



## Successor Readiness as a Dynamic Capability: Explaining Strategic Adaptation in Family Enterprises

Heni Matelda Sauw<sup>1\*</sup>  
Paula Beatric Alexis Sulla<sup>2</sup>

\*Corresponding Mail:  
sauw@pnk.ac.id

### Article History:

Submitted: 21-04-2026

Approved: 14-07-2026

Published: 07-09-2026



Available at the open access  
journal:

<https://sciedex.com/manexia>

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### Abstrak

*Intergenerational succession challenges family enterprises to preserve strategically valuable inheritance while developing the capacity to adapt under next-generation leadership. Existing research identifies successor competence, motivation, knowledge transfer, family relationships, and incumbent support as important antecedents, but provides a fragmented explanation of how these conditions become strategically actionable. The identified gap is addressed through the development of Successor Readiness Capability Theory (SRCT), which reconceptualizes successor readiness as a transition-specific, multilevel dynamic capability embedded in the family-enterprise succession system. Integrating succession, knowledge-based, dynamic-capabilities, and strategic-renewal perspectives, the proposed theory specifies five interrelated processes through which readiness develops: strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration. The resulting model explains how successor potential becomes strategic agency and post-succession adaptive capacity, conditional on incumbent relinquishment, family governance alignment, and environmental dynamism. SRCT advances succession research by distinguishing readiness from its antecedents, linking individual development to organizational adaptation, and conceptualizing succession as capability regeneration across generations. Future research can validate SRC empirically and examine its temporal development, boundary conditions, and adaptive consequences.*

### Keywords

family business succession; successor readiness capability; dynamic capabilities; strategic renewal; intergenerational knowledge transfer; post-succession adaptive capacity

<sup>1</sup> Business Administration Study Program, Kupang State Polytechnic, Kupang, Indonesia

<sup>2</sup> Universitas Nusa Cendana, Kupang, Indonesia

# 1. Introduction

Intergenerational succession constitutes a consequential strategic transition in family enterprises because it simultaneously reshapes leadership authority, ownership expectations, organizational relationships, and the basis of strategic decision-making. Its implications extend beyond the replacement of an incumbent. The incoming generation inherits formal responsibility alongside accumulated knowledge, relational capital, strategic routines, family expectations, and historically embedded assumptions about competition. Succession may therefore sustain organizational continuity or create an inflection point for strategic renewal, depending on the next generation's capacity to preserve valuable inherited resources while adapting them to changing competitive conditions (Handler, 1994; Le Breton–Miller *et al.*, 2004; Nordqvist *et al.*, 2013; Porfirio *et al.*, 2020).

Central to this transition is the successor's readiness to assume strategic responsibility. Prior research associates effective succession with education, experience, motivation, commitment, interpersonal competence, incumbent support, and acceptance by family and organizational stakeholders (Chrisman *et al.*, 1998; Gagné *et al.*, 2021; Goldberg, 1996; Sharma *et al.*, 2001; Venter *et al.*, 2005). These attributes identify important conditions for succession but do not fully explain readiness for strategic action. A successor may possess substantial human capital, a strong willingness to lead, and family endorsement while remaining unable to interpret emerging strategic threats, mobilize organizational resources, or reconfigure inherited capabilities after assuming control. Conversely, initially underdeveloped successors may acquire such capacity when the transition provides opportunities for learning, legitimacy formation, and progressively greater decision authority.

This unresolved problem reflects the fragmented conceptualization of successor readiness in family-business research. Existing studies typically examine readiness through distinct antecedents, including successor competence, succession planning, relationship quality, predecessor behavior, communication, and family support (De Massis *et al.*, 2008; Morris *et al.*, 1997; Royer *et al.*, 2008; Sharma *et al.*, 2003). Process-oriented research has extended this perspective by demonstrating that succession unfolds across multiple stages and involves interactions among incumbents, successors, family members, employees, and other stakeholders rather than occurring as a discrete leadership event (Daspit *et al.*, 2016; Le Breton–Miller *et al.*, 2004). Less well explained is how these dispersed antecedents combine to produce an actionable capacity for strategic adaptation.

This limitation becomes particularly salient when succession is understood as both the transfer and transformation of organizational knowledge. Family enterprises often depend on tacit knowledge accumulated through experience, personal relationships, and founder-specific judgment. Formal succession arrangements alone cannot transfer such knowledge effectively. Successors must absorb, interpret, and recombine inherited knowledge before it can inform subsequent strategic action (Bell & Pham, 2021; Cabrera-Suárez *et al.*, 2001). Knowledge-based and organizational learning research similarly distinguishes access to knowledge from the capacity to assimilate and redeploy it (Cohen & Levinthal, 1990; Kogut & Zander, 1992; Szulanski, 1996; Zahra & George, 2002). This distinction is consequential for intergenerational succession because successors must derive value from inherited knowledge without becoming constrained by the strategic assumptions embedded in that inheritance.

Four related theoretical gaps follow. The first is an attribute gap: successor readiness is commonly represented as a configuration of personal characteristics rather than an organizationally embedded capacity. The second is a process gap concerning how readiness develops through learning, interaction, authority transfer, and strategic experience. The third is a level-of-analysis gap, whereby individual successor preparedness is often conflated with the readiness of the broader family-enterprise succession system. The fourth is an outcome

gap: completion of leadership transfer does not establish that the successor can subsequently adapt or renew the organization (Brockhaus, 2004; Daspit *et al.*, 2016; Handler, 1994). Collectively, these gaps limit existing explanations of how successor potential becomes an adaptive strategic capacity.

Dynamic capabilities theory offers an appropriate basis for addressing this explanatory problem. Dynamic capabilities concern the capacity to integrate, build, and reconfigure competences in response to changing conditions, shifting analytical attention from resource possession to the processes underlying adaptation and renewal (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Teece, 2007; Teece *et al.*, 1997). Existing dynamic-capability research, however, provides limited explanation of how such capacity develops during intergenerational transitions in which knowledge, authority, identity, legitimacy, and family control are transferred concurrently. Family-business succession therefore represents a distinctive theoretical setting: adaptive capacity must develop while the organizational and relational foundations required to exercise that capacity are themselves being reconstituted.

Successor readiness is reconceptualized as a transition-specific dynamic capability embedded in the family-enterprise succession system, rather than as a static bundle of successor attributes. The proposed construct of Successor Readiness Capability (SRC) comprises five interrelated processes: strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration. Together, these processes explain how successor potential is converted into strategic agency and, ultimately, post-succession adaptive capacity.

This reconceptualization makes three contributions. First, it redirects succession research from identifying who is ready to explaining how readiness is produced. Second, it connects successor-level development to organizational-level adaptive capacity by specifying the mechanisms through which individual potential becomes strategically actionable. Third, it links family-business succession to strategic renewal by explaining how inherited resources can be selectively preserved, recombined, or reconfigured rather than merely transferred across generations. Accordingly, the proposed framework develops a middle-range theory explaining how successor readiness emerges, becomes actionable, and contributes to post-succession adaptive capacity in family enterprises.

## **2. Theoretical Foundations**

### **2.1 Family Business Succession as a Multistage Strategic Transition**

Early family-business research established succession as a temporally extended and relationally contested process rather than a discrete leadership-replacement event. Incumbent resistance, ambiguity surrounding changing roles, and difficulties in transferring authority can impede succession even when an identifiable successor is available (Handler & Kram, 1988; Lansberg, 1988). Subsequent research broadened this perspective by linking succession effectiveness to successor attributes, incumbent–successor relationships, communication, planning, and the sequencing of leadership transfer (Dyck *et al.*, 2002; Handler, 1994; Morris *et al.*, 1997; Sharma *et al.*, 2001). Integrative models further conceptualized succession as a multistage process encompassing preparation, transition, and performance consequences across multiple stakeholders (Daspit *et al.*, 2016; Le Breton–Miller *et al.*, 2004)

This process perspective redirects attention from successor selection to the mechanisms through which strategic authority is progressively transferred and enacted. Succession may also constitute an entrepreneurial process through which generational transition creates scope for new strategic possibilities (Nordqvist *et al.*, 2013). Process models, however, primarily explain how transitions unfold and why they succeed or fail. They are less explicit

about the capacity through which successors become able to respond to strategic change after acquiring substantive authority. A process perspective therefore establishes the temporal and relational architecture of succession but does not fully explain adaptive readiness.

## **2.2 Successor Human Capital, Motivation, and Relational Readiness**

A second stream locates the antecedents of succession effectiveness primarily at the successor level. Effective successors have been associated with managerial competence, education, business experience, commitment, interpersonal skills, and credibility (Chrisman *et al.*, 1998; Goldberg, 1996). Subsequent research indicates that successor willingness and preparation interact with family relationships and predecessor behavior in shaping succession outcomes (De Massis *et al.*, 2008; Venter *et al.*, 2005). Motivation is particularly consequential because active engagement in succession cannot be inferred from family membership or formal designation as an heir (Gagné *et al.*, 2021).

This literature differentiates three important conditions: ability, willingness, and relational acceptance. Their presence, individually or collectively, does not necessarily constitute readiness for strategic adaptation. Human capital reflects what successors know and can do; motivation captures their willingness to engage; relational acceptance facilitates participation in the transition. None alone establishes the capacity to mobilize inherited resources or modify organizational capabilities as strategic conditions change. Moreover, successor agency is embedded in family relationships that may facilitate or constrain its development, making readiness dependent partly on interactions beyond the individual successor (Cosson & Gilding, 2021; Vera & Dean, 2005). Successor characteristics are therefore more appropriately treated as inputs into capability formation rather than as the capability itself.

## **2.3 Knowledge Transfer, Absorption, and Intergenerational Learning**

A knowledge-based perspective provides a more processual account of how readiness may develop. Family firms accumulate tacit knowledge through experience, routines, relationships, and context-specific managerial judgment. Preserving the strategic value of this knowledge across generations requires more than transferring information from incumbent to successor. Cabrera-Suárez *et al.* (2001) accordingly conceptualize succession as a process through which strategically relevant knowledge and capabilities are transferred across generations. Subsequent evidence reinforces the importance of founder–successor knowledge transfer and the transmission of relational and social capital during succession (Bell & Pham, 2021; Cisneros *et al.*, 2022).

Transfer, however, represents only one component of capability formation. Organizational knowledge acquires strategic value through combination and application (Grant, 1996; Kogut & Zander, 1992), while tacit knowledge frequently requires interaction and interpretation rather than codified transmission (Nonaka, 1994). Transfer may also encounter “stickiness” arising from recipient characteristics, causal ambiguity, and relational conditions (Szulanski, 1996). Absorptive-capacity research further distinguishes access to knowledge from the capacity to recognize, assimilate, transform, and exploit it (Cohen & Levinthal, 1990; Zahra & George, 2002). Applied to succession, this distinction indicates that inherited knowledge contributes to readiness only when successors can assimilate and recombine it without becoming constrained by inherited strategic assumptions. Knowledge inheritance is therefore a necessary input to intergenerational continuity, but its adaptive value depends on the successor’s capacity to transform inheritance into strategically usable understanding.

## **2.4 Dynamic Capabilities and Strategic Renewal**

Dynamic capabilities provide the principal theoretical mechanism linking inherited resources to adaptive action. Rather than locating advantage in resource possession alone, dynamic-capabilities theory emphasizes organizational capacities to integrate, build, and reconfigure competences under changing conditions (Teece *et al.*, 1997). Such capabilities comprise identifiable processes and develop through learning and experience (Eisenhardt & Martin, 2000; Zollo & Winter, 2002). Their development is path dependent: inherited resources provide a platform for adaptation while simultaneously delimiting the range of feasible future actions (Helfat & Peteraf, 2003; Winter, 2003)

This logic is particularly relevant to intergenerational succession because successors inherit an established resource configuration rather than construct the enterprise *de novo*. The strategic problem is consequently selective: successors must identify what remains valuable, mobilize resources around emerging opportunities, and reconfigure elements whose strategic fit has deteriorated. Teece (2007) sensing–seizing–reconfiguring framework articulates this adaptive logic, while the dynamic managerial capabilities perspective identifies managerial cognition, human capital, and social capital as foundations of strategic resource orchestration (Adner & Helfat, 2003). Strategic-renewal research similarly explains how established organizations alter strategic trajectories while retaining sufficient continuity to sustain organizational functioning (Agarwal & Helfat, 2009)

Directly applying dynamic-capabilities theory to succession, however, leaves an important explanatory omission. Conventional formulations generally presume focal actors with sufficient legitimate authority to deploy and reconfigure organizational resources. Successors often lack such authority, particularly during the transition itself. Their capacity for strategic action develops while knowledge, authority, identity, and stakeholder legitimacy remain under negotiation. A succession-specific dynamic capability must therefore explain not only learning and reconfiguration, but also how successors acquire the legitimate authority required to mobilize inherited resources. This requirement distinguishes successor readiness from a straightforward application of established dynamic-capability constructs.

## 2.5 Family-Specific Conditions of Capability Development

Successor capability develops within an organizational setting in which family and economic logics coexist. Family firms possess distinctive resources associated with family involvement, relationships, reputation, and social capital (Arregle *et al.*, 2007; Sirmon & Hitt, 2003). Such resources can facilitate successor development through extended learning horizons, privileged knowledge access, and relational support. Family involvement can also generate agency problems, altruistic distortions, role conflicts, and resistance to relinquishing control (Schulze *et al.*, 2001, 2003). Stewardship-oriented relationships may instead strengthen trust and collective commitment, indicating that family relationships can enable or inhibit capability formation depending on their configuration (Eddleston & Kellermanns, 2007).

Socioemotional wealth adds a further layer to this relationship because strategic decisions in family enterprises reflect preferences for family control, identity, continuity, and affective attachment alongside economic objectives (Berrone *et al.*, 2012; Gómez-Mejía *et al.*, 2007). Transgenerational intentions may encourage long-term investment in successor development while simultaneously reinforcing preferences for inherited practices (Zellweger *et al.*, 2012). Family influence therefore cannot be treated as either an unconditional resource or an inherent constraint. Its theoretical significance lies in shaping the conditions under which successor potential can be converted into strategic capability.

Collectively, these theoretical streams offer complementary but incomplete explanations of successor readiness. Succession research specifies the temporal and relational architecture of transition; human-capital and motivational research identifies successor-level antecedents; knowledge-based perspectives explain intergenerational transfer and assimilation; dynamic-capabilities theory specifies the logic of adaptation and

reconfiguration; and family-business theories identify the governance, relational, and socioemotional conditions surrounding capability development. None, independently, explains how these elements combine to transform a prospective successor into a legitimate strategic actor capable of mobilizing inherited resources and adapting the enterprise after succession. This unresolved intersection constitutes the integrative gap addressed by Successor Readiness Capability.

The distinct explanatory strengths and limitations of these theoretical perspectives clarify their complementary roles in explaining successor readiness and establish the basis for their integration within the proposed theory.

**Table 1.** Theoretical Foundations of Successor Readiness Capability

| <b>Theoretical perspective</b>                    | <b>Explanatory contribution</b>                                                                                | <b>Limitation for explaining successor readiness</b>                                                                       | <b>Role in Successor Readiness Capability</b>                                          |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Succession process                                | Explains the stages, timing, relationships, and progressive transfer of authority across succession            | Explains transition processes more directly than the emergence of post-succession adaptive capacity                        | Specifies the temporal and relational architecture within which SRC develops           |
| Human capital and motivation                      | Explains successor competence, experience, willingness, commitment, and preparation                            | Locates readiness primarily in individual antecedents without explaining their conversion into adaptive strategic capacity | Specifies individual-level inputs to SRC development                                   |
| Knowledge-based view and absorptive capacity      | Explains intergenerational knowledge transfer, assimilation, transformation, and recombination                 | Does not fully explain how knowledge assimilation becomes legitimate strategic authority and resource mobilization         | Specifies the intergenerational learning mechanism underlying SRC                      |
| Dynamic capabilities                              | Explains the integration, mobilization, and reconfiguration of resources under changing conditions             | Generally presumes strategic actors with sufficient authority to deploy organizational resources                           | Provides the core logic linking SRC to adaptation and strategic reconfiguration        |
| Familiness, governance, and socioemotional wealth | Explains family-specific resources, relational conditions, control preferences, and governance constraints     | Does not specify the process through which successor adaptive capability emerges                                           | Specifies family-level conditions that enable or constrain SRC formation and enactment |
| Strategic renewal                                 | Explains how established organizations alter strategic trajectories while preserving organizational continuity | Does not specify how adaptive capacity is regenerated through intergenerational succession                                 | Specifies the post-succession logic linking SRC to continuity and renewal              |

*Source: Authors' conceptual synthesis*

Table 1 demonstrates that the theoretical gap does not arise from the absence of relevant explanations, but from their fragmentation across analytical domains. Their integration positions SRC at the intersection of transition, individual preparation, knowledge assimilation, family-specific conditions, and strategic adaptation, providing the explanatory basis for theorizing how successor potential becomes post-succession adaptive capacity.

Integrating these perspectives reveals a layered theoretical architecture in which succession, individual, knowledge, family, capability, and renewal explanations jointly establish the conceptual foundations of successor readiness capability development.

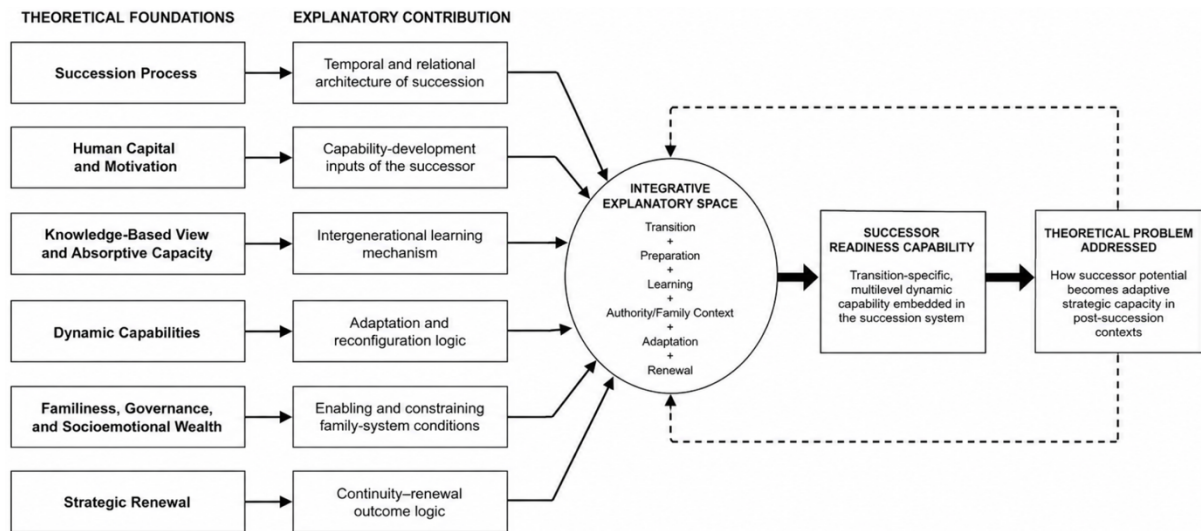


**Figure 1.** Integrative Theoretical Architecture of Successor Readiness Capability

*Source: Authors' conceptual synthesis.*

Figure 1 shows that SRC emerges from the integration of theoretically distinct but complementary explanations rather than from any single perspective. Succession theory provides temporal structure, individual and knowledge perspectives explain developmental inputs, family-business theories specify contextual conditions, and dynamic-capability and renewal perspectives explain adaptation. Their integration establishes the explanatory space linking successor development to strategically actionable readiness across intergenerational transitions.

### 3. Domain Specification

The proposed theory addresses intra-family generational leadership succession in family enterprises, defined as a transition in which a next-generation family member progressively assumes substantive authority over strategic decisions previously exercised by an incumbent family leader. This domain is narrower than family-business succession in general. Ownership transfer alone falls outside the focal phenomenon unless accompanied by a meaningful redistribution of strategic authority. Consistent with process perspectives, succession is conceptualized as an unfolding transition rather than a discrete appointment event (Daspit *et al.*, 2016; Handler, 1994; Le Breton-Miller *et al.*, 2004; Nordqvist *et al.*, 2013).

The unit of analysis is the family-enterprise succession system, encompassing the interdependent relationships among the successor, incumbent, influential family coalition, governance arrangements, and organizational resource base. This specification distinguishes Successor Readiness Capability (SRC) from an individual trait or a static stock of human capital. Although readiness is ultimately enacted through the successor as the focal strategic actor, the capacity for strategic agency depends on access to knowledge, stakeholder acceptance, decision authority, and organizational resources that the successor cannot independently generate (Cabrera-Suárez *et al.*, 2001; Cisneros *et al.*, 2022; Sirmon & Hitt, 2003). SRC is therefore conceptualized as a multilevel capability embedded in the succession system and manifested through successor strategic action.

The temporal domain extends from pre-succession preparation through the transition into the early post-succession period. This interval captures the progression from capability development to capability enactment: successors acquire experience and knowledge before formal transfer, establish legitimacy and decision authority during the transition, and demonstrate reconfiguration capacity after assuming substantive strategic responsibility. Such temporal delimitation reflects evidence that succession involves sequencing, timing,

interaction, and progressive role adjustment rather than an instantaneous transfer of authority (Daspit *et al.*, 2016; Dyck *et al.*, 2002; Le Breton–Miller *et al.*, 2004). The theory does not extend to the successor's entire managerial career or to long-term firm performance independent of the succession process.

Organizationally, SRC is expected to have greatest explanatory relevance when family influence remains consequential, strategically important tacit or relational knowledge must be transferred across generations, and the incoming successor possesses sufficient discretion to influence resource allocation and strategic direction. Its explanatory scope is more limited for externally appointed nonfamily CEOs, passive family ownership, ownership transfers without managerial succession, forced liquidation, or transitions in which successors lack substantive strategic discretion. Four assumptions delimit the theory: readiness can be developed rather than merely possessed; knowledge inheritance does not automatically constitute capability; legitimacy and authority are necessary to convert competence into resource mobilization; and effective succession requires both the preservation and selective reconfiguration of inherited resources. SRC therefore explains not merely whether leadership succession occurs, but whether the family-enterprise succession system develops the capacity through which inherited strategic potential can be converted into post-succession adaptive capacity.

## 4. Developing a Dynamic Capability Theory of Successor Readiness

### 4.1 Reconceptualizing Successor Readiness

Succession research provides substantial evidence that successor competence, experience, motivation, family acceptance, and incumbent support influence transition outcomes (Chrisman *et al.*, 1998; Sharma *et al.*, 2003; Venter *et al.*, 2005). Treating these conditions as readiness itself, however, conflates antecedents with the capacity they may generate. A successor may possess substantial human capital while lacking access to strategically relevant knowledge, organizational legitimacy, decision authority, or resources. These conditions may also develop progressively during the succession process. **Successor Readiness Capability (SRC)** is therefore defined as *a transition-specific, multilevel dynamic capability through which a family-enterprise succession system enables an incoming family successor to acquire strategically relevant experience, assimilate inherited knowledge, establish strategic legitimacy, mobilize organizational resources, and reconfigure inherited capabilities in response to emerging strategic demands*.

SRC differs from general managerial competence because it captures the conversion of successor potential into strategic agency during intergenerational transition. It also differs from absorptive capacity, which primarily concerns the acquisition and exploitation of knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002), and from general dynamic capabilities, which typically presume sufficient authority to deploy organizational resources (Teece, 2007; Teece *et al.*, 1997). SRC specifically explains how adaptive capacity develops while knowledge, authority, legitimacy, and control are themselves being transferred. Its development comprises five interrelated processes: strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration.

The proposed theory distinguishes SRC from its constituent processes and focal outcome by specifying each construct's conceptual meaning and theoretical function within the succession capability-development process.

**Table 2.** Core Constructs of Successor Readiness Capability Theory

| <b>Construct</b>                     | <b>Conceptual definition</b>                                                                                                                 | <b>Theoretical function</b>                                                                              |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Successor Readiness Capability (SRC) | A transition-specific, multilevel capability through which the succession system converts successor potential into adaptive strategic action | Serves as the central explanatory construct linking capability development to post-succession adaptation |
| Strategic acquisition                | Accumulation of strategically diverse experience and exposure relevant to future strategic decision-making                                   | Builds the experiential and interpretive foundation for capability development                           |
| Knowledge assimilation               | Interpretation, internalization, and recombination of inherited strategic knowledge with the successor's accumulated experience              | Converts inherited knowledge into strategically usable understanding                                     |
| Successor legitimacy                 | Stakeholder acceptance of the successor as a credible holder of strategic decision authority                                                 | Converts demonstrated competence into recognized strategic authority                                     |
| Resource mobilization                | Capacity to access, align, and deploy organizational and relational resources toward strategic priorities                                    | Converts recognized authority into strategic agency                                                      |
| Strategic reconfiguration            | Selective preservation, recombination, modification, or abandonment of inherited capabilities                                                | Enables adaptation while balancing inherited continuity with strategic renewal                           |
| Post-succession adaptive capacity    | Capacity of the enterprise under successor leadership to respond to changing strategic conditions                                            | Represents the primary theoretical outcome of SRC                                                        |

*Source: Authors' conceptual synthesis.*

Table 2 establishes the conceptual architecture of SRCT by separating the focal capability from its constituent processes and primary outcome. This distinction prevents successor attributes, capability-development mechanisms, and adaptive consequences from being treated interchangeably. SRC consequently represents the integrative capability, whereas strategic acquisition through strategic reconfiguration specify its developmental logic and post-succession adaptive capacity captures its principal organizational consequence.

## 4.2 Strategic Acquisition: Building the Experiential Base

SRC begins with strategic acquisition, through which successors accumulate experiences that broaden their capacity to recognize and interpret consequential strategic problems. Research on effective successors consistently identifies education, managerial experience, competence, and exposure to the business as important elements of preparation (Chrisman *et al.*, 1998; Goldberg, 1996; Venter *et al.*, 2005). The theoretical value of experience, however, lies not simply in its accumulation. Diverse assignments, external employment, stakeholder interaction, and exposure to technological or market change can expand the successor's repertoire for evaluating strategic alternatives rather than reproducing incumbent routines (Lévesque & Subramanian, 2022; Porfírio *et al.*, 2020)

Strategic acquisition provides the cognitive and experiential foundation for readiness but does not independently constitute SRC. Experience becomes capability-relevant when it enhances the successor's capacity to engage with inherited resources and interpret emerging strategic demands.

### Proposition 1.

*Greater exposure to strategically diverse experiences strengthens the development of Successor Readiness Capability by expanding the successor's repertoire for interpreting and responding to strategic challenges.*

### 4.3 Knowledge Assimilation: From Inheritance to Strategic Understanding

Family-enterprise succession entails the transfer of knowledge accumulated through incumbent experience, organizational routines, relational networks, and firm-specific learning. Because much of this knowledge is tacit and relationally embedded, formal transfer mechanisms alone are insufficient (Bell & Pham, 2021; Cabrera-Suárez *et al.*, 2001). Knowledge transfer contributes to capability formation only when successors can interpret and integrate inherited knowledge with their own experience.

This distinction parallels absorptive-capacity theory, which analytically separates access to knowledge from its assimilation, transformation, and exploitation (Cohen & Levinthal, 1990; Zahra & George, 2002). It also addresses the “stickiness” of knowledge transfer arising from causal ambiguity and recipient characteristics (Szulanski, 1996). Effective assimilation therefore entails neither rejecting nor replicating incumbent knowledge. Inherited understanding must instead be recombined with new knowledge so that historical experience informs, without determining, subsequent strategic action (Kogut & Zander, 1992; Nonaka, 1994).

#### **Proposition 2.**

*Intergenerational knowledge transfer strengthens Successor Readiness Capability to the extent that successors assimilate and recombine, rather than merely replicate, inherited strategic knowledge.*

### 4.4 Legitimacy Formation: From Designated Heir to Strategic Actor

Experience and knowledge do not independently confer the capacity for strategic action. Successors operate within a relational system in which incumbents, family members, employees, and other stakeholders must recognize their competence and right to exercise strategic authority. Succession research demonstrates that relationship quality, stakeholder satisfaction, communication, and incumbent–successor interactions materially shape transition processes (Daspit *et al.*, 2016; Sharma *et al.*, 2001, 2003). Legitimacy formation therefore constitutes a critical conversion mechanism between individual competence and organizational agency.

This mechanism is particularly consequential in family enterprises because biological entitlement does not equate to strategic legitimacy. Kinship may facilitate access to leadership while simultaneously intensifying concerns about competence or fairness. Productive family relationships and stewardship-oriented behavior can foster trust, whereas agency conflicts and contested authority can impede the transfer of effective control (Eddleston & Kellermanns, 2007; Schulze *et al.*, 2001, 2003). Strategic readiness consequently depends not on formal designation alone, but on whether accumulated competence becomes sufficiently recognized to support credible decision authority.

#### **Proposition 3.**

*Successor legitimacy mediates the relationship between accumulated successor competence and the successor’s capacity to mobilize strategic resources.*

### 4.5 Resource Mobilization: Converting Legitimacy into Strategic Agency

Legitimacy acquires strategic significance when it enables access to and deployment of resources. Family firms possess distinctive configurations of human, social, financial, and relational resources associated with family involvement (Arregle *et al.*, 2007; Sirmon & Hitt, 2003). Firm-level resource possession, however, does not imply successor-level access. Incumbents may retain decision rights, employees may continue to defer to the previous generation, and critical external relationships may remain personally tied to established family leaders.

Resource mobilization marks the point at which readiness becomes manifest as strategic agency. Legitimate successors can assemble managerial support, activate relational networks, redirect organizational attention, and deploy resources toward emerging priorities. This reasoning complements resource-bundling arguments that strategic value depends on how resources are structured and leveraged rather than on their possession alone (Carnes & Ireland, 2013). Transgenerational intentions may further facilitate mobilization by encouraging family investment in continuity beyond the incumbent generation (Zellweger *et al.*, 2012).

**Proposition 4.**

*Alignment between successor legitimacy and access to strategic resources strengthens Successor Readiness Capability by enabling successors to convert recognized authority into strategic action.*

#### **4.6 Strategic Reconfiguration: From Inherited Continuity to Renewal**

Readiness becomes most consequential when successors can determine which inherited capabilities should be preserved, recombined, modified, or abandoned. Dynamic-capabilities theory identifies reconfiguration as central to adaptation because established resource configurations may lose strategic fit as environmental conditions change (Teece, 2007). Succession intensifies this challenge because successors inherit capabilities whose historical value may encourage preservation despite uncertainty regarding their future relevance.

Family-business research captures both sides of this tension. Family firms may sustain entrepreneurial legacies and transgenerational entrepreneurship (Jaskiewicz *et al.*, 2015), while family-centered preferences can shape their willingness to undertake innovation (Chrisman *et al.*, 2015). Innovation during leadership succession consequently reflects the interaction between preservation motives and opportunities for change (Hauck & Prügl, 2015). Strategic-renewal and ambidexterity research similarly indicates that organizational adaptation requires balancing exploitation of established strengths with exploration and reconfiguration (Agarwal & Helfat, 2009; March, 1991; O'Reilly & Tushman, 2008).

SRC addresses this tension through selective reconfiguration rather than indiscriminate change. Readiness is reflected neither in preserving all inherited resources nor in abandoning the past to demonstrate successor independence. It resides in the capacity to distinguish resources whose strategic value remains durable from those requiring recombination, modification, or replacement.

**Proposition 5.**

*Successor Readiness Capability increases post-succession adaptive capacity through the successor's ability to combine selective preservation of valuable inherited capabilities with strategic reconfiguration.*

These mechanisms depict readiness as a developmental process through which successor experience and inherited knowledge progressively become legitimate resource mobilization, strategic reconfiguration, and post-succession adaptive capacity.

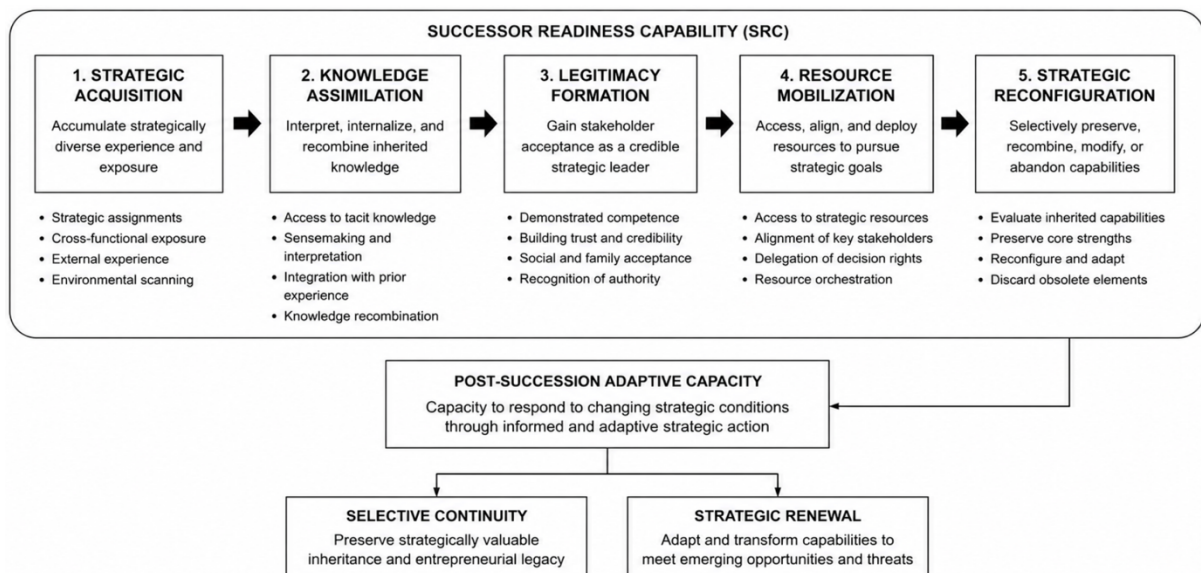


**Figure 2. Developmental Process of Successor Readiness Capability**  
*Source: Authors' conceptual development.*

Figure 2 conceptualizes SRC as a developmental capability rather than a static successor attribute. Strategic acquisition and knowledge assimilation establish the experiential and cognitive foundations of readiness, while legitimacy formation and resource mobilization convert competence into strategic agency. Strategic reconfiguration subsequently enables inherited capabilities to be selectively preserved or transformed, generating post-succession adaptive capacity through the combined pursuit of continuity and renewal.

## 4.7 Boundary Conditions

The translation of SRC into adaptive outcomes depends on conditions surrounding the transition. First, incumbent relinquishment determines whether developed capability can be enacted through substantive decision authority. Incumbent resistance has long been identified as a fundamental impediment to succession (Handler & Kram, 1988; Lansberg, 1988). Even highly capable successors remain constrained when predecessors retain de facto strategic control.

### Proposition 6.

*Incumbent willingness to relinquish strategic decision authority strengthens the positive relationship between Successor Readiness Capability and successor strategic agency.*

Second, family governance alignment determines whether family expectations, ownership preferences, and allocations of strategic authority support or constrain successor action. Family relationships may foster stewardship and trust while also generating competing claims over control and resource allocation (Eddleston & Kellermanns, 2007; Schulze *et al.*, 2001).

### Proposition 7.

*Family governance alignment strengthens the positive relationship between Successor Readiness Capability and post-succession adaptive capacity.*

Third, environmental dynamism conditions the relative value of strategic reconfiguration. Preservation of inherited capabilities may remain effective under relatively stable conditions, whereas rapid technological or competitive change increases the importance of sensing and reconfiguration (Eisenhardt & Martin, 2000; Teece, 2007).

### Proposition 8.

*Environmental dynamism strengthens the contribution of strategic reconfiguration within Successor Readiness Capability to post-succession adaptive capacity.*

## 4.8 Formal Theory Statement

Successor Readiness Capability Theory proposes that substantive successor readiness arises not merely from desirable next-generation attributes, but from a succession system that enables successors to acquire strategic experience, assimilate inherited knowledge, establish legitimacy, mobilize resources, and selectively reconfigure inherited capabilities. These interrelated mechanisms constitute a transition-specific dynamic capability through which successor potential is converted into strategic agency and post-succession adaptive capacity. Its effectiveness is contingent on incumbent relinquishment, family governance alignment, and environmental dynamism. Succession readiness is therefore manifested not by the completion of leadership transfer itself, but by the next generation's capacity to preserve strategically valuable inheritance while adapting the enterprise to emerging conditions.

The propositions collectively specify how SRC develops, becomes strategically actionable, and generates adaptive capacity, while identifying the transition, governance, and environmental conditions that shape these relationships.

**Table 3.** Propositions and Causal Logic of Successor Readiness Capability Theory

|    | <b>Proposition &amp; Theoretical relationship</b>                                            | <b>Explanatory logic</b>                                                                                                    | <b>Theoretical role</b>          |
|----|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| P1 | Strategically diverse experience<br>→ SRC development                                        | Diverse experience expands the successor's repertoire for interpreting and responding to strategic challenges               | Capability formation             |
| P2 | Knowledge transfer<br>× assimilation and recombination<br>→ SRC development                  | Inherited knowledge becomes capability-relevant when interpreted and recombined rather than merely replicated               | Capability formation             |
| P3 | Successor competence<br>→ legitimacy<br>→ resource mobilization                              | Stakeholder recognition converts accumulated competence into accepted strategic authority                                   | Conversion mechanism             |
| P4 | Successor legitimacy<br>× strategic resource access<br>→ SRC                                 | Alignment between recognized authority and resource access enables the successor to undertake strategic action              | Capability enactment             |
| P5 | SRC<br>→ post-succession adaptive capacity                                                   | Selective preservation and reconfiguration enable inherited capabilities to remain responsive to changing strategic demands | Primary outcome mechanism        |
| P6 | SRC × incumbent relinquishment<br>→ successor strategic agency                               | Successor capability becomes actionable when the incumbent relinquishes substantive strategic decision authority            | Authority boundary condition     |
| P7 | SRC × family governance alignment<br>→ post-succession adaptive capacity                     | Alignment of family expectations, ownership preferences, and strategic authority facilitates capability enactment           | Governance boundary condition    |
| P8 | Strategic reconfiguration<br>× environmental dynamism<br>→ post-succession adaptive capacity | Reconfiguration becomes more consequential as technological and competitive conditions become increasingly dynamic          | Environmental boundary condition |

*Source: Authors' conceptual synthesis.*

Table 3 reveals the causal architecture of SRCT across capability formation, conversion, enactment, outcomes, and boundary conditions. P1–P2 explain capability development, P3–P4 specify how competence becomes strategic agency, and P5 links SRC to adaptation. P6–P8 delimit this explanatory logic by identifying the authority, governance, and environmental conditions under which SRC can be effectively enacted.

Integrating these relationships yields a multilevel causal architecture in which capability-development processes generate successor strategic agency and adaptive capacity under specific authority, governance, and environmental conditions during intergenerational succession.

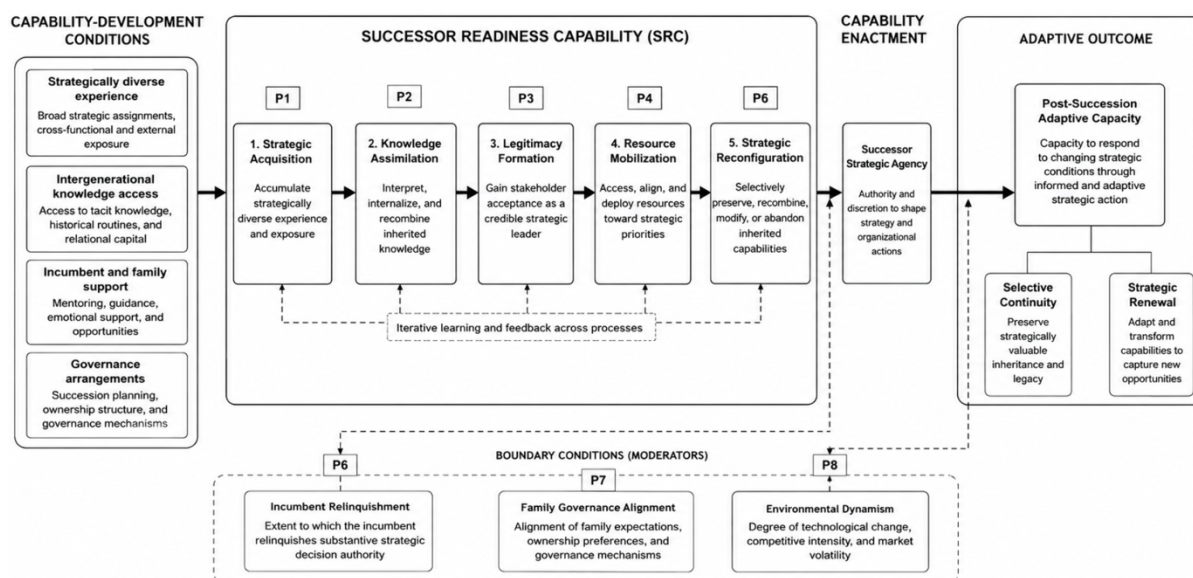


**Figure 3.** Successor Readiness Capability Theory: Integrated Conceptual Model  
Source: Authors' conceptual development.

Figure 3 integrates SRCT's causal logic by linking capability formation to strategic agency and post-succession adaptation. SRC develops through interrelated acquisition, assimilation, legitimacy, mobilization, and reconfiguration processes, while its enactment depends on incumbent relinquishment, governance alignment, and environmental dynamism. The model thereby explains how successor potential becomes organizationally actionable and supports selective continuity alongside strategic renewal across intergenerational leadership transitions.

## 5. Discussion

### 5.1 Theoretical Contributions

Family-business succession research is advanced by shifting the theoretical focus from which attributes characterize a ready successor to how readiness develops as an adaptive strategic capacity. Prior research establishes the relevance of successor competence, experience, motivation, commitment, and relational acceptance (Chrisman *et al.*, 1998; Goldberg, 1996; Venter *et al.*, 2005). These explanations identify important antecedents of effective succession but provide a less integrated account of how those antecedents become strategically actionable. Successor Readiness Capability Theory (SRCT) addresses this limitation by specifying five interrelated processes, namely strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration, through which successor potential is converted into adaptive capacity. Readiness is consequently conceptualized as a processual, multilevel capability rather than an aggregation of desirable successor characteristics.

A second contribution concerns the application of dynamic-capabilities theory to intergenerational transition. Dynamic-capability research explains how organizations integrate and reconfigure resources as conditions change (Eisenhardt & Martin, 2000; Teece, 2007; Teece *et al.*, 1997), while dynamic managerial capabilities locate important foundations of strategic adaptation in managerial human capital, cognition, and social capital (Adner & Helfat, 2003). These perspectives generally presume that focal strategic actors possess sufficient authority to mobilize organizational resources. Intergenerational succession complicates this premise because successor authority is itself being socially and organizationally established. By incorporating legitimacy formation and progressive resource mobilization into capability development, SRCT specifies how adaptive agency can emerge while strategic authority is being transferred. Succession is thereby conceptualized as capability regeneration across generations, rather than leadership replacement alone.

A third contribution is to connect intergenerational continuity with strategic renewal. Family-business research indicates that family firms can preserve distinctive resources and entrepreneurial legacies across generations while facing incentives and constraints that shape innovation (Chrisman *et al.*, 2015; Duran *et al.*, 2016; Jaskiewicz *et al.*, 2015; Sirmon & Hitt, 2003). SRCT does not equate readiness with either faithful preservation or extensive transformation. Instead, it conceptualizes readiness through selective continuity: the capacity to distinguish inherited resources that retain strategic value from those requiring recombination, modification, or abandonment. This mechanism connects succession to strategic renewal by specifying how continuity and change may operate as complementary rather than competing requirements of post-succession adaptation (Agarwal & Helfat, 2009).

## 5.2 Implications for Family-Business Theory

SRCT also clarifies the theoretically ambiguous role of family influence in successor capability development. Familiness can provide patient capital, privileged access to tacit knowledge, social capital, and relational support conducive to successor development (Arregle *et al.*, 2007; Sirmon & Hitt, 2003). Concentrated family control, altruistic distortions, and attachment to established practices can, however, restrict successor discretion (Schulze *et al.*, 2001, 2003). Socioemotional wealth introduces a related tension: preferences for family identity and control may sustain long-term transgenerational commitments while discouraging actions perceived as threatening inherited family value (Berrone *et al.*, 2012; Gómez-Mejía *et al.*, 2007).

SRCT accommodates these competing effects by treating family influence as a condition shaping capability formation and enactment, rather than as inherently enabling or constraining. Transgenerational intentions may motivate investment in successor development (Zellweger *et al.*, 2012), but such investment contributes to adaptive capacity only when successors acquire sufficient legitimacy and discretion to mobilize and reconfigure resources. Family continuity therefore depends not only on preserving control across generations, but also on regenerating the strategic capacity through which that control remains productive.

## 5.3 Managerial and Governance Implications

The proposed theory implies that succession preparation extends beyond heir selection and the development of individual competencies. Family enterprises require a developmental architecture of succession in which access to knowledge, stakeholder exposure, resource responsibility, and decision authority expand progressively. Strategically diverse assignments can develop judgment; structured incumbent–successor interaction can facilitate tacit knowledge transfer; and progressive delegation of decision rights can enable successors to establish legitimacy through demonstrated competence (Cabrera-Suárez *et al.*, 2001; Dyck *et al.*, 2002; Le Breton–Miller *et al.*, 2004).

Governance arrangements are particularly consequential because responsibility without corresponding authority produces nominal rather than substantive readiness. Succession governance should therefore distinguish developmental support from continued incumbent control and provide conditions for bounded strategic experimentation before full leadership transfer. This does not imply indiscriminately accelerating incumbent withdrawal. Rather, the pace of authority transfer should correspond to demonstrated capability development. Succession governance consequently functions as an architecture through which inherited resources can be converted into next-generation strategic agency.

## 5.4 Future Research Agenda

Empirical development of SRCT first requires construct validation. Future research could develop and validate a multidimensional measure encompassing strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration, while examining whether SRC is empirically distinguishable from successor competence, absorptive capacity, and general dynamic managerial capabilities.

The temporal logic of SRCT also calls for longitudinal designs that follow incumbent–successor dyads from pre-succession preparation into the post-succession period. Such research could establish whether the five dimensions develop sequentially, recursively, or through alternative pathways, and whether formal appointment precedes or follows substantive readiness. Multilevel designs could further examine interactions among successor characteristics, incumbent behavior, family governance, and organizational conditions, consistent with the multistakeholder character of succession (Daspit *et al.*, 2016).

The proposed boundary conditions require systematic comparative examination. Environmental dynamism may increase the adaptive value of strategic reconfiguration, whereas relatively stable environments may favor preservation of inherited routines. Cultural context, generational stage, governance structure, external work experience, industry characteristics, and the strength of entrepreneurial legacy may similarly alter SRC development and consequences. Examining these contingencies would refine the theory's domain rather than presume universal applicability, consistent with its middle-range orientation.

These research priorities translate SRCT into an empirical program for evaluating construct validity, temporal development, causal mechanisms, boundary conditions, and post-succession consequences across relevant family-enterprise settings.

**Table 4.** Future Research Agenda for Successor Readiness Capability Theory

| Research priority    | Core research question                                                                                                    | Suggested empirical approach                                                                    | Theoretical advancement                                                                  |
|----------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Construct validation | Can SRC be empirically distinguished from successor competence, absorptive capacity, and dynamic managerial capabilities? | Multidimensional scale development and validation across successor and succession-system levels | Establishes the construct validity and theoretical distinctiveness of SRC                |
| Capability emergence | How do the constituent processes of SRC develop and interact over the succession period?                                  | Longitudinal process studies of incumbent–successor dyads and succession systems                | Tests whether SRC develops sequentially, recursively, or through alternative pathways    |
| Authority transition | When does formal leadership appointment correspond to substantive successor readiness?                                    | Longitudinal or event-history analysis of authority transfer                                    | Clarifies the distinction between formal succession and substantive capability enactment |

| Research priority            | Core research question                                                                 | Suggested empirical approach                                                        | Theoretical advancement                                                               |
|------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Boundary conditions          | Under what conditions does SRC generate greater post-succession adaptive capacity?     | Comparative multi-industry or multi-country longitudinal designs                    | Refines the contextual boundaries and middle-range scope of SRCT                      |
| Post-succession consequences | Does SRC predict organizational adaptation and strategic renewal following succession? | Multiwave longitudinal analysis across transition and early post-succession periods | Tests the primary outcome logic linking SRC to post-succession adaptive capacity      |
| Legacy transformation        | When does inherited knowledge enable or constrain strategic reconfiguration?           | Comparative process studies across succession cases                                 | Clarifies how knowledge inheritance shapes selective continuity and strategic renewal |

*Source: Authors' conceptual synthesis derived from the theoretical propositions*

Table 4 positions future research as cumulative theory testing rather than a collection of disconnected empirical opportunities. Construct validation establishes SRC's distinctiveness; longitudinal studies examine its emergence and authority transition; contextual comparisons test theoretical boundaries; and outcome studies assess adaptive consequences. Together, these directions provide a systematic pathway for evaluating, refining, and potentially extending SRCT within its specified middle-range domain.

## 5.5 Limitations and Theoretical Boundaries

SRCT is intentionally middle-range rather than universal in scope. It does not explain all determinants of family-firm performance, nonfamily executive succession, ownership transfers without managerial transition, or succession outcomes dominated by exogenous shocks. Nor does it imply that greater reconfiguration is invariably beneficial. Its explanatory domain concerns how intra-family leadership transitions generate, or fail to generate, the capability required for adaptive strategic action. These boundaries delimit the theory's central claim: effective succession is reflected not in the transfer of office itself, but in the regeneration of strategic capacity across generations.

## 6. Conclusion

Intergenerational succession remains theoretically difficult to explain because leadership transfer does not establish that the incoming generation possesses the capacity to adapt the enterprise after assuming control. Existing succession research identifies important antecedents, including competence, experience, motivation, knowledge transfer, family relationships, and incumbent support, but offers a fragmented explanation of how these conditions become strategically actionable. Addressing this gap, the study explains how successor readiness emerges as a transition-specific capability through which successor potential is converted into post-succession adaptive capacity.

The central novelty lies in reconceptualizing successor readiness from a configuration of individual attributes into Successor Readiness Capability (SRC), a multilevel dynamic capability embedded in the family-enterprise succession system. Successor Readiness Capability Theory (SRCT) specifies five interrelated processes: strategic acquisition, knowledge assimilation, legitimacy formation, resource mobilization, and strategic reconfiguration, that connect successor development with organizational adaptation. This conceptualization extends succession research by separating antecedents of readiness from readiness itself and extends dynamic-capabilities reasoning by explaining capability

development when strategic authority, stakeholder legitimacy, organizational knowledge, and family control are simultaneously being transferred.

The proposed causal architecture further specifies how SRC becomes strategically consequential. Strategic experience and knowledge assimilation establish the experiential and cognitive foundations of readiness; legitimacy formation converts demonstrated competence into recognized authority; resource mobilization translates authority into strategic agency; and strategic reconfiguration enables inherited capabilities to be selectively preserved, recombined, modified, or abandoned. The propositions further delimit this process by identifying incumbent relinquishment, family governance alignment, and environmental dynamism as boundary conditions. SRCT consequently connects intergenerational knowledge inheritance with strategic renewal while explaining why formal succession may occur without corresponding adaptive readiness.

These arguments carry theoretical and organizational implications. Theoretically, SRCT redirects succession scholarship from determining who is ready toward explaining how readiness is produced, enacted, and converted into adaptive capacity. For family enterprises, the framework implies that succession preparation requires a developmental architecture integrating strategically diverse experience, knowledge access, legitimacy formation, progressive resource responsibility, and substantive decision authority. Succession governance therefore concerns not only leadership continuity but the regeneration of strategic capacity across generations, with incumbent withdrawal and governance alignment shaping whether developed successor capability can be effectively exercised.

SRCT remains deliberately bounded to intra-family leadership transitions involving substantive strategic discretion and does not explain nonfamily executive succession, ownership-only transfers, or all determinants of post-succession performance. Its propositions also require empirical validation. Future research should develop multidimensional measures of SRC, examine its temporal emergence through longitudinal and multilevel designs, distinguish formal appointment from substantive readiness, and test its boundary conditions across governance, industry, cultural, and environmental contexts. Such inquiry can establish whether SRC develops sequentially or recursively and clarify when inherited knowledge enables or constrains renewal. By conceptualizing succession as the regeneration of adaptive strategic capacity rather than the transfer of leadership alone, SRCT offers a theoretically bounded foundation for explaining how family enterprises can transform generational continuity into continued capacity for strategic adaptation.

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