Toward the Development of a Family Business Self-Efficacy Scale: A Resource-Based Perspective

Alex DeNoble, Sanford Ehrlich, Gangaram Singh

Given the importance of succession planning in family-owned businesses, our research is focused on identifying the key dimensions that could comprise a family business self-efficacy scale. We employed an explorative qualitative research methodology by querying a group of family business presidents to describe the skills critical for success. Using a resource-based perspective and relevant family business succession literature, we organized this feedback into a framework depicting the key challenges associated with leadership succession. The presidents' comments highlight a set of general and family business skill requirements that fall into the domains of social and human capital.

Introduction

Succession planning is a centrally important issue for family-owned businesses (FOB) (Chrisman, Chua, & Sharma, 1998; Dyer & Handler, 1994; Wortman, 1994). Historically, survival rates across generations of family businesses have been reported to be low (Cabrera-Suarez, 2005; C. Handler & Kram, 1988; Le Breton-Miller, Miller, & Steier, 2004). Although numerous models exist to guide families through the succession process, there appears to be little consensus on a universal approach.

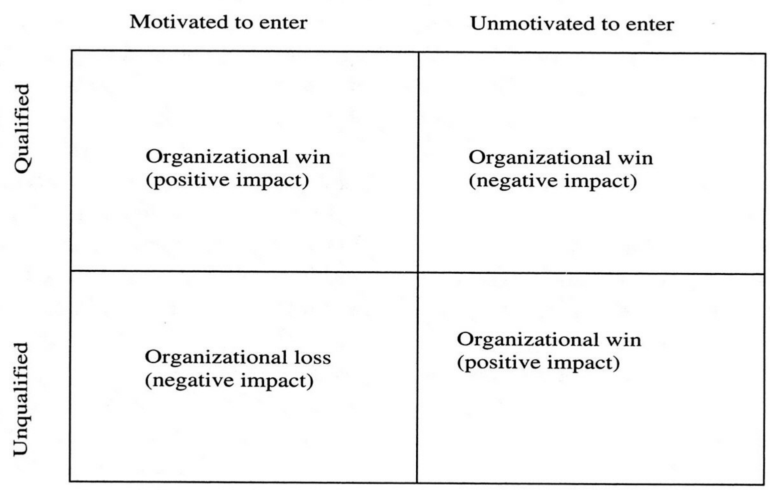
Strong successor commitment to the FOB is crucial to a successful transition (Chrisman et al., 1998; W. C. Handler, 1989; Sharma & Irving, 2005; Sharma & Rao, 2000). Incumbent family members, as such, have to focus on the challenge of how best to identify, select, and nurture a successor. This is a very difficult task given the often smaller size of available talent within the family, coupled with the emotional factors associated with incumbent-successor relationships and other complex dynamics within a given family social structure (Lansberg, 1999; Le Breton-Miller et al., 2004; Miller, Steier, & Le Breton-Miller, 2003). Despite the attention that has been devoted to this subject, there continues to be a need for better assessment tools to address the issue of succession (Le Breton-Miller et al., 2004).

A useful concept that can guide the development of such a tool is self-efficacy, or the judgment of one's capability to accomplish a certain level of performance or achieve a desired outcome (Bandura, 1986). As a construct, self-efficacy can help explain a potential successor's motivation and persistence in managing through the transition and subsequently leading the organization. Within the FOB context, self-efficacy may be captured through domain-specific attributes or skills. The purpose of this article, therefore, is to advance the development of a domain-specific measure of family business self-efficacy (FBSE). Our approach builds on prior research on entrepreneurial self-efficacy (ESE), which focused on the development of measures to capture the task, situational demands, and activities necessary for performance in a start-up entrepreneurial venture. In the FOB setting, we consider the unique challenges confronting the new leader in establishing credibility among existing stakeholders and in successfully managing and building the firm's resources. Although some of the skills required to succeed in this environment are similar to the non-FOB context, the literature on family business identifies fundamental differences arising from the unique environment and demands of this type of organizational setting. We assume that these fundamental differences will require the successor to a FOB to develop and utilize additional skills that might not be employed in a non-FOB context. Hence, this project is designed to offer a preliminary framework for the development of an FBSE scale.

Theoretical Background

A trans-generational succession in leadership in an FOB represents a dynamic triggering event (Phan, 2006) that can have significant implications throughout the organization. Succession planning in FOBs is an area requiring further research and theory development. Sharma, Chrisman, and Chua (2003) suggest that this process represents a deliberate and formal approach that ultimately transfers management control from one family member to another. They applied the theory of planned behavior in an empirical study that investigated the determinants of succession-planning activities in family firms. A major finding from their study was that the feasibility of succession is highly dependent on the motivation of a trusted successor to assume a leadership role in the FOB. One framework (Harvey & Evans, 1994) suggests that effective successions depend on both the motivation and qualifications of family members to assume the leadership role. Successful organizational outcomes occur when motivated and qualified family members ascend to the leadership role and when unmotivated and unqualified family members opt out of the business. Organizational losses occur for the family business when unqualified family members are motivated to assume a leadership role or when qualified family members are unmotivated to assume a leadership role. In Figure 1, we present their 2 × 2 matrix, which depicts the challenges encountered by the FOB when it comes time to choose a new family leader.

Once succession occurs, the dynamic capabilities (Arthurs & Busenitz, 2006) of this new leader to grasp and utilize existing resources and rela-



Source: Harvey and Evans (1994)

Figure 1 "Perfect World" Decision Criteria for Family Member Involvement.

tionships will impact the system and influence future performance. Dynamic capabilities will focus on how effectively the new leader utilizes existing and novel strategic inputs and relationships so that the organization can meet performance expectations. The challenge of succession takes on added complexity due to the leader's need to balance the dynamics of the family and business systems (Habbershon & Williams, 1999).

A succession model posed by Le Breton-Miller et al. (2004) is relevant to this discussion. The core of this model focuses on the critical areas of the succession event, its antecedents, and its consequences (Bagby, 2004). This model recognizes the need for succession planning through the establishment of ground rules to nurture and develop a potential successor. It can be argued that predicting the future success of a candidate to succeed in an FOB requires greater attention to antecedent variables, which can define desirable skills.

Social and Human Capital

Recently, researchers have started to utilize the resource-based view (RBV) as a framework for understanding the deployment of resources in an FOB (Chrisman, Chua, & Sharma, 2005; Sirmon & Hitt, 2003). According to the RBV, returns achieved are directly attributable to the resources controlled and how they are managed (Barney & Arikan, 2001). Barney (1991) suggested that in order for a firm to attain and sustain competitive advantages that would produce attractive returns, these resources must be valuable, rare, difficult to imitate, and nonsubstitutable. In an FOB, the leader must exhibit the kinds of skills necessary to manage these firm-specific resources. Salient dimensions of firm-specific strategic resources include both social capital and human capital. According to the RBV, how a successor in an FOB manages critical relationships and deploys critical firm-specific resources will have a significant impact on future resource acquisitions and subsequent performance. Thus, in planning for eventual successors to take over the leadership role, it is important to understand the challenges they might face.

Social capital is conceptualized as the network of individual- and organization-based relationships that can affect a range of critical firm activities encompassing both intra-firm and interfirm exchange (Nahapiet & Ghoshal, 1998; Sirmon & Hitt, 2003). In the literature on succession, Chrisman et al. (1998) identified attributes falling into six broad categories, several of which are directly related to elements of social capital. These key attributes are: the successor's relationship with the incumbent, relationships with family members, and current involvement with the family business. The latter category could also influence the development of human capital as involvement with the family business can provide mastery experiences that build tacit knowledge of the business and industry. C. Handler and Kram (1988) also emphasized that relationships between the successor and the incumbent leader, the family, and key personnel within the business represent distinct interdependent forces that influence roles and performance within the overall system. These broad categories may serve as a useful framework to understand the critical social capital dimensions associated with the family business succession process.

The importance of family harmony to the future success of the business is well established (Chrisman et al., 1998; Churchill & Hatten, 1987; Malone, 1989). In building strong consensus and support, effective successors must not only be able to gain the trust of family members actively involved in the business (Goldberg & Woolbridge, 1993; Lansberg & Astrachan, 1994), but they may also need to cultivate influential family members who are not actively involved in the business (Gillis-Danovan & Moynihan-Bradt, 1990). Additionally, new leaders must also focus on the delicate relationship between themselves and the incumbent leader (Cabrera-Suarez, De Saa-Perez, & Barcia-Almeida, 2001; C. Handler & Kram, 1988). An analysis of social capital should also focus on the successor's ability to transition, maintain, and build business relationships both within and external to the firm. Such endeavors would require an individual to possess strong interpersonal, credibility-building, and relationship-building skills.

Human capital represents an intangible resource (i.e., knowledge) that allows firms to add value to other tangible firm-specific resources in the pursuit of competitive advantage. Recent research suggests that human capital can significantly affect firm outcomes (Finkelstein & Hambrick, 1996; Hitt, Biermant, Shimizu, & Kochhar 2001). Difficult to codify, firm-specific tacit knowledge is a critical consideration in the FOB. In choosing a family member as a successor, incumbent leaders run the risk of suboptimizing. A smaller pool of potential viable candidates and the disincentive of highly qualified nonfamily members to remain in the organization can severely impair the transfer of firm-specific knowledge (Dunn, 1995). On the upside, however, early exposure to family business matters by potential successor candidates may serve to increase a successor's store of critical knowledge. Subsequent managerial effectiveness relies heavily on the successor's capabilities to acquire tacit knowledge, which evolves from the individual's embedded traits and accumulated experience (Cabrera-Suarez, 2005). Prior experience within the business should enable a successor to develop an understanding of the culture and intricacies of the firm, while experience outside the firm can help the successor to develop capabilities to deal with a wider range of problems that may confront the organization (Chrisman et al., 1998). An incoming leader must be motivated and confident in his or her ability to acquire the firm-specific and industry-specific knowledge necessary to establish credibility among many key stakeholders and to make decisions to strategically deploy the firm's tangible resources. The self-efficacy to do so will ultimately influence the decision and outcome.

Self-Efficacy

Self-efficacy refers to a judgment of one's capability to accomplish a certain level of performance or achieve a desired outcome (Bandura, 1986). An individual with high self-efficacy is likely to set more challenging goals, which in turn would raise the level of motivation and effort until his or her initial goals are met (Gist, 1987). Prior research has supported the positive effect that self-efficacy has on an individual's motivation, performance, and subsequent behaviors. For example, Stajkovic and Luthans (1998) conducted a meta-analysis based on previous studies of self-efficacy and found a significant weighted average correlation between self-efficacy and work-related performance. With respect to subsequent behavior, Jones (1986) conducted a study of newcomer adjustments to organizations. He found that general self-efficacy will influence how newcomers define situations and roles within their new organizations. This work suggests that the level of self-efficacy of new FOB leaders will affect how they relate to existing institutional norms and expectations, which are often defined and promulgated by the incumbent leader and management team.

Individuals accumulate their self-efficacy through four primary sources: mastery experiences, modeling, social persuasion, and physiological states (Wood & Bandura, 1989). As individuals confront challenges and overcome obstacles through perseverance and effort, they gain confidence in their capabilities to function effectively in their environment. From a modeling perspective, when individuals are observing others who perform well in similar situations, their performance successes strengthen the individuals' belief in their own capabilities. A second way to accumulate efficacy is through observation of others who through sustained efforts perform well in similar situations. Social persuasion is an additional way of influencing a person's self-efficacy beliefs through realistic and consistent encouragement. This encouragement can positively impact a person's belief in his or her own capabilities. The final source of self-efficacy is through an individual's assessment of his or her physiological state. When individuals are physically capable of withstanding stress and uncertainty, their self-efficacy beliefs are enhanced.

Entrepreneurship researchers became interested in utilizing self-efficacy as a viable means of studying various aspects of the entrepreneurial process. As it has been employed in entrepreneurship research, self-efficacy has been used to predict entrepreneurial intentions and actions (Boyd & Vozikis, 1994; Crant, 1996; Jenkins & Johnson, 1997; DeNoble, Jung, & Ehrlich, 1999; Krueger, 1999), and to differentiate between entrepreneurs and nonentrepreneurs (Baron & Markman, 1999; Chen, Greene, & Crick, 1998; Markman, Balkin, & Baron, 2002, 2003).

A controversy that has surfaced in entrepreneurial self-efficacy research is whether general or domain-specific measures should be developed or used to predict outcomes (De Noble et al., 1999; Markman et al., 2002). Markman et al. (2002) advocate using a general measure of self-efficacy when the vocations or roles being compared are quite different from one another. They argue that the diversity of skills required by different vocations makes it too difficult to generate a specific list of tasks. However, Bandura (1997) indicates that general or omnibus measures are less capable of predicting sustained behavior and offer less explanatory power. Vague measures suffer from indefiniteness and questionable relevance to the domain of functioning and will have less predictive capabilities and explanatory power. Thus, if researchers continue to apply self-efficacy to understanding entrepreneurial dynamics, more descriptive domain-specific operational measures must be developed and refined.

In the family business context, domain-specific measures must capture a potential successor's perceived self-efficacy to effectively make the transition into the leadership role. For researchers interested in the family business succession context, it is important to develop measures of self-efficacy that build on the skills and tasks required to make effective transitions to the next generation of leadership. Furthermore, it is important to isolate those skills and tasks that are unique to succession processes and events in FOBs versus nonfamily firms. Bandura (1997) states that global scales of self-efficacy require individuals to judge their general rather than specific capabilities. These judgments can vary markedly, depending on the range of tasks, activities, and situational demands they happen to take into consideration. Given the importance of succession in a family business context with its situational demands and challenges, it is therefore imperative that researchers in this area clearly define the domain of the family business context. Morris, Williams, Allen, and Avila (1997) point out that significant fundamental differences do exist between family-owned and nonfamily firms that require different skills during and after the succession process.

Chrisman et al. (2005) highlight the debate in the literature regarding a common definition of an FOB and discuss two theoretical approaches that have emerged in the literature. The *involvement approach* posits that family involvement in the business through ownership, governance, management, and trans-generational succession sufficiently defines the business as an FOB. In the *essence approach*, family involvement is a necessary but insufficient condition. This perspective suggests that family involvement must be directed toward behaviors that produce certain distinctiveness, such as: "1) a family's influence over the strategic direction of a firm, 2) the intention of the family to keep control, 3) family firm behavior, and 4) unique inseparable, synergistic resources and capabilities arising from family involvement and interactions" (Chrisman et al., 2005, p. 556). To reconcile these two approaches, Astrachan, Klein, and Smyrnios (2005) developed an operational measure that assesses how family involvement is used to influence the business. Regardless of which approach is accepted, the complexity associated with leading across the family and business entities places a much greater burden on the leader, thus requiring capability in dealing with unique task, activity, and situational demands. Thus, domain-specific measures of self-efficacy would be more useful in understanding the family business succession context.

Using the RBV framework and the salient dimensions of social and human capital, motivated and qualified FOB successor candidates must believe in their abilities to draw on both relationship-building and knowledge-building skills (Chrisman et al., 2005). From a social standpoint, the successor must be able to maintain and build credibility with critical family and business stakeholders. Given the natural tendency to resist change in preexisting organizational systems

(C. Handler & Kram, 1988), the new leader will be hard pressed to make the transition, keep existing relationships, and build new ones in order to move the organization forward. From a knowledge standpoint, the successor will be expected to utilize a combination of general business skills (usually derived from formal education training and practice) and family firm and industry-specific skills (usually derived from prior exposure to the organization through absorption from a lifetime of family discussions and through prior work experience within the organization or within the relevant industry). Accordingly, a domain-specific measure of FBSE must capture a unique set of skills that characterize these specific types of challenges.

Method

Participants

To explore these issues further and to move toward the development of an FBSE scale, we followed Bandura's (1997) prescription to draw on the knowledge of experts who are familiar with the challenges of operating a family business. Initially, we identified a group of 10 incumbent leaders of 100% FOBs that met the involvement and essence criteria highlighted in the paper by Chrisman et al. (2005). This approach ensured that our participants could understand the skill requirements that a successor will need to lead a family business. After followup with this group of 10 potential participants, seven presidents of FOBs agreed to participate. Industries represented in this group consisted of construction, hospitality, real estate, landscape irrigation, and sanitary supplies. Sales ranged from $3–250 million, employing between 8 and 1,200 employees. In Table 1, we present further background information on each panel participant and their respective companies.

Procedures

We invited the participants to join us as a group in a semi-structured interview process. The partici-

Table 1 Descriptive Statistics of FOB Presidents

Industry	Sales	# of Employees	Position Held	Generation	Age Range	Gender	Highest Degree Earned
Construction & real estate investment	$6 million	36	Founder/president	1st	65+	Male	B.A.
Landscape irrigation equipment manufacturer	$250 million	1,200	President	1st	55–64	Male	M.S.
Resorts/private clubs	$38 million	500	President	4th	45–54	Male	B.S.
Construction	$13 million	20	Founder/president	1st	55–54	Male	B.S.
Sanitary supplies	Not reported	650	President	2nd	45–54	Male	B.S.
Hospitality/recreational camping	$3 million	40	President	2nd	45–54	Male	B.S.
Modular structures	$3 million	8	Founder/president	1st	55–64	Male	B.S.

pants provided signed consent to having their verbatim responses transcribed by a certified shorthand reporter. Our session began with the following stimulus question: "What skills do you think are critical for leading/managing your family business?" For this stimulus question, we asked the participants to record their responses on a sheet of paper. After a 10-minute period, each participant was asked in a round-robin fashion to provide a single response, which was then recorded on a flipchart. Following this structured approach, we shifted to a more open-ended portion where we asked the participants to discuss those skills that would be unique to the FOB context.

In the next portion of the session, we recorded the responses to the following question: "What skills would the successor to your business need to possess to successfully manage the transition process?" After an open-ended discussion of these responses, we asked the participants to provide specific examples of how these skills are utilized in their family businesses. Finally, we asked each participant to comment on whether they thought their successor would share their views on the family business.

The verbatim transcript of the session was individually reviewed by the researchers. Our purpose was to identify passages that provided insights into requisite skills or issues associated with succession to the leadership role in an FOB.

Results

Passages derived from our analysis of the verbatim transcripts are presented and discussed below. The participants discussed a wide variety of themes, which are organized into the broad categories of social and human capital. Early on in the discussion, one participant underscored the need for a successor to demonstrate diligence and perseverance in undertaking the leadership challenge.

> Well, see, I had diligence and perseverance. Along with that is willingness and drive. If you don't like and don't want to be in business, you won't get there. You have to be a self-starter in the family business. There is really nobody to tell you what time to get there, when you have to be pretty much inspired by the type of business, and the results of it.

General consensus among the participants was reached around this point. Comments related to projecting confidence and leadership were sprinkled throughout the entire discussion.

Social Capital

Much of the two-hour discussion centered around relationship management and network building to gain the support and buy-in of family members, the incumbent CEO, and critical business stakeholders. The president of the irrigation company stated:

> I'm going to say that if the family doesn't support the new leader and current management doesn't support the new leader, and the person exiting the business doesn't support the new leader, then, the new leader is dead. [M]y VPs once made the comment to me that they can make my son successful if he takes over. I said, "No, you can't; only he can do that. But you can sure as hell make him fail."

Participants offered extensive commentary about the need for the successor to demonstrate skills in diplomacy, conflict resolution, and negotiation to manage change. The participants had mixed views on the skills that are associated with adaptation to change. The majority of them highlighted an undercurrent of resistance to change. A hospitality business president saw change in the context of history and the founder's view:

> managing change quite often goes back to the origins of the company. And I think that there is some emotional baggage that goes along with changing what the family business started out. You know, you have a business over here that is thinking about changing what it went into; but, if you've got people in the background saying, "Oh, no. My grandfather did it this way. This is what he did."

The president of a recreational camping resort highlighted the undercurrent of resistance, but from a lifestyle preservation perspective. In other words, resistance/adaptation is a choice.

> Do we want to stay in the camping business because we enjoy that lifestyle and that choice on a very small scale, or do we look at it from a pretty business-analytical standpoint, and what's the best financial gain for our family and our business? You know, move onto something else, or stick with what we know and what we enjoy doing.

Another president also elaborated on the preservation of a lifestyle and how a second-generation inheritor can gravitate toward risk aversion.

> I think family businesses, . . . start out as a high-risk entrepreneurial venture. Once you're established, you become risk-averse. So first generation risks everything; the second generation stops taking chances because they are more interested in protecting their lifestyle than growing it once you've reached a certain point. I think family businesses tend to be risk averse, even though they are entrepreneurial in their roots.

Risk aversion on the part of subsequent generations may be supported and encouraged by some incumbent presidents who resist allowing their offspring to explore and experiment even though that is how *they* learned the business. The president of the irrigation company described this situation pointedly.

> One of the things that I have always said about my background, my experience, that I have learned a hell of a lot [more] from my failures than I have from my successes. And that is across a broad spectrum of what I did versus what I should have done or having a business fail, which I did. And the Catch-22 is that there just isn't enough time left in the days or years of the transition of my son to set him up to fail and recovery. It's not going to happen.

The president of a sanitary supply company offered a different perspective and championed the case for change in the context of growth and even the preservation of a lifestyle via growth.

> Looking at our history, I found the founder, my uncle—once the business got established, he got very risk [averse]—he didn't want to do anything. And my dad wanted to grow the business and push out and do stuff. And you would be amazed to see what we have done in the last 10 years.

Gaining family support for instituting change requires diplomacy and negotiation skills as well, as discussed by the recreational camping resort president.

> Since I have multiple kids actively involved in the business, I need somebody that can keep the peace that can work effectively with other family members.

The above responses highlight the need for gaining family support when a successor needs to address change in the vision and risk propensity of the family and the organization. The other key relational challenge of a new successor is to be able to gain and maintain positive relationships with existing employees and to maintain and build networks of other critical business stakeholders. The hospitality CEO describes his transition as follows.

> Well, it was really under the shadow of my dad, frankly. I worked directly for my dad before that. . . . but I have worked with all the departments in the company. I knew the engineering people. I knew people in housekeeping. I knew the managers, food and beverage directors, all those things. [A]s they were going forward, they were always looking to me. So having developed a confidence factor with the existing employees turned out to be extremely valuable to the transition process.

The recreational camping president stressed the need for leadership skills during a transition.

> I've kind of put down ability to create a vision and goals for the company. And that probably boils down to being able to project leadership. . . . and that doesn't mean, you know, you take the business in a whole different direction. But I think it's that issue of: this is a new person, and it's not the same as the old, you know. And the business may move on seamlessly. But I think that person is going to have to project his own leadership to get the following, to get the support from the employees; you know, to a lesser degree probably other family members. But even in our business, we have up to 40 employees working at any given time. So they have to be supportive.

With regard to maintaining and building networks, the private resort president claimed that he can help in the building process, but the successor must build his or her own list.

> My experience is that there are certain people that are very good at meeting people and interacting and developing their networks. Yeah, I, obviously, have to turn over and help them meet the right people. But if they don't pick up the ball and run with it, then that is a problem. So they need to be able to proactively go out and build their own networks and maybe meet people I don't even know, as opposed to just taking over my Rolodex.

Skills associated with additional issues in the social capital domain can present a challenge to a seamless transition. The first issue concerns intergenerational differences. The modular structures president pointed out that:

> In terms of my firm, my son, although he is not yet employed, it seems to me his generation wants more instant gratification. "I want it, and I want it now." I developed my business 23 years ago on the premise of long-term financial stability; not taking any chances, not taking any risks. And my son mentioned one day: "Dad, why do you do this long-term? Why aren't you out for," quote, unquote, "the kill" or the sale, if you will, trying to get that contract? And I try to impose upon him that it is a process. It's long-term commitment, and you build upon that.

This comment underscores the potential conflict that might arise between incumbents and successors regarding the firm's relationships. The founder emphasizes the importance of commitment to building long-term relationships while his son takes a more short-term view.

Human Capital

Comments from the participants yielded insights on various dimensions of human capital, including discussions relating to general management skills and building tacit knowledge of the business and industry. The participants highlighted a list of general skills that are similar to those needed in any business, including accounting, human resource management (e.g., people skills, communications, negotiating, and legal), marketing and sales (e.g., exploit new markets and presentation skills), operations management (e.g., understanding leasing and management concepts), and strategic planning (e.g., establishing goals and setting strategies, planning and organizing, and analysis and rational decision making). With regard to human resource management, for instance, the irrigation company president claims that:

> it all comes down to people. We have got 1,200 of them. . . . But it comes down to getting the right people in the right place. So it means the people skills or hiring skills or firing skills or listening skills. But, whatever, it all comes down to people.

With regard to acquiring tacit knowledge, the participants focused on ways for the successor to acculturate into the business and industry. The real estate investment president, for example, stressed the need for preplanning and pretraining.

> I guess what I was trying to get across is the family can't carry on the business if they just wake up some morning and the founder is gone. They have to be preplanned and pretrained. And they have to understand that business and how it works. . . .

The recreational campground president also stressed the importance of a period of transition.

> My thought is it's probably very important to have that transition process. I mean, you would hope to have that . . . the leader is not incapacitated and taken out of the picture suddenly. Ideally, it would be to have that successor work with you for a few years . . . to become confident in his problem and analytical skills; so that, if he is making decisions that would take the business in a different direction . . . , they are well-grounded. They're not just, "I'm interested in this because it looks like fun." And they make decisions that are not financially stable. But from there, I would rather let them take it in a direction that they would rather go.

Sometimes, the transition progresses through a period of co-leadership to build tacit knowledge of the business and industry. This process can be fraught with apprehension and fear on the part of the incumbent CEO. The irrigation company president captured this issue as follows.

> Certainly, it feels good in many ways, but co-managing the business with my son scares the crap out of me.
>
> I had an emotionally domineering father, and because my father-in-law was devastated in the

> automobile business by his father, you know, supposedly handing him the reins to the company and, then, running roughshod over him, after the fact. So it scares the hell out of me.

The private resort president, providing the final words, attested to the saliency of a transition period for gaining tacit knowledge of the business and industry.

> It just occurs to me that I've lived through this transition. I probably was that person that was there, having worked for my dad for 10 years before he died, and, then, having to go through a transition to an entirely different form of business.
>
> And, you know, the thing that struck me about the process was the existing employees and having some connection with where they are going. We could have easily lost some people with key, you know, the institutional memory, I guess. They just say, "Wait a minute. I don't want to have any part of this" and could have bolted.
>
> But it turned out because I developed relationships with the people on the staff and they had confidence in it, that transition actually worked in some very stressful circumstances.

Discussion

The premise of self-efficacy is that the strength of belief in one's capabilities influences effort in pursuit of an objective. Toward the beginning of our discussion session, one of the presidents implicitly recognized that potential successors should exhibit "diligence and perseverance" and "willingness and drive" as fundamental to leading his company. These behaviors are a result of an individual's high self-efficacy and underscore the significance of self-efficacy as a construct to be addressed in the succession literature.

Within the RBV framework, self-efficacy has not been explicitly discussed since much of the theoretical and empirical literature is focused at the firm level of analysis. However, in applying the RBV framework to the issue of succession in an FOB at the individual level, it is incumbent on the successor to possess the requisite self-efficacy needed to acquire and manage the firm's unique collection of resources. Based on the session with presidents, the acquisition and management of social and human capital was confirmed as being critical to the succession process. In Figure 2, a

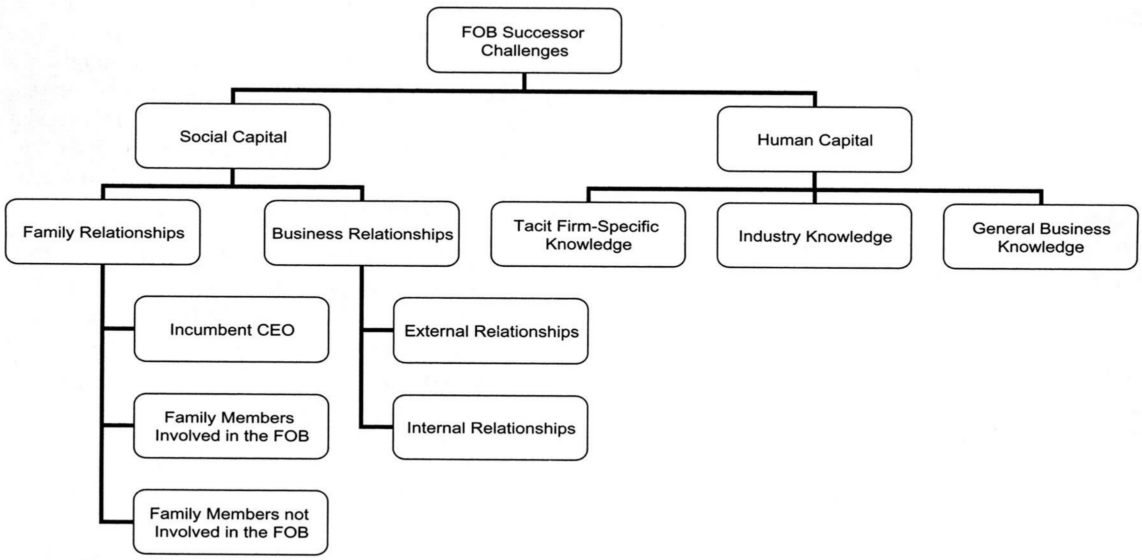


Figure 2 A Framework for Building a Domain-Specific FBSE Scale.

framework for organizing resource types is presented, which can be used to explore the critical skill areas needed for the development of an FBSE scale. Although the participants in our group discussion confirmed the necessity to focus on social and human capital, they did not provide us with insights into the skills that would be needed to acquire and manage resources. Therefore, in this article, we present an organizing framework for the subsequent development of a domain-specific FBSE scale.

In the social capital domain, the presidents emphasized the need to build relationships with the incumbent and other family members involved in the business. Successful transitions occur when the new leader is able to effectively leverage the social capital of incumbents and involved family members to attain the strategic objectives of the firm. Additionally, the successor must be able to establish effective relationships with those family members who are not directly involved in the business, but who may play a role in the immediate and extended family system.

The successor must also establish effective internal and external business relationships with existing management and employees, and with customers, vendors, and other key stakeholders. Sometimes, these relationships constitute strong ties that may provide legitimacy for the new leadership of the FOB (Steier, 2001). However, in cases where the FOB may also be pursuing strategic initiatives that require exploiting weak ties, the successor may not have the tacit knowledge of the process by which the incumbent has capitalized on these needed relationships (Granovetter, 1983). Steier (2001) emphasizes that deciphering the structure of existing relationships is challenging since the understanding of this framework is held as tacit knowledge by the incumbent. Transference of this knowledge is difficult unless there is sufficient preplanning done by the incumbent and successor, as discussed by our participants. Thus, incumbents can play an important role in building the self-efficacy of potential successors by beginning the process of introducing them to the network of relationships established by the firm. Since this is a lengthy process, Steier (2001) indicates that sudden or rushed transitions, where little is known about key stakeholders of the business, makes this task extremely difficult.

With respect to human capital, the participants in our study immediately gravitated toward the need for potential successors to possess general business skills in areas such as accounting, cash flow management, finance, and human resources management. Clearly, competencies in the general business domain are as necessary in an FOB as in any other business context. A potential successor must exhibit sufficient self-efficacy such that he or she can utilize such skills in effectively managing the firm's tangible strategic resources. A common way to obtain this knowledge is through education, training, and job experience. The participants also focused on the requirement of successors to have both industry knowledge and tacit business knowledge unique to their family's specific line of business. It was emphasized by the participants that this knowledge should be acquired over time both from working at other companies within the same industry and from working closely with the incumbent.

Limitations of the Study

This qualitative research provided rich information concerning the challenges of leading an FOB, but the participants in the study were not able to articulate the specific skill requirements that could be used in the development of a family business succession self-efficacy scale. However, their responses provided useful insights into the human and social capital challenges confronting new leaders in an FOB. In subsequent research projects, we will need to expand the sample size to include both male and female business leaders and those with more diverse ethnic backgrounds. It is possible that gender, ethnic background, and generational differences might have influenced perceptions of the family business succession process. Also, since the majority of the participants were first-generation business founders, most had never experienced the difficulties involved in a family business succession process. However, given the age of the participants and their own expressions of interest, we learned that all the participants were in the midst of planning for a succession event.

Directions for Future Research

This project offers numerous opportunities to pursue fruitful research in the area of family business succession. Although much is known about the challenges of family business succession, future research efforts should focus on the types of skills needed in the process and the challenges associated with acquiring and managing these skills. In this study, the participants offered valuable insights into critical dimensions of the family business succession process. These dimensions, associated with aspects of social and human capital, can be used in a follow-up study to identify specific skills that can be transformed into items for an FBSE scale. For example, with respect to the social capital dimension of building a relationship with the incumbent CEO, we would query a group of FOB presidents to determine the specific skills needed to achieve a productive relationship prior to and after the succession event. Through this process, we would create a multidimensional FBSE scale that could be tested for reliability and validity in a subsequent study to address different research questions. Moreover, this study would permit us to focus on one of the common issues involved in self-efficacy research concerning the predictive validity of general versus domain-specific scales. Within the FOB area, additional research could examine the potency of domain-specific scales in predicting which members of the family might be potential successors to the firm, as well how self-efficacy is related to the effectiveness of the succession process. In examining the subscales in the FBSE instrument, we might be able to evaluate whether different profiles of self-efficacy result in more or less effective transitions. For example, if a successor exhibits high self-efficacy with respect to maintaining and building family relationships, but seems less capable of doing the same with business relationships, the performance of the firm might be affected. Another fruitful area for research might focus on the differences or similarities between the incumbent and successor with respect to their traits and leadership behaviors. Such differences might influence the culture and performance of the firm subsequent to the transfer of leadership to the next generation.

Conclusion

The FBSE scale is in its early stages of development. In this article, we presented the framework on which we can build a testable scale. Once such a scale is built and tested for reliability and validity, researchers can employ it in a variety of ways. First, it can be used to identify potential family members who possess the requisite self-efficacy. Second, among these potential successors, skill gaps can be identified. Third, these skill gaps can lead the FOB to train potential successors and immerse them in experiences that would allow for further development in the honing of requisite skills.

Self-efficacy is a powerful tool that has been developed in the social-psychology literature. As a construct, it has been used to identify effort to performance linkages across a number of industrial/organizational domains. Further work on applying the construct in the family business arena could hold out promise for beneficial results.

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Alex DeNoble, Sanford Ehrlich, and Gangaram Singh are at San Diego State University.