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# Succession Planning in Family-owned Businesses

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Succession Planning in Family-owned Businesses

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

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By

Alexandra Burns

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FINAL APPROVAL FORM

THE UNIVERSITY OF SOUTHERN MAINE  
MASTER IN LEADERSHIP STUDIES

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We hereby recommend that the thesis of Alexandra Burns entitled *Succession Planning in Family-owned Businesses* be accepted in partial fulfillment of the requirements for the Degree of Master in Leadership Studies.



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Abstract

This study seeks to gain a better understanding of what the challenges are that family-owned businesses face as they attempt to transfer their business from one generation down to the next. The fact that family-owned businesses contribute significantly to the U. S. economy as well as the fact that they do not typically survive a generational transition make understanding what contributes to a successful transition important. This study was conducted by distributing a quantitative survey containing numerous open-ended questions to second, third, and fourth generation family business owners. The survey asked respondents to explain their historic experience with the family business as well as their experience as they went through the transition of the business. The survey results provided insight into many important factors for effective succession planning such as level of desire to be involved in the family business, perceived ability to lead as compared with the previous generation, and specific/other challenges faced as the transition took place. It is clear from this results that family-owned businesses bring out a passion in those who are involved in them and that this passion is worth understanding and replicating whenever possible.

## Introduction

Succession planning is an important factor that should not be overlooked as part of the business process in small to medium sized family-owned businesses. Succession planning can be defined as “...a structured process involving the identification and preparation of a potential successor to assume a new role” (Garman & Glawe, 2004, p. 120). The purpose of this research is to gain a better understanding of what issues should be considered when a family-owned business is determining who the successor will be and what skills and experience are valuable to the business. The topic is worth further exploration for a number of reasons, the first being that family-owned businesses typically do not fare well when they are passed from one generation to the next (Sharma & Smith, 2008). The Family Business Institute (2014) states that it is only about 30% of family-owned businesses that will survive the transition from the first generation down to the second generation and only 12% will remain after companies transition to the third generation and these family-owned businesses are looking at only a 3% survival rate when transitioning to the fourth generation and beyond. Family-owned businesses also employ a significant number of workers and are major contributors to the United States’ economy as well as many other countries’ economies (Whatley, 2011; Grundström, Öberg, & Rönnbäck, 2011). Many family-owned businesses are small businesses as well and the U.S. Small Business Administration (2014) states that small businesses are responsible for 48.5% of private-sector employment in the U.S. The critical role that family-owned businesses play in the wellbeing of this country’s economy makes understanding how to keep them vital through times of generational change an important area of study. Succession in a small to medium sized family-owned business is vastly different than a large corporation deciding who will be the next individual in charge. The talent pool that family-owned businesses have to choose from is much smaller, these types of transitions do not take place very frequently, and there is typically very little structure to the process when it does eventually take place (Motwani, Levenburg, Schwarz & Blankson, 2006). There are many factors that need to be reflected upon when a family-owned business

begins to move towards their generational transition. There are not only leadership considerations, but education, preparedness, and process plans that cannot be overlooked or downplayed.

## **LITERATURE REVIEW**

A review of the available literature was conducted in order to gain an understanding of what some of the challenges are that these family-owned businesses are facing as well as what might be some important concepts to implement when going through the process of a generational transition.

### **Mentorship**

The mentor-protégé relationship is one that is common within family-owned businesses and is an extremely important leadership process that should take place. The type of mentorship typically taking place in these family firms tend to fall somewhere between formal and informal. These particular relationships are often not well structured, but neither are they spontaneous relationships (Chao, Walz & Gardner, 1992). It is known that the protégé will eventually be the one taking over the business; that fact alone lends a certain amount of structure to the mentor protégé relationships that are occurring in these family-owned businesses. Often it is the mother or father who takes on the role of mentoring their son or daughter. Mentorship is something that is said to have positive outcomes for not only the protégé, but for the mentor as well. The mentor is in a position where they are able to impart knowledge that they have amassed over time to the next generation; this sharing of knowledge ensures that in some way their legacy lives on (Kumar & Blake-Beard, 2012). In the case of small family-owned businesses this legacy is being shared with and passed down through their children.

Typical benefits of mentorship for the protégé tend to be: accelerated upward mobility, higher salary, improved rates of job satisfaction, and better job performance (Kumar & Blake-Beard, 2012; Oglensky, 2008). In the case of small family-owned businesses some of these benefits might occur



regardless of a formal mentorship relationship being in place. It is often known from an early age that the children of the generation running the business will someday be in position to take over the leadership of the company. Much of the literature surrounding the concept of mentorship focuses on the positive outcomes of these types of relationships, although, a bad experience between a mentor and protégé may be difficult to work through. Typically, if a protégé has a bad experience with their mentor they are more likely to focus on that experience regardless of the fact that there have been other positive outcomes as a result of the relationship (Eby, Butts, Durley & Ragins, 2010). Because they are family and it is essentially predetermined that they will work together and that knowledge will be passed down through the generations Eby, Butts, Durley and Ragins (2010) mention that issues such as personality differences and approach to work style can be what cause a bad relationship between the mentor and protégé. In the case of a family-owned business these issues may be a factor, but there is nobody else to learn the business from so the mentor-protégé relationship between the generations must persist whether or not it is functioning well. It is important that members of both generations take their individual roles in the mentorship experience seriously and that they strive to make it as positive of an experience as it possibly can be.

### **Shared Leadership**

The majority of family-owned businesses are engaged in shared leadership. They may not refer to it that way or even realize that they are involved in it, but more often than not when it comes to family-owned businesses there are family members working together to lead their company. Shared leadership, which can be defined as two or more individuals collaborating in order to lead a group (Crevani, Lindgren, & Packendorff, 2007), is something that these family-owned businesses tend to employ in multiple ways. Often there are siblings or a husband and wife team that work together day in and day out to lead their company. Another common way for shared leadership to be present in a

family-owned business is when the younger generation is in the process of inheriting the company from the generation before them; there is a time period during which the generations are in the business together working side-by-side sharing decision making responsibilities and leading their organization together at the same time. This is occurring simultaneously with the mentor-protégé relationship; as the younger generation becomes more capable they begin to share in more of the leadership and decision-making responsibilities of the organization. Shared leadership is something that can be difficult for people to understand. It is something that many feel is counterintuitive; we are trained to think of a leader as an individual or leadership as an activity someone does by themselves (Pearce & Conger, 2003). The individuals in these family-owned businesses, particularly the outgoing generation, find it difficult to think of leadership in what to them is a completely new and different application. This time spent in a shared leadership relationship accomplishes two distinct and important outcomes. First, it provides the younger generation the opportunity to learn alongside the older generation. Second, it addresses the issue of adapting to the changing landscape of the business they are about to embark in a career in. It is important for the success of the business that they remain or become innovative and having multiple people in leadership positions simultaneously is the best way to ensure that the organization remains competitive (Hoch, 2013). This shared leadership is an important step in the sharing of knowledge that is an essential part of any successful family-owned business' generational transition.

### **Generational Differences**

A first generation owner often sees the business in a very different way than the second generation does (Chung & Yuen, 2003). Typically their experience with the business has been drastically different. The first generation in most cases has built the business from the ground up. In contrast, any generation that becomes involved in the business moving forward has had some amount of exposure to it over time and never knew a time when there was not something of a vibrant functioning business

owned by their family. Relationships between family members in family-owned businesses can often be full of tension and it is important that the two generations find a way to work together harmoniously throughout the transition and beyond (Ibrahim, Soufani, & Lam, 2001). The two generations' experience with the business has not necessarily been similar and for this reason it is extremely imperative that the second generation be as well prepared as possible for the transition that will take place. There are many differences between the generations, but one difference in particular that becomes a factor when the two different generations that are working together is feedback. Typically, at this point in time, the generational transitions that are taking place are a business passing from a parent of the Baby Boomer generation to either a child of generation X or a child of the Millennial generation. Baby Boomers tend to believe that feedback is a one way street and should come from the top down, and come more in the form of an annual review, while members of generation X and Millennials feel very strongly that it should flow in both directions and be more constantly provided (Lancaster & Stillman, 2002). This issue of feedback and how it is handled may seem as though it is not an overly important matter to consider, but in fact when looking at the important leadership roles both generations are in currently or will be in eventually, feedback will play a central role in shaping the organization.

### **Relationships**

One particular area of preparedness that should be taken into consideration is relationships. There are a few key relationships to take into account when looking to transition the family business to the second generation: the incoming family member(s) should have strong relationships with the outgoing family member(s) and, the employees of the company, as well as with any vendors or strategic industry alliances (DeNoble, Ehrlich & Singh, 2007; Chung & Yuen, 2003; Morris & Williams, 1997). There is a significant amount of knowledge to be shared between the incumbent and their successor and for that reason that relationship is perhaps the most imperative. These two generations working

together is what will give the second generation family member the most significant knowledge as it pertains to the business they are about to take over (Fox, Hamilton & Nilakant, 1996). The transition will prove to be challenging if a strained relationship between the generations causes there to be a lack of communication or miscommunication about important company information.

### **Transition Over Time**

Succession has been described as one of the “lengthiest strategic processes for family firms” (Chirico, 2008). It is not possible in all situations to allow this transition to take place slowly, but transitioning over time is a factor that can contribute substantially to the overall success of the transition. Taking time allows for not only the transfer of knowledge, but it also lets the first generation become comfortable with stepping down from their role while at the same time it gives company employees the time to become used to another individual in that leadership role (Giarmarco, 2012). The overall goal of transitioning the organization over time is to ensure the all individuals involved are as prepared as they can be to take on their new roles or be supportive of those whose roles are changing. Transitioning the company over time is just another building block of the important factor of preparedness.

### **Education**

Education is another factor that should be taken into consideration. The general consensus is that formal education outside the family-owned business is important, but that it does not necessarily prepare the incoming family member for the business specific issues that arise in a company on a day-to-day basis (Tatoglu, Kule & Glaister, 2008; Chung & Yuen, 2003). In many family-owned businesses’ generational transitions, the second generation is expected not only to have that more formalized education, but they are expected as well to be able to bring enhanced management practices and an understanding of technology – the company is now looking to them to be innovative and to be able to

provide new and fresh ideas that will contribute to the long-term success of the company (Craig & Moores, 2005). It is important that the incoming generation have a strong entrepreneurial spirit that motivates them to want to succeed in the family-owned business; this entrepreneurial spirit is something that the first generation often times has to consciously work to instill in their children (Mejbri & Affes, 2012). This entrepreneurial spirit may not necessarily be provided by formal education, but it is an important part of the process in that it is the first generation's responsibility to ensure that this entrepreneurial drive is instilled in their children. It is an essential part of the overall education of the younger generation.

### **Knowledge Transfer**

Knowledge transfer from one generation to the next is critical to the success of family-owned businesses. This knowledge transfer helps to fill the gaps in learning left behind by formal education alone. Education outside of the family firm is important, but it is the sharing of inside knowledge that will ensure the incoming generation has a strong understanding of the inner workings of their family's organization. The knowledge the outgoing generation has gained is the foundation that allows the next generation to ensure that they have the competitive advantage needed for the continued success of their family-owned business (Chirico, 2008). Explicit knowledge can be shared relatively easily as it is simple to put into writing and this is most often accomplished through the use of tools such as policy and procedure manuals (Chirico, 2008). It is the sharing of tacit knowledge that can present more of a challenge. The sharing and passing down of this type of knowledge that is more experience and skill based often tends to take place over time and is a large part of what occurs during the mentoring process that many family businesses engage in (Chirico, 2008).

### **Employment outside the Family Business**

It is common for members of the incoming generation to spend a period of time working outside of the family-owned business prior to coming to work for their parents. It has been suggested that the optimal amount of time to spend working for a firm other than their family's is a minimum of three to five years (Chirico, 2008). This experience outside of the family business is yet one more educational experience, one in which they will be able to accumulate more knowledge that they will then be able to turn around and apply to their family's business when needed. Typically this experience prepares the successor to have a greater understanding of the types of challenges their family-owned business has the potential to face, as well as an understanding of more formal management systems (Chirico, 2008). The skills gained during this time will assist the incoming generation in not only being able to look at their own family's business more critically, but also in establishing their own sense of identity (Chirico, 2008).

### **Technology and Change**

When it comes to the evolution of the business and implementing technological changes the younger generation often finds themselves in a difficult situation. They are expected on one hand to take over the business as seamlessly as possible, but at the same time they are being asked to take the business to the "next level", ensuring that the company will continue to grow and to have staying power. Often it is difficult for the incoming generation to strike the balance between keeping the business familiar and implementing some at times much needed innovations. They are likely to be hearing from the outgoing generation that they need to keep things a certain way "because that is the way it has always been done", but what is really most important is that they introduce new technology when needed so that the business can stay competitive as the market evolves and changes (Chung & Yuen, 2003). It has been suggested that many of the issues facing a second generation owner could be

avoided if these individuals were encouraged by the generation before them to initiate change as opposed to avoiding it, as well as to utilize the skills and knowledge gained while in school (Chung & Yuen, 2003). There are some aspects of the business that should remain unchanged as they are likely what helped to create a business successful enough to pass down to another generation. At the same time is imperative that all members of the family remain cognizant of the fact that technology and change are what will ensure their family-owned business remains competitive and will help them to grow the business enough to eventually pass the company along to their own children.

## **METHODOLOGY**

### **Method**

This study utilized a mixed methods approach, using a quantitative instrument that also included a number of open ended questions (see appendix C). The survey was anonymous, and administered to participants in the form of an electronic questionnaire via SurveyMonkey®. The survey consisted of thirty questions, this number of questions was chosen because it allowed participants to complete the survey in under a half an hour. Fourteen of the questions posed were open ended in order to allow participants the opportunity to share and expand on their specific experiences. The questions were aimed at gaining an understanding of the basic structure of the participants' family-owned businesses as well as both their historical and current experience with the businesses. Questions asked in the survey were decided upon based on themes that presented themselves after a review of the available literature.

### **Participants**

The study was distributed to twenty four potential participants. The researcher received fifteen responses to the survey. The participants were chosen to be invited to participate for two reasons: they

were currently employed by a family-owned business and they are involved in, have been involved in, or will be involved in a generational transition of their family's business. All generations were eligible to participate - those in the position of handing a business down to the next generation and those who are the next generation working with the generation before them to take over the family business. All participants in this study were identified through their business relationship with the researcher, who is a consultant to the retail oil and propane industry; all participants in the study are employed by their family's retail oil and/or propane business and reside in the New England region.

### **Procedure**

Individuals asked to participate in the survey were sent a personalized email by the researcher (see appendix A). The email that they received explained to them briefly what the body of research was and why they were asked to participate. The email also included a consent form both in the body of the email and attached in the form of a Word document (see appendix B). Participants gave their consent by choosing to complete the survey. Finally, the email included a link to the survey to be completed if the individual wished to participate in the study. The survey took participants between fifteen and thirty minutes to complete. Participants were instructed to skip questions that they felt were not applicable to their particular situation.

### **FINDINGS**

40% of respondents were the second generation in their family's business while 53% were the third generation to be involved and 7% were members of the fourth generation to be employed by their family-owned business.



## **Mentorship**

50% of the individuals who responded to the survey felt that the transition of their family's business was more difficult than they expected it to be. 92% of respondents, however, rated the success of their family-owned business transition as either: successful, very successful, or highly successful. The one respondent that gave the lower rating of somewhat successful when speaking about their family's business transition specifically cited a lack of mentorship from the previous generation as a challenge they faced. When asked what type of training would have proved helpful during the transition this respondent stated, "More years by the side of my father." Another respondent articulated that same need a bit differently, "I wish I was taught the things that I know now by my parents, as opposed to have to learning them on my own. It could have saved me a few years." Comments such as these suggest that time spent working together in the business while engaged in the mentor-protégé relationship can be extremely helpful in ensuring a more successful transition for family-owned businesses.

## **Shared Leadership**

Respondents were asked to answer the question "If you were to be able to restart or redo the transition itself again what would you do differently?" Some of the responses to this question made it clear that time spent with the two generations working together side by side is something individuals felt would have been helpful to them. For example one respondent stated, "Have family introduce and do more training to show support with existing workforce, and a unified transition." This response clearly illustrates the fact that a period of exercising shared leadership during this family's transition would have proved helpful to the incoming generation. One individual who felt that their family's transition had gone well made the comment, "We have been very lucky. My parents relinquished control without much of a problem because they trust the decisions my brother and I make. The 10

years we spent under them in the business helped us gain that knowledge and their respect.” In this particular case the siblings felt that ten years of running the business in tandem with their parents was what helped to ensure a successful transition.

### **Generational Differences**

Two respondents that rated the transition of their family-owned business as more difficult than they expected it to be listed their thoughts on why that was the case as, “old school - new school” and “Old Italian stubbornness...” These are very short and succinct ways to describe what is a major challenge of working in a family-owned business. Another respondent described why they felt they had a better ability to lead than the previous generation did, “I think each generation has so much more access to info and education to help us be better leaders than the previous generations did and it keeps going every generation.” Access to education is an important factor to consider when thinking about differences between the generations. Increased access allows each new incoming generation the opportunity to learn skills that perhaps the generation before them never had the opportunity to learn because either they were not afforded the same access or the opportunity did not exist during the time they that were being educated.

### **Relationships**

A strong relationship between the generations is of the utmost importance. If the two generations are unable to communicate and learn from each other it is almost certain that there will not be a successful transition. One respondent defined a successful transition by saying,

I think a successful transition is one in which family relationships remain paramount. Followed by company operations and financial decisions. It is not easy to prioritize all of these among

multiple family members but anytime they remain strong from one generation to the next it is a successful transition.

Not only is the relationship between the generations important, but it is also critical for the outgoing generation to work with the incoming generation to ensure that both business and customer relationships are shared by making introductions and by sharing the background of those relationships as well. One member of the younger generation described a fear they had as they were taking over the business from the previous generation: "A lot of our customers were friendly with my father, and I was concerned we would lose a lot of them when he left. Since I worked in the office, a lot of them didn't even know who I was." This fear is one that could be easily remedied and one that is important to pay attention to as the business is transitioning. Giving consideration to these types of relationships should prove beneficial to not only the incoming generation, but also to the customer, and ultimately the business.

### **Transition over Time**

When respondents were asked how they would define a successful transition a theme that came through in the responses that were provided was the importance of the transition taking place over an extended period of time. One respondent described a particular challenge and how a transition over time was somewhat helpful by saying, "I think the tough thing is becoming the "new boss" of long time employees. That is one area where a gradual transition is helpful, but it is still difficult." When taking over a business there are many different areas of the business that require various skill sets that must be learned by the incoming generation. The ability for the transition to take place gradually and if at all possible to have the older generation still be available for advice once the transition has been completed is certainly ideal. Another survey participant articulated his/her view of a successful transition by saying, "One that is completed before absolutely necessary (i.e.: prior to older generation

is ready to move on and/or dies).” One other respondent to the survey, unfortunately, found out firsthand how difficult it was to deal with the transition period being cut short by the death of the outgoing generation, responding to the question “What do you feel has been the most challenging aspect of your transition?” with: “In my particular case it happened overnight do to the sudden and unexpected death of my father. Doesn't get much more challenging than that.” The inability for the transition to take place over time made this individual’s transition particularly difficult.

### **Education**

A very strong theme presented itself in response to the question “What types of training to you wish you had received formally or informally that was not provided to you?” 40% of respondents gave answers with a similar theme, such as, “How to read my financial statements” or “The thing that would have helped me the most would have been some accounting courses.” And yet another individual stated, “More financial training.” Individuals in family-owned business are called upon to wear many different hats. It appears that many of them are entering the family business confident in their abilities to take on the technical, customer service, or managerial aspects of the job, but are left feeling underprepared to take on some of the tasks that often remain more behind the scenes. This is a knowledge deficit that formal education could easily remedy.

### **Knowledge Transfer**

The transfer of knowledge between the generations that needs to take place is an extremely important step in the process of a successful generational transition. There is a significant amount of knowledge that the older generation has access to simply by having been an integral part of the business for as many years as they have. As mentioned earlier, ideally this transition will take place over an extended period of time to ensure that as much knowledge as possible is passed down by the outgoing generation. One survey respondent described what was, to them, an effective transition, “A

successful transition allows for a gradual and fairly lengthy period of training and familiarization with the business and it also allows for a gradual but definite assumption of decision making and leadership responsibilities.” It is the time spent by the side of the outgoing generation that allows for the appropriate transfer of knowledge as it relates to multiple facets of running the family business.

Another respondent made the following statement when asked what they would do differently if they could redo their family’s business transition from the beginning, “I would have made him take me with him on sales calls and deliveries so I could feel more comfortable with my salesmanship.” These are specific skills that the outgoing generation had and skills that could have been taught to the incoming generation. Time spent focusing on sharing information about these aspects of the business would have been important for both the confidence and success of the incoming generation.

### **Employment Outside the Family Business**

93% of survey respondents indicated that they had been employed by a business other than their family’s at some point during their adult life. When asked what training they had received outside of the family business that was most helpful to them 25% of individuals pointed specifically to the work experience they had had while being employed by a different business. For example, one individual stated, “I have worked for major corporations and understand the need for certain structure. I understand sales, marketing, profit margins, and a general sense for business from my previous experience.” Another responded was able to cite the specific type of position they held that had proved helpful in becoming part of the family business, “...a multitude of sales positions before returning home.” These experiences at organizations outside the family-owned business have allowed them to be better employees and more competent leaders as they have come home to take on important roles within their family’s businesses. Multiple respondents specifically mentioned the fact that the generation before them understood the importance of experience outside of the family-owned

business. One respondent described their personal experience by saying, “My father actually discouraged me from being involved in the family business for a long time. Wanted me to get out into the working world and bring real experience back with me when I finally did start working for the family.” When asked the question “What formal training outside of the family business have you received that has helped you to take on the role you are currently in?” 25% of respondents to that question specifically cited the work experience they had within another organization as being helpful to them in their current position. The experienced gained from being employed in other work environments is one that will prove valuable to the family-owned business.

### **Technology and Change**

One respondent who indicated that they found their family’s business transition to be more difficult than they expected it to be cited the fact that there was a certain amount of change that was absolutely necessary as the reason for the transition being more challenging than expected. The respondent articulated that challenge by saying, “Bringing the business into the new century. We couldn't do things the way they had always been done with increasing prices and society changes (liability).” As the market and society change it is important that these small family-owned businesses change with them, regardless of how difficult it is for the older generation to accept. One survey respondent verbalized the most challenging aspect of their family’s transition by saying, “The most challenging part is to watch my father who has almost nothing to do with daily operations, continually criticize actions and operations even though everything is smoother and different than he is used to.” This is a perfect example of how things have evolved and changed for the better within this particular company, but that it is difficult for the older generation to accept. The younger generation struggles to strike a balance between ensuring the company evolves with the ever-changing marketplace and

keeping certain parts of the company unchanged so as not to alienate customers who have been longtime patrons of their family's business.

## **DISCUSSION**

The findings of the survey fell very much in line with the research hypotheses/expectations. Much of the literature around small business succession planning focuses on the concept of transitioning the company over time as being an important factor in fostering successful transitions. Both mentorship and shared leadership are critical components of the transition taking place over an appropriate period of time. Respondents to this particular survey echoed the available literature (Kumar & Blake-Beard, 2012; Oglensky, 2008; Hoch, 2013) by stating essentially, across the board, one of two things. The time spent learning by the side of the generation before them was invaluable to their eventually being able to take over the business successfully or conversely, if they were unable to spend much time working for and with the outgoing generation they then felt that it would have been helpful to the overall process if they had been able to spend more time both in the apprentice role and sharing responsibilities with their parents. The concept of knowledge transfer is also something that should not be overlooked when considering a family-owned business' transition and something that most certainly falls under the idea of transitioning the business over time. During this time the incoming generation not only learns many of the day-to-day tangible tasks that must be completed, but they are also given the opportunity to see how the outgoing generation handles and reacts to given situations. This is an important experience to have because it provides the younger generation the chance to see what works well and perhaps what may need improvement. They are able to take the best of what their parents did and are then able to improve upon it.

The concept of relationships was the second factor that the literature (Ibrahim, Soufani, & Lam, 2001; DeNoble, Ehrlich & Singh, 2007; Chung & Yuen, 2003; Morris & Williams, 1997) pointed to as

being exceedingly important that also appeared as a significant theme in this particular research. The researcher felt that there were a number of concepts expressed in the survey responses that ultimately point back to the quality of the relationship between the outgoing and incoming generation. The first of those issues was the idea of generational differences. The challenges that generational differences present were mentioned by multiple survey respondents, consistent with the available literature (Chung & Yuen, 2003; Ibrahim, Soufani, & Lam, 2001; Lancaster & Stillman, 2002). Ultimately though, if a strong relationship was in place between the family members, they were able to work through the challenges presented by their generational differences. The survey responses made it relatively clear that as the outgoing generation looks at the long-term success of the business, two issues that they felt strongly about were education and employment outside of the family business before coming back to be work for family members. Multiple respondents mentioned specifically that their mother and father had essentially required them to be employed by another organization prior to returning home to work for their family's business. This opportunity to learn from others prior to working by the side of their parents is invaluable to both the business and the relationship between the generations as they begin to work more closely together because the incoming generation is able to bring back with them a broader perspective and yet another way to view the family-owned business. The survey responses illustrated that education assisted in accomplishing a very similar goal to employment with another organization. The concept of formal education was most often considered mandatory by the outgoing generation and was something that ultimately poised the incoming generation to become a more valuable contributor to the family business. This forethought as it pertains to the incoming generation's contributions, in the long run, fosters a more productive work environment and relationship between the generations. This relationship between the generations is often put to the test when it comes to the notion of technology and change. The available literature emphasizes this concept and the survey results validated the fact that change is often extremely difficult for the outgoing generation to accept and understand as it is a



challenge for them watch the younger generation come in and attempt to make changes to the way things have always been done. As mentioned previously, the outgoing generation has often sent the younger generation away to learn new skills and gain knowledge that they are ultimately expected to bring back to the family firm for use and improvement, but the change is still often difficult to accept.

### **FURTHER RESEARCH**

The survey results described above suggest two specific areas that merit additional research. The first is the idea of what it is that the family-owned business provides to the individual. This research focused primarily on what it is that the individual provides to the business and what they need to go through in order to do that to the best of their ability. Although it was not the focus of this particular research there were some responses provided that offered clues to the fulfillment family members experience by being an integral part of their family's business. When asked the question, "What makes you want to stay in the family business?" respondents provided answers such as, "I could not picture any other career meaning as much to me" and "We provide valuable services to the area, it's a good living for my family and my employees and a good feeling to be able to keep our customers comfortable...". It is clear from these responses to this question that there is a certain amount of pride that comes from being employed by their family's business. This pride may potentially be a significant factor in why these family businesses have survived these difficult and challenging generational transitions, given that 60% of respondents to this survey were the third or fourth generation to be running their family's business. The apparent pride and success rates indicate that exploration of what the business provides to the individual is surely worth further research efforts.

The second area that presented itself within this research that appears to deserve additional attention is the communication within these family businesses. 73% of respondents rated the communication within their family's business as either good or very good. The remaining 27% rated

their family's communication as either fair or poor. No respondents felt that the communication within their family's business was excellent. While respondents were feeling ambivalent about the communication within their family's business 92% reported that they felt they and their family members worked well together as a team. Past research tells us that that strong communication should be in place for a team to function properly as a single unit (Troth, Jordan, Lawrence & Tse, 2012; Frigotto & Rossi, 2012). Further research about the communication-team work relationship is recommended based on the findings of this study.

### Conclusion

Both this research and a review of the literature have shown that there are a multitude of concerns that need to be addressed when looking to transfer leadership of a family-owned business between the generations. The ability to share not only knowledge, but leadership roles as well, is critical to ensuring the longevity of any family-owned business. Formal education, strong communication, and a willingness to try new things are key elements in any successful transition. Generational differences and differing ideas will often present challenges, but if the time is taken and the effort made by all generations involved it is certainly possible to ensure an effective transition. If the generations are able to work together and are willing to learn from each other, they will find their business transition to be both rewarding and successful.

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Appendix A

Dear Participant,

I hope this email finds you doing well! I am currently working on a master's degree in Leadership Studies and I am now at the point in my degree where I am completing my thesis. The title of my thesis is: Succession planning in family-owned businesses, so I am in the process of reaching out to people I know in the industry who are employed by their family's business. I am distributing the survey below as a part of my thesis research. If you are willing to take the time to complete the survey I would really appreciate it, especially considering the time of year it is! The survey itself is completely anonymous. There will be some questions that do not necessarily apply to you, so please just go ahead and skip those. Also, below and attached is the required consent for an anonymous survey form. If any questions or issues come up along the way please just let me know.

Link to survey: <https://www.surveymonkey.com/s/familybusinesses>

Thank you!

Alex  
207.712.8224

Appendix B

University of Southern Maine

**CONSENT FOR PARTICIPATION IN RESEARCH**

**Project Title:** *Succession planning in family-owned businesses*

**Principal Investigator:** *Alexandra Burns, Student, University of Southern Maine*

**Faculty Advisor:** *Elizabeth Turesky, Professor, University of Southern Maine, [eturesky@usm.maine.edu](mailto:eturesky@usm.maine.edu), (207) 753-6606*

**Introduction:**

- The purpose of this research is to identify factors for success as well as challenges that occur as a family-owned business transfers from one generation to the next.
- Please read this form. Your participation is voluntary.

**Why is this study being done?**

- This study is being conducted in order to identify themes that present themselves as family-owned businesses transition from one generation to another. An increased understanding of factors for success as well as potential challenges may prove useful future generational transitions.

**Who will be in this study?**

- You have been selected to take part in this survey because you are an individual who is a first, second, third, or fourth generation participant in a family-owned business and you are at least 18 years of age.
- This survey will be distributed to approximately 50 participants.

**What will I be asked to do?**

- You are being asked to complete the following anonymous survey which seeks to identify factors that positively and negatively affect generational transitions within family-owned businesses.
- The following survey should take approximately 15-20 minutes to complete.

**What are the possible risks of taking part in this study?**

- There are no reasonably foreseeable risks associated with participation in this survey.

**What are the possible benefits of taking part in this study?**

- There are no specific benefits to taking part in this study.

**What will it cost me?**

- There is will be no cost associated with taking part in this research.

**How will my privacy be protected?**

- This survey is designed to be anonymous, please do not include any information anywhere on the survey that may individually identify you or anyone else.
- The information collected in this study will be shared as part of a University of Southern Maine Capstone Project.

**What are my rights as a research participant?**

- Your participation is voluntary. If you choose not to participate, it will not affect your current or future relations with the University or Boston Environmental
- You may skip or refuse to answer any question for any reason.
- You are free to withdraw from this research study at any time, for any reason. If you choose to withdraw from the research there will be no penalty to you and you will not lose any benefits that you are otherwise entitled to receive.

**What other options do I have?**

- You may choose not to complete the following survey.

**Whom may I contact with questions?**

- The researcher conducting this study is *Alexandra Burns*. For questions or more information concerning this research you may contact the faculty advisor *Elizabeth Turesky* at (207) 753-6606, [eturesky@usm.maine.edu](mailto:eturesky@usm.maine.edu).
- If you have any questions or concerns about your rights as a research subject, you may call the USM Human Protections Administrator at (207) 228-8434 and/or email [usmirb@usm.maine.edu](mailto:usmirb@usm.maine.edu).

**Will I receive a copy of this consent form?**

- You may print/keep a copy of this consent form.

**I understand the above description of the research and the risks and benefits associated with my participation as a research subject. I understand that by proceeding with this survey I agree to take part in this research and do so voluntarily.**



Appendix C

Survey

Succession planning: Family-owned business

1. Demographics
  - a. Age\_\_\_
  - b. Generation you are in your family business: 1<sup>st</sup>\_\_\_, 2nd\_\_\_, 3rd\_\_\_, 4th\_\_\_
  - c. Number of siblings you have: Sisters\_\_\_, Brothers\_\_\_
  - d. How many siblings are involved in the business including yourself?\_\_\_
2. Business ownership
  - a. Were your parents always in the business? Yes\_\_\_, No\_\_\_
  - b. Do you have other siblings that opted out of playing a role in the family business? Yes\_\_\_, No\_\_\_
3. Pre transition
  - a. What specifically did your parent(s) or other family member(s) do to encourage your participation in the family business? Please explain. \_\_\_\_\_
  - b. Have you worked for a business other than your family business during your adult life? Yes\_\_\_, No\_\_\_
  - c. What made you decide to enter the family business? Please explain. \_\_\_\_\_
4. Parent's leadership
  - a. What were/are your parent's leadership characteristics, if any? Please explain \_\_\_\_\_
  - b. If you are in a leadership position, do you feel that you are/have the ability to be as effective a leader as your parent or more so? Please explain. \_\_\_\_\_
5. Perceptions and understanding about the business
  - a. Did you hold other positions within the company prior to finding yourself in your current role? Yes\_\_\_, No\_\_\_, If yes, please list. \_\_\_\_\_
  - b. Scale 1-5 (1=Excellent & 5=Poor): How would you rate the communication within your family's business?\_\_\_
  - c. Do you feel you and your family members work well together as a team? Yes\_\_\_, No\_\_\_
  - d. What makes you want to stay in the family business? Please explain. \_\_\_\_\_
6. Perceptions about the transition
  - a. How were decisions made about siblings assuming the various roles of the business? Please explain. \_\_\_\_\_
  - b. Were you happy with these decisions? Yes\_\_\_, No\_\_\_
  - c. Do you feel that your businesses' transition has been successful to date? Yes\_\_\_, No\_\_\_
  - d. How would you define a successful transition? Please explain. \_\_\_\_\_
  - e. What do you feel has been the most challenging aspect of your transition? Please explain. \_\_\_\_\_
  - f. Was the transition more or less difficult than you expected? More\_\_\_, Less\_\_\_
  - g. Why do you think that is? Please explain. \_\_\_\_\_

- h. What do you feel has been the most challenging aspect of your transition? Please explain. \_\_\_\_\_
  - i. If you were to be able to restart or redo the transition itself again what would you do differently? Please explain. \_\_\_\_\_
  - j. Scale 1-5 (1=Highly Successful & 5=Not Successful): Rate the success of the transition. (If it has yet to be completed, rate the success so far.)
7. Preparation to take over business
- a. What types of training to you wish you had received formally or informally that was not provided to you? Please explain. \_\_\_\_\_
  - b. What has been the most difficult issue for you to overcome as the business has been handed off to you? Please explain. \_\_\_\_\_
  - c. What formal training outside of the family business have you received that has helped you to take on the role you are currently in? Please explain. \_\_\_\_\_
  - d. Scale 1-5 (1=Completely Prepared & 5=Not at all Prepared): How well prepared did/do you feel to take over the family business?
  - e. Scale 1-5 (1=Completely Comfortable & 5=Not at all Comfortable): How comfortable did/do you feel handing your business over to the next generation?