Succession in Family Business: A Review of the Research
Wendy C. Handler
*Family Business Review* 1994; 7; 133
DOI: 10.1111/j.1741-6248.1994.00133.x

The online version of this article can be found at:
http://fbr.sagepub.com/cgi/content/abstract/7/2/133

Published by:
SAGE
http://www.sagepublications.com

On behalf of:
Family Firm Institute

Additional services and information for *Family Business Review* can be found at:

Email Alerts: http://fbr.sagepub.com/cgi/alerts

Subscriptions: http://fbr.sagepub.com/subscriptions

Reprints: http://www.sagepub.com/journalsReprints.nav

Permissions: http://www.sagepub.com/journalsPermissions.nav

Citations http://fbr.sagepub.com/cgi/content/refs/7/2/133
Succession in Family Business: A Review of the Research

Wendy C. Handler

This paper reviews the research to date on succession in the field of family business management. Five streams of research are highlighted: (1) succession as a process, (2) the role of the founder, (3) the perspective of the next generation, (4) multiple levels of analysis, and (5) characteristics of effective successions. Gaps in the literature and future research directions are also presented.

Researchers in the field of family business agree that succession is the most important issue that most family firms face. Succession is so central to the firm's existence that Ward (1987) chooses to define family firms in terms of the potential for succession: "we define a family business as one that will be passed on for the family's next generation to manage and control" (p. 252). Theorists also agree that the continuity of businesses from one generation to the next depends highly on succession planning (Christensen, 1953; Dyer, 1986; Handler, 1989; Lansberg, 1988; Rosenblatt, de Mik, Anderson, and Johnson, 1985; Tashakori, 1977; Ward, 1987). However, despite the importance of planning, research has found that succession planning is often not done by family firms (Christensen, 1953; Handler, 1989; Hershon, 1975; Lansberg, 1988; Tashakori, 1977; Trow, 1961; Ward, 1987).

The statistics confirm that succession is typically a problematic issue. Only 30 percent of the family firms survive the transition to second generation and only 10 percent make it to the third generation (Beckhard and Dyer, 1983a and 1983b). The average life span of the founder of the firm is twenty-four years, which is also the average life tenure of the founder in the firm (Beckhard and Dyer, 1983a). Many have argued that the responsibility for providing for succession lies with the founder or owner (Barnes and Hershon, 1976; Danco, 1980, 1982; Davis, 1968; Schein, 1983; Levinson, 1974). Others have focused on the experience of the next generation (Barnes, 1988; Birley, 1986; Blotnick, 1984; Friedman, 1991; Handler, 1989; Patrick, 1985; Rogal, 1989) and the relationship with their parent (Davis, 1982; Dumas, 1989, 1990; Handler, 1990). Lansberg (1988) indicates how the "succession conspiracy" impacts
stakeholders throughout the family business system, including family members, management, suppliers, and customers. Handler and Kram (1988) also take a multilevel approach by showing that resistance factors to succession planning exist on the part of the founder, as well as the interpersonal, group, organizational, and environmental levels.

Researchers tend to agree that succession is more a process than an event (Churchill and Hatten, 1987; Farquhar, 1989; Friedman, 1987; Gilmore and McCann, 1983; Gordon and Rosen, 1981; Handler, 1990; Longenecker and Schoen, 1975, 1978; Vancil, 1987). Succession is not simply a single step of handing the baton; it is a multistaged process that exists over time, beginning before heirs even enter the business. Furthermore, the effectiveness of succession is not limited to whether a president has been designated; the ongoing health of the firm, quality of life, and family dynamics are critical to the success of the succession process.

The focus of this article will be to review the research to date on succession in the field of family business. Both empirical and conceptual literature will be included in the discussion, and five streams of research will be discussed. They include (1) succession as a process, (2) the role of the founder, (3) the perspective of the next generation, (4) multiple levels of analysis, and (5) the characterization of effective successions. Some studies have more than one focus. For example, studies of the process of succession often also look at the founder, the next generation, or their relationship, and there are studies of succession effectiveness that draw on the experience of the founder and the next generation. Thus, these five streams are not meant to be distinctly different. Rather they are complementary and sometimes overlapping ways of viewing the topic of succession.

Before proceeding, the definition of family business succession should be considered. Family business succession has been defined as “the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a ‘professional manager’” (Beckhard and Burke, 1983, p. 3). Others have divided the “leadership baton” into two axes—that of ownership and management (Barry, 1975). This suggests that there is a variety of combinations of ownership and management between family and professional managers available to the firm in transition. Alcorn (1982) explains further that the term “succession” refers specifically to changes in the top leadership, although changes taking place at lower levels may exhibit some of the same symptoms as top-level succession. She suggests that the focus needs to be at the highest level of the organization because “the real problem comes when the boss position itself is the place where change is in process” (p. 148).

Succession as a Process

Studies of executive succession indicate that succession can be viewed as a process (Farquhar, 1989; Friedman, 1987; Gabarro, 1979; Gilmore and
Succession in Family Business: A Review of the Research

McCann, 1983; Gordon and Rosen, 1981; Vancil, 1987) with specific prearrival and postarrival phases (Gordon and Rosen, 1981), and that it is possible to identify the characteristic problems occurring at various stages in the process (McGivern, 1978). Furthermore, Davis (1986) indicates the importance of ongoing personal skills, family, and organizational development in order for a family firm to progress from an early stage to a later stage in its growth.

Churchill and Hatten (1987) have developed a life cycle approach to describe the succession process between father and son in a family firm. They distinguish four stages: (1) a stage of owner-management, where the owner is the only member of the family directly involved in the business; (2) a training and development stage, where the offspring learns the business; (3) a partnership stage between father and son; and (4) a power transfer stage, where responsibilities shift to the successor.

This framework is similar to the stage model of father-son succession that had previously been designated by Longenecker and Schoen (1978). They break down the succession process into seven stages, three of which take place before the successor actually enters the business as a full-time employee. This third stage typically ends by age 24 (Longenecker and Schoen, 1975) and is followed by four stages of more intensive involvement in the business. Thus, there is (1) the prebusiness stage, where the successor may be only passively aware of some facets of the organization; (2) the introductory stage, where the successor may be exposed by family members to jargon and organization members although he or she has not worked even on a part-time basis in the business; (3) the introductory-functional stage, where the successor works as a part-time employee; (4) the functional stage, where the successor enters the organization as a full-time member; (5) the advanced functional stage, where the successor assumes managerial responsibilities; (6) the early succession stage, where the successor assumes the presidency; and (7) the mature succession, where the successor becomes the "de facto leader" of the organization.

Another way to understand the succession process is to conceive of it in terms of role transition theory. George Kelly (1955) defines a role as "a psychological process based upon the role player's construction of aspects of the construction systems of those with whom he attempts to join in a social enterprise" (p. 97) or "in idiomatic language, a role is a position that one can play on a certain team without even waiting for the signals" (p. 98). Thus, one can conceptualize each phase of the succession process as being associated with particular role behavior on the part of the founder or next-generation family member, and the transition from one phase to another as a transition in role behavior. "Role behavior" is being used here in the Katz and Kahn (1978) sense, and refers to "the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome" (p. 189).

Since family firms represent the overlap of various systems (Churchill and Hatten, 1987; Lansberg, 1983b; Miller and Rice, 1967), it is possible to conceptualize the founder's or next-generation family member's role-set as a
subset of this overlap. Role-set is defined as the system or stable collective pattern in which people play their parts (Katz and Kahn, 1978). In other words, "to the extent that one person in the system construes the construction processes of another, he may play a role in a social process involving the other person" (p. 95). This is Kelly's sociality corollary to his psychology of personal constructs. Kelly explains in more detail:

If we can predict accurately what others will do, we can adjust ourselves to their behavior. If others know how to tell what we will do, they can adjust themselves to our behavior and may give us the right of way. This mutual adjustment to each other's viewpoint takes place, in the terms of the theory of personal constructs, because, to some extent, our construction subsumes the construction systems of others, and theirs, in part subsumes ours. Understanding does not have to be a one-way proposition; it can be mutual [1955, p. 96].

In my own work in this area (Handler, 1990), succession represents a mutual role adjustment process between the founder and next-generation family members. My interviews with thirty-two next-generation family members revealed a multiple stage process by which the predecessor decreased his or her involvement in the firm over time. As Figure 1 indicates, this role adjustment process typically influences, while lagging behind, the parallel process of the next-generation family member(s), who move through phases of increasing involvement. The lag—the fact that it takes the predecessor longer to move into his roles than the heir—means that the founder or owner may hold onto a former role while the next-generation family member moves into a new role. This is the perspective of the next-generation family members interviewed; a study of founders could result in a different depiction.

Central to the progression of this dance is the transferral of leadership experience, authority, decision-making power, and equity. Specifically, the

Figure 1. The Succession Process: Mutual Role Adjustment Between Predecessor and Next-Generation Family Member(s)

Predecessor

Sole Operator

Monarch

Overseer/Delegator

Consultant

No Role

Helper

Manager

Leader/Chief Decision Maker

Next-Generation Family Member

founder-owner moves from sole operator (the central and typically sole family member in the organization) to monarch (having preeminent power over others), to overseer-delegator, and finally consultant who is disengaged or retired from the organization. At the same time, the next-generation family member moves from having what was referred to as "no role" or an undefined role, to helper, manager, and finally leader and chief decision maker. Many founders never move beyond the monarch stage, insisting on maintaining control. Correspondingly, many heirs never progress beyond the helper or manager stage because of the inability of their parent(s) to authorize their increased power. The arrows between or linking the separate role transitions in the diagram are meant to show the connection. According to the next generation, the founder typically authorizes the heir's progression (therefore the solid arrow), while the heir's ability to successfully undertake a new role allows the founder to move forward to his or her new role (the dotted line), thus helping to overcome the resistance. (Most next-generation family members seemed to feel that the founder was more in control of the progression than they were, thus the distinction between solid and dotted lines.)

The process of succession is not always smooth or continuous. Herz Brown's (1993) theory of loss and continuity in the family firm sheds light on how the succession process can be disrupted by the untimely death of the older generation or a potential successor. She indicates how these losses can create particular difficulties in the business and ownership spheres.

If the death occurs at a crisis point or at a time of intense external pressure, the shock may be enhanced. For example, the sudden death of a family member in the middle of a difficult life transition, such as succession, can leave a lot of unresolved tension and unfinished business. Since entrepreneurs tend to be doers and not planners, there may be also a lack of preparation for the realities of death, such as a will, insurance, or other financial arrangements [Herz Brown, 1993, p. 118].

Furthermore, when an heir passes away, particularly an heir who has been "annointed and accepted into the role" of successor, the experience of loss is greatest. Herz Brown explains that "it is at these times that expectations are the highest for everyone" (p. 123).

The Role of the Founder

The characteristics of owners have received attention by theorists whose focus is on the psychodynamic aspects of leadership (Kets de Vries, 1985; Levinson, 1971 and 1983; Zaleznik and Kets de Vries, 1985). These characteristics often manifest themselves as a need for achievement and power (McClelland, 1961), as well as an internal locus of control (Brockhaus, 1975; Shapero, 1975), and seem to reflect a deep-seated desire for immortality (Becker, 1973), and a sense
of indispensability with respect to the business. The roots of these psychological characteristics have been studied by various theorists. Collins, Moore, and Unwalla (1964) discovered a significant similarity in the backgrounds and childhood experiences of many business founders. Themes such as: “the escape from poverty,” “the escape from insecurity,” “death and sudden death,” and “the parents that went away” seem to be part of the average entrepreneur's experience—part of the “entrepreneurial romance.” Warner and Abegglen's (1955) study of successful, mobile men also resulted in findings that linked their personal drive and success to an earlier life trauma.

The business may become the founder's link to reality as well as his way of dealing with conflicts of identification developed during childhood. “In a symbolic way, he unites with the enterprise” (Zaleznik and Kets de Vries, 1985, p. 226) to bolster his fragile superego by reaping the sense of self-esteem and power (McClelland and Burnham, 1976) that he was denied in his past. According to Levinson (1971), the firm gives the founder meaning in three important ways. First, since he has unresolved conflicts with his father, he starts the business to escape the authority of powerful figures (Collins, Moore, and Unwalla, 1964). Second, because the business represents the “baby” as well as the “mistress” to the founder, those working for him are seen as “tools” for shaping the company. While in the organization, power beyond being an instrument is denied to workers; the only choice is to leave. Third, the business represents an extension of himself, so that succession issues get mixed up with the founder's own personal concern about the monument he will leave behind.

Kets de Vries' (1985) study sets forth a fuller picture of the characteristics driving the entrepreneur. He found that these individuals aspire to run their own businesses as a result of a need to control, indicated by serious difficulties with issues of dominance and submission, and suspicion about “authority” (p. 161). Entrepreneurs also have a strong distrust for the world around them, which is likely to be mirrored in the way the firm is run. Thus, through the business, they seek to confirm their “paranoia” (Kets de Vries and Miller, 1984) by protecting their little world from the evil forces that dominate the environment. Finally, the entrepreneur's overwhelming “desire for applause” (Kets de Vries, 1985, p. 163) in part explains the inability to consider succession in dynamic terms and provide for the future of the firm.

Many writers have concluded that it is in the nature of entrepreneurs (Churchill and Lewis, 1983; Dyer, 1986; Greiner, 1972; Kaplan, 1987; Kets de Vries, 1985; Levinson, 1971; Schein, 1983, 1985) or CEOs (Sonnenfeld, 1987) to have difficulty giving up that which they have created and directed. They are capable of acting out this difficulty in a variety of nonproductive ways. Danco (1982, p. 5) faults the founder for committing “corporeuthanasia,” which he defines as “the owner's act of willfully killing off the business he loves by failing to provide in his lifetime for a viable organization with clear continuity.”
This disaster occurs because the owner of the business cannot face the fact that at some point he must . . . and will be replaced. If the successful business owner, who had the ability, vision, and guts to build the business from nothing, does not have the courage to face the problems of the future, then his banker and attorney will do it for him on the way back from his funeral—four cars back from the flowers [Danco, 1982, p. 5].

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. Furthermore, many founders select successors who are bound for failure (Levinson, 1974). Levinson uses the terms loyal servant, watchful waiter, and false prophet to describe three types of inadequate successors typically chosen by a founder when he or she is given the chance to choose. The first is a conscientious helper but an incompetent leader, and the second is a star performer from outside, who must wait, sometimes indefinitely, for power to be granted. The false prophet, on the other hand, is a person whose area of competence is not related to the role required and, therefore, is an unrealistic choice for successor. Another type of failed or problem succession (Hall, 1986) occurs as a result of homosocial reproduction (Kanter, 1977). This is when the owner or senior executive tries to perpetuate the organization's future leader in his or her own image.

Several approaches have been offered as ways of overcoming the founder's resistance to change through succession. One is helping the entrepreneur to become more self-aware (Hall, 1986; Kaplan, 1987; Zaleznik and Kets de Vries, 1985). Another approach is encouraging the entrepreneur to move away from one venture and toward another. “Instead of trying to change himself, he can continue to be a pioneer, but on new frontiers” (Zaleznik and Kets de Vries, 1985, p. 229). However, if the business is to continue without him, a successor may be necessary, and the quality of the relationship between the leader and the successor will be a critical determinant of the succession process.

In summary, the findings from these studies of owner-entrepreneurs show that the leader's sense of immortality and indispensability contributes to problematic successions (Boswell, 1972; Danco, 1980, 1982; Sonnenfeld, 1987), particularly at later stages of psychosocial development, as time and retirement pressures are felt. For the entrepreneur or CEO, barriers to retirement and succession include the loss of heroic stature and mission (Sonnenfeld, 1988). The adjustment of attitudes about retirement prior to the event is an important predictor of subsequent retirement adjustment (Rosow, 1963; Streib, 1971; Streib and Schneider, 1971; Thompson, Streib, and Kosa, 1960).
The Next Generation's Perspective

The third stream of research on succession investigates the next-generation family member's perspective. Much of the early writing on family business succession focused the attention on the founder or entrepreneur as the central person in the family business system (see, for example, Danco, 1980, 1982; Schein, 1983). Individual members of the family were lumped together as "the family." Exceptions included K. Danco's (1981) analysis of the spouse, J. Davis' (1982) study of the father-son relationship, and P. Davis' (1986) mention of the conflict between individual needs and reality for various members of the family. In addition, Patrick's (1985) study of the "offspring," Birley's (1986) study of the "inheritor," Blotnick's (1984) description of the "reluctant heir," and a study of next-generation entry strategies into the family firm (Barach, Gantisky, Carson, and Doochin, 1988) represent earlier attempts to look at succession from the heir's perspective.

Patrick's (1985) survey of one hundred fifteen sons and daughters focused on individuals' perceptions of satisfaction and their working relationships with their fathers. Her findings suggest that "it is entirely possible to find working in the family business with father as boss to be a satisfying experience" (p. 213). Establishing a good relationship with one's father at work depends on the acceptance of roles, needs, and guidance. Blotnick (1984) suggests that there is a "high resistance among these second-generation owner-managers to being there in the first place" (p. 180). Birley's (1986) findings, which were based on her study of college students and their decisions about "returning" to the family firm after school, indicate that the responsibility to the family firm does not appear to lie solely with the oldest child. Finally there are many advantages to a delayed entry strategy (Barach, Gantisky, Carson, and Doochin, 1988); gaining experience outside the family firm is often a recommended course of action.

Rogal's (1989) theory describes the need for accession planning and quality decision making regarding one's career. Rogal believes that assessing fit between the career interests and abilities and the successor role is a critical part of succession planning for the next-generation family member. Rogal describes the use of various self-assessment exercises designed to illuminate career options. He explains:

On completing the self-assessment exercises, the heir should be able to envision some possible futures—perhaps both alluring and disturbing ones. It is likely that these visions contain certain latent assumptions that may predispose the heir to a less-than-optimal course of action. By breaking down one's visions of the future into discrete components, it may be possible to reassemble those parts in unforeseen and satisfying ways. At the very least, such an analysis will bring to light unexamined compromises embedded within the heir's visions, thereby setting the stage for acceptance or reconsideration [Rogal, 1989, pp. 244–245].
Rogal also describes the importance of communication with other family members regarding career options. If other members of the family system also perform some self-assessment exercises and an "exchange of attitudes and expectations" regarding succession is performed, the burdens carried by all parties may be reduced.

In my own work in this area, a host of factors impacting the next generation are indicated (Handler, 1989, 1992). From in-depth interviews with thirty-two next-generation family members, I put together a descriptive framework which is based on the following findings (see Figure 2).

- The more a next-generation family member has achieved fulfillment of three needs (career interests, psychosocial needs, and life stage needs) in the context of the family firm, the more likely it is that the individual will have a positive succession experience.

**Figure 2. The Descriptive Framework**

**INDIVIDUAL INFLUENCES**

- Personal need fulfillment (+)
  - Career (interest)
  - Psychosocial (personal identity)
  - Life stage (exploration, advancement, balance)

- Personal influence (+)

**QUALITY OF SUCCESSION EXPERIENCE**

**RELATIONAL INFLUENCES**

- Mutual respect and understanding between generations (+)
- Sibling accommodation (+)

Boundary Issues:
- Commitment to family business perpetuation (+/-)
- Separation strains due to family involvement (~)

• The more a next-generation family member has the potential or ability to exercise personal influence in the family business, the more likely it is that the individual will have a positive succession experience.
• The more a next-generation family member achieves mutual respect and understanding with the predecessor in succession, the more likely it is that the individual will have a positive succession experience.
• The more siblings can accommodate rather than conflict with one another regarding the family business, the more likely it is that the individual will have a positive succession experience.
• The greater the commitment to family business perpetuation as a family value, the more likely it is that the individual will have a positive succession experience (except when the commitment is to business means rather than business ends).
• The greater the existence of separation strains due to family involvement in the business, the less likely it is that the individual will have a positive succession experience.

Iannarelli's qualitative study (1992) in fifteen family firms found that the career experience of the next-generation family member starts in the preteen years with the early socialization process into the family firm. Factors critical to developing leadership interest in the family firm include (1) time with the father in the business, (2) exposure to various aspects of the business, (3) development of skills in the business, (4) encouragement and positive attitude from the parent about the business, (5) making an individual contribution to the team, and (6) the time at which an opportunity to join is presented. Iannarelli found that young girls are often treated differently than their brothers during this socialization process. Specifically, they spend less time, develop fewer skills, and are encouraged less than their brothers. The choices are often made for them at an early age without their knowledge of the options available. This may help explain why there is still a gap between the number of men and women in leadership roles in family firms.

Other studies have focused on specific next-generation family members—daughters (Barnes, 1988; Dumas, 1989, 1990; Iannarelli, 1992), younger sons (Barnes, 1988), and siblings (Friedman, 1991). Barnes (1988, p. 20) indicates that daughters and younger sons who become CEOs cannot easily shake off their family ties to the bottom levels of the family hierarchy. As CEOs, they then become key figures in incongruent hierarchies. Their positions in the two hierarchies can lead to discomfort, tension, and agony for all members of the family. Outsiders who see this pain are often at a loss to know how to deal with family members as the problems become public and sometimes tragic.

Dumas' indepth interviews (1989) with forty family members in eighteen family firms focused on the role of daughters. Most interesting and relevant to
the succession literature is her finding that many daughters in her sample "had not originally been seen as potential members, managers, or successors in the business." She uses the term "invisible successor" to describe these daughters.

One hundred percent of the fathers interviewed said that they had not considered their daughters as viable successors either before they joined the firm or for long periods of time afterward. Similarly, all the daughters interviewed had never even considered entering the family business, let alone becoming manager or successor, until a crisis or unforeseen circumstances had forced them to consider the family business as a source of employment [Dumas, 1989, p. 39].

Dumas continues by indicating that primogeniture is still alive in many family firms. The assumption is still made that family businesses will be passed to sons. Attitudes are slow to change despite the fact that the numbers have.

Swogger's case studies (1991) of five family firms describe three dimensions of sibling relationships important to the intergenerational transition process: bonding versus rivalry; autonomy versus dependency; and leadership versus paralysis. Friedman (1991) suggests that one way to manage the rivalry is to work with siblings as unique individuals with special talents and interests. In this way, they move from being stereotyped to being unique through a process of individuation. Moving from resentment to fairness is another important goal that can be accomplished by developing mutual empathy between siblings. Imagining reversed roles and discussing what has led to feelings of injustice are two ways in which feelings of resentment can be reduced. Moving from dependency to autonomy requires replacing old ways of handling conflict, which often involve relying on parents, with new, more adult, means of conflict resolution. Thinking about how sibling relationships might have been different if their parents allowed them to resolve conflict on their own can be an effective part of the process. Swogger (1991) found that leadership is most effective when siblings are able to take charge, and are not paralyzed by their ties to their parents.

Multiple Levels of Analysis

Davis' survey (1982) of one hundred fifty-four men (sixty-eight responded with their father or son and thirty-three responded without their father or son) focused on the developmental relationships of fathers and sons. He found that the relationship between father and son was relatively harmonious when the father was age 50–59 and the son was age 23–32. On the other hand, the relationship between father and son was relatively problematic when the father was age 60–69 and the son was 34–40. Only weak support was obtained for the hypothesis that a problematic relationship between father and son would exist when the father was 41–45 and the son was 17–22. Davis and Taguiri (1989) state that "the responsibility for the quality of the father-son work
relationship lies with both men . . . Perhaps it [the findings] can promote a dia-
logue . . . that will save their relationship and their company.” Seymour’s sur-
vey (1993) of seventy-seven firms also focused on the relationship between
intergenerational relationships and succession. He found that a positive, sig-
nificant association existed between the reported quality of intergenerational
work relationship and successor training. However, no significant association
was found between the quality of the work relationship and formal succession
planning.

Lansberg (1988) and Handler and Kram (1988) offer two key theories of
succession from multiple levels of analysis, both of which are shaped by the
tenets of general systems theory (Miller and Rice, 1967; Rice, 1969). Central
to this theory is the belief that the interconnectedness of related subsystems is
critical to understanding how the overall system functions. Miller and Rice
(1967) explain that the family business is an instance of the interaction of two
subsystems—family and business—where the potential for conflict exists.

The family business [is] an example of disequilibrium between two systems
of activity. Two tasks are placed in increasing conflict through differential
pressures from their environments. But often in our experience, the situa-
tion is not seen in these terms. It is felt initially, as mounting conflict within
the family group. Only when the multiple tasks [relating to family and busi-
ness] have been clearly identified and their distinctive requirements and
constraints spelled out does it become possible to differentiate the controls
that each calls for; and only through engaging in this process of analysis can
the family group, while not perhaps resolving its conflict, at least confront
it more constructively [Miller and Rice, 1967, p. 105].

Succession is an issue that requires analysis from the perspectives of fam-
ily, management, and ownership systems in order to adequately understand
the perspectives of the different stakeholders. Lansberg describes how succes-
sion planning is a topic approached with ambivalence because it “imposes a
wide variety of significant changes on the family firm: family relationships need
to be realigned, traditional patterns of influence are redistributed, and long-
standing management and ownership structures must give way to new struc-
tures” (1988, p. 121). Lansberg shows how succession impacts many
stakeholders directly, starting with the founder, and moving up the levels of
analysis to the family, the managers, the owners, and those in the environment.
They all conspire in their own ways not to plan for succession.

According to Lansberg’s theory, the founder fears losing control and is con-
cerned that retiring from the firm will mean a demotion in his or her role
within the family. Loss of identity and power in the firm may also mean loss
of stature in the community. (The section of this article entitled “The Role of
the Founder” gives further reasons for the founder’s ambivalence to retire.) The
family’s approach to succession planning is often highly related to the stage of
the life cycle occupied by the family during the time of succession (Lansberg, 1988). Typically, succession planning does not begin until the founder and his spouse enter the last stage in the life cycle—often in their sixties. Denial is a typical response to facing succession, especially when a couple is already having to cope with children leaving home, the empty nest, and the death or illness of parents. Succession is difficult to discuss because it means potentially preferential treatment of children and the disruption of family life. The spouse may conspire not to do succession planning because the firm has played an important role in her identity (K. Danco, 1981; Rosenblatt, de Mik, Anderson, and Johnson, 1985).

Lansberg's theory suggests that managers are also threatened by the change, because it may mean a shift from a personal relationship with the founder to a more professional relationship with the successor. Owners, whether they are family members or not, have often received their shares as a "paternalistic gesture of goodwill." The implied expectation of loyalty to the owner makes it awkward for them to express their opinions regarding the transfer of power, because not agreeing with the founder would be seen as disloyal. Suppliers and customers, as well as others in the environment, have also grown dependent on the entrepreneur as the primary contact within the firm.

Handler's (1989) theoretical model of resistance to succession in the family business underscores many of the points Lansberg makes. Succession is a conspiracy; it is not simply the founder's fault for not having planned ahead. Factors at the individual, interpersonal and group, as well as the organizational and even environmental levels, are all involved in the failure to plan for succession (see Figure 3).

The founder's resistance to planning for succession is related to the inability to dissociate from the firm (Kets de Vries, 1985), due to identity being wrapped up with the firm, lack of other interests, fears associated with retirement, and an inability to learn or seek out consultation. At the interpersonal level, lack of communication and trust can confound the succession process. The timing of the succession is also critical; if there is no heir, or the heir is disinterested, inexperienced, or not trained, succession planning may be in vain. "If an owner's decision to retire cannot be juxtaposed with an heir's appropriateness and readiness to take over, then succession may not occur under the best possible conditions" (Handler and Kram, 1988, p. 376). Power imbalances, family conflicts (Levinson, 1971; Stern, 1986), and lack of a clear choice for heir also seem to complicate the succession process. At the organizational level, factors relating to organizational culture (Schein, 1983), structure, and stability also appear related to problematic successions. Finally, environmental turbulence (Emery and Trist, 1965), requirements (including licensing and tax considerations), and prerequisites for entry into the industry (specialized knowledge) may deter succession planning.

According to Lansberg (1988), mobilizing the succession planning process means dealing directly with the ambivalence of the different stakeholders. One
Figure 3. A Model of Resistance to Succession in the Family Business

<table>
<thead>
<tr>
<th>Factors Promoting Resistance</th>
<th>Succession Planning</th>
<th>Factors Reducing Resistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good health</td>
<td></td>
<td>Health problems</td>
</tr>
<tr>
<td>Lack of other interests</td>
<td></td>
<td>Other interests</td>
</tr>
<tr>
<td>Identity with business</td>
<td></td>
<td>Ability to dissociate from the firm</td>
</tr>
<tr>
<td>Retention of control over time</td>
<td></td>
<td>Delegation of responsibilities to others</td>
</tr>
<tr>
<td>Fear of aging, retirement, and death</td>
<td></td>
<td>Opportunity for new life and career planning</td>
</tr>
<tr>
<td>Avoidance of self-learning</td>
<td></td>
<td>Capacity for self-reflection</td>
</tr>
<tr>
<td>Avoidance of technical advice and consultation</td>
<td></td>
<td>Pursuit of technical advice and consultation</td>
</tr>
<tr>
<td>Interpersonal Group Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of open communication</td>
<td></td>
<td>Honest, informed communication is encouraged</td>
</tr>
<tr>
<td>Heir(s) are or appear</td>
<td></td>
<td>High level of trust</td>
</tr>
<tr>
<td>disinterested, incapable, inexperienced, or inappropriate</td>
<td></td>
<td>Heir(s) are actively and capably involved in the business</td>
</tr>
<tr>
<td>Minimal training</td>
<td></td>
<td>Mentoring is encouraged and practiced</td>
</tr>
<tr>
<td>Power imbalances</td>
<td></td>
<td>Shared power</td>
</tr>
<tr>
<td>Family conflicts or issues</td>
<td></td>
<td>Family dynamics are separated from business issues</td>
</tr>
<tr>
<td>permeate the business</td>
<td></td>
<td>One child as potential heir</td>
</tr>
<tr>
<td>Nuclear and extended family members as potential heirs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture threatens</td>
<td></td>
<td>Culture reinforces organizational continuity</td>
</tr>
<tr>
<td>organizational development</td>
<td></td>
<td>Impending organizational crisis</td>
</tr>
<tr>
<td>Stability of organizational growth</td>
<td></td>
<td>Organizational structure promotes functional delegation</td>
</tr>
<tr>
<td>Maintenance of structures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>promoting unilateral control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonproblematic environment</td>
<td></td>
<td>Problematic environment</td>
</tr>
<tr>
<td>Many industry requirements</td>
<td></td>
<td>Few industry requirements</td>
</tr>
<tr>
<td>Specialized professional prerequisites</td>
<td></td>
<td>Minimal professional prerequisites</td>
</tr>
</tbody>
</table>

Source: Handler, 1988, p. 375.
suggestion for dealing with the founder's insecurities is to develop a supportive group of founders who have themselves done succession planning. The ability to dissociate from the firm and delegate responsibilities to others is also critical (Handler and Kram, 1988). Both Lansberg and Handler and Kram found that a close encounter with death or illness can mobilize the founder to begin the planning process. The capacity for self-reflection, as well as the advice and support of others, is important as well. The family needs to understand how painful it is for the founder to let go, and the founder must also be made aware of the importance of planning.

The raising of awareness must be coupled with concrete ideas about what to do about the problem. The basic tasks involved in succession planning include:

Formulating and sharing a viable vision of the future in which the founder is no longer in charge of the family firm
Selecting and training the founder's successor as well as the future top management team
Designing a process through which power will be transferred from the current generation of management to the next
Developing an estate plan that specifies how family assets and ownership of the enterprise will be allocated among the founder's heirs
Designing and staffing the structures appropriate for managing the change, including a family council, a management task force, and a board of directors
Educating the family to understand the rights and responsibilities that come with various roles that they may assume in the future [Lansberg, 1988, p. 135].

Helping the family overcome resistance means opening the communication channels so that family members discuss succession together and in different subgroups. The development of a family council can be critical to this process (Lansberg, 1988). Heirs must be encouraged to actively work in the business, seek mentors, and get valuable experience. Developing a five-year management continuity plan can be an important mission for a special task force. Finally, activating a board of directors is critical to the whole process, and will greatly help the determination of the future ownership structures.

Effective Successions: What Characterizes Them?

Ward's study (1987) of why family firms fail offers alarming statistics. Of the Fortune 500 companies, "since 1955, only 188 companies have kept their status on this list as independent concerns. More than 60 percent have been sold or acquired or have watched their sales decline significantly in the past thirty
years" (Ward, 1987, pp. 1–2). Correspondingly, the life expectancy of two hundred successful manufacturers from 1924 to 1984 reveals that 80 percent no longer survive, while 20 percent are still surviving as independent. Of these 20 percent, only 13 percent are still owned by the same family as in 1924. The reasons for failure are many. “Businesses mature. Markets and technology change, eliminating the need for various products and services. Suppliers and customers alter the “rules of the game,” or competitors quickly copy successful strategies. Any of these changes can take the company by surprise, decreasing its sales and profits” (Ward, 1987, p. 2). Ward indicates that failure to plan strategically for the future of the firm is a major reason for the demise of the family firm. Dean’s survey (1992) of 236 African-American family firms found that only 17.2 percent of the oldest firms had selected a successor. Furthermore, in Welsch’s survey of two hundred six family firms, 70 percent of respondents agreed with the statement “management succession is not always openly discussed with the result that not every personal decision is clear to all the individuals involved” (1993, p. 45).

This final stream of research implies that there are more and less effective successions and seeks to understand those influences on effectiveness. Indicators of effective succession processes are suggested in the literature. The selection and grooming of the best candidate is a critical part of the planning process (Ward, 1987). The opportunity for the heir to fulfill his or her career, personal, and life stage needs in the context of the firm is central to satisfaction working in the business. Specifically, heirs need the chance to fulfill career interests, to be their own persons, and to explore (in the teens and twenties), advance (in the thirties), and seek balance (in the forties) within the context of the family firm (Handler, 1989). Training may be a formal training program or unstructured, on-the-job learning (Calder, 1961). The degree of responsibility the heir takes on is easily measurable, based on the types of tasks performed “when a family member is required to earn his position” (Donnelley, 1964, p. 105). Related to this is the owner’s time, effort, and capacity to delegate. The next-generation family member’s skills and overall ability to do the job is also important (Lansberg, 1986). Assessment of the individual should involve performance review and appraisal (Danco, 1982), which may be part of a formal career development process.

Mentoring has been recommended as an important function for career development (Kram, 1985). However, it is not clear whether or not mentoring in the family firm is most effective when done by a parent or relative in charge. Mentoring by parents has been discouraged because of the many other roles they already play (Bork, 1986; Nelton, 1986; Ward, 1987), but it has also been highly encouraged as the only way of making sure that the owner’s knowledge gets passed on to the successor (Danco, 1982). Gaining experience outside the business has also been recommended (Nelton, 1986; Danco, 1982), as has communication (Barnes and Hershon, 1976; Lansberg, 1988; Rosenblatt, de Mik, Anderson, and Johnson, 1985; Ward, 1987), and planning
Succession in Family Business: A Review of the Research


Malone (1989) found, in a study of three hundred thirty-five wholesale lumber dealers, that strategic planning and continuity planning are related, and that a positive and significant relationship existed between an outsider-dominated board and the level of continuity planning. Ward (1987) points out that strategic planning needs to incorporate the strategic plans of the family to insure that "family philosophies" regarding the family's role in the company's future are taken into account. The importance of the family mission to the company strategic plan differentiates strategic planning in family firms from nonfamily firms. Dyer (1986) believes that the role of the business, family, and the board—and their cultural configuration—is critical to succession. He describes business, family, and board conditions that favor succession transitions in family firms.

Business Conditions
1. The transition occurred when the organization was relatively "healthy."
2. The founder moved gradually away from active involvement in the firm's operations.
3. There was a well-developing training and socialization program for the successor.
4. There was an interdependent relationship between the founders and their successors.

Family Conditions
1. The family shared common views concerning equity.
2. The family had planned for emergencies and other contingencies.
3. The family had developed mechanisms to resolve conflict.
4. The family shared superordinate goals.
5. High trust existed among family members.

Board Conditions
1. Power relationships were clear—little ambiguity.
2. The board had the necessary expertise to manage problems of both the firm and family [p. 137].

In addition, a study by Stempler (1988) of fifteen family-owned businesses indicates that respect, understanding, and complementary behavior between the next-generation family member and the organizational leader is critical to an effective succession. Handler's (1989) qualitative research in thirty-two family firms confirms that mutual respect and understanding between the founder and next-generation family members running the firm is an important component of good succession outcomes. Research on executive succession...
confirms and extends this finding. According to Friedman's analysis of succession systems,

One of the more striking sets of findings is the degree to which CEO involvement correlates with outcomes. This is witnessed in the percentage of CEO's time spent on succession issues and in the CEO's influence on various stages of succession events. Although it is nearly a truism to say that top management commitment is a prerequisite for the success of any program of activity, it seems that in the matter of succession systems, it is indeed true [1986, p. 209].

This information, applied to family business succession, suggest the importance not only of a good working relation between the owner and the next generation but also the active involvement of the owner in the succession process. In addition, according to Malone (1989), founders with an internal locus of control are likely to engage in higher levels of business continuity planning than those with an external locus of control. Other important factors are the levels of sibling accommodation, commitment to perpetuating the family firm, minimal tensions between family and firm values (Handler, 1989; Ward, 1987), and general family harmony (Malone, 1989). In addition, Goldberg and Wooldridge's survey (1993) of two hundred fifty-four CEOs found that self-confidence and management autonomy are characteristics of effective successors.

Legal or estate planning is also a critical part of the succession process (Ayres, 1990; Benson, 1990). Ayres reminds us of the priorities. He indicates that, instead of getting bogged down in the transfer taxes, trust schemes, and insurance analyses,

A new set of priorities . . . can get both client and adviser moving down a track that will ultimately supply a more complete and hopefully more humane solution to these intertwined issues. [They are:]  

1. Preservation or disposition of the business  
2. You (the client), the current senior generation  
3. Your children, all of them  
4. Transfer taxes [1990, p. 4].

Bringing the successor generation into the planning process should only be done when the formal process of transfer of ownership is clear, knowledge of the estate plan is clear, and roles of the family members are matched with interests and abilities (Swogger, 1991).

McCollom's (1992) case study of a 25 million dollar construction firm in southern New Hampshire is an example of how ownership trusts can actually paralyze the succession process. McCollom's interviews with the unofficial heir
Succession in Family Business: A Review of the Research

of the firm revealed how the trust arrangement separated ownership and use so that the trust "owns" the company until both the trust and the business disappear. Thus, the trust arrangement left the current president unable to "bless" a successor by transferring the business as property to him. The successor was in the position of having to buy the business from the trust in order for the ownership succession to occur.

Succession outcomes are the products of effective successions. Two important outcomes suggested by the literature are the assumption of leadership by the next-generation family member (Lansberg, 1986; Longenecker and Schoen, 1978), and him or her taking the title of president. Next-generation control of the stock, which for a private organization is held internally, is also a symbol of an effective succession. Yet another indicator, according to Longenecker and Schoen (1978), is the amount of time that an individual has been in the position as successor. They suggest that it often takes at least two years to "master the complexities of the position and gain the control associated with the leadership role" (p. 5). Other outcome measures come from studies of executive succession, and include the company's reputation, financial performance, turnover, and succession system performance (Friedman, 1986).

Future Research

Since Christensen's study of management succession in family firms (1953), much research has been done on the subject of succession in family firms. It is generally acknowledged to be one of the critical areas in the field, with important practical implications for the continuity of family firms. However, there are still many gaps in the literature. There appear to be at least four major areas where succession research is scant. The first is the question of how succession is planned for or handled by different ethnic groups. While there have been few studies of family business issues which include succession in other countries or by different ethnic groups, this area of research is growing. Family Business Review recently devoted an entire issue (Summer 1991) to "International Perspectives on Family Business" and another (Winter 1992) to "Ethnicity and Family Enterprise." The studies that have been conducted suggest there is much to be learned by comparing the process of succession in the United States (and among different ethnic groups in the United States) with succession management in Latin America, Europe, Japan, China, and other countries where family firms are a dominant force.

Lansberg and Perrow's theory-building paper (1991) describes how most Latin American economies are dominated by large, cosmopolitan, family businesses referred to as "grupos." The diversification of these enterprises is "fostered by the entry of the second generation, many of whom have been extensively trained abroad and many of whom seek new business opportunities within the family enterprise" (p. 130). Davis (1968) conducted case studies of five Mexican family firms and focused interviews with another twenty
entrepreneurs. He found three common patterns of entrepreneurial succession: strong father and weak son, conservative father and progressive son, and (several) branches of the family. He speculates that the first pattern seems likely to fail, while the second may result in a son bored of waiting. The outcome of the third depends on the level of conflict between family branches. Ferkany's (1992) ethnographic and survey-based study of family firms in Monterrey, Mexico, concludes by affirming "the persistence of the family firm business organization . . . Reliance on the family for resources such as capital, labor, skill, knowledge, and experience is reinforced by an unstable and unpredictable external environment" (p. 124).

European studies include Gallo and Pont's (1988) demographic analysis of Spanish family firms. They found that family firms account for 59–66 percent of the total number of jobs provided by Spanish companies, with sales over 200 million pesetas. Also, a "significant number of family firms succeeded in making the transition from one generation to the next" (p. 19). Thomassens's seventeen interviews (1988) concerning succession in Dutch family firms affirmed the importance of communication, planning, the role of non-family management, and ongoing guidance of the next generation. Chau (1992) contrasts Japanese succession through primogeniture (succession to the eldest son) with the Chinese tradition of coparceny (the equal division of family assets among all male descendants). Chau concludes that "primogeniture assists capital accumulation, while coparceny leads to fragmentation of economic resources" (p. 166). Wong, McReynolds, and Wong (1992) find other factors that explain the short life spans of Chinese firms in the San Francisco Bay area—a major one being the assimilation of second and third generations into the dominant culture. Much more research is needed on succession in different countries and among different ethnic groups to assess cultural similarities, differences, and what each culture can learn from the other.

The second area for future research is the role of family dynamics and its impact on succession. A working paper by Lansberg and Astrachan (1990) describes the results of a survey in eighty-nine firms (eighty-four questionnaires returned were from successors and forty-two from owner-managers). They found (1) that family cohesion predicts the quality of the relationship with the successor for owner-managers but not for successors, (2) family adaptability positively effects the quality of the owner-manager and successor relationship, (3) family cohesion positively effects the family's commitment to the firm, (4) the family's commitment to the business is positively associated with the extent of succession planning, (5) the family's commitment to the firm positively effects the degree of successor training, and (6) the quality of relationship between the owner-manager and the successor positively effects the extent of successor training. In addition, Malone (1989) found that general family harmony aids continuity planning, and Seymour (1993) found that a good intergenerational work relationship aids successor training. However, little else
Succession in Family Business: A Review of the Research

has been written about the effect of family dynamics, structure, and interaction patterns on succession process. Clearly, this is an area where more work is needed. The effect of family dysfunction and conflict on family business succession has been written about often in the popular press. The Bingham's, Esprit Corporation, U-Haul, Levolor, and Crown Books are just a few companies that have been publicized because family dynamics have led to succession problems. Further studies are needed to understand which aspects of family dynamics are most critical to the succession process. The field of family therapy has important contributions and linkages to make with the family business area.

The third stream for future attention is the effectiveness of succession. Researchers including Davis (1982), Dyer (1986), Goldberg and Woolridge (1993), Handler (1989), Lansberg (1986), Malone (1989), and Stempler (1989) have done empirical research on the question of what factors create an effective succession. Work is needed to test the hypotheses Lansberg (1988) and Handler and Kram (1988) set forth regarding succession resisted. Extensive research of the various stakeholders—founders, spouses, next-generation family members, managers, suppliers, and customers—may aid discovery of ways to minimize resistance to succession planning. Case studies of failed successions and successful succession processes also may provide lessons as to what eases the process.

A fourth area requiring further research is the role of gender issues in career and succession planning. Dumas (1989), Iannarelli (1992), and Barnes (1988) are three researchers who directly deal with this issue. More research is needed to look at the socialization process of boys and girls into family firms, as well as other stages of the succession process, and how gender may impact the experience for next-generation family members. The gender dynamics between the founder and heir—whether they be father-son, father-daughter, mother-son, or mother-daughter—also require attention, particularly now that more women are becoming founders of and heirs to family firms.

In conclusion, much research progress has been made in the past forty years in the field of family business and the critical issue of succession, but there is still much research to be done, particularly in the areas of international family firms and family firms operated by different ethnic groups, the impact of family dynamics on succession processes, factors responsible for effective successions, and the role of gender on succession. Hopefully, in the next forty years many gaps will be filled and a better understanding of what produces effective successions will result. The implications are staggering. While existing statistics offer dim hope that family firms will make it into the second and third generation, research may uncover the factors significant to survival and continuity. The goal is to help more businesses pass to the next generation with less avoidance and conflict, and more strategic planning and family involvement in the process.
References


Succession in Family Business: A Review of the Research


Wendy C. Handler is assistant professor of management, Babson College, Babson Park, Massachusetts.