceived discretion by the entrepreneurs operating in these sectors to be higher.

The third control variable is group that takes the value 1 if the company belongs to a group of firms and 0 otherwise. The extent of perceived discretion of the entrepreneur is expected to be lower if a company belongs to a group due to the need to compromise with other stakeholders (such as parent company, affiliated companies, subsidiaries).

## Data analysis and results

### *Descriptive statistics*

The first step of our analysis consists in the comparison of the levels of satisfaction and perceived discretion of the founders and the family business successors. Subsequently, using structural equation modeling (SEM), we assess whether the perceived discretion mediates the relationship between mode of entry and satisfaction.

As we consider satisfaction and perceived discretion as multidimensional constructs, we present the descriptive statistics for all the items making up the two variables, including those that we excluded from the SEM, distinguishing between founders and successors.

From Table 1, we notice that the founders appear to be on average more satisfied than successors in every single item, but the extent of satisfaction for

every single item seems to follow a regular pattern. The experience of the entrepreneurial job, given the initial expectations and the career expectations (items 3 and 4) seem to be an area of great satisfaction for founders and successors. Instead, the extent of daily enthusiasm about the job is the lowest contributor to the overall satisfaction in both groups.

Turning to perceived discretion, data show that founders tend to perceive a higher degree of discretion than successors in all the areas under examination. Both types of entrepreneurs appear to perceive the most limited discretion in deciding for the leadership succession. The founders enjoy the highest level of discretion in deciding the compensation for the managers while the successors in the choice of the managers and the evaluation of their performance.

The descriptive statistics offer preliminary evidence suggesting that the level of perceived discretion could be positively associated with their job satisfaction, consistent with H1, and supporting H2 that successors perceive a narrower discretion compared to founders. To rigorously test these hypotheses, and H3, we estimate a SEM using Stata 14.0 (StataCorp, 2015).

## ***Analysis***

We follow the two-stage model suggested by Anderson and Gerbing (1988) and Byrne (2010), in which first we examine the validity of the measurement model, and then we test the hypothesized relations among latent variables by means of a SEM. As mentioned above, to correct for common method bias with included a common latent factor (Podsakoff et al., 2003).

### ***Stage 1 – assessment of the measurement model***

The assessment of the measurement model allows us to study the relationship between the observed variables and the underlying theoretical concepts. It is based on the assessment of individual item reliability, construct reliability, average variance extracted (AVE), and discriminant validity. Table 3 presents AVE, variance inflation factor (VIF) values, tolerance, and correlations among variables. Correlations and VIF values appear to indicate the absence of multicollinearity.

To assess whether the measurement model fits the sample data, we used a CFA. The model includes two latent constructs (satisfaction and perceived discretion) and the items assigned to each variable. We first analyzed individual item reliability (Henseler, Hubona, & Ray, 2016). All standardized loadings ( $\lambda$ ) exceed the value of 0.70, usually considered an adequate threshold (see Table 4).

Furthermore, we measured the extent of convergent validity by calculating the AVE. This measure should be greater than 0.50 (Anderson & Gerbing, 1988; Shook, Ketchen, Hult, & Kacmar, 2004). Both constructs exceed this condition (see Table 3).

**Table 3.** Average variance extracted (AVE), variance inflation factor (VIF) scores, tolerance, and correlations.

AVE	Squared root (AVE)	VIF	Toler.	Variable														
				S	PD	ME	EP	D	G	ET	S	GR						
0.62	0.78			1														
0.57	0.75	1.24	0.80	Satisfaction	0.72***	1												
		1.29	0.77	Perceived Discretion	-0.35***	-0.20***	1											
		1.06	0.93	Mode of entry	0.19***	0.11	-0.11	1										
		1.05	0.95	Economic performance	-0.08	0.00	0.09	0.06	1									
		1.16	0.85	Degree	0.12*	0.08	0.17**	0.12	0.05	1								
		1.35	0.73	Gender	0.54***	0.40***	-0.28***	0.11	-0.18**	-0.18	1							
		1.25	0.80	Entrepreneurial tenure	0.24***	0.21***	-0.02	0.98**	0.31***	-0.02	0.08*	1						
		1.03	0.96	Size	-0.35	0.02	0.06	0.01	0.07	0.10	-0.00	0.13	1					
		1.12	0.89	Group	0.04	0.01	0.00	-0.12	0.04	0.06**	-0.13	0.08	0.20	1				
				Industry											1			

Significance at 0.1, 1, and 5 percent is indicated by the signs \*\*\*, \*\*, and \*, respectively.

**Table 4.** Standardized loadings for the measurement model.

Items	Standardized loadings
Satisfaction_1	0.803
Satisfaction_2	0.740
Satisfaction_4	0.802
Satisfaction_5	0.797
Satisfaction_6	0.786
Satisfaction_7	0.780
Discretion_1	0.742
Discretion_3	0.748
Discretion_4	0.748
Discretion_5	0.826
Discretion_6	0.735
Discretion_7	0.764
Discretion_12	0.748
Discretion_13	0.747

Finally, through the analysis of discriminant validity, we show that each construct is empirically distinct from the other constructs in the model. Following Fornell and Larcker (1987), we show that the measure of AVE is greater than the variance shared between the construct and the other constructs in the model. As shown in Table 3, the condition is satisfied for all the variables in the model: the diagonal elements are greater than the off-diagonal elements in the corresponding rows and columns.

Last, as suggested by Beauducel and Wittmann (2005), we employ a number of tests to assess whether the model satisfactorily fits the data:  $\chi^2(66) = 87.42$ ; normed  $\chi^2 = 1.32$ ; root mean square error of approximation (RMSEA) = 0.047, RMSEA 90%; confidence interval [0.011, 0.071]; standardized root mean square residual (SRMR) = 0.038; Comparative Fit Index (CFI) = 0.985 and Tucker-Lewis Index (TLI) = 0.979. Even though the chi-squared test is significant, overall the tests support the validity of the measurement model.

### **Stage 2 – results of structural equations model**

Table 5 reports the results of the SEM employed to investigate the hypotheses. Model 1 reports the results of the analysis that includes only the covariates and the predictor. The total effect (coefficient:  $-0.484^*$  Standard Deviation:  $(-2.07)$ ; confidence interval:  $[-0.944, -0.025]$ ) of the relationship between mode of entry and satisfaction is negative and significant at 5% level, indicating that the condition of a family business successor is associated with lower job satisfaction.

Model 2 introduces the mediator perceived discretion, and the covariates tenure, tenure squared, industry and group. The model shows a positive and strongly significant (coefficient:  $0.749^{***}$ ) relationship between the mediator *perceived discretion* and *satisfaction*, offering support to H1. Furthermore, the negative sign ( $-0.229^{**}$ ), significant at 1% level, of the relationship between mode of entry and perceived discretion indicates that successors perceive less discretion than founders, as expected by H2.

**Table 5.** Results of the structural equations model.

Relationships	Model 1	Model 2
Mode of entry → Satisfaction	-0.484* (-2.07) [-0.944, -0.025]	-0.100 (-1.72) [-0.214, 0.004]
Economic performance → Satisfaction	0.205 (1.66) [-0.037, 0.447]	0.129* (2.41) [0.023, 0.232]
Degree → Satisfaction	-0.253 (2.68) [-0.520, 0.022]	-0.175** (-3.16) [-0.284, -0.066]
Gender → Satisfaction	0.240* (2.24) [0.029, 0.451]	0.087* (1.96) [0.026, 0.252]
Size → Satisfaction	0.363** (2.68) [0.097, 0.630]	0.139* (2.42) [0.026, 0.214]
Mode of entry → Discretion		-0.229** (-3.08) [-0.375, -0.083]
Industry → Discretion		0.019 (0.27) [-0.135, 0.149]
Tenure → Discretion		0.892** (-1.76) [0.301, 1.483]
Tenure Squared → Discretion		-0.537 (-1.76) [-1.130, 0.061]
Group → Discretion		0.007 (0.10) [-0.130, 0.14]
Discretion → Satisfaction		0.749*** (16.69) [0.661, 0.837]
$\chi^2(31) = 34.56$ ; normed $\chi^2 = 1.09$ RMSEA = 0.028; CFI = 0.994; TLI = 0.992; SRMR = 0.035		$\chi^2(183) = 239.8$ ; normed $\chi^2 = 1.3$ RMSEA = 0.046; CFI = 0.962; TLI = 0.955; SRMR = 0.064

This table reports the effect, Standard Deviation (in parentheses), and 95% confidence interval (in brackets). The values refer to standardized variables. Significance at 0.1, 1, and 5 percent is indicated by the signs \*\*\*, \*\*, and \*, respectively. CFI ≥ .95, TLI ≥ .95 and RMSEA ≤ .05 represent a good fitting model.

Finally, a comparison of the two models shows that the relationship between the predictor (mode of entry) and the outcome (satisfaction) is weaker when the mediator (perceived discretion) is included; or, in other words the direct effect (-0.100; (-1.72); [-0.214, 0.004]) of mode of entry on satisfaction is lower than the total effect (-0.484\*; (-2.07); [-0.944, -0.025]), obtained in Model 1. As the direct effect is not significant at the 5% level, we can conclude that perceived discretion fully mediates the relationship between mode of entry and satisfaction, consistently with the expectations of H3.

For what concerns the controls, we find that economic performance, degree, and size are significant in both models and have the expected sign but small coefficients. As anticipated, the higher the level of education, the higher the expectations and the lower the satisfaction. As per tenure, we find a positive and significant linear term and a negative squared term, that is, however, significant only at the 10% level. This indicates a weak curvilinear relationship between tenure and perceived discretion. Finally, industry and group are not significant, but, for the latter this may be due to the low number of companies belonging to a group in the sample.

The mediation model is illustrated in Figure 2, along with the statistics on the measurement of the constructs.



### Robustness check

To test the robustness of the mediation effect of perceived discretion in the relationship between mode of entry and job satisfaction, in Table 6, we present

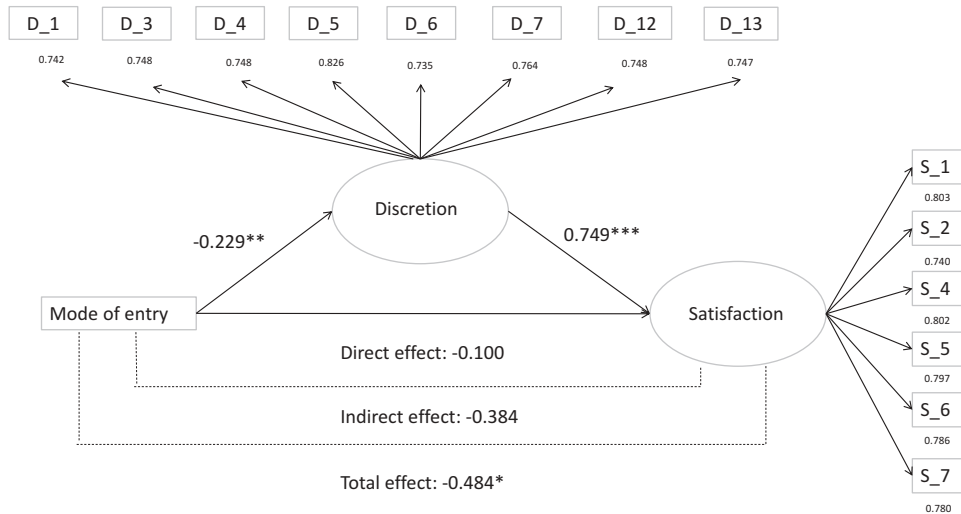


Figure 2. Results of the structural equation model. Total, direct, and indirect effect.

Table 6. Results of the bootstrapped mediation model.

Relationships	Model 3
Mode of entry → Satisfaction	-0.150 (0.093) [-0.333, 0.034]
Discretion → Satisfaction	0.706*** (0.060) [0.588, 0.824]
Economic performance → Satisfaction	0.013** (0.006) [0.001, 0.024]
Degree → Satisfaction	-0.317** (0.098) [-0.510, -0.124]
Gender → Satisfaction	0.177* (0.105) [-0.031, 0.385]
Size → Satisfaction	0.134*** (0.049) [0.037, 0.231]
Constant	1.004*** (0.248) [0.513, 1.496]
$R = .796; R^2 = .633$ MSE = .261 $F = 34.537$ $df^2 = 140$ $p = .000$	
Mode of entry → Discretion	-0.398** (0.119) [-0.627, -0.155]
Industry → Discretion	-0.217** (0.091) [-0.398, 0.037]
Tenure → Discretion	1.251 (0.455) [.351, 2.151]
Tenure Squared → Discretion	-0.152*** (0.089) [-0.327, 0.024]
Group → Discretion	0.185* (0.350) [-0.507, 0.877]
Constant	1.418 (0.615) [0.202, 2.635]
$R = 0.486; R^2 = 0.237$ MSE = .477 $F = 11.071$ $df^2 = 143$ $p = .000$	
Direct effect	-0.150 (0.093) [-0.333, 0.034]
Indirect effect	-0.275 (0.078) [-0.430, -0.126]

This table reports the effect, standard deviation (in parentheses) and 95% confidence interval (in brackets). The values refer to standardized variables. Significance at 0.1, 1, and 5 percent is indicated by the signs \*\*\*, \*\*, and \*, respectively.

a bootstrapped mediation model (Model 3), computed with Process for SPSS (IBM Corp, 2016) .

The model offers support to the findings of the SEM, highlighting that the condition of successor is associated to a lower perception of discretion, which, in turn, positively contributes to job satisfaction. The relationship between mode of entry and satisfaction is not significant.

## **Discussion**

This study analyzes job satisfaction among entrepreneurs, focusing on the difference between founders and family business successors. This is one of the few studies to make a distinction within the self-employed population. Our results show that the condition of a successor carries a negative effect on job satisfaction and that this effect is fully mediated by the level of discretion in decision making. We interpret this finding as evidence that (1) successors derive less procedural utility from their work compared to founders and (2) discretion in decision making is a major source of procedural utility in entrepreneurial work. In light of the empirical findings, our study contributes to research on entrepreneurial satisfaction and procedural utility and research in the family business field.

### ***Perceived discretion as a source of procedural utility***

Previous research comparing the satisfaction of the self-employed and employees argues that the degree of discretion a person has in performing an activity is a driver of procedural utility, but no direct test of such an effect is provided (see Benz & Frey, 2008a; Frey et al., 2004). In our analysis, we conceptualize and measure the level of perceived discretion as for the latitude of business leaders' decision making and prove that it is positively associated with job satisfaction, which indicates that it is a driver of procedural utility. Moreover, connecting to the job characteristics theory (Hackman & Oldham, 1976; Schjoedt, 2009), we suggest that, with specific reference to the entrepreneurial role, the dimension of autonomy can be appropriately interpreted through the construct of executive discretion (Finkelstein & Hambrick, 1990; Hambrick & Finkelstein, 1987). This further corroborates and extends the findings of Schjoedt (2009), according to which autonomy in entrepreneurial work has a strong positive association with entrepreneurs' job satisfaction.

We also contribute to the research on the antecedents of procedural utility among the self-employed by emphasizing the role of social factors, such as family embeddedness. Previous research has highlighted the relevance of the

individual dimensions that may affect the intrinsic satisfaction one derives from being an entrepreneur, such as necessity versus opportunity-driven motives (Block & Koellinger, 2009; Block et al., 2015), initial levels of aspiration (Cooper & Artz, 1995), and human capital (Carree & Verheul, 2012). The conditions of founder or family business successor, instead, are characterized by a different exposure to organizational conditions (structures, processes, routines, culture) and social context (demands from salient stakeholders, pressure regarding the assumption of certain roles). Our work, therefore, suggests that introducing the social and organizational condition in the analysis of entrepreneurial satisfaction may represent a fruitful approach to advancing entrepreneurship research through contextualization (Zahra, Wright, & Abdelgawad, 2014). Our results call for further investigations of job satisfaction that account for the heterogeneity of the entrepreneurial function beyond purely demographic characteristics (e.g., necessity versus opportunity entrepreneurs; academic versus other types of high technology entrepreneurs; professionals, artists, artisans).

However, we do not underestimate the importance of the individual variables, as the social context, especially in the case of family firms, is also closely intertwined with the formation of aspirations and motives (Jaskiewicz et al., 2015). For example, it may be that the entrepreneur takes over the family business for reasons that do not involve an intrinsic desire to pursue an entrepreneurial career. Indeed, the decision to succeed can be driven by normative commitment, which reflects a sense of obligation toward one's parents, one's family, and the business itself, or by continuance commitment, which involves an economic evaluation of the costs associated with the decision to leave the family business and of the possibility of finding alternative employment in the labor market (Sharma & Irving, 2005). If the decision to succeed results from these forms of commitment, the successor will likely experience lower satisfaction from the characteristics of the job itself.

### ***Perceived discretion and the succession process***

Our results connect to a much-discussed theme in the family business literature: the outcomes and the causes of failures in the succession process (Baù, Hellerstedt, Nordqvist, & Wennberg, 2013; De Massis et al., 2008). Specifically, we focus on postsuccession satisfaction, which entails the outcomes of the succession process, such as the satisfaction of its stakeholders, and critical outcomes such as the willingness to maintain leadership of the firm, the involvement of the family, and the definition of organizational roles (Handler, 1994). As observed by Miller, Steier, and Le Breton-Miller (2003, p. 514):

At the core of problematic succession lies an inappropriate relationship between an organization's past and its present. Either there is too strong an attachment to the past on the part of the successor, too wholesale a rejection of it, or an incongruous blending of past and present.

We suggest that the construct of perceived discretion highlights the incongruences that successors experience in their role; these incongruences, in turn, cause a lower level of job satisfaction.

The results of this study are consonant with the notion of postsuccession discretion theoretically developed by Mitchell et al. (2009). The authors propose that the individual-level features triggering managerial discretion, as conceptualized by Hambrick and Finkelstein (1987), are, in the context of a family business, constrained by an orientation toward wealth preservation, the persistent influence of the predecessors, and the commitment to preserve the firm's identity across generations. Although we do not address these variables in detail, our finding that successors perceive lower levels of discretion represents one of the first empirical results in support of Mitchell et al.'s (2009) expectation that the family environment limits successors' freedom to conceive, adapt, and implement substantial changes in the firms that they lead.

It seems useful to relate our findings to the analysis of the career intentions of family business offspring conducted by Zellweger et al. (2011), which reveals that those who present a high need for independence and self-efficacy tend to prefer to become founders, which is consistent with the higher level of discretion that, as we find here, characterizes this entrepreneurial role. Furthermore, that study is also a reminder of the potentially harmful consequences for the business continuation that a mismatch between an individual's profile and career choice may cause.

### ***Successors' satisfaction and nonfinancial income in the family business setting***

This study also offers important insights that are relevant for family business scholars by bringing to light the contradiction that a family entrepreneur experiences between the will to preserve the family firm – and the bundle of values and social relationships that have been built over the course of generations – and the desire to pursue a personal entrepreneurial project by means of the firm. It emerges that operating a family business may represent a burden – rather than a motivation – for an entrepreneur. In other words, we propose that the accumulation and preservation of socioemotional wealth in family firms demands a successor who will sacrifice, to some extent, his/her aspirations in favor of the welfare of the family. This insight sheds new light on, first, the established literature on family businesses that emphasizes the beneficial effects of family bonds for the development of the business, and, second, studies

highlighting the role of non-economic and socio-emotional preferences in positively influencing the extent of job satisfaction among successors (Khanin, Turel, & Mahto, 2012). In contrast, our results are consistent with several observations that emphasize the burden of family embeddedness in terms of cognitive frames, normative imperatives, and political pressures (Miller et al., 2011), and the deleterious effect of the “founder shadow” on the successor’s behavior (Davis & Harveston, 1999). Therefore, we contribute to the debate on socioemotional wealth by discovering a “dark side” of this concept.

It is interesting to read this finding in relation to the evidence that family members derive utility from working in their own family business, not only because of their sense of identity and feeling of psychological ownership but also because of the better working conditions that a family business offers to family members (Block et al., 2015). Our results suggest that altruistic behaviors (Schulze et al., 2003), preservation of family control (Gomez-Mejia et al., 2007), creation of employment opportunities for relatives (Bennedsen, Nielsen, Pérez-González, & Wolfenzon, 2007) – though necessary for the preservation of the socioemotional wealth of the family, and therefore beneficial for the equilibrium of family and business – represent a burden for the individual entrepreneur who seems to face a trade-off between self-actualization by means of the firm and responsibility toward the family and the firm. Therefore, it might be relevant to analyze how the socioemotional wealth created by a family business is distributed among its stakeholders – namely, external stakeholders, family owners, family employees, other family members, and, not least, the family entrepreneur. Our study proposes that the accumulation and preservation of socioemotional wealth in family firms demands that a successor sacrifices, to some extent, his/her aspirations for the sake of the family. This lowered “psychic income” of the successor could be identified as one of the major causes of exit from entrepreneurship (DeTienne & Cardon, 2012; Gimeno, Folta, Cooper, & Woo, 1997).

### **Limitations**

This study is affected by some shortcomings that may limit the generalizability of its findings, as our sample comprises a total of 148 entrepreneurs and should, therefore, be considered as a first analytical attempt that demands further investigations. Future studies should replicate the analysis on larger samples. Furthermore, our research design builds on subjective data collected through a survey; even though this is quite common in research investigating procedural utility (e.g., Benz, 2007; Benz & Frey, 2008a, 2008b) and on studies on job satisfaction (Rafferty & Griffin, 2009), this kind of data may be affected by the context, the setting, and the mode in which the interview is administered as well as the wording and sequence of the

questions, the scales applied, and may be prone to measurement errors, cognitive problems, social desirability bias, and biases in reporting attitudes (see, e.g., Bertrand & Mullainathan, 2001). Furthermore, this research design may lead to overlook factors intervening in the relationship between individual characteristics, professional choice and job satisfaction – such as personality traits or life events – that may represent a source of endogeneity affecting the key variables (Clark, Frijters, & Shields, 2008). Future studies may consider a randomized experimental design to remove the confounding effects, even though involving organizational leaders such as entrepreneurs in laboratory research presents practical challenges (Friedrich, Byrne, & Mumford, 2009).

Another source of weakness may lie in the comparison of successors to founders, rather than to entrepreneurs who take over an existing firm. Indeed, organizational inertia and resistance are arguably lower in a first-generation firm, at least in its early stages of life: founders do not face such resistance, whereas those who take over a firm do. Therefore, comparing successors to this latter group of entrepreneurs would allow us to appreciate the effect of the family legacy under similar conditions of organizational malleability. Unfortunately, the small size of our sample did not allow us to make such a comparison due to the reliability of the econometric models. Also, further studies should aim at disentangling possible differences with regard to the effect of tenure between founders and family business successors, thereby contributing also to the literature on entrepreneurial life-cycles.

Additionally, it is important to notice that firms led by founders and successors are subject to different levels of barriers to exit: due to their lower psychological bond to the firm and its history, founders arguably have greater freedom to leave an unprofitable business, whereas successors are likely to experience a much stronger pressure to persist. This observation may contribute to explaining the lower level of satisfaction of successors. Although we do not have a direct measure of psychological barriers to exit, we partially address this issue by controlling for economic performance, as negative economic performance may stimulate the intention to exit.

Furthermore, we measure perceived discretion of entrepreneurs, rather than discretionary behavior. Although perceived discretion defines the scope of options available to decision makers (Key, 2002), the further enablers and constraints may affect the actual behavior. The development of an instrument suitable to measure discretionary behavior seems to be a challenge to be pursued to advance this field of studies.

There is also a possible shortcoming in the fact that we addressed individuals, though the entrepreneurial function is often collective (Klotz, Hmieleski, Bradley, & Busenitz, 2014). Further studies should pay greater attention to entrepreneurial teams and dual leadership.

Finally, we are aware that the relationship of the family environment to procedural utility may be driven by the specific national context in which the study has been conducted. It is well known that the role of family versus individual is culturally dependent, and therefore a multicountry study that includes non-Western countries would improve the validity of our findings. However, in light of this observation, we consider our results even more surprising, as the Italian culture is typically characterized as strong in terms of family bonds (see Alesina & Giuliano, 2010): even in this context, individual factors are stronger than socioemotional ones in driving an entrepreneur's utility.

## Conclusions and implications for practice

The present study analyzes job satisfaction among entrepreneurs, showing that the condition of a successor carries a negative effect on job satisfaction and that this effect is fully mediated by the level of discretion in decision making.

Despite the limitations outlined in the previous section, we believe that this study offers important insights for practitioners. First, the positive relationship between discretion and satisfaction reinforces the importance of a genuine and complete transfer of power from the old to the new generation, in family firms. The old generation should be aware – and their advisors should make them aware – of the fact that an incomplete transition threatens the long-term survival of the firm through its depressing effect on entrepreneurial satisfaction.

Second, our results also suggest that a firm permeated by a strong founder's culture and characterized by organizational practices is of little appeal to successors with a strong need for independence. Under these conditions, in line with Zellweger et al. (2011), we regard the exit option, and subsequent new venture creation, as a more rewarding career path.

These considerations also suggest that successors have a rather limited tolerance for accepting further limitations on their discretion, as in cases where nonfamily shareholders or professional managers enter into the process of growing the business. As such processes are necessary for the survival and expansion of the firm, family business advisors should assist successors in making sense of these limitations on their discretion. Whenever a successor proves unable to accept such constraints, an early exit could be advisable so as not to compromise business performance.

Finally, public policies targeting the promotion of entrepreneurship should explicitly favor entrepreneurial projects that envision the entry of new shareholders and professionalization in their growth trajectory, given the superior ability of founders to accommodate limitations on their discretion.



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## Appendix

**Table A1.** Exploratory Factor Analysis (EFA) of the measure of job satisfaction. Total variance explained and component matrix of unrotated factors.

Item	Initial Eigenvalues	Extraction Sums of Squared Loadings					Component Matrix	
	Total	% of Variance	Cumulative %		% of Variance	Cumulative %	Component 1	
			Total	%			Total	%
1	4.905	70.073	70.073	70.073	4.905	70.073	70.073	0.845
2	0.604	8.632	78.705					0.811
3	0.387	5.523	84.227					0.857
4	0.352	5.022	89.249					0.857
5	0.332	4.738	93.987					0.842
6	0.252	3.603	97.591					0.823
7	0.169	2.409	100.000					0.823

Extraction method: Principal component analysis. No rotation possible. The numbering of the items is consistent with Table 1.

**Table A2.** Exploratory Factor Analysis (EFA) of the measure of perceived discretion. Total variance explained and component matrix.

Item	Initial Eigenvalues	Extraction Sums of Squared Loadings					Component Matrix		
	Total	% of Variance	Cumulative %		% of Variance	Cumulative %	Component 1	Component 2	
			Total	%			Total	%	
1	7.848	52.318	52.318	52.318	7.848	52.318	52.318	0.753	0.289
2	1.174	7.825	60.143		1.174	7.825	60.143	0.475	0.676
3	0.842	5.615	65.758					0.705	0.311
4	0.806	5.371	71.130					0.701	-0.063
5	0.776	5.176	76.306					0.744	-0.035
6	0.752	5.014	81.321					0.809	-0.107
7	0.648	4.319	85.640					0.810	-0.158
8	0.533	3.553	89.193					0.687	0.241
9	0.398	2.654	91.847					0.508	-0.329
10	0.339	2.259	94.105					0.826	-0.330
11	0.300	1.997	96.103					0.830	-0.349
12	0.245	1.634	97.736					0.831	-0.188
13	0.142	0.946	98.682					0.733	0.203
14	0.111	0.737	99.419					0.649	0.002
15	0.087	0.581	100.000					0.672	0.145

The numbering of the items is consistent with Table 2.

The italicized data refer to the excluded items.