

The courage to choose! Primogeniture and leadership succession in family firms

Andrea Calabro^{1,2} | Alessandro Minichilli³ | Mario Daniele Amore⁴ |
Marina Brogi⁵

¹IPAG LAB, IPAG Business School, Nice, France

²Witten Institute for Family Business (WIFU), University of Witten/Herdecke, Witten, Germany

³Department of Management and Technology, ICRIOS, and SDA Bocconi School of Management, Bocconi University, Milan, Italy

⁴Department of Management and Technology, and ICRIOS, Bocconi University, Milan, Italy

⁵Department of Management, University of Rome "La Sapienza", Rome, Italy

Correspondence

Andrea Calabro, IPAG LAB, IPAG Business School, 4 bd Carabacel, 06000, Nice, France.
Email: a.calabro@ipag.fr

Research Summary: Building on a unique data set with information on the nuclear structure of entrepreneurial families, we integrate leadership succession into a socioemotional wealth (SEW) logic to test the antecedents and consequences of primogeniture vis-à-vis second- or subsequent-born selection in family firm succession. Our findings suggest that appointing a family firstborn sibling is more likely when there is a high degree of SEW endowment and the family firm has pre-succession performance below aspiration levels. Next, we find that appointing a second- or subsequent-born sibling has a positive and significant effect on post-succession firm profitability, particularly when the firm is in its second generation or later.

Managerial Summary: What drives succession choices in family firms? What are the performance implications of each succession choice? These are questions of vital relevance for every business owner. Focusing on the pool of potential family heirs at the time of succession, our study adds to the debate on the drivers of succession choices by suggesting that having a family intensive governance structure fosters primogeniture as the main succession logic, even when the family firm is experiencing lower profitability. Our study informs business owners on the implications of different succession policies, suggesting that family firms that have the courage to disregard primogeniture and choose more wisely the family successor are also the ones experiencing higher post-succession performance.

KEY WORDS

birth order, family firms, primogeniture, socioemotional wealth, succession

1 | INTRODUCTION

Given its centrality in determining a firm's future direction and success, the antecedents and consequences of new leader selection have been subject to wide investigation in strategic management literature (Ferris, Jayaraman, & Lim, 2015; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011; Pitcher, Chreim, & Kisfalvi, 2000; Shen & Cannella, 2002; Zajac, 1990; Zhang & Qu, 2016; Zhu & Shen, 2016). Unsurprisingly, this attention has been paramount in the context of family firms (Bennedsen, Nielsen, Perez-Gonzalez, & Wolfenzon, 2007; Chang & Shim, 2015; Lee, Lim, & Lim, 2003; Miller, Steier, & Le Breton-Miller, 2003; Minichilli, Nordqvist, Corbetta, & Amore, 2014; Strike, Berrone, Sapp, & Congiu, 2015) in which leader succession decisions are emotionally complex and often traumatic (Miller et al., 2003). In these firms, selecting the next leader is particularly demanding because family principals' decisions are simultaneously shaped by economic and non-economic factors related to the preservation of socioemotional wealth (hereafter, SEW), that is, the stock of affect-related value that the family has invested in the firm (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007).

Despite the growing acceptance of SEW as a suitable theoretical lens through which to investigate the peculiarities of decision-making in family firms (Gómez-Mejía et al., 2011), few studies have explored SEW as an antecedent of succession choices and their performance implications (e.g., Minichilli et al., 2014; Strike et al., 2015). More surprisingly, most of the extant research focuses on the distinction between family and outside successors, and very little attention has been devoted to the characteristics and composition of the pool of potential family successors (Bennedsen et al., 2007; Bloom & Van Reenen, 2007; Mehrotra, Morck, Shim, & Wiwattanakantang, 2013). To fill this research gap, we study the antecedents and performance consequences of birth order in family firm successions, in which emotional aspects are intertwined in the strategic choice of the next firm leader.

By delving into the nuclear structure of the leaving family executive, our study aims to provide a stepping stone in strategic leadership and family business research by addressing the following questions: *What are the antecedents of primogeniture choice in family leader successions? How does this choice affect post-succession firm performance?* After answering these questions, we explore generational differences in the post-succession performance of first- versus second- or subsequent-born children in founder versus later-generation firms.

We conduct our empirical analysis on a unique data set with information about entrepreneurial families of family businesses in Italy that experienced a succession from 2000 to 2012. Our data include information about the number of offspring, gender, age, and family ties between incumbent and incoming leaders. Using this rich data set, we examine how the SEW endowment—which we operationalize as family control and influence—affects the likelihood of selecting the firstborn child as the next leader. Furthermore, we study “the boundary conditions of socioemotional wealth” (Souder, Zaheer, Sapienza, & Ranucci, 2017) by investigating whether and to what extent the SEW endowment affects the selection of the firstborn child as next leader, and how its effect varies when the family firm is vulnerable, that is, experiencing performance below aspiration levels (Gómez-Mejía, Patel, & Zellweger, 2015). Additionally, we test the performance implications of such succession choices to determine how deviations from the traditional primogeniture rule (Bertrand & Schoar, 2006) affect post-succession firm performance both in the overall sample, and at different generational stages of the family firm (i.e., founder versus later generations).

Our results show that the likelihood of following primogeniture in leadership succession increases when a family's SEW endowment is high. Moreover, contrary to our prediction, pre-succession performance below social aspirations does not weaken the impact of the SEW endowment on the likelihood of selecting the firstborn child as the next leader. This result suggests that SEW

motives will prevail, *especially if* the family firm is under vulnerability (Gómez-Mejía et al., 2015) and is thus consistent with the seminal findings of Gómez-Mejía et al. (2007) as well as with subsequent findings (Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía et al., 2014b) that family firms are willing to accept greater performance hazard risks in order to preserve the SEW endowment.

Next, we find that the appointment of a second- or subsequent-born child as the company leader is related to a significant increase in firm performance, while following primogeniture does not have the same result. These findings suggest that “the courage to choose,” while sacrificing a portion of the non-economic family endowment, may secure better economic returns. Finally, we establish that the positive effect of selecting second- or subsequent-born children as leaders is stronger in later-generation successions than in founder successions, presumably due to a larger pool of candidates and more formalized selection practices.

This article makes several contributions. First, we contribute to the strategic leadership literature by providing novel findings on the importance of the ownership context (Simsek, Jansen, Minichilli, & Escriba-Esteve, 2015), which is characterized in our case by a deep intertwining of firm (financial) and family (socioemotional) systems. Second, we nurture the recent debate on SEW as antecedent of key strategic choices in family firms by showing the importance of SEW considerations (Miller & Le Breton-Miller, 2014) and of family principals’ reference points (Naldi, Centnamo, Corbetta, & Gómez-Mejía, 2013) in a key strategic decision. Finally, we add to the debate on the positive and negative valence of SEW (Kellermanns, Eddleston, & Zellweger, 2012) by showing that—when the family principal is willing to break with primogeniture—he or she can combine the advantages of SEW preservation with better post-succession firm financial performance. This article suggests that family firms should continuously look to maintain a healthy balance between family and business priorities without preconceptions about the superiority of family over business needs. Such *wiser* interpretation of family-centric priorities opens new avenues for further research, which we discuss before concluding.

2 | THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

The strategic management literature on CEO succession has traditionally explored the elements that affect the choice between a company insider or outsider (Cannella & Lubatkin, 1993; Ferris et al., 2015; Fredrickson, Hambrick, & Baumrin, 1988; Mobbs & Raheja, 2012). In addition to this choice, family firms must decide whether or not the new leader should be a member of the owning family (Lin & Hu, 2007; Minichilli et al., 2014). This choice is often critical for family principals (Ansari, Goergen, & Mira, 2014; Chang & Shim, 2015; Lee et al., 2003) and has been recognized as one of the most difficult in the family firm’s life cycle (Miller et al., 2003).

Several studies offer evidence of a change in the performance of family firms following a succession event (among others, Bennedsen et al., 2007; Pérez-González, 2006). One consolidated finding is that founders’ leadership transfers might be different from those occurring in later generations (Morck, Stangeland, & Yeung, 1998; Villalonga & Amit, 2006). Other findings compare the effects of incoming family heirs and professional CEOs on firm performance following transitions (Bennedsen et al., 2007; Cucculelli & Micucci, 2008; Pérez-González, 2006). Within this stream of research, some studies look into the nuclear family structure (e.g., Bennedsen et al., 2007; Bertrand & Schoar, 2006; Mehrotra et al., 2013), and in particular, into the blood relations between founders and heirs to show that firms operated by non-consanguineous heirs outperform those operated by natural heirs. Other recent studies on CEO succession in family firms increasingly point to the SEW perspective as a useful theoretical lens with which to investigate this phenomenon

(e.g., Chang & Shim, 2015; Minichilli et al., 2014); nevertheless, these studies use SEW as an overarching framework without explicitly attempting to measure it directly.

Shifting from this debate, we combine an in-depth investigation of the birth order of potential family heirs with SEW considerations to isolate the antecedents and consequences of family leadership transitions and the effects of choosing the firstborn (primogeniture) or the second- or subsequent-born child. More precisely, we argue that when socioemotional reference points dominate economic ones (i.e., when the SEW endowment is high), family principals' decisions might be driven by blood relations leading to the adoption of the primogeniture rule. However, when the socioemotional reference point is less important, for instance, when the SEW endowment is at stake because performance is below aspiration levels (Gómez-Mejía et al., 2011), family principals may be willing to go beyond primogeniture (selecting a second- or subsequent-born) or even appoint a non-family member as the next leader. Building on these arguments, we expand previous research on SEW determinants and the implications of leadership transition (Strike et al., 2015) by arguing that succession choices will be driven by the SEW endowment and by whether or not the family firm is under vulnerability (Gómez-Mejía et al., 2015). To this end, we categorize different types of blood-related successions (i.e., firstborn incoming versus second- or subsequent-born incoming heirs), hypothesizing how family principals' socioemotional and economic reference points affect succession decisions and their performance implications.

2.1 | Antecedents of family leaders' succession choices

Despite the voluminous literature focusing on CEO succession in family firms, there is limited knowledge of the antecedents of various types of successions (Amore, Minichilli, & Corbetta, 2011; Bennedsen et al., 2007; Bloom & Van Reenen, 2010; Lee et al., 2003; Miller, Breton-Miller, & Scholnick, 2008). Conflicting results, a lack of clear categorization of the drivers of leadership transitions in family firms, and a failure to integrate socioemotional factors into the critical process of leadership transition have resulted in a picture that is not sufficiently granular. Furthermore, with few notable exceptions (Bloom & Van Reenen, 2007), an important characteristic of the family structure such as the birth order of potential family heirs has been ignored in understanding family leadership transitions. We maintain that incorporating SEW considerations into this picture makes it possible to shed light on the tendency to select the firstborn as the next family leader. The SEW paradigm proposes that the family principal will care for the non-financial utility of the family, which is mainly related to affective needs as the personal identification of family members with the firm, the family's ability to exercise control and influence, and the preservation of family dynasty over time. A decrease in the SEW endowment implies lost intimacy, reduced status, and failure to meet family expectations (Gómez-Mejía et al., 2007). As a consequence, in framing their managerial choices, family principals tend to preserve SEW even if this means pursuing financially risky or unprofitable alternatives.

While this mechanism affects most of the strategic decisions, it will be particularly salient in driving the selection of the next leader. Family principals who are willing to maintain their current SEW endowment, we argue, are more prone to make choices in line with social norms and practices such as primogeniture. Indeed, selecting a firstborn as the next leader combines the wish of ensuring the continuity of the family dynasty with the advantage of following an established social norm. Being based on a consolidated tradition, primogeniture choice will be difficult to be questioned by other potential family candidates as opposed to a pure competence-base selection among family heirs. In other words, when the family firm has a large SEW endowment—which we measure as a combination of considerable family control of a firm's equity and a family member occupying the

board chairperson position—family principals will be more motivated to undertake firstborn successions as they may maximize family continuity and reduce potential conflicts among heirs. Given that family control and influence are widely recognized as important indicators of SEW (Berrone et al., 2012; Dyer & Whetten, 2006; Zellweger & Dehlen, 2012) and represent good proxies for the current SEW endowment that family principals wish to preserve (Berrone et al., 2012; Dyer & Whetten, 2006; Zellweger & Dehlen, 2012), we believe that these indicators predict conservative adherence to a “consolidated social norm and practice” as primogeniture in the selection of successors. Put differently, the decision to directly bestow the leader position on the firstborn without regard to any other economic or rational consideration would be seen as the maximum expression of the family principals’ approach to preserve SEW since it reinforces the importance of family control, the dynastic transmission of family bonds (Berrone et al., 2012), and its harmony.

Hypothesis 1 (H1) *There is a positive relationship between SEW endowment (family control and influence) and the likelihood of selecting the firstborn child as the next leader.*

Recent applications of SEW to different strategic choices, such as international market entry mode decisions (Boellis, Mariotti, Minichilli, & Piscitello, 2016; Pukall & Calabrò, 2014), R&D investments (Chrisman & Patel, 2012; Patel & Chrisman, 2014), and national and cross-border acquisitions (Gómez-Mejía et al., 2015) suggest that it is of the utmost importance to consider the “the boundary conditions of socioemotional wealth” (Gómez-Mejía et al., 2015; Souder et al., 2017), that is, the conditions under which family principals might be willing to sacrifice their SEW endowment. Along this line, we argue that the impact of SEW endowment on succession choices will be contingent on the firm’s economic conditions and the degree of performance hazard risk that family principals are willing to accept. Family principals may swing from socioemotional to purely economic reference points in choosing a successor when the family firm is under threat. This view is consistent with recent research showing that SEW behaviors are inherently situational (Chrisman & Patel, 2012; Gómez-Mejía et al., 2015; Minichilli, Brogi, & Calabrò, 2016). Accordingly, the likelihood that the SEW endowment predicts the choice of the firstborn child as next leader depends on whether a family firm is experiencing a performance hazard, for instance, by having performance below aspiration levels (Gómez-Mejía et al., 2015). When firm performance is below aspirations, that is, it does not meet performance expectations, family principals will have less freedom to focus on their current socioemotional endowment (Gómez-Mejía et al., 2015), and will instead consider strategies with an uncertain upside such as breaking the primogeniture rule. In those situations, experiencing performance below aspirations weakens the positive impact of SEW endowment on the likelihood that the next family leader will be selected based on family inheritance norms such as primogeniture (Bertrand & Schoar, 2006). Thus, family principals might be willing to risk (part of) the accumulated SEW endowment by not adhering to the primogeniture rule.

Hypothesis 2 (H2) *Performance below aspirations weakens the relationship between SEW endowment (family control and influence) and the likelihood of selecting the firstborn child as the next family leader.*

2.2 | Effects of family leaders’ succession choices on post-succession firm performance

The previous literature has examined the consequences of control inherited through primogeniture on firms’ subsequent performance. Studying a sample of privately held Danish firms, Bennedsen et al. (2007) supported the view that (male) primogeniture results in a sizeable liability for family

firm performance. Other studies have suggested that firms that award positions to the oldest son perform significantly worse than other firms (Bloom & Van Reenen, 2010). Thus, when primogeniture rules are preferred over market logic, family firms might experience stagnation (Miller et al., 2008), resulting in lower post-succession performance. Favoring the oldest child (and in most cases, the oldest son) as successor (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013) can therefore lead to adverse selection in the labor market and harm family firm performance (Lin & Hu, 2007).

From a SEW perspective, this evidence suggests that family principals wishing to preserve the family dynasty through primogeniture-based leader selection might expose the firm to post-succession performance risk. Once selected, firstborn leaders may be more likely than other family heirs to privilege family-related goals even at the cost of increased business risk and decreased performance (Schulze & Gedajlovic, 2010). Additionally, if it is previously known that primogeniture will be the main selection logic, other potential successors may have less motivation or opportunity to engage in an internal family competition or horse race for the next leadership position. All these arguments support the notion that the decision to adhere to primogeniture and blindly preserve SEW without considering other succession factors may result in an emphasis on the dark side of purely SEW-driven choices (Kellermanns et al., 2012).

At the opposite extreme, avoiding the cultural norms of primogeniture lends the succession process a different character. By suggesting that the family is a collection of microenvironments or “niches,” the findings from birth order research have begun to reshape the understanding of the personality development of children (Sulloway, 2001). Specifically, some research within this literature suggests that first- and subsequent-born children exhibit personality differences typically because siblings frequently interpret shared experiences differently, and particularly, because age differences and birth order create a systematic source of variation in sharing those experiences (or not). According to this stream of research, while eldest children can be motivated to succeed at playing by the rules set by the parents, subsequent-born children tend to be more likely to rebel against this order, to overturn the rules that favor their elder sibling and to appear to be more non-conforming, more unconventional, and more tolerant of risk (Sulloway, 2001). Thus, while following primogeniture may result in leaders who try to follow their parents’ model, the succession of subsequent-born leaders may increase the likelihood of discontinuity (Nicholson, 2008a, 2008b).

We hypothesize that breaking the primogeniture rule gives the parents the possibility of choosing the candidate who represents the best personal fit with the company’s current needs. The courage to break primogeniture imbues the leader-selection process with a more thoughtful character, emphasizing that nepotistic logics that are not solely based on blind norms such as primogeniture might also be positive for subsequent firm profitability, and thus, rejecting the notion that nepotism is always dysfunctional in nature (Jaskiewicz et al., 2013). This choice will allow family principals to combine family priorities with a more appropriate selection among all available siblings in the family pool, thus minimizing the risk of facing the “dark side” of SEW (Kellermanns et al., 2012) and its negative consequences for post-succession firm performance.

Hypothesis 3 (H3) *Selecting a second- or subsequent-born child as the next leader will significantly increase post-succession firm performance.*

2.3 | Founder versus later-generation succession choices

Recent theoretical debates and empirical results have shown that SEW preservation tendencies manifest differently in different family firms and in various stages of those firms’ life cycle

(Le Breton-Miller & Miller, 2013). Given the inherent heterogeneity of family firms across generations (Chrisman & Patel, 2012), it is important to distinguish the consequences of succession choices on post-succession performance in founder succession from those of later-stage successions (Miller & Le Breton-Miller, 2014). We believe this to be an important aspect of the debate on the birth order of incoming family leaders, which promises to have a differential impact depending on the stage of a family firm's evolution.

Existing evidence suggests that whereas founder-managed family firms display the largest SEW endowments (Sciascia, Mazzola, & Kellermanns, 2014; Stockmans, Lybaert, & Voordeckers, 2010), later generations experience a decline in family engagement and identification with the firm due to increasing dispersion of ownership among family members (Bammens, Voordeckers, & Van Gils, 2008; Gómez-Mejía et al., 2007; Gómez-Mejía, Nunez-Nickel, & Gutierrez, 2001) and the growing importance of financial considerations as a reference frame (Gómez-Mejía et al., 2011). Based on these arguments, we assume that the succession choices of family principals in later generations might be driven by economic rather than solely socioemotional reference points (Gómez-Mejía et al., 2007; Van Gils, Voordeckers, & van den Heuvel, 2004). Although we do not focus on the antecedents of leader succession choices in different generations, we argue that breaking the primogeniture rule will be more effective in later generations for three reasons.

First, descendant-controlled firms are more likely to implement and use formal recruitment policies (Reid & Adams, 2001). Importantly, a reduced emphasis on SEW as the family firm matures makes the grooming process for potential successors inherently different in later generations and leads to a better balance between socioemotional and economic reference points (Miller, Le Breton-Miller, Minichilli, Corbetta, & Pittino, 2014). Moreover, in second and later generations, it is possible to follow a potential family successor over time; this process allows current family principals to begin planning for succession, and perhaps more importantly, offers the opportunity to groom a new family leader who is not necessarily the firstborn child. Second, the availability of a larger internal pool of potential family heirs with passing generations—combined with a reduced and different SEW endowment (Gómez-Mejía et al., 2011)—will offer current family principals the possibility to adhere less rigidly to primogeniture. At the same time, this context will allow them to choose the successor who shows the best fit with company needs, where the likelihood of making the right choice increases as the family pool becomes larger. Third, the presence of more formalized governance structures, which are likely to appear in mature firms (Chang & Shim, 2015; Gedajlovic, Lubatkin, & Schulze, 2004), should secure an inherently better balance between financial and non-financial concerns in the selection of future company leaders.

Based on these arguments, we posit that the beneficial effect of the courage to choose on post-succession performance will be more rewarding in later-generation family firms.

Hypothesis 4 (H4) *Selecting a second- or subsequent-born child as the next leader will increase post-succession firm performance more in non-founder (i.e., the second generation and later) successions than in founder successions.*

3 | METHODS

3.1 | Context

Before illustrating our data and empirical methods, it is important to discuss the relevance of primogeniture and related norms in certain cultures. As a deeply rooted historical and social practice,

primogeniture has been adopted in many Eurasian and American countries (Hrdy & Judge, 1993) to allow an early identification of heirs. Nevertheless, international comparisons reveal significant differences in behaviors among firms across countries with different cultural values and family relationships (Bloom & Van Reenen, 2007; Colli & Rose, 1999). Evidence from business history suggests that succession strategies are deeply embedded in the cultural space in which the succession occurs, which is shaped by national customs, regulatory and political frameworks, and economic situations (Bertocchi, 2006; Colli, Perez, & Rose, 2003; Colli & Rose, 1999).

Together with other European countries, Italy has experienced an interesting evolution in the practice of primogeniture and its concrete application. Although the Napoleonic legal code introduced a system of “partible inheritance,” business practice continued to substantially follow a primogeniture logic (Colli et al., 2003). While the assets of the family were divided among all heirs, control of the business was often given to only one of the heirs, typically the firstborn son. This practice remained common during Italy’s industrialization process and in the later economic boom after the Second World War (Colli et al., 2003). Recent evolutions have witnessed a greater openness to outsiders in family firms’ leadership, along with an increasing number of cases in which the family successor is deliberately chosen within the pool of all possible family heirs. Increased opportunities for the business education of next-generation leaders (Colli et al., 2003), particularly in the past two decades, have created space for more competition not only between family and non-family members, but also within the family. Thus, although primogeniture is no longer a strict legal or even a social norm, anecdotal evidence of the most important Italian family corporations (e.g., Benetton, Barilla, Ferrero) continues to show how—for different reasons—selection of insiders often continues to be preferred over outsiders for leadership positions (Colli & Rose, 1999), with inheritance patterns and primogeniture still determining leadership transmission.

3.2 | Sample

To address our research questions, we started by focusing on companies that experienced a leadership succession (including CEO successions and succession of “lone administrators”—that is, leaders without a formal board of directors or leaders who were not formally CEOs, but chairpersons with full executive powers) in any of the years from 2000 through 2012. More precisely, we isolated 843 successions that occurred among all the Italian family firms with turnover above €50 million in AIDA (*Italian Digital Database of Companies*, a branch of the *Bureau van Dijk* group). Family firms were defined as those firms in which one or two closely related families control at least 50% of the shares if privately held or at least 25% if publicly held (e.g., Miller, Minichilli, & Corbetta, 2013).

The data set has been constructed using different data sources. Data on ownership, governance and performance were collected from company official filings with the Italian Chamber of Commerce to which all Italian companies are obliged by law to report: (a) ownership structure and its evolution over time, with an account of owners’ names, shares held, owner characteristics (gender and age); and (b) governance structures, including information about the CEO (age, gender, tenure). Data on the structure of family nuclei have been gathered from: (a) the Internet (specialized press articles, official company websites, and necrologies); (b) any available publication (such as corporate books or histories detailing the family structure, which family firms sometimes publish); (c) social networks such as LinkedIn; (d) Chamber of Commerce official filings (to obtain the age of all relevant family actors in the company); and (e) the AIDA database (to check for the presence of other family branches within the business group and minimize missing data). Finally, financial

statement information has been collected through AIDA from 2000 through 2014 (thus, including two years after a succession for companies that experienced a leadership transition in 2012).

3.3 | Variables

To classify the various types of successions, we manually reconstructed the family nucleus related to each leaving leader at the time of leadership transition. Specifically, we assembled the following information: (a) whether the leaving leader was the company founder; (b) the leaving leader's number of offspring as well as their gender and age (needed to reconstruct birth order); and (c) whether the incoming leader is a relative.

Using these data, we construct numerous variables that characterize a succession. Excluding firms with missing information on the incoming leader and in which the new leader is in office for less than three years (to avoid temporary appointments), we identified a final sample of 771 firms. In particular, we construct two key variables for our empirical analysis. The first, *Firstborn successor*, is a dummy equal to 1 if the incoming leader is the firstborn of the leaving leader and to 0 otherwise. We have 238 firms that experience this type of succession. The second, *Second-/subsequent-born successor*, is a dummy equal to 1 if the incoming leader is the second- or subsequent-born offspring of the leaving leader and to 0 otherwise. We have 106 firms that experience this type of succession. Of the 771 cases above, the other succession types are appointments of a non-family leader (176 cases) and appointments of non-offspring family members (251 cases, including a wide range of situations of intra-family leadership transfers such as among cousins of the same generation; backward from the next generation to the former generation; and from uncles to nephews).

At the family level, we further construct a dummy variable equal to 1 if a leaving leader's first-born is male (*Male firstborn*), and a variable counting the number of daughters and sons of the leaving leader who are older than 25 years, an age threshold used to precisely identify the pool of potential blood-related heirs (*Number of offspring older than 25*). Although the choice of this age threshold is not established in the literature, we based our choice on the following considerations: (a) the fact that, in Italy, graduate students typically complete their studies at age 23–24; and (b) anecdotal evidence that suggests this case is common (among the most visible examples in Italy, Luca Garavoglia took the helm of Campari, a listed company, at the age of 25—immediately after his graduation—and he was not the firstborn).

We now shift to firm-level characteristics. Our first variable of interest is intended to capture the SEW endowment. To this end, and in accordance to studies that have recently tried to measure SEW (among others, Chrisman & Patel, 2012; Gómez-Mejía et al., 2015; Patel & Chrisman, 2014), we operationalize SEW endowment (family control and influence) by combining family control of firm equity and the board chairperson position. In particular, our variable is set to 0 if the chairperson of the board is not a family member, whereas the variable takes values corresponding to the continuous share of equity held by the family, ranging from 50% (or 25% for listed firms) up to 100%, when the family occupies the board chairperson position.¹ We have thus a proxy for the SEW endowment that considers both family control and board influence and that is conceptually consistent with Berrone et al. (2012), who argued that these are among the most important dimensions of SEW.

To measure a firm's accounting performance, we employ the return on assets (*ROA*), which is computed as the ratio between operating income and total assets (Miller et al., 2014). This choice is

¹These lower bounds for family equity are derived from our definition of family firms.

motivated by the widespread use of ROA as a way to assess top executives' impact on the financial outcomes of firms (e.g., Anderson & Reeb, 2003; Cannella & Shen, 2001).

We measure performance below aspirations (Gómez-Mejía et al., 2015; Iyer & Miller, 2008; Kuusela, Keil, & Maula, 2017; Ref & Shapira, 2017) prior to the succession event by creating a variable that measures the deviation of firm performance from social aspirations (i.e., industry) using averages computed over the pre-succession years. This computation may be complicated by the occurrence of multiple successions for the same firm; to avoid this concern, we exclude these few instances from the analysis (bringing down the sample of successions to 650). For the performance of competitors, we measure the average performance of firms in a given industry and year.² *Performance-Social aspiration <0* (performance below aspirations) measures firm performance before succession compared with other firms in the same industry. If the difference is negative, we take the absolute value of the difference in ROA; otherwise, the variable is set to 0.³

Finally, we construct numerous variables that are commonly used as controls in family business research (e.g., Amore, Garofalo, & Minichilli, 2014; Miller et al., 2013, 2014). Specifically, we compute the natural logarithm of the book value of total assets as a proxy for firm size (*Ln firm assets*); the natural logarithm of years since a firm was founded (*Ln firm age*); the logarithm of R&D and advertisement expenditures (*Ln R&D*); and the ratio of total debt to equity (*Debt-equity ratio*) to proxy for a firm capital structure. Dropping observations with missing values in the key explanatory variables gives us a panel of 6,242 observations for 432 leadership successions, which constitute the final sample used in our empirical analyses.

Table 1 provides basic descriptive statistics, including means, standard deviations, and correlations (with relative *p*-values) for each variable measured at the time of succession. The table shows acceptable levels of correlation between all variables employed, suggesting that multicollinearity is not a problem.

3.4 | Analyses and results

To test our first and second hypotheses, we use observations at the time of the leadership change to estimate linear probability models that predict the choice of firstborn as incoming CEO (our results are robust to the use of probit or logit models). Specifically, the dependent variable is the dummy *Firstborn successor*, and the key explanatory variables are our proxies for both SEW endowment and performance below aspirations. We further include the interaction between these two variables to capture the differential effect of SEW endowment for family firms having different levels of pre-succession performance below aspirations. Each regression also includes as explanatory variables the above-discussed controls (firm size, age, R&D, and capital structure), along with the family factors establishing the gender of the firstborn and the number of potential blood-related heirs. Finally, we augment each regression with year dummies to control for time effects. Standard errors are adjusted for heteroskedasticity. We report the results in Table 2.

In Column (1), we show the results obtained estimating a model with controls only. Then, in Column (2), we augment the model with the main independent variables, namely the measures of

²Industry is operationalized at the three-digit ATECO level, the Italian classification of economic activities similar to the SIC classification for U.S. firms, or at the two-digit level for industry-years with fewer than three firms.

³We employ performance below aspirations together with our proxy for SEW endowment discussed above as key explanatory variables of the antecedents of primogeniture. However, for completeness, we also test historical aspirations (in both below and above aspiration contexts), finding no significant results. While most of the existing literature views historical and social aspirations as similar, our analyses support the view that family firms may be less sensitive to their own performance, that is, historical aspirations (Gómez-Mejía et al., 2007), but fear competition threats, that is, social aspirations (Souder et al., 2017) in succession decisions.

TABLE 1 Summary statistics and correlations

Variables	Summary statistics		Correlations									
	Mean	s.d.	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Firstborn successor	0.3426	0.4751	1									
2. Second-/subsequent-born successor	0.1435	0.3510	-0.2955	1								
3. Number of offspring older than 25	2.3611	1.5856	-0.1122	0.1193	1							
4. Male firstborn	0.6366	0.4815	0.2514	-0.0751	0.0386	1						
5. SEW endowment	0.7793	0.3760	0.1980	0.1247	0.1203	0.1507	1					
6. ROA	4.5716	8.5441	0.0363	0.1137	0.0120	0.0084	0.1197	1				
7. Performance below aspirations	2.7000	16.7094	-0.0544	-0.0462	-0.0530	-0.0493	-0.0193	-0.1399	1			
8. Ln firm assets	11.1252	1.3297	-0.0233	-0.0411	0.1540	-0.0742	-0.0766	-0.0463	0.0776	1		
9. Ln firm age	3.0825	0.7993	0.1252	0.0308	0.1039	0.0595	0.1379	-0.0256	-0.0189	0.2854	1	
10. Debt-equity ratio	2.7564	24.7043	-0.0320	-0.0210	0.0266	0.0536	0.0411	0.0002	0.0246	0.0539	-0.0139	1
11. Ln R&D	1.5863	2.560	-0.0318	-0.0169	0.0681	-0.0436	-0.0261	-0.0186	0.0080	0.2678	0.0211	-0.0218
			(0.509)	(0.726)	(0.158)	(0.366)	(0.589)	(0.024)	(0.868)	(0.000)	(0.662)	(0.652)

Note: Number of observations = 432; *p*-values in parentheses.

TABLE 2 Antecedents of primogeniture in leadership succession

Dependent variable: firstborn successor	(1)	(2)	(3)	(4)
<i>Controls</i>				
Number of offspring older than 25	-0.0394 (0.004)	-0.0457 (0.001)	-0.0441 (0.001)	-0.0439 (0.001)
Male firstborn	0.2525 (0.000)	0.2307 (0.000)	0.2383 (0.000)	0.2310 (0.000)
Ln firm assets	-0.0089 (0.668)	-0.0003 (0.988)	-0.0018 (0.928)	-0.0003 (0.988)
Ln firm age	0.0740 (0.016)	0.0571 (0.067)	0.0572 (0.066)	0.0560 (0.072)
Debt-equity ratio	-0.0009 (0.000)	-0.0010 (0.000)	-0.0010 (0.000)	-0.0010 (0.000)
Ln R&D	-0.0032 (0.718)	-0.0034 (0.712)	-0.0024 (0.794)	-0.0029 (0.744)
<i>Independent variables</i>				
SEW endowment		0.2240 (0.000)	0.1922 (0.001)	0.2162 (0.001)
Performance below aspirations		-0.0008 (0.202)	-0.0098 (0.002)	-0.0095 (0.004)
<i>Interactions</i>				
SEW endowment × performance below aspirations			0.0095 (0.004)	0.0090 (0.007)
SEW endowment × performance above aspirations				-0.0116 (0.336)
Performance above aspirations				0.0037 (0.726)
<i>F</i> -statistic	4.55	6.09	6.82	6.40
<i>p</i> -value	.000	.000	.000	.000
R ²	0.129	0.157	0.161	0.164
ΔR ²		0.028	0.004	0.003
<i>p</i> -value	.000	.000	.004	.369
Year fixed effects	Yes	Yes	Yes	Yes
Observations	432	432	432	432

Note: *p*-values in parentheses.

SEW endowment and performance below aspirations. The resulting model is overall significant, as indicated by $F = 6.09$ and p -value = .000. We also check that the inclusion of SEW endowment and performance below aspirations to the model in Column (1) is overall significant ($F = 9.35$; p -value = 0 = 000). Finally, in Column (3), we further include in the model the interaction between SEW endowment and performance below aspirations. Again, we obtain overall model significance ($F = 6.82$; p -value = .000), and significance of the inclusion of the interaction term to the model in Column (2) ($F = 8.38$; p -value = .004).

Next, we assess whether the individual coefficients obtained in the full model of Column (3) lend support to our hypothesis. As shown, the standalone coefficient of the SEW endowment is positive

and significantly different from 0 (p -value = .001). In other words, firms with a greater SEW are significantly more likely to appoint a firstborn incoming leader. This result provides full support for Hypothesis 1. Turning our attention to the coefficient of the variable measuring performance below aspirations, we find a negative and significant coefficient (p -value = .002). Finally, examining the interaction between these two terms, we find a positive coefficient statistically different from 0 (p -value = .004); in other words, firms that are endowed with more SEW and experience performance below aspiration levels are significantly *more* likely to appoint the firstborn as the next leader. This evidence does not support Hypothesis 2. As shown in Column (4), our results are largely supported if we augment the model to include a variable measuring firm performance above aspiration levels and its interaction with SEW endowment, which are themselves not statistically significant. While the resulting model is overall significant ($F = 6.40$; p -value = .000), the inclusion of performance above aspirations and its interaction with SEW endowment to the model in Column (3) is associated with $F = 1$ and p -value = .369, and the two coefficients have p -value = .726 and p -value = .336, respectively.

To illustrate the economic magnitudes, in Figure 1, we provide a graphical illustration of the key regression coefficients derived in Column (3), taking a binary version of performance below aspirations to ease the interpretation.

We proceed by interpreting some of the findings that emerge from Table 2. These have been studied in the existing literature and were thus not explicitly hypothesized; nevertheless, they remain important to characterizing leader succession choices in family firms. The first is the negative and strongly significant effect of the number of offspring on firstborn successions. In other words, families with a smaller pool of potential family heirs are more likely to appoint the firstborn; conversely, families that can draw on a large pool of family heirs are less likely to select the firstborn. The second result relates to the gender of the firstborn. We find that when a leaving leader's firstborn is male, the company is significantly more likely to appoint the firstborn himself. This evidence expands the results in Bennedsen et al. (2007), who showed that the gender of the firstborn is an important predictor of the decision to appoint family members or unrelated professionals to family firm leadership positions.

We now test Hypothesis 3 about the relationship between firm performance and succession choices. In this analysis, the dependent variable is ROA, whereas the main explanatory variables are the dummies identifying whether the incoming leader is the firstborn or second-/subsequent-born family heir. Contrary to the previous regression, estimated at the year of leadership succession, the performance analysis is realized by exploiting the full longitudinal variation of our data (and thus,

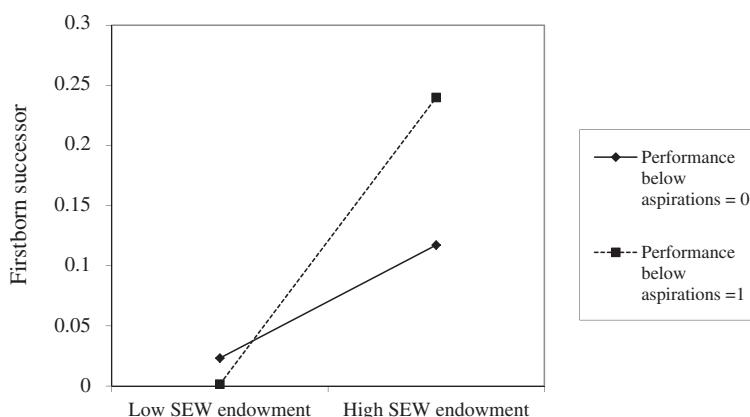


FIGURE 1 SEW endowment, performance aspirations, and primogeniture

TABLE 3 Succession choices and firm performance

Dependent variable: ROA	(1)	(2)	(3)	(4)
<i>Controls</i>				
Ln firm assets	5.9881	5.9797	5.9995	5.9983
	(0.056)	(0.056)	(0.055)	(0.055)
Ln firm age	-3.7059	-3.6821	-3.6763	-3.6357
	(0.225)	(0.227)	(0.228)	(0.231)
Debt-equity ratio	0.0024	0.0024	0.0024	0.0024
	(0.627)	(0.631)	(0.623)	(0.628)
Ln R&D	-0.0378	-0.0380	-0.0345	-0.0346
	(0.756)	(0.755)	(0.777)	(0.776)
<i>Independent variables</i>				
Firstborn successor		0.2446		0.4033
		(0.654)		(0.476)
Second-/subsequent-born successor			1.7027	1.7742
			(0.026)	(0.025)
F-statistic	8.18	7.82	7.78	7.46
p-value	.000	.000	.000	.000
R ²	0.326	0.326	0.326	0.326
Year fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
Observations	6,242	6,242	6,242	6,242

Note: p-values in parentheses.

including pre- and post-succession years around each succession event). To take this data structure into account, we operationalize our main explanatory variables as dummies equal to 1 for all the years following the succession and 0 for the pre-succession years. We include as additional explanatory variables the firm-level time-varying factors used in Table 2. Finally, following existing works on CEO succession (e.g., Amore et al., 2011; Minichilli et al., 2014), we augment the model with firm-fixed effects to control for time-invariant corporate heterogeneity and year dummies to control for trends in profitability common to our sample firms. Standard errors are clustered by firm to adjust for heteroskedasticity and serial correlation at the firm level.

Our findings are reported in Table 3, in which we start from a model with controls only and sequentially include the succession variables. Our results are twofold. On the one hand, we find that appointing the leaving leader's firstborn does not significantly influence firm performance (Column 2). On the other hand, we find that selecting a second- or subsequent-born offspring as incoming CEO does have a positive and statistically significant effect on firm performance (Columns 3–4). Interpreting the economic magnitude of the effect, we find that the coefficient of the second- or subsequent-born (equal to 1.774 ROA points) represents a 39% increase over an average ROA of 4.7. This result fully supports Hypothesis 3 that second- or subsequent-born descendants spur corporate results.⁴ In the next section, we show that this result is robust to the adoption of alternative specifications and estimation techniques.

⁴We perform additional (unreported) analyses to address the concern that our birth order effect may merely mirror variations in leader competences. In so doing, we distinguish between family firms with closed versus open boards (i.e., with at least one non-family director). The assumption of this test is that the more formalized or professionalized the governance, the more the selection of the

TABLE 4 Succession choices and firm performance: robustness tests

Dependent variable: ROA				
	Industry-trends (1)	Family directorship (2)	Only family successions (3)	Alternative performance (4)
Firstborn successor	0.4417 (0.402)	0.5619 (0.319)	0.1218 (0.807)	0.4462 (0.550)
Second-/subsequent-born successor	1.7093 (0.033)	1.3960 (0.044)	1.0166 (0.085)	2.5574 (0.028)
Ln firm assets	5.5371 (0.078)	4.2951 (0.005)	1.5180 (0.001)	9.6920 (0.087)
Ln firm age	-3.7912 (0.211)	-1.0648 (0.470)	0.3413 (0.814)	-6.1240 (0.241)
Debt-equity ratio	0.0003 (0.945)	0.0017 (0.858)	0.0039 (0.021)	0.0028 (0.661)
Ln R&D	-0.0255 (0.828)	-0.0235 (0.831)	-0.0247 (0.786)	-0.0927 (0.445)
F-statistic	22.9	6.79	6.08	7.27
p-value	.000	.000	.000	.000
R ²	0.351	0.414	0.550	0.283
Year fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
Observations	6,242	5,150	4,053	6,208

Note: p-values in parentheses.

3.5 | Robustness tests

To discuss the robustness of our results, we start by controlling for industry effects. To this end, we include as additional control the median ROA by two-digit industry and year. The results reported in Column 1 of Table 4 confirm our main result in statistical and economic terms. Alternatively, in an untabulated regression we check that our results are robust to control for industry-specific trends by including a set of interactions between two-digit industry and year dummies (Gormley & Matsa, 2014). Next, we augment the set of controls with the ratio of family directors to the total number of directors (Column 2), exclude successions in which the incoming leader is a non-family member (Column 3), and employ the ratio of earnings before interest, taxes, and depreciation to total assets as alternative dependent variable (Column 4). All these tests support Hypothesis 3 regarding the beneficial effect of second-/subsequent-born incoming leaders on firm performance.

3.6 | Founder succession versus other succession types

As the final step of our empirical investigation, we conduct a test to assess Hypothesis 4, which posits that the performance increase of second/subsequent-born successions should be most pronounced when the leaving leader was not the company founder. To this end, we estimate the model

successor should be based on competence as one of the primary concerns of outside directors should be that the selection of company leaders is based on competence rather than on family ties and/or emotions. Notably, the moderation effect of board governance does not add to the post-succession performance of second- or subsequent-born successors. This indirect evidence seems to support our logic that birth order matters beyond competences.

TABLE 5 Results for founder and non-founder successions

Dependent variable: ROA	Non-founder successions (1)	Founder successions (2)
Firstborn successor	0.5509 (0.371)	-1.5679 (0.429)
Second-/subsequent-born successor	1.6910 (0.037)	1.1369 (0.595)
Ln firm assets	6.6904 (0.079)	2.6038 (0.022)
Ln firm age	-5.6469 (0.155)	0.8062 (0.731)
Debt-equity ratio	0.0011 (0.872)	0.0052 (0.045)
Ln R&D	-0.0514 (0.716)	-0.0487 (0.808)
<i>F</i> -statistic	6.54	3.03
<i>p</i> -value	.000	.000
R ²	0.315	0.539
Year fixed effects	Yes	Yes
Firm fixed effects	Yes	Yes
Observations	5,188	1,054

Note: *p*-values in parentheses.

in Column 3 of Table 4 separately for firms with leaving founders and firms in which the leaving leader is not the founder.

The economic magnitudes reported in Table 5 provide some support for our hypothesis: Successions in which the leaving leader is the company founder and the incoming leader is the second-/subsequent-born heir induce an insignificant increase in firm performance; by contrast, incoming second-/subsequent-born leaders meaningfully affect firm performance when the leaving leader is not the founder. The latter effect is approximately 50% larger than the effect reported for founder successions; additionally, while the statistical significance resulting from comparing the key coefficients in Columns 1–2 is limited, this greater economic magnitude does support our fourth hypothesis.

4 | DISCUSSION AND CONCLUSION

This article extends existing knowledge of leadership succession in family firms by reframing this strategic choice from a SEW perspective and by introducing two unique and largely neglected aspects: the antecedents of birth order of newly appointed leaders and the consequence of these choices on post-succession firm performance, including their differential impacts on founder- versus later-generation family firms. In doing so, we relied on the recent but voluminous literature on SEW in family firms to establish the impact of the SEW endowment on the adoption of social norms such as primogeniture, and also considered the extent to which firms experienced financial vulnerability—measured as performance below aspiration levels.

Integrating recent findings on the contextual validity of SEW (Chrisman & Patel, 2012; Cruz, Justo, & De Castro, 2012; Gómez-Mejía et al., 2015), our results show that the likelihood of following primogeniture increases when the SEW endowment is high. Further, and contrary to our prediction that negative economic prospects will decrease the importance of family-driven motives in the succession choices (Gómez-Mejía et al., 2015; Minichilli et al., 2016), our findings suggest that pre-succession performance below aspirations does not weaken the impact of the SEW endowment on the likelihood of selecting the firstborn child as next leader. In fact, we find that SEW priorities will prevail in selecting the firstborn family successor *especially if* the family firm is vulnerable or distressed. Our findings are consistent with the seminal findings of Gómez-Mejía et al. (2007) (and subsequent developments, Berrone et al., 2012; Gómez-Mejía et al., 2011, 2014b), suggesting that family firms are willing to accept greater performance hazard risks in order to preserve their SEW endowment. In other words, contrary to the core assumptions of the behavioral theory of the firm (Cyert & March, 1963)—which assumes that firms operating below aspirations accept increased risks and search for strategic change—family principals are willing to accept this *attainment discrepancy* if SEW is threatened. This finding is in line with previous studies supporting the performance hazard risk axiom, such as that on environmental performance (Berrone et al., 2010) showing that, in order to preserve their positive reputations, family firms accept a decrease in profitability by polluting less. Other findings in this direction suggest that family owners may accept lower stock valuations during initial public offerings in order to retain family control (Leitterstorf & Rau, 2014); avoid acquisitions that threaten family control, routines and values (Miller, Le Breton-Miller, & Lester, 2010); and refuse to hire non-family managers despite their competence, as this may imply a loss of SEW (Vandekerckhof, Steijvers, Hendriks, & Voordeckers, 2015).

Our results enrich the existing literature mostly because of the peculiar nature of succession decisions compared to other strategic decisions. First and foremost, leadership succession is surrounded by contextual ambiguity since the financial performance consequences are unclear, and hence, the threat to socioemotional wealth is vague and difficult to discern (Gómez-Mejía et al., 2007). Second, in family firms with high SEW and performance below aspiration levels, family principals' attention may be focused on their fears (survival) rather than on their hopes (aspirations) (March & Shapira, 1992; Ref & Shapira, 2017). To sum up, we offer an alternative perspective from that of Gómez-Mejía et al. (2015) on acquisition choices suggesting that “financial duress pushes SEW concerns to the back.”

A second important piece of evidence from our study is that breaking primogeniture rules and selecting a second- or subsequent-born family member will yield significantly better post-succession results compared to other succession possibilities, including the selection of a non-family leader. We believe that this outcome is possible because a more deliberately selected family member (i.e., not following primogeniture as the default option) will benefit from combining the important qualities of being the best in the family with the preservation of family legacy (Miller et al., 2013). Moreover, despite the fact that the leader will be selected from a relatively limited pool of family candidates (Mehrotra et al., 2013), using the entire pool of family candidates rather than automatically selecting the firstborn will increase the possibility of blending competence and commitment. Breaking primogeniture reduces the possibility of nepotistic transfers into the family as well as their potentially detrimental effects on post-succession performance (Miller et al., 2013, 2014). This finding also suggests that, while following primogeniture will more likely result in leaders who attempt to follow their parents' business model, the appointment of subsequent-born children will increase the likelihood of discontinuity (Nicholson, 2008a, 2008b) since they are typically more open to new experiences, less conformist, unconventional, and tolerant of risk (Sulloway, 2001). Finally, our findings suggest that this pattern is stronger in later generations when the likelihood of a more formalized

process (Calabrò & Mussolini, 2013; Gedajlovic et al., 2004) for selecting family candidates (Minichilli et al., 2014) paired with decreased attention to SEW will secure an optimal balance between socioemotional and economic reference points.

4.1 | Implications for theory

This article makes several contributions to theory, which can be presented along three main directions. First, we contribute to the debate on SEW as an antecedent of leadership transition, one of the most-debated strategic choices that family principals should care about (Gómez-Mejía et al., 2011) by adding new nuances to the recent debate about “contextualizing SEW” and defining its boundary conditions (Gómez-Mejía et al., 2015; Souder et al., 2017). Our work suggests that the SEW endowment is a predictor of primogeniture even under vulnerability, which points to a need for better conceptual differentiation between SEW preservation tendencies in different types of strategic choices and their contextual ambiguity. Future studies should explicitly include into their theorization whether a strategic action has a direct effect on socioemotional wealth or whether the effect is nuanced and difficult to discern, as in the case of leadership succession (Gómez-Mejía et al., 2007).

Second, we address calls for further studies that consider various contexts in investigating CEO succession (Shen & Cannella, 2002). More precisely, we follow recent requests for a more thorough account of leadership in entrepreneurial and family controlled companies’ context (Simsek et al., 2015) by focusing on an important choice, leadership transition. By providing evidence on the effects of breaking with primogeniture on succession events, we delve into the family nucleus to establish how family birth order may significantly affect family firm leadership and performance.

Third, we contribute to the recent stream of literature on family firm succession by adding a new piece to the puzzle by distinguishing among types of SEW. In line with recent findings from Cennamo, Berrone, Cruz, and Gómez-Mejía (2012), this distinction adds to the family business literature by demonstrating that SEW is not a monolithic concept and that family principals are not a homogenous group with identical preferences and objectives (Calabrò, Campopiano, & Basco, 2017). Indeed, the analysis of birth order among potential successors extends our understanding of the concept of SEW and highlights the need to use it wisely (Miller & Le Breton-Miller, 2014; Naldi et al., 2013; Vardaman & Gondo, 2014). Specifically, we suggest that when the succession decision is based on inheritance norms (Bennedsen et al., 2007), family principals are driven by a perspective that we label *blind* SEW in which the SEW dimension of *renewal of family bonds through dynastic succession* is at its maximum (Berrone et al., 2012; Gómez-Mejía, Cruz, & Imperatore, 2014a). Conversely, the decision to select a second- or subsequent-born child as the next leader—while being still family-centered—suggests that the family principal has the courage to break the primogeniture rule, and hence, provides an example of *wise* SEW. In this way, leadership succession represents a suitable opportunity to combine the family’s utility with the need to find the best leader for the firm. We also support the view that “...nepotism is an art that needs to be practiced the right way” (Bellow, 2004). The decision to blindly adhere to a primogeniture without considering any other factor shows the effects of the dark side of SEW (Kellermanns et al., 2012) on post-succession firm performance. To sum up, our results suggest the need to contextualize the socioemotional priorities of controlling families, including their various dimensions to obtain a clearer understanding of how family principals approach and face important strategic decisions.

4.2 | Implications for practice

The findings of this study have implications for family business owners and managers, particularly when approaching a succession event. The distinction among various types of intra-family

succession possibilities and the findings on the effects of leadership succession based on primogeniture offer an interesting opportunity to demonstrate that what is sometimes dictated by history, traditions, and family inheritance norms might threaten the well-being of the entire family and firm. Thus, careful reflection on the use of systematic succession policies is necessary to ensure a decision that best fits both the socioemotional and the economic needs of all actors involved in this strategic choice.

Implicitly, our findings suggest that family principals must have the courage to break the primogeniture rule if they want to find the right candidate for succession. The advantages of breaking this rule are twofold. First, if the family principal follows the primogeniture rule, it is possible that potential family candidates excluded from the competition for the CEO position will lose their socioemotional attachment to the family firm and begin to act with a purely opportunistic logic to expropriate benefits and advantages (see, e.g., Kellermanns et al., 2012). Second, from a practical standpoint, breaking with primogeniture does not necessarily mean that firstborns cannot compete for the CEO position, but that family decision-makers should carefully secure competition among successors to determine the best and most fitting candidate for the firm's needs (see, e.g., Minichilli et al., 2014).

4.3 | Limitations and future research directions

Our study is not without limitations, which must be noted here. For instance, our analysis is based on data from Italy, which, due to its peculiar strength of family values, suggests caution when generalizing our results to samples in other countries. Future research should consider extending these results through cross-national studies to consider countries with more heterogeneous cultural values. Additionally, although we have been able to reconstruct a large number of families and their structures at the time of succession, we have not been able to include data on the human capital of the potential heirs. Future studies could combine information on the family's nuclear structure and potential family successors with fine-grained data on their competence, skills and social capital, thus testing whether the courage to break the primogeniture rules depends on factors related to the potential family successor's education, training, skills, related and unrelated business experience, and network relationships.

We also encourage more thorough exploration of the birth-order theory, including features such as sibship size and age gaps among siblings. Additionally, future studies may consider insights from related fitness theory to understand how birth order influences individuals' characteristics and personalities. To this end, studies may consider explicit measures of firstborns' propensity to please their parents and follow the rules and conventions compared to the attitudes of second- and third-born children: Whereas the second born is typically more creative and a rule-breaker, the third or last born are often in even more difficult positions because they receive attention as the youngest of the family; however, such third or last-born siblings might also feel inadequate and always feel "little." The inclusion of psychological or demographic insights in future studies might fruitfully expand this promising avenue of research and may allow for testing competence-based and personality-based explanations for our finding that more freely selected successors perform better.

ACKNOWLEDGEMENTS

We would like to express our sincere appreciation to the associate editor Steven Floyd and the anonymous reviewers for their generous feedback and suggestions to improve our article.

REFERENCES

- Amore, M. D., Garofalo, O., & Minichilli, A. (2014). Gender interactions within the family firm. *Management Science*, 60(5), 1083–1097.
- Amore, M. D., Minichilli, A., & Corbetta, G. (2011). How do managerial successions shape corporate financial policies in family firms? *Journal of Corporate Finance*, 17(4), 1016–1027.
- Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. *The Journal of Finance*, 58(3), 1301–1328.
- Ansari, I. F., Goergen, M., & Mira, S. (2014). The determinants of the CEO successor choice in family firms. *Journal of Corporate Finance*, 28, 6–25.
- Bammens, Y., Voordeckers, W., & Van Gils, A. (2008). Boards of directors in family firms: A generational perspective. *Small Business Economics*, 31(2), 163–180.
- Bellow, A. (2004). *In praise of nepotism*. New York, NY: Anchor Books.
- Bennedsen, M., Nielsen, K. M., Perez-Gonzalez, F., & Wolfenzon, D. (2007). Inside the family firm: The role of families in succession decisions and performance. *The Quarterly Journal of Economics*, 122(2), 647–691.
- Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, 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), 82–113.
- Bertocchi, G. (2006). The law of primogeniture and the transition from landed aristocracy to industrial democracy. *Journal of Economic Growth*, 11(1), 43–70.
- Bertrand, M., & Schoar, A. (2006). The role of family in family firms. *The Journal of Economic Perspectives*, 20(2), 73–96.
- Bloom, N., & Van Reenen, J. (2007). Measuring and explaining management practices across firms and countries. *The Quarterly Journal of Economics*, 122(4), 1351–1408.
- Bloom, N., & Van Reenen, J. (2010). Why do management practices differ across firms and countries? *Journal of Economic Perspectives*, 24(1), 203–224.
- Boellis, A., Mariotti, S., Minichilli, A., & Piscitello, L. (2016). Family involvement and firms' establishment mode choice in foreign markets. *Journal of International Business Studies*, 47(8), 929–950.
- Calabrò, A., Campopiano, G., & Basco, R. (2017). Principal-principal conflicts and family firm growth: The moderating role of business family identity. *Journal of Family Business Management*, 7, 291–308.
- Calabrò, A., & Mussolini, D. (2013). How do boards of directors contribute to family SME export intensity? The role of formal and informal governance mechanisms. *Journal of Management & Governance*, 17(2), 363–403.
- Cannella, A. A., & Lubatkin, M. (1993). Succession as a sociopolitical process: Internal impediments to outsider selection. *Academy of Management Journal*, 36(4), 763–793.
- Cannella, A. A., & Shen, W. (2001). So close and yet so far: Promotion versus exit for CEO heirs apparent. *Academy of Management Journal*, 44(2), 252–270.
- Cennamo, C., Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth and proactive stakeholder engagement: Why family-controlled firms care more about their stakeholders. *Entrepreneurship Theory and Practice*, 36(6), 1153–1173.
- Chang, S. J., & Shim, J. (2015). When does transitioning from family to professional management improve firm performance? *Strategic Management Journal*, 36(9), 1297–1316.
- Chrisman, J. J., & Patel, P. C. (2012). Variations in R&D investments of family and nonfamily firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal*, 55(4), 976–997.
- Colli, A., Perez, P. F., & Rose, M. B. (2003). National determinants of family firm development? Family firms in Britain, Spain, and Italy in the nineteenth and twentieth centuries. *Enterprise and Society*, 4(01), 28–64.
- Colli, A., & Rose, M. B. (1999). Families and firms: The culture and evolution of family firms in Britain and Italy in the nineteenth and twentieth centuries. *Scandinavian Economic History Review*, 47(1), 24–47.
- Cruz, C., Justo, R., & De Castro, J. O. (2012). Does family employment enhance MSEs performance? Integrating socioemotional wealth and family embeddedness perspectives. *Journal of Business Venturing*, 27(1), 62–76.
- Cucculelli, M., & Micucci, G. (2008). Family succession and firm performance: Evidence from Italian family firms. *Journal of Corporate Finance*, 14(1), 17–31.
- Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice Hall.
- Dyer, W. G., & Whetten, D. A. (2006). Family firms and social responsibility: Preliminary evidence from the S&P 500. *Entrepreneurship Theory and Practice*, 30(6), 785–802.
- Ferris, S. P., Jayaraman, N., & Lim, J. (2015). Six decades of CEO successions: The importance of being an insider. *Journal of Accounting and Finance*, 15(4), 11.
- Fredrickson, J. W., Hambrick, D. C., & Baumrin, S. (1988). A model of CEO dismissal. *Academy of Management Review*, 13(2), 255–270.
- Gedajlovic, E., Lubatkin, M. H., & Schulze, W. S. (2004). Crossing the threshold from founder management to professional management: A governance perspective. *Journal of Management Studies*, 41(5), 899–912.
- Gómez-Mejía, L., Cruz, C., & Imperatore, C. (2014a). Financial reporting and the protection of socioemotional wealth in family-controlled firms. *European Accounting Review*, 23(3), 387–402.

- Gómez-Mejía, L. R., Campbell, J. T., Martin, G., Hoskisson, R. E., Makri, M., & Sirmon, D. G. (2014b). Socioemotional wealth as a mixed gamble: Revisiting family firm R&D investments with the behavioral agency model. *Entrepreneurship Theory and Practice*, 38(6), 1351–1374.
- Gómez-Mejía, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *The Academy of Management Annals*, 5(1), 653–707.
- Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & 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., Nunez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal*, 44(1), 81–95.
- Gómez-Mejía, L. R., Patel, P. C., & Zellweger, T. M. (2015). In the horns of the dilemma: Socioemotional wealth, financial wealth, and acquisitions in family firms. *Journal of Management* (In press). <https://doi.org/10.1177/0149206315614375>
- Gormley, T. A., & Matsa, D. A. (2014). Common errors: How to (and not to) control for unobserved heterogeneity. *Review of Financial Studies*, 27(2), 617–661.
- Hrdy, S. B., & Judge, D. S. (1993). Darwin and the puzzle of primogeniture. *Human Nature*, 4(1), 1–45.
- Iyer, D. N., & Miller, K. D. (2008). Performance feedback, slack, and the timing of acquisitions. *Academy of Management Journal*, 51(4), 808–822.
- Jaskiewicz, P., Uhlenbruck, K., Balkin, D. B., & Reay, T. (2013). Is nepotism good or bad? Types of nepotism and implications for knowledge management. *Family Business Review*, 26(2), 121–139.
- Kellermanns, F. W., Eddleston, K. A., & Zellweger, T. M. (2012). Extending the socioemotional wealth perspective: A look at the dark side. *Entrepreneurship Theory and Practice*, 36(6), 1175–1182.
- Kuusela, P., Keil, T., & Maula, M. (2017). Driven by aspirations, but in what direction? Performance shortfalls, slack resources, and resource-consuming vs. resource-freeing organizational change. *Strategic Management Journal*, 38(5), 1101–1120.
- Le Breton-Miller, I., & Miller, D. (2013). Socioemotional wealth across the family firm life cycle: A commentary on “family business survival and the role of boards.” *Entrepreneurship Theory and Practice*, 37(6), 1391–1397.
- Lee, K. S., Lim, G. H., & Lim, W. S. (2003). Family business succession: Appropriation risk and choice of successor. *Academy of Management Review*, 28(4), 657–666.
- Leitterstorf, M. P., & Rau, S. B. (2014). Socioemotional wealth and IPO underpricing of family firms. *Strategic Management Journal*, 35(5), 751–760.
- Lin, S.-H., & Hu, S.-Y. (2007). A family member or professional management? The choice of a CEO and its impact on performance. *Corporate Governance: An International Review*, 15(6), 1348–1362.
- March, J. G., & Shapira, Z. (1992). Variable risk preferences and the focus of attention. *Psychological Review*, 99(1), 172–183.
- Mehrotra, V., Morck, R., Shim, J., & Wiwattanakantang, Y. (2013). Adoptive expectations: Rising sons in Japanese family firms. *Journal of Financial Economics*, 108(3), 840–854.
- Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice*, 38(4), 713–720.
- Miller, D., Le Breton-Miller, I., & Lester, R. H. (2010). Family ownership and acquisition behavior in publicly-traded companies. *Strategic Management Journal*, 31(2), 201–223.
- Miller, D., Le Breton-Miller, I., Minichilli, A., Corbetta, G., & Pittino, D. (2014). When do non-family CEOs outperform in family firms? Agency and behavioural agency perspectives. *Journal of Management Studies*, 51(4), 547–572.
- Miller, D., Le Breton-Miller, I., & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies*, 45(1), 51–78.
- Miller, D., Minichilli, A., & Corbetta, G. (2013). Is family leadership always beneficial? *Strategic Management Journal*, 34(5), 553–571.
- Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change, and failure in family business. *Journal of Business Venturing*, 18(4), 513–531.
- Minichilli, A., Brogi, M., & Calabrò, A. (2016). Weathering the storm: Family ownership, governance, and performance through the financial and economic crisis. *Corporate Governance: An International Review*, 24(6), 552–568.
- Minichilli, A., Nordqvist, M., Corbetta, G., & Amore, M. D. (2014). CEO succession mechanisms, organizational context, and performance: A socio-emotional wealth perspective on family-controlled firms. *Journal of Management Studies*, 51(7), 1153–1179.
- Mobbs, S., & Raheja, C. G. (2012). Internal managerial promotions: Insider incentives and CEO succession. *Journal of Corporate Finance*, 18(5), 1337–1353.
- Morck, R., Stangeland, D. A., & Yeung, B. (1998). *Inherited wealth, corporate control and economic growth: The Canadian disease*. Cambridge, MA: National Bureau of Economic Research.
- Naldi, L., Cennamo, C., Corbetta, G., & Gómez-Mejía, L. (2013). Preserving socioemotional wealth in family firms: Asset or liability? The moderating role of business context. *Entrepreneurship Theory and Practice*, 37(6), 1341–1360.
- Nicholson, N. (2008a). Evolutionary psychology and family business: A new synthesis for theory, research, and practice. *Family Business Review*, 21(1), 103–118.
- Nicholson, N. (2008b). Evolutionary psychology, organizational culture, and the family firm. *The Academy of Management Perspectives*, 22(2), 73–84.

- Patel, P. C., & Chrisman, J. J. (2014). Risk abatement as a strategy for R&D investments in family firms. *Strategic Management Journal*, 35(4), 617–627.
- Pérez-González, F. (2006). Inherited control and firm performance. *The American Economic Review*, 96(5), 1559–1588.
- Pitcher, P., Chreim, S., & Kisfalvi, V. (2000). CEO succession research: Methodological bridges over troubled waters. *Strategic Management Journal*, 21(6), 625–648.
- Pukall, T. J., & Calabrò, A. (2014). The internationalization of family firms: A critical review and integrative model. *Family Business Review*, 27(2), 103–125.
- Ref, O., & Shapira, Z. (2017). Entering new markets: The effect of performance feedback near aspiration and well below and above it. *Strategic Management Journal*, 38(7), 1416–1434.
- Reid, R. S., & Adams, J. S. (2001). Human resource management—a survey of practices within family and non-family firms. *Journal of European Industrial Training*, 25(6), 310–320.
- Schulze, W. S., & Gedajlovic, E. R. (2010). Whither family business? *Journal of Management Studies*, 47(2), 191–204.
- Sciascia, S., Mazzola, P., & Kellermanns, F. W. (2014). Family management and profitability in private family-owned firms: Introducing generational stage and the socioemotional wealth perspective. *Journal of Family Business Strategy*, 5(2), 131–137.
- Shen, W., & Cannella, A. A. (2002). Revisiting the performance consequences of CEO succession: The impacts of successor type, postsuccession senior executive turnover, and departing CEO tenure. *Academy of Management Journal*, 45(4), 717–733.
- Simsek, Z., Jansen, J. J., Minichilli, A., & Escriba-Esteve, A. (2015). Strategic leadership and leaders in entrepreneurial contexts: A nexus for innovation and impact missed? *Journal of Management Studies*, 52(4), 463–478.
- Souder, D., Zaheer, A., Sapienza, H., & Ranucci, R. (2017). How family influence, socioemotional wealth, and competitive conditions shape new technology adoption. *Strategic Management Journal*, 38(9), 1774–1790.
- Stockmans, A., Lybaert, N., & Voordeckers, W. (2010). Socioemotional wealth and earnings management in private family firms. *Family Business Review*, 23(3), 280–294.
- Strike, V. M., Berrone, P., Sapp, S. G., & Congiu, L. (2015). A socioemotional wealth approach to CEO career horizons in family firms. *Journal of Management Studies*, 52(4), 555–583.
- Sulloway, F. J. (2001). Birth order, sibling competition, and human behavior. In H. R. Holcomb III (Ed.), *Conceptual challenges in evolutionary psychology* (39–83). Dordrecht, The Netherlands: Springer.
- Vandekerckhof, P., Steijvers, T., Hendriks, W., & Voordeckers, W. (2015). The effect of organizational characteristics on the appointment of nonfamily managers in private family firms: The moderating role of socioemotional wealth. *Family Business Review*, 28(2), 104–122.
- Van Gils, A., Voordeckers, W., & van den Heuvel, J. (2004). Environmental uncertainty and strategic behavior in Belgian family firms. *European Management Journal*, 22(5), 588–595.
- Vardaman, J. M., & Gondo, M. B. (2014). Socioemotional wealth conflict in family firms. *Entrepreneurship Theory and Practice*, 38(6), 1317–1322.
- Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, 80(2), 385–417.
- Zajac, E. J. (1990). CEO selection, succession, compensation and firm performance: A theoretical integration and empirical analysis. *Strategic Management Journal*, 11(3), 217–230.
- Zhang, Y., & Qu, H. (2016). The impact of CEO succession with gender change on firm performance and successor early departure: Evidence from China's publicly listed companies in 1997–2010. *Academy of Management Journal*, 59(5), 1845–1868.
- Zellweger, T. M., & Dehlen, T. (2012). Value is in the eye of the owner: Affect infusion and socioemotional wealth among family firm owners. *Family Business Review*, 25(3), 280–297.
- Zhu, D. H., & Shen, W. (2016). Why do some outside successions fare better than others? The role of outside CEOs' prior experience with board diversity. *Strategic Management Journal*, 37(13), 2695–2708.

How to cite this article: Calabrò A, Minichilli A, Amore MD, Brogi M. The courage to choose! Primogeniture and leadership succession in family firms. *Strat Mgmt J*. 2018;39: 2014–2035. <https://doi.org/10.1002/smj.2760>