Integrating Succession Planning for Family Business Continuity: A Conceptual Analysis

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Abstract. The economic importance of family business - wealth creation, employment generation, locally rooted and strong connection to their communities cannot be over emphasized; besides being widely acknowledged as major proportion of most small and medium enterprises in the global economy. However, pertinent to most family businesses is the desire to maintain family leadership of the company by appointing as top executive from family members one who has qualification and significant experience with the company. Family businesses can only position themselves for this and other future expansion by investing in robust managerial development through early involvement of family members and adapting succession planning best practices. This study seeks to advance knowledge on succession planning and managing family businesses by shedding light on the inter-link between them. The study further explained why, despite robust efforts of founder’s investment and commitment, majority of family businesses still failed to survive especially on the transition of such to young generation. From the analysis of this study, the major sources of failure common in family businesses are family conflicts, poor entrepreneurial exposure, incompetent members of the next generation and flamboyant lifestyles among others. The study draws conclusion and make recommendations base on the findings.

Keywords: Business transition, Family business, Family conflicts, Family participation, Succession planning

1. Introduction

All over the world family business is playing a major role in the area of incubating young entrepreneurs and generating employment opportunities for the family and non-family members. Hence, family business has become an academic research of interest for many reasons. According to Joachim (2015) family businesses have the potential to outperform any other form of business organization through their inherent synergies between owner and management. Second, they are guided by the uniquely powerful value of wanting to build a healthy business that they want to pass on to their children. Third, all families with a business owe it to their previous and future generations to learn, reflect and plan wisely. A major area of research therefore is how to generate a better understanding of what it takes to sustainably keep families in business for generations unborn. As noted by (Tatoglu, Kula & Glaister, 2008; Wee Yu Ghee, Mohammed and Hasliza 2015) family business capacities to fuel economic development and growth have always been anticipated when owners are credited with nurturing cross-generational entrepreneurial talent, a sense of loyalty to business success, long term strategic commitment and corporate independence. It is thought that loyalty generally exists in family firms and that the ownership should remain in the family. In most cases the sincere hope of family entrepreneurs is to transfer the firm to the next generation of the family, thus keeping the ownership in the family.

The desire to keep the family firm going, the desire of self-fulfillment and the desire for independence are often the motivations for succession planning (Stenholm, 2003; Stavrou, 1999). Despite these motivations, managing family businesses are complex as it involves many delicate issues. In the opinion of Neubauer and Lank (1998) family businesses are among the most complex forms of business because of the overlapping of operational and strategic issues of ownership, control, and management. Most often, problems arise when the
entrepreneur’s vision – which is essentially focused on creating new and better products and services – is increasingly seen by other family members as a simple mechanism to make money. Accordingly, the delicate balance of rights and responsibilities of owning families in relation to their business tends to shift over time towards a growing sense of entitlement by the owners to a never-ending – and increasing – flow of dividends (Joachim, 2015). Sometimes, this shift is abrupt when a strong and successful leader disappears and an ill-prepared next generation needs to assume control. From previous researches, two major dichotomies have been identified as common to every family business. First, each multi-generational family business develops its own particular history, which is made up of both gains and pains, but it is essentially based on a culture of resilience and the unshakeable commitment to succeed over the long term. Second, each family business is basically a story about people – entrepreneurs and their families whose personal values and visions leave an indelible imprint on the businesses that they have created and that subsequent generations continue to manage.

As emphasized by Tagiuri & Davis (1996), it is important to note that when families grow, it is usually seen as a happy event. For families in business, however, more family members mean more complexity, since they bring diversity of interests, skills and needs. This diversity needs to be understood, accepted and carefully planned and managed with high sense of maturity. Sometimes, if this is not properly managed, it degenerates into conflict of interest, rivalry and unhealthy agitation for business resources which eventually may lead to total sellout of the business. This made the issue of succession planning vital in the lives of family business. Everett (2014) opined that while more is written about this area of family business than any other, succession planning is often the most neglected area by the typical family firm owners. The problems and resistance associated with developing a viable, coherent, and agreeable succession plan are immense. For the family business owner, the ability or willingness to manage and direct the interactions between the extraordinarily complex areas of personal, family, management, ownership, and estate issues can be disheartening and this can be effectively managed by succession planning (Roscoe & Vieira 2012).

There is a clear consensus that inheritance (or transfers of ownership or as gifts) does not explain intergenerational entrepreneurship or family business continuity (Parker, 2009). In support of the above, Lindquist, Sol and Praag (2014) found that in the United States, an estimates of 5.6% businesses are acquired by inheritance, 1.6% as gifts while 4% through other means. Canadian and Danish evidences produce similar numbers of 5.5% are acquired through inheritance (Aldrich, Renzulli, and Langton 1998) and 8% through gifts (Sorensen, 2007). In a study on family business by Kay (2007), it was confirmed that majority of owner-managers intend to pass the business on to their children, but less than 20% have a succession plan. More so, in a survey of 322 family businesses conducted by KPMG in 2012 showed that only 11% had a succession plan in place for their CEO. This is a damning statistic when we consider the fact that only 30% of family businesses survive to the second generation and only 15% survive to the third generation (Bigliardi & Dormio, 2009). The implication of this is that only 30% of owner-managed businesses are passed on to the first generation, and that only 15% make it to the third. Most interestingly, existing literatures on family businesses focusing on survival rates in developing nations has further confirmed that only roughly one third of family businesses survive the transition from founder (first generation) ownership to second generation owner-management, and among this, only one third tend to survive the transition from second to third (and beyond) generation (Ibrahim, Dumas, & McGuire, 2001). The major reason adduced to this high failure is poor succession planning and poor communication with the next generation. Lansberg (1999) argued that leaders of family businesses needed to share ideas about the success and continuation of the family business with the next generation. The current study hence intends to investigate how succession planning is integrated to successful family business management for continuity.

2. Literature Review

Change - as it were is inevitable in social and business landscape, hence the evolving nature of global business environment and emergence of new concepts. From time immemorial, it is not uncommon for parents to carry out some forms of trade and transfer same to the next generation for continuity. However, the advent of family business in the global business landscape has generated lots of scholarly attention in recent times. More so, family business has gained sporadic social and economic recognition among writers, researchers and policy makers in various economies of the world considering the economic and social impacts they have (Brigham, 2013).
Conceptually, a family is considered as a group of persons belonging to the same hereditary structure or domaine, assembled by genetic inheritances, biological ties and or affinities, with components including direct descendants or offspring, legal spouses and cohabitants. As common to most concepts in social and management sciences, coming up with a single most coherent definition of family business is difficult. Accordingly, (Huovinen & Tihula, 2008) emphasize that comparing various research results is, however, problematic, because there is not a single, coherent definition of a family business available in literatures. This according to Neubauer & Lank (2009) may be due to the slight consensus of the young research field, also because of different elements, which affect the varying definitions among scholars and writers.

In an attempt to accommodate the varying views on family business, Sinha (2014) classified the definitions of family business into two – structured and processes. Accordingly, structured definitions are given based on ownership and or management of family business. Example of this is Leach (2011) who described family business as one in which a single family effectively controls a firm through the ownership of greater than 50 per cent of the voting shares; and a significant portion of the firm’s senior management is drawn from the same family. Holding the same view, Ogundele, Idris and Ahmed-Ogundipe (2008) described family business as any organization in which members of a family (be it monogamous, polygamous or extended households), hold controlling shares and which does not separate ownership from management. More so, Chua, Chrisman & Sharma, (1999) viewed family business as a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.

On the other hand, the structured definitions are given based on the involvement of family members in the operations of the business. Accordingly, “family businesses are firms which have been closely identified with at least two generations of a family especially when the link has had mutual influences on company policies and on the interest and objective of the family (Donnelley, 1988). In the vein, Davis and Stern (2004) viewed family businesses as those where policies and decisions are subject to significant influence by one or more family units; and whereas this influence is exercised through ownership and or through the participation of family members in management. These definitions connote that it is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness.

It is important to acknowledge that family businesses vary in size from small neighborhood stores to multinational companies. However, while some scholars see family firms as a setting for the formation of nascent entrepreneurs and where entrepreneurship flourishes (Otuya, Kibas, Gichira, and Martins, 2013), some others argued the opposite – that family firms are conservative, introverted, inflexible and lack entrepreneurial spirit. Moreover, the homogeneity of family firms is often questioned because every family business has its own history, culture and idiosyncrasy that differ in various ways. Nonetheless the legal form, sector or age, a firm needs to meet the certain conditions to be considered as a family business (Heinonen & Toivonen 2003). First, a family (i.e. an extended family formed e.g. by siblings, grandparents and cousins, or at most a small number of families) controls the ownership of the business. Second, persons belonging to the family, or extended family, are on the board or participate otherwise in the activities of the firm. Buttressing the above, Lee-Chua (1997); and Bigliardi & Dormio (2009) assert that in a family business, at least 50% of ownership and management responsibilities fall within one family – whether related by blood or marriage.

In the views of Neubauer and Lank (1998), a family business is a proprietorship, partnership, corporation or any form of business association where the voting control (i.e. majority vote) is in the hands of a given family. Similarly, Huovinen & Tihula (2008) stressed that typical of all family businesses is the integration of a firm, ownership and business. Therefore, the central element is the continuity of the business operations, i.e. there is a conscious intent to transfer the firm (leadership and control) to the following generation yet another generation after. This singular motive has made the recognition of family business more critical to national economic growth and the resultant effect substantial to global business stability. Shankar and Astrachan (1996) emphasize that the criteria one may use to describe a family business may include: the percentage of ownership; the voting control; the power over strategic decisions; the involvement of multiple generations; and family members’ being active in management.

KPMG (2011) found that as much as the majority of family business owners would like to see their businesses transferred to the next generation, it is
estimated that 70% of these businesses do not survive into the second generation and 90% do not make it to the third generation. This makes the issue of succession planning integral to continuous survival of family business. However, Ward (2004) states that the most critical issues facing business-owning families are family-based issues more than they are business-based issues. This implies that managing family-based issues are also critical to the growth anticipation of family business.

In practice, family business is the intersecting relationship between family members, non-family unit, and the business that is believed to form the unique set of features that explains performance differences between family and non-family businesses (Dewi & Dhewanto, 2012). This intersection also serves as a source of mutual aid and participation within the families and businesses. Family participation often strengthens the business because family members are usually very loyal, innovative, responsible and dedicated to the family firm (Koiranen, 2000; Tagiuri & Davis 1996). Such loyalty can reduce struggling for power in the firm, give rise to great communication, cooperation and trust, and create understanding. The spirit of enterprise and efficient actions also belong to the strengths of the family business (Neubauer & Lank 1998,). Decision making is more centralized and efficient because of simultaneous roles in the family firm (Tagiuri & Davis 1996). However, simultaneous roles can also have negative outcomes such as family, ownership and business issues possibly have been mixed up, firms suffering from a lack of marketplace objectivity and poor profit discipline.

It is important to acknowledge that the same family tie that brings family participation, loyalty and innovation into the business may also be a source of conflicts. Huovinen & Tihula (2008) emphasized that family conflicts may arise due to disagreements over growth targets, succession decisions, product offerings, or even over seemingly unexciting issues such as those relating to hours of operation. In relation to the above, Lussier & Sonfield (2012) argued that conflicts within businesses may also be driven by family issues relating to time spent away from the home, marital differences, or inattention to important family events. In any case, such conflicts are often a direct result of close and repeated interactions between family members, the non-family unit, and the business. Much of the research in the family business arena has focused on how to manage the conflicts inherent in a family business (Anderson & Johnson, 1985; Prince, 1990; Kaye, 1991; Dyer and Handler 1994). Such work has focused on issues surrounding the selection, socialization, training, rewards, and promotion of family members as well as the impact of family involvement on nonfamily employees. Other work has emphasized the impact of family involvement on the culture of the organization McCollom, 1988; Astrachan, 1988); the firm's strategy Lyman, 1991), and organizational structure Still other studies have attempted to understand family influence on the firm by conducting cross-cultural studies (Donckels & Frohlich, 1991). All the above make family business complex and delicate to manage hence, conscious succession planning is inevitable.

In modern economy, family businesses are playing significant roles in economic development of both developing and developed economies. In recognition of the above, Bird, Welsch, Astrachan, and Pistru (2002) postulated that family business has been the strength and the power of commerce since the ancient economies. They are effective engine for every economy in terms of job creation and tax collections. Esuh, Mohd and Adebayo (2011) posited that majority of family businesses in developing nations have the same characters with the small firm characteristics where the family businesses are flexible and agile that enable them to be controlled or maneuvered by owner-managers who are mainly family members. As reflected in many giant economies of the world, the percentages of family businesses occupy are enormous and could not be underplay. Brazil –90%, USA – 96%, Belgium – 70%, Finland – 80%, France – 60%, Germany – 60%, Netherlands – 74%, Poland – 80%, Portugal – 70%, Spain – 79%, UK – 70%, Australia – 75% (Timmons and Spinelli, 2009). Considering this significant contribution of family businesses around the world, Onuoha (2013) states that the key to business survival depends to a large extent on its ability to be well managed which entails professionalizing the enterprise. Since family businesses are more vulnerable to harsh business environments and have more mortality rate, it will be in their interest to professionalize.

Planning for the succession of top leaders is critically important for every company, yet it is unfortunately one of the most commonly neglected areas. Family companies, which are typically closely aligned with the founder and sometimes with a family member serving as chief executive officer, generally and most often lack a planned succession (Coleman & Carsky, 1999). Family business succession comprises two processes – the management succession and the ownership succession. According to KPMG (2014), each requires involving family members so that at the
end of the processes the family members would have been involved and will feel comfortable making decisions about their individual and collective futures in the management and ownership of the family business. Succession planning is essential when there are either too few or too many potential candidates as this creates confusion and uncertainty for investors, customers, suppliers and employees. In any company, one of the most important jobs for the board and CEO is ensuring an uninterrupted flow of capable management. Accordingly, Craig (2014) stressed that to maintain continuity and prevent last-minute scrambles to identify the next generation of leadership, executives and boards of family businesses must actively plan for succession and, when they must consider recruiting an outsider, take care to find an individual who not only has the appropriate leadership skills, but also is compatible with the organization’s culture. Carraher and Carraher (2006) opined that for companies that do it best, succession planning is not just about selecting the next Chief Executive Officer; it is a comprehensive approach to developing management talent throughout the organization.

The problem of both ownership and management succession has largely been the domain of research on family-owned businesses as family dynamics come to the forefront during succession (Dyer & Handler 1994). Planning is inevitable in any organization either small or large. It is thus an integral element in management functions used for coping with the challenges of the contemporary business environment (Brown & Coverly, 1999). Most importantly, planning assists in providing direction to organization members to know where the organization is heading and where to expand their major efforts. It further guides in defining the business the firm is in, the end it seeks and the means it will use to accomplish those ends (McCarthy & Minichiello, 1996). Sonnenfeld (1988) found that there are various types of retirement styles of founders or CEOs. "Monarchs" do not leave until they are forced out or die. "Generals" also leave office only when forced out, but plan a return to power often to rescue the company from an inadequate successor. "Ambassadors" leave willingly and become advisors to the firm. "Governors" rule for a term and then pursue other ventures. Handler and Kram (1988), and Dyer (1992) have discussed the psychosocial dynamics that make it difficult for the entrepreneur to contemplate transferring ownership and management to the next generation. Succession planning is in direct conflict with the entrepreneur's needs for control, power, and meaning. Thus, one study of Harvard-educated entrepreneurs noted that 48.9% planned to "never" retire, while another 23.3% did not know when they would retire or were planning to retire sometime after age sixty-five (Duffy & Stevenson, 1984). Retirement is clearly not something that is eagerly anticipated by the vast majority of entrepreneurs.

The founder's family members may not want to accept the founder's mortality and may see the founder as the only person able to manage family conflicts and keep the family together. Thus, they are reluctant to see the founder move out of a leadership role. The family may also be unwilling to upset the founder with discussions regarding retirement, for family members can be seen as being disloyal by suggesting retirement. Suppliers and customers who are used to dealing with the founder may resist forming relationships with the next-generation family members who are gaining in power. Thus, it is not at all surprising to learn that few entrepreneurs proactively engage in succession planning, often to the detriment of the family and the business (Dyer, 1992). Handler (1992) found that the degree of mutual respect and understanding between next-generation successor and founder is a key factor affecting succession. Other critical factors were the degree to which next-generation career interests, psychosocial needs, and life-style needs were met through the firm. Also, the degree of sibling accommodation rather than rivalry and the family's commitment to perpetuate the firm were important to the succession process. This study, as well as others by Davis (1982), Patrick (1985), and Iannarelli (1992), reinforces the importance of not just looking at succession from the perspective of the entrepreneur, but instead recognizing his/her relationship to the heir. Considering the heir's perspective and including him/her in the planning process is critical to effective succession management.

Family business succession is the process of transitioning the management and the ownership of the business to the next generation of family members. This transition would normally include family assets as part of the processes. In this case, family members typically play a critical and controlling role in both the management succession and the ownership succession. In this process, the effective integration and management of the family component will have a major determining effect on the success of the succession process (KPMG, 2011). Crick, Bradshaw & Chaudhry (2006) opined that the companies that are most effective at maintaining management continuity plan regularly and systematically for management succession.
Succession planning begins by taking into account the company’s strategic objectives — such as a planned expansion into new geographic or product markets — and challenges.

The board must identify the skills and expertise the company will need over the next three to five years given its strategy and circumstances. This process should conclude with the development of a detailed position specification outlining the qualities and experiences that are required of the top executive. The nature of family relationships during the transition period also has been shown to be related to a successful succession process (Dyer, 1986). According to Dyer and Handler (1994), certain characteristics are inevitable in families that would manage succession most effectively. These include consistent views regarding what is equitable; well-developed contingency plans; superordinate goals; the ability to manage conflict effectively; and finally, a high level of trust. Such conditions not only serve to help the family remain healthy during the succession period, they also are related to helping the firm remains stable during the transition period.

The existing literature and further research on family businesses have continued to promote the need to address the family component in the family business succession process. Many scholars and researchers have recommended that a substantial portion of the succession activities should focus on managing the family expectations and the family dynamics which can be achieved by actively integrating the family into the process. Certain challenges are common to family businesses all around the world. In the event of the founder's death or disability – several dynamics related to the family occur. First, there is often a struggle within the family for control of ownership of the enterprise which often results intra-family communication problems. Dyer (1992) argued that communication within families is not as reliable as communication between strangers. In dealing with this, communication issues need to be worked out and dealt with as part of the planning process. In the opinions of Churchill & Hatten (1987) parents need to be willing to truly listen to their children, and not punish them for thinking differently or try to control them with money. In this respect, children need to be opened to communication as well, and to consider and respect the advice and suggestions of the older generation.

In literatures, sibling rivalry is major challenge of family business (Davis, 1982; Patrick, 1985). Without careful planning and parenting, including outside counselling, sibling rivalry can wreck a succession plan. Patrick (1985) acknowledged that unfortunately, sibling rivalry often stays buried until after the parent is dead. Deal with sibling rivalry right at the beginning, and building a plan that will not fall apart is a major issue in sustaining a family business. Problems can arise either when more than one sibling is involved in the business or when only one of the children is involved. The decision you make with the business can affect how other family assets are considered, including houses and cottages, hence, sibling rivalry must be dealt with utmost thoughtfulness (Churchill & Hatten, 1987).

Lamarelli (1992) noted that coercing kids into the business is another major challenge in family business. Some kids do not want to take over the family business or having an affair with it. In such case, entrepreneurial values need to be grown and shared through leaders’ role modeling, explicit statements and resiliency in the face of adversity. The family and the business will be better off in the long run if one ensures that successors are committed and enthusiastic willingly without been forced (Davis, 1982). It is impossible to include everyone in the succession plan. Resentment can easily result if the family is not prepared for the succession plan, especially if the founder/original owner is not on ground to explain it. Osborne (1991) argued that preparing the family is as important as with preparing oneself, the business and the successor.

Managing the obligations of both work and family has also been described as a source of conflict for the entrepreneur. Dyer (1992), in his study of over one hundred entrepreneurs, describes several entrepreneurs facing conflicts between work and family. Marital conflict, neglect of children, and divorce can all be outcomes if work-family issues are not managed well by the entrepreneur. Dyer and Handler (1994) identified certain habits of women in business (family business inclusive) and their major concerns. Conventional women entrepreneurs are highly committed to succeed as a wife and mother as well as being successful in business. Innovative women entrepreneurs are more interested in developing a successful business than in filling traditional sex roles. Domestic women entrepreneurs give high priority to their families, while giving the business less attention. Thus they prefer home-based businesses or other work that will not interfere with their family obligations. Radical women entrepreneurs generally start their businesses to champion women's issues; however such women do not adhere to traditional business values. It is therefore suggested that while planning succession, all these habits must be put in consideration.
especially when women are included (Dyer and Handler, 1994).

Asking the business to support too many families is yet another major challenge in family businesses identified by (Dyer and Handler 1994). As time goes by more and more families can become dependent on the business for financial supports. This can be a terrible drag on the business, and may expose the whole family to economic disaster if there is a problem in the business (Handler & Kram, 1988; and Dyer, 1992). Many owner-managed businesses are too small to support too many families. In some cases the retiring owner manager remains dependent on the business. This according to Dyer (1992) increases the risk to the business and the family, and could create a scenario where a downturn in business fortunes leaves both the older and the younger generations unable to support themselves at a time when the younger generation would typical need support from their parents or grandparents.

Major issues explored by Berman Brown and Coverly (1999) were problems inherent in succession planning in family businesses. They argued that the problem of finding a successor is difficult and most often the person with the best qualities for the position may be disregarded. In a similar study on succession planning in family business, Chung and Yuen (2003) emphasized that though must second, and third generation family business successors are more educated, the technicality involved and expansion is usually a major problem. In their (Chung and Yuen) findings, the certain succession issues and concerns are identified as presented in the table below.

Common Succession Issues and Concerns in Family Business

<table>
<thead>
<tr>
<th>Issue</th>
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<tbody>
<tr>
<td>An authoritarian owner in the family business</td>
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<tr>
<td>Board of directors from family members only</td>
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<tr>
<td>Favoritism for a family member over a dedicated employee</td>
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<tr>
<td>Inadequate experience in that particular industry</td>
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<tr>
<td>Lack of working knowledge to run the business</td>
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<tr>
<td>Incapable of exercising the power of authority with siblings</td>
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<td>Inequity/equity of rewards among family members</td>
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<tr>
<td>Communication problem between family members</td>
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<tr>
<td>Lack of competence and capability to run the business</td>
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<tr>
<td>Lack of interest</td>
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<tr>
<td>Lack of proper training</td>
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<td>Male is given preferential treatment to female</td>
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<tr>
<td>Reluctance to let go of power and control</td>
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<tr>
<td>Ability to develop talent and resource</td>
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<td>Father expectations on business different from son</td>
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<tr>
<td>Father working style different from son</td>
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<tr>
<td>Can share visions and goals with business owner</td>
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<td>Trust between family members</td>
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<tr>
<td>Has a mentor in the family business</td>
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<td>Decision making by family members only</td>
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</table>

**Source:** Chung and Yuen (2003), Wee Yu Ghee (2015)

In literature, there are three phases in the lifecycle of family businesses with fundamentally different characteristics, cultures and needs. The first phase according to Handler and Kram (1988) typically involves an entrepreneur who builds the business alone, with full power and control. It is characterized by an “I” culture because the capital, or assets, of the business reflect the personality of the entrepreneur who has built the business in creative and “revolutionary” ways. Similar, Duffy & Stevenson (1984) characteristics can be applied to following generations where sole or dominant owners fully control the business. Typically, the oldest family businesses in the world have applied this model of passing on full ownership to one descendant (Dyer, 1992). This model can also be found in monarchies and in farming.

**Table:** Phases in Family Business

<table>
<thead>
<tr>
<th>Size</th>
<th>Founder/Dominant Owner</th>
<th>Siblings</th>
<th>Cousins</th>
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<tbody>
<tr>
<td>1</td>
<td>Small Family</td>
<td></td>
<td>Large Family</td>
</tr>
<tr>
<td>Power</td>
<td>Control</td>
<td>Sharing</td>
<td>Separation</td>
</tr>
<tr>
<td>Culture</td>
<td>1</td>
<td>Us</td>
<td>Us &amp; Them</td>
</tr>
<tr>
<td>Capital</td>
<td>Person(ality)</td>
<td>Competence</td>
<td>System</td>
</tr>
<tr>
<td>Change</td>
<td>Revolutionary</td>
<td>Evolutionary</td>
<td>(R)evolutionary</td>
</tr>
</tbody>
</table>

**Source:** Schwass (2007)
The second phase according to Schwass (2007) involves the children of the founder or the dominant owner. It is characterized by an “us” culture because the siblings share the power over the business. Often better educated than the previous generation, they bring new competencies to the business and often apply them to improving the operational efficiencies after the turbulent, revolutionary growth from the previous generation. Duffy & Stevenson (1984) argued that this phase is about creating an environment of teamwork based on trust and professionalism. Most family businesses fail at this very difficult juncture, where power sharing replaces total control. The “I” generation has never experienced a succession towards an “us” culture. This leaves the sibling generation typically ill prepared and lacking an effective role model. In addition to the emerging difficult intra-generational relationships, the inter-generational relationship with the senior generation becomes increasingly conflicted.

The third phase brings in the cousins and the family now has a larger number of members and branches. According to Davis (2003), this phase is about diversity and power separation – “us and them” – with some involved in the business and others not involved. The business is now large enough to run by itself – at least for a certain period. Schwass (2007) stressed that those family members who are passive owners and receiving dividends will want that to continue without risky strategies, whereas those working in the business will be concerned about growing it to satisfy the increasing demand for dividends by the growing family. While the sibling phase was about unity in a small family, the cousins’ phase is all about managing diverse characteristics, skills, interests and needs. Coleman & Carsky (1999) concludes that few families effectively manage this difficult transition. The key to success is accepting the diversity rather than suppressing it and putting in place a practical, transparent and effective governance structure.

3. Conclusion and Implications of the Study

Lee-Chua (1997) and Bigliardi & Dormio (2009) claimed that the challenges related to dealing with an expanding family concurrently with a growing business; the related issue of professionalism, which necessitates the introduction of new ways of conducting business that in many cases are in direct contrast to the incumbents’ methods; the introduction of outside experts, including non-family directors; and the introduction of new generations with new ideas into the business have all been unveiled as common concerns of every family business, hence a need for succession plan. Parada, Sharma and Yusof (2014) further argued that the development of the next generation and professionalization of the business affects the ability of family members to succeed their parents as leaders and owners. These processes support the capacity of the family business to reliably provide products and services and to extend their presence into new areas through market, process and product innovations. As such family members need to develop and build experiences that shape the breadth and depth of knowledge for the task ahead.

Furthermore, in many family firms, ownership and management are maintained (or intended to be maintained) across several generations and a key challenge for long-term survival is to sustain the entrepreneurial spirit of the founding generation of entrepreneurs (Craig, 2013). As all businesses in the long run, regularly need to renew their way of doing business in order to stay competitive as they risk losing their entrepreneurial capacity likewise in family business. The most important therefore is that a focus on; and understanding of, entrepreneurship is now universally considered to be necessary in order to better prepare next generation leaders, top executive, and business-owners. To that end, next generation family members, no matter their current career interest or future projection, are being encouraged to increase their entrepreneurial skill set by including exposure to entrepreneurship related activities so as to take the family business to the far reaching desires of the founder.

References


