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**KEY FACTORS FOR EFFECTIVE SUCCESSION IN THE FAMILY
BUSINESS: THE SUCCESSOR'S VIEW**

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Words of Gratitude

This work would have been impossible to write without the great and abiding support I received over the past four years. I would like to greatly thank my parents for their unconditional support and for exhibiting a way of life that has always motivated and guided me, my brothers for our controversial and inspirational discussions; and all my friends for many fruitful talks and for offering me ideal diversions when I was stuck in my studies. I would like to express my considerable thanks to the members of the Faculty of Economics and Management of the University of Latvia and especially to my doctoral advisor Dr. Josef Neuert who always guided, challenged, and motivated me. Finally, heartfelt thanks to my wife Lydia, for her love, her outstanding support and her patient understanding, especially while I was away on many evenings and weekends. This work is devoted to our children Flavio, Amelie and Valerie.

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LIST OF ABBREVIATIONS

AUT	Austria
CH	Switzerland
e.g.	for example
ES	Effective Successors
FB	Family Business
FBN	Family Business Network
FBR	Family Business Review
FFI	Family Firm Institute
GDP	Gross domestic product
i.a.	inter alia
p.	page
f.	following page
ff.	following pages
SME	Small and Medium Sized Entities
WIFU	Wittener Institut für Familienunternehmen

ABSTRACT

This study investigates on factors for effective succession in family businesses. The family business field is quite young as a research area. Scholars started to elaborate on the topic scientifically about 30 years ago. Thereby, succession – being a huge transformational step in a family business – has been a major topic from the beginning. Although much effort has been made to better understand the concept of the family business in general and succession in particular, research on succession still catches the scholar's interests. After all, most family firms do not make it until the third generation, and several reports mentioned the alarming high amount of upcoming succession events in a multitude of family businesses across Europe, USA, and Asia.

In search of success factors that support the effectiveness of succession in family businesses this study has especially shed light on the perspective of the successor. Based on the framework of systems theory and following a sequential exploratory research strategy, problem-centered interviews with 13 effective cases of family businesses have been conducted and an online-survey with 65 respondents has been used to evaluate the findings. In the sense of triangulation, the findings further have been assessed and strengthened by an expert round. As a result, this work provides insights on diverse complex succession cases, offers a variety of conclusions for the managerial practice on the basis of 14 key factors and summarizes the findings in an innovative management model for effective succession.

ABSTRACT (German language)

Diese Studie untersucht Faktoren für die effektive Nachfolge in Familienunternehmen. Das Forschungsfeld „Familienunternehmen“ ist noch relativ jung. Erst vor etwa 30 Jahren haben Experten begonnen, sich mit diesem Thema systematisch auseinanderzusetzen. Dabei war die Frage der Nachfolgeregelung von Anfang an ein wichtiges Thema, immerhin bedeutet dieser Aspekt einen Wendepunkt in jedem Unternehmen, der mit großen Veränderungen einhergeht und der bei vielen Unternehmern oft zu wenig oder nicht früh genug beachtet wird. Obwohl es viele Konzepte zum Thema Familienunternehmen im Allgemeinen und zur Nachfolgeregelung im Speziellen gibt, nimmt diese Problematik bei den Forschern weiterhin einen hohen Stellenwert ein. Die Mehrheit der Familienunternehmen schafft den Sprung in die dritte Generation nicht und unterschiedliche Statistiken weisen darauf hin, dass in Europa, Amerika und Asien eine alarmierend hohe Anzahl von Generationenwechsel in den nächsten Jahren ansteht.

Auf der Suche nach Erfolgsfaktoren für effektive Nachfolge in Familienunternehmen wurde in dieser Studie insbesondere die Perspektive der Nachfolgenden untersucht. Auf Basis eines systemtheoretischen Orientierungsrahmens und einem sequentiellen explorativen Forschungsansatzes wurden 13 problem-zentrierte Interviews mit NachfolgerInnen aus erfolgreich geführten Familienunternehmen durchgeführt und anschließend mittels online-survey 65 NachfolgerInnen aus Familienunternehmen zu den Ergebnissen befragt. Im Sinne der Triangulation wurden die Erkenntnisse in einer Expertenrunde evaluiert und gefestigt. Die Folgerungen der Arbeit sind sowohl für die Wissenschaft als auch für die Geschäftspraxis von Bedeutung, insofern sie neue Hypothesen aufzeigen oder bekannte Theorien herausfordern. Die Arbeit liefert dabei Einsichten in unterschiedlich komplexe Praxisfälle, bietet auf Basis von 14 Schlüsselfaktoren Praxis-Empfehlungen für eine effektive Nachfolge an und fasst die Erkenntnisse in einem innovativen Managementmodell („SMES“) für effektive Nachfolge zusammen.

KOPSAVILKUMS (Latvian language)

Šajā pētījumā apskatīti efektīvas ģimenes uzņēmumu pārmantošanas faktori. Ģimenes uzņēmumu joma zinātnē ir samērā nesena sfēra - zinātniskajā pētniecībā šī tēma ienākusi aptuveni pirms 30 gadiem. Pārmantošana, kas ģimenes uzņēmumā ir milzīgs pārveidojošs solis, jau no pirmsākumiem ir viena no galvenajām tēmām. Lai gan daudz pētnieciska darba veltīts tam, lai labāk izprastu kā ģimenes jēdzienu kopumā, tā konkrēti – pārmantošanu, pārmantošanas zinātniskā izpēte joprojām ir interesanta pētniekiem. Jāņem vērā, ka lielākā daļa ģimenes uzņēmumu neizdzīvo līdz trešajai paaudzei, un vairākos pētījumos minēts satraucoši liels tuvākajā nākotnē paredzamu pārmantošanas pasākumu skaits daudzos ģimenes uzņēmumos Eiropā, ASV un Āzijā.

Izpētot veiksmes faktoros, kas varētu veicināt ģimenes uzņēmumu pārmantošanas procesa efektivitāti, šis pētījums jo īpaši pievēršas pārmantotāju viedokļiem. Pamatojoties uz sistēmu teorijas ietvaru un izmantojot secīgu skaidrojošu pētniecības stratēģiju, tika veiktas 13 problēmvērstas intervijas ar sekmīgiem vidēja lieluma ģimenes uzņēmumu pārmantotājiem, lai novērtētu rezultātus, tika izmantota tiešsaistes aptauja, kurā piedalījās 65 respondenti. Lai veiktu triangulāciju, rezultāti pēc tam novērtēti un apstiprināti ekspertu aptaujā. Rezultātā šis darbs sniedz ieskatu dažādos sarežģītos pārmantošanas gadījumos, piedāvā secinājumu klāstu, kas izmantojami vadības praksē un iegūti, pamatojoties uz 14 pamatfaktoriem un apkopo iegūtos secinājumus efektīvas uzņēmuma pārmantošanas inovatīvā modelī.

INTRODUCTION/SUMMARY

Topicality of the Research Subject

Family firms are commonly seen as the “backbone” of an economy, and some authors believe they are “the heart of our society” (Kinkade, 2011). In fact, family businesses constitute a majority in developed economies (cf. Schulze, Lubatkin, & Dino, 2003). In Austria, for example, families own about 80 percent of businesses (Weissman & Artmann, 2007, p. 20). These companies account for 80 percent of apprenticeship training positions and for 70 percent of nationwide employment. These figures are comparable to developed economies such as Germany or other countries in the European Union (cf. Mandl, 2008). In the USA, 60-85 %¹ of US economy according to Gersick, Davis, McCollom Hampton, and Lansberg (1997) are family businesses. Similar numbers have been estimated in terms of their effect on employment as well as the effect of their gross domestic product (cf. Phan & Butler, 2008). Family firms have always played a major economic role, during the first industrial revolution and in the pre-industrial phase (cf. Colli, 2003).

Family firms have been reported to be relevant not only for an economy’s system, but also for generally demonstrating a long-term oriented and environmentally caring nature. Several authors have argued that the distinguishing ways in which family firms are doing business and act within their environment is proclaimed to be paradigm (i.a. Braun, 2009; Denison, Lief, & Ward, 2004; Gibb Dyer, 2006; Ward, 1987; Zellweger, Eddleston, & Kellermanns, 2010). Aronoff, Astrachan, and Ward proclaimed in 1998 that family businesses are more socially conscious and community oriented. In the recent global financial and economic crisis, family businesses have been honored for their employee-oriented behavior. The overall reflections on the financial crisis have suggested that family firms provide a potential answer to market risks, as they are considered to be long-term oriented, flexible, and vested with sufficient assets due to family ownership and altruistic behavior. However, still most research is devoted to large, public diffusely-owned companies.

¹ High bandwidth is due to the definition of the family firm.

Several authors have started to contribute to the advancement of the field. In fact, at a multitude of levels, the family business research field has gained increased awareness. There have been four major developments in this field:

- Increase of family business networks and associations,
- Increase of number of journals devoted to the field,
- Increase of number of institutions and professorships,
- Increase of MBA programs focusing on family business management,

First, the increasing number of networks and associations reflects a growing interest in family businesses. These networks aim to share experiences, unify political interests, and strengthen the usually smaller market players' voice. Heck et al. (2008) stated that the foundation of the Family Firm Institute in the USA in 1986, the Family Business Network International² 1990, and the International Family Enterprise Research Academy (IFERA) in 2001 are important milestones. In Germany, the "Stiftung Familienunternehmen" was founded in 2006 to foster the public awareness of family businesses, political recognition of the interests of family businesses, and sharing knowledge and experience as well as to increase the enthusiasm of the younger generation. Second, the number of journals devoted to the field have subsequently increased the understanding of the field. Heck et al. (2008) identified the first publication of the FBR Family Business Review in 1988 as the most important milestone. Furthermore, researchers document increasingly great improvements in empirics over time in this specific research field (e.g. Evert et. al, 2016; Short et. al. 2016)), which has brought legitimacy to the field and indicates progress in the scientific evolutionary stage.

The third development indicates the rising importance of family business that is represented by the growth of academic institutions and professorships related to the field. Just recently in Austria, the FBN Austria and the University of Salzburg Business School have undersigned a cooperation in order to foster academic trainings and programs. In Switzerland, the recently founded Center for Family Business at the University St. Gallen has been devoted to supporting family business, both national and international, through research, teaching, and executive education.

Finally, the fourth development represents the increasing number of MBA programs that focus on the special dynamics of a family business. For instance, the private Zeppelin

² For Austrian Chapter see for example www.fbn-austria.at or list of chapters: www.fbn-i.org

University located in Friedrichshafen has been offering an MBA program exclusively designed to train the next generation managers of family firms since 2010. Thus, family business managers have a number of options for training. Also, a number of well-known institutions attract students internationally, including: IMD LF B Leading the Family Business, INSEAD – The Family Enterprise Challenge, Cox Family Enterprise Center MBA and, Harvard Family Business Education Program.

Today – and especially after the 2008 financial and the ensuing economic crisis of 2002 (.com-crisis) – probably few would have believed family business as endangered. Several authors have shown that family firms are able to outperform big public companies. Researchers seem to have a growing and passionate interest in the specialties that family firms are encasing. As influential researchers have put it: “*This is a great time to be studying family firms*” (Zahra & Sharma, 2004).

Studying family businesses immanently demands interdisciplinary research of the business and family phenomena. Many authors call for an interdisciplinary research; that is, business on a micro-economic or organizational/management level, and for research on families, such as family dynamics at a psychological level. Connecting these disciplines has not been much emphasized in past research (e.g., Gibb Dyer, 2006; Naldi, Nordqvist, & Zellweger, 2008; Zellweger et al., 2010). Researchers in the family business area have devoted their work mainly to strategic management topics, effects of family influence, definitional issues, and succession. Succession is still one of the most critical phases of a family firm. Succession as a particular issue of family businesses has been studied intensively, as the so-called “generational moment” is typically a huge transition for family businesses that holds many risks and pitfalls. Evidence shows that only 30% of family businesses stay alive after the first generation (Beckhard & Dyer, 1983a, 1983b; Dyer, 1986) and only 10 % to 15 % endure the third generation (Applegate, 1994). Whereas a number of scholars have written about succession, only few have emphasized the *successor and his/her perspective on succession*. This is why the research at hand is focusing on the successor, specifically on the successor’s perceptions on succession.

Research concerning succession in family-held businesses is not new. Many attempts have been made to further advance the understanding of this very important phase for family businesses. However, only few authors have let the *successor* to be in the spotlight. Research

that focuses particularly on successors has been concerned primarily with the development of successors (Sardeshmukh, 2008), conflict reasons within after-succession environment (Harvey & Evans, 1995), motives and traits of successors (Halter et al., 2007), attributes of successors (Chrisman, Chua, & Sharma, 1998; Sharma & Rao, 2000), career orientation (Zellweger, Sieger, & Halter, 2010), and leadership qualities of successors (Cater, 2006).

The latest publications have explored the development of successors with intent to rethink education and empowerment concepts. Such investigations provided propositions for further research concerning parent-child relationships, knowledge acquisition, long-term orientation, cooperation, successor roles, and risk orientation (Cater & Justis, 2009). In his dissertation, Cater (2006) offered nine additional propositions that deal with encouraging the next generation to join the business; five propositions that address the development of the successor, two propositions regarding the differences between successors and founders, and two propositions that deal with the leadership qualities of successors. The latter includes the spirit of cooperation and servant leadership. Halter et al. (2007) investigated whether the challenges linked with founding a firm attract the same type of person as does the succession in an existing business in order to identify traits and motives of next generation managers. When it comes to career choice, of students with family business background, Zellweger et al. (2010) found that students with family business background are pessimistic about being in control but optimistic about their efficacy to pursue an entrepreneurial career.

This study builds on the previous work and aims to find out indicators that are responsible for effective succession of the successor. As mentioned above, many authors have elaborated on the issue of succession; yet, research on the perspective of the successor is still missing. Studies are typically concerned with succession failure (e.g., Applegate, 1994; Beckhard & Dyer, 1983a, 1983b; Dyer, 1986; File & Prince, 1996). Even family business studies devoted to success stories are limited, as they typically cover big, famous, and professionally managed companies that are admittedly well-known but do not constitute the majority of family businesses³. They are only the tip of the iceberg. The overwhelming majority of family firms, however, are small to medium sized firms (cf. i.a. Bjuggren & Sund, 2001; Goldberg, 1996; Wallau, 2008).

³ See for example Braun (2009) exploring on BOSCH, LIEBHERR, HILTI, etc.

This thesis does not target the small (mom and pop) firms or the large (group) corporations, as the natures of these companies are different and would demand for different research questions. The work considers successors that have made a major positive contribution to business success, which was assessed in this work by the performance of the business in relation to the competition (herein termed as “out-performance”) in order to exclude sector phases or worldwide economic developments.

Dissertation Structure, Research Tasks and Method

Content of the dissertation and period of research

The work at hand was conducted during a period of more than five years and consists of five chapters. In the first chapter, a comprehensive theoretical foundation was built to explore definitions and frameworks for scientifically approaching the family firm. The second chapter explores practical idiosyncrasies and elaborates on succession in the context of family businesses. The third chapter sheds light on the research methodology as it shows the research strategy in the context of family business studies and describes the applied research design respectively method of data analysis. The fourth chapter includes analysis, interpretation and results of the empirical investigation. The final part provides conclusions and suggestions for practical application and further research.

Purpose statement and research tasks

The **purpose of this study** was to identify potential factors that support effective succession using the perspective of the successor. The **main thesis set forth to defense (assertion)** thereby is: the more certain key factors of the family business systems are considered, the more effective is succession.

The **tasks** are based on a hermeneutic approach of understanding and encompass sequential qualitative and quantitative elements:

- 1.) A comprehensive theory study to develop a conceptual framework and an interview guideline,
- 2.) 13 problem-centered expert interviews with successful successors of medium-sized family businesses to establish knowledge utilizing qualitative content analysis,

- 3.) interpretation of the transcript using integrative-connecting elements to identify propositions,
- 4.) evaluation of these propositions via an online-survey utilizing statistical methods to be tested as key factors for effective succession,
- 5.) presentation and discussion of the results in an expert round to strengthen and enhance the findings.

Object of the study: Family business succession

Subject of the study: Key factors for effective succession

The work at hand thereby is the result of a process that incorporates information from personal experiences (from the author's family business), books, journals, (coming from practical and academic direction), magazines, stories from newspapers, 13 interviews with successful successors, a quantitative survey-based study to strengthen the findings and an expert round to further discuss and assess results. The conceptual framework of this thesis is thereby based on a variety of published sources, some of which heavily influenced the work⁴. The results provide real case insights, best-practice-examples, and potential factors to support effective succession; an outcome that helps family businesses and related consulting services to better understand family businesses especially during the critical phase of succession.

Research question and methods

This work followed a sequential exploratory research strategy. Methodologically, research aims to either generate theory (or hypotheses) or test hypothetical propositions about presumed relations among phenomena⁵. Although a multitude of studies have addressed succession, only few studies have questioned specifically the *successor's perspective*. When little is known about a specific phenomenon, the research follows a strategy of theory generation (i.a. Atteslander, 2003; Creswell, 2009; Mayer, 2004). In the first phase, the author searched for literature relevant to the topic and gained a broader understanding of the concept of the family business and particularly of succession. The elaboration of existing literature supported the development of guiding (sensitive) model that shaped the framework of the empirical part. The strategy of inquiry was in a first instance qualitative, inductive, utilizing

⁴ A full list of the used sources can be found in the bibliography chapter in the appendix.

⁵ See chapter 3.1 for an in-depth discussion

interpretative problem-centered interview techniques followed by a quantitative survey-based investigation which was then followed by an expert round to further discuss and evaluate the findings (triangulation).

The **central research question** of this study is:

What are key factors that support successors in effectively succeeding the family business?

Effectiveness of succession is defined to be given if a) succession has taken place and is stated to be completed; b) the goals for the successor but also for all family members were reached without bigger irritations. Having reached his/her goals, a successor perceives succession as successful. Effectiveness thereby is primarily subjectively assessed by the successor. To further assess effectiveness of succession, an additional assertion was established: “If succession was effective, business performance improved”. The study explored the perspective of the successor and tried to find key success factors that are supporting effective succession. Thereby, **the general assertion** is:

The more certain key factors of the family business systems are considered, the more effective is succession.

In order to collect theory-generating data, the author conducted problem-centered expert interviews (e.g., Lamnek, 2005; Scheuch, 1967; Witzel, 1989) with successors from Austria, Germany, and Switzerland. Qualitative research focuses mainly on the *understanding* and principles of openness, explication, reflection, and flexibility (cf. Lamnek, 2005). At the same time, the study follows a systematic theoretical methodology by using a sensitizing model that emerged from the theoretical foundations. Data analysis of the qualitative research part was executed by following Mayring’s qualitative content analysis (2002) and using mind-mapping as a tool for organizing the data (aggregation, explication and structuring). Concerning the time horizon, the study was conducted as a cross sectional (multiple case study) rather than a holistic study (longitudinal). Performance was assessed by comparing the company’s performance with its competition with the intention to neutralize sector dependent developments (due to sector life cycle) and macro-economic impacts. Quantitative data analysis was executed by applying classical statistical methods (descriptive and regression analysis). As Creswell (2009, 211 f.) points out, a sequential exploratory research strategy

places weight generally on the first phase (applying qualitative research elements); and uses quantitative data and results to assist in the interpretation of qualitative findings. In the sense of triangulation, the results of the study were presented to an expert round (including a family business lawyer, family business tax consultants and family business advisors) to further discuss and strengthen the findings but also to transform propositions into key factors.

Results, Novelties and Limitations

In the qualitative research part, the **interviews** resulted in:

- 13 cases investigated (AUT, GER, SWISS),
- 11 effective, 2 ineffective case,
- 11 outperforming cases,
- Date range: May/August 2012,
- Size range: 4 – 150 Mill.,
- Sectors: industry
- Transcript: 54.000 words.

Based on a proposition matrix⁶, a questionnaire was developed and distributed via online-survey to family business successors which have taken over the business recently. In the quantitative part, the **survey** carried out between August and November 2015 resulted in:

- 65 international respondents (response rate was 8,4 %)
- Majority of the participants were male successors (67 %); younger than 40 years (76 %).
- Most of the answers were given by successors who stated that their year of succession was 2010 or later (only 17 % had their succession 2009 or earlier).
- Except of one (Americas), all answers were given by successors with business location in Europe.
- The majority of successors have businesses in a medium sized range (67 %). Most of the participants are second or third generation family members.

The **expert round** was held in Dornbirn/Austria January 18th 2016 and included:

⁶ see Appendix VII

- Family business lawyer
- Family business tax consultant
- Family business consultant

Novelties related to General Family Business Research

- Comprehensive and structured list of family business definitions with the aim to foster the discussion about the definition of the family business (published in BAUR 2016).
- Differentiated family business research from entrepreneurship research using the life cycle approach with the aim to foster the discussion on the definition of the family business (chapter 1.2.4).
- Research-field relevant factors influencing research designs in this particular research area (published in BAUR 2012).

Novelties related to Family Business Succession

- ***Perspective of the successor:*** As a novel approach, the perspective of the successor on succession was object of the study. This revealed a new perspective on succession in family businesses.
- ***Relationship of key factors and succession effectiveness:*** The analysis and interpretation of qualitative and quantitative data generated several propositions that support effectiveness of succession (4.2). Some of these propositions correlate significantly to effectiveness of succession, some less significant (see 4.3.1 or appendix). However, as every succession case is unique, a prospective successor is well advised to consider and assess all propositions offered. An expert round has confirmed all key factors to valuable for effective succession. In the sense of a sequential exploratory research design, the theses set forth to defense can be confirmed:

Qualitative part: 17 propositions for key factors emerged.

Quantitative part: 65 respondents with five key factors relating to effectiveness:

- α -value for key factor A.2 = 0,037
- α -value for key factor A.4 = 0,018
- α -value for key factor C.3 = 0,002

- α -value for key factor D.3 = 0,001
- α -value for key factor D.4 = 0,012

Expert round: commented to assess the presented 14 key factors to be improving effectiveness of succession.

- ***New management model for the active successor “SMES”***: By using the framework of Systems Theory and incorporating the findings into four categories, a new model for effective suggestion emerged (see chapter 4.3.4). This guiding framework named “The Successor’s Model for Effective Succession” (SMES) provides a dense overview of the factors that support effective succession and shall support prospective successors when planning for succession. Literature suggests a multitude of factors that increase the success of succession. However, as literature mainly provides factors to be considered for the senior generation, the novelty of this work is the presentation of success factors for the next generation – the successor. A premise thereby is that the successor is intending to actively involve in planning and execution. A timeline in the model indicates a pre and a post-transition phase in addition to the commonly known transition phase. While diverse authors have argued to enhance the view on succession by looking more on early stage activities (pre-transitions phase), the work revealed that – for a successor – succession is not completed after inauguration. In fact, several family-business-related issues have to be considered especially after inauguration in order to be continuously successful as a successor. The model shall be understood as a management model for successors and is intended to support when planning and executing succession. The 14 key factors are formulated as supportive advises for prospective successors:

1. Be sure that you really want to take over the family business – involve yourself early in the business and show interest.
2. Ensure comprehensive and fitting educational background (and continue to invest in personal development).
3. Ensure training before succession. Prefer external training. Inside the company, learn by trial and error only when in low level positions.

4. Demonstrate a mixture of modesty and self-confidence. Work on leadership qualities including especially social competences.
5. Reflect if you want to exclude non-operative assets from your heritage (for better equality of asset distribution between siblings).
6. Assess market position, assets of the business and view of the major shareholder how to develop the business.
7. Develop high expectations on business performance.
8. Ensure to obtain value and trust from the business family. Foster a good relationship with the senior generation and family members - share basic values.
9. Assess if the business family is supportive and foster that the family puts business first.
10. Reflect culture and complexity of the business family concerning conflicts and establish facilitating tactics for dynamic processes.
11. Establish a clear roadmap for succession – actively involve yourself years before.
12. Set clear signs of transition of leadership (e.g. celebrations, ceremonies) and promote a dynamic transfer of the leadership role.
13. Involve senior generation in post-transition phase – give room for defined business activities.
14. If relatives/siblings are involved, arrange a clear and by all members accepted hierarchy within the business. Decision processes must be clear.

- ***Correlation of succession effectiveness and business performance:*** It was not possible to statistically confirm a significant correlation of effectiveness of succession and business performance (4.3.2). In the qualitative research part, out of 13 cases studied 11 have shown an outperformance since the inauguration of the successor. The work assumes that outperformance was possible as the successor experienced an effective succession. The two ineffective cases confirmed the assumption as the successors related their mediocre business performance to deficiencies of succession. While statistical analysis did not indicate a significant relationship between effectiveness of succession and business performance, an expert round concluded that

effectiveness of succession builds an important basis for further business success. In general, all dependent variables showed α -values of 0.2 and higher.

- ***Hierarchical order of family business subsystems:*** Concerning a potential hierarchical order of family business subsystems, the data did not provide a sufficient basis to identify significant correlations or ranking order (4.3.3). However, to identify hierarchical orders of subsystems was not a main task of this work and shall be offered for further research.

Limitations

Limitations of this work concern methodological issues, specific research field issues, research strategy decisions, and further researcher related issues described below. These limitations have a potential effect on the quality of the findings and are summarized below:

- Methodologically, the work at hand applied a sequential exploratory research design to generate theory rather than test existing theory. Due to the research approach chosen, the work at hand naturally cannot provide clear evidence about right or wrong, good or bad preconditions for effective succession. To strengthen the results, a survey was executed including 65 answers followed by an expert round (including three participants) to discuss the findings. However, more quantitative methods would improve validity.
- In qualitative research, which is interpretive research based on a constructivist worldview, the reader has to consider the background of the researcher. Although the professional and educational background is described in the appendix, the work is never free from bounded rationalities and a specific set of beliefs that shape the interpretation of the results.
- This multidisciplinary approach satisfies the general concept of the family business, but it runs the risk of losing knowledge when translating from other theories, as translations can never be perfect. The cognitive limitations of the researcher must be considered and limit the results of the work.
- The translation of the relevant parts of the interview transcript from German to English language might affect the quality of the interpretations. To counter against

this, the relevant selected material in the transcript has been proofread by a professional proofreading service. Still, the individual usage of terminology and semantics may limit the work.

- The study investigated 13 cases, which might be considered insufficient. However, the depth of the interviews (of which some lasted up to two hours) and the extensive analysis of the data should compensate for this limitation. Additionally, an online-survey was executed to strengthen the findings (65 respondents). Moreover, the propositions have been presented to the interviewees, to several family business members, to the chapter Austria of the *Family Business Network International*, and an expert round (including a family business lawyer, a family business advisor and family business tax consultant); they have generally confirmed the key factors applicable for managerial practice and largely helpful for prospective successors.
- The time and period of the study does not crucially limit the work. This is the case as the applied method to assess outperformance of the business did consider the development of the business *compared to the competition*. Subsequently, business sector maturity stages (e.g. life cycle decline phase of a sector) or economic parameters are excluded. Regardless, the assessment of each of the six performance indicators has been made by the successor him/herself. Although not observed during the interview, there may be a risk of exaggeration.

Approbation of Results

The scientific achievements of the work have been presented and published in the following conferences and journals:

Conferences

Baur, M. (2013): Successors and the Family Business: Novel Propositions and a New Guiding Model for Effective Succession. *The Economics, Finance, MIS & International Business Research Conference*, JAABC, London, July 12th 2013.

Baur, M. (2012): Approaching Family Businesses: Contextual Factors and Implications on Research Strategies. International Conference: *Global Business, Economics and Finance Research Conference*, JAABC, London, July 5th 2012.

Baur, M. (2011): Methodological Problems associated with Researching Family Business Managers. International Conference: *Recent Developments in Business Management Research*, University of Applied Sciences Fulda, Fulda, December 3rd 2011.

Baur, M. (2011). Performance Indicators for owner-managed family firms: Theoretical Analysis and Development of an Evidence-based Evaluation Model. International Conference: *Current Issues in Management of Business and Society Development*, University of Latvia, Riga, May 7th 2011.

Publications

Baur, M. (2016): Family Business Definitions and Differentiation from Entrepreneurship. *The Journal of American Academy of Business, Cambridge*. ISSN 1540 – 7780, September 2016.

Baur, M. (2014): Successors and the Family Business: Novel Propositions and a New Guiding Model for Effective Succession. *The Journal of American Business Review, Cambridge*, Vol. 19 Num. 2 ISSN: 1540-1200, pp. 133-138

Baur, M. (2013): Increasing the Effectiveness of Succession in the Family Business: Suggestions from Outperforming Successors. *The Business Review, Cambridge*, Vol. 21 Num. 2 ISSN: 1553-5827, pp 133 – 138

Baur, M. (2012): Approaching Family Businesses: Contextual Factors and Implications on Research Strategies. *The Journal of American Academy of Business Review, Cambridge*, Vol. 18, Num. 1, ISSN: 1540-1200, pp. 150-155

Baur, M. (2011). On the Performance of Family Businesses: Suggestions for an Advanced Method of Evaluation. Conference Proceedings: *Current Issues in Management of Business and Society Development*, Riga, ISBN: 978-9984-45-347-7, pp. 38-47

1. THEORETICAL REVIEW ON FAMILY BUSINESS RESEARCH

The theoretical chapter will establish a basic understanding of the concept of the family business. It includes an examination of the family business within the society, provides a discussion on the definition of the family business and shows theoretical approaches to the family business such as systems theory and the life cycle approach.

1.1. Family Businesses in the Context of Society

Family firms have played an essential economic role in society; the pre-industrial phase and the industrial revolution have also seen family businesses as essential to the economy (Colli, 2003). Family firms not only account for a majority of workplaces, but also represent the “good side of economy”. The often-used claims that family firms are “the backbone of the economy” can be substantiated by broad evidence collected worldwide. Especially in fragile environments, family firms are often cited in the news as trying to keep their staff on board; being cautious in divesting assets ; having flat hierarchies that create short and efficient structured decision processes that contribute to their economic performance (cf. Schneider, 2007, p. 72 ff.).

In their recent study, Haunschild, Wallau, Hauser, and Wolter (2007) have discovered that the 500 biggest German family firms account for 11 percent of all revenues of German businesses and represent 9 percent of the workplaces in Germany. The top 500 big family businesses also accounted for every tenth working place in Germany (cf. Wallau & Haunschild, 2007).

The top 500 biggest family businesses have for example increased employment rate in the years 2003 to 2005. Whereas employment in all German companies has decreased by 1.5 percent per year on average, the top 500 biggest family businesses have increased their staff by 4.8 percent. Stock-listed DAX-companies have experienced even stronger decline in their staff, showing 1.8 percent decrease during the observation period (Wallau & Haunschild, 2007, p. 48 ff.).

Many authors have studied the economic importance of family businesses⁷ as well as the effects of family businesses on economies. Mandl Mandl's research on family businesses in Europe found that 40% of the gazelles of the Walloon region in Belgium were family businesses.

In Spain, Mandl referred to the study conducted by Instituto Empresa Familiar (2007) and pointed out that 85 percent of the businesses in Spain were family firms sharing 75 percent of the nationwide employment with 70 percent of the GDP share.

Depending on the definitions employed by studies some firms were excluded, however when looking at the numbers below, the influence of family businesses on job creation between if 67 to 75 % - is significant.

Country	Contribution to GDP	Work force in family firm in private sector	Amount of family firms	Source
USA	57 %	63 %	-	(Kinkade, 2011)
Europe	40 %	40 – 50 %	70 – 80 %	(Mandl, 2008)
Germany	42 %	57 %	95 %	(IfM, 2007)
UK	41 %	42 %	65 %	(IFB, 2008)
Austria	-	75 %	80 %	(Frasl & Rieger, 2007)
Sweden	20 %	25 %	75 %	(Johansson & Sjögren, 2009)
India	66 %	79 %	-	(KPMG, 2013)

Table 1-1: Economic importance of family firms⁸

The table shows a smaller rate of employment than the absolute number of family firms; this indicates that the average family firm is smaller than the public companies or national companies. In Europe, family businesses represent 1 trillion Euros in turnover (60% of all European companies) (KPMG, 2013).

⁷ For Netherlands: Flören, 1998, for Austria: Mandl, 2008, for Switzerland Frey, 2004; Fueglistaller & Halter, 2005, for Sweden: (Johansson & Sjögren, 2009, for Rumania: Pistrui, Welsch, & Roberts, 1997, for India KPMG 2013.

⁸ Table created by author.

1.2. Definition of the Family Firm

1.2.1. Preliminary Note

The multitude of existing definitions show that there is no uniform definition. With intention to advance the discussion about defining the family business, appendix V of this work offers a comprehensive list of definitions found during the period of research. The collection is structured by indicating the focus (definitional dimensions) that each definition is providing.

1.2.2. Structuring Definitions for Family Businesses

Handler (cf. 1989) summarized the family business definition by the following four categories: ownership-management, interdependent systems (family involvement in the business), generational transfer, and multiple conditions. She recognizes the variety within each determining category (see figure below). In essence, these categorizations are based on the following three main questions:

- How involved is the owning family in the strategic business and ownership decisions?
- What is the degree of voting control and ownership of the family?
- Is there intent to transfer the business to the next generation?

Question one and three can only be measured by subjectively assigning parameters that indicate a differentiator, whereas question two can be mathematically defined. The degree of voting control and ownership of the family can be defined as percentage of shares or voting control. For instance, firms that are owned by a family or by a family member with a degree of 25 percent of shares can be either excluded or included in a proposed definition of the family firm. The intention of transferring the business to the next generation cannot be quantitatively operationalized or externally assessed.

Chua et al. (1999, p. 25) introduced a definition based on a behavioral perspective⁹ whereas Habbershon and Williams (1999, p. 5) provide a contrasting approach with a resources-based view¹⁰. In their attempt to solve the family business definition problem, Astrachan, Klein and Smyrnios (Astrachan, Klein, & Smyrnios, 2002, p. 45 ff.) introduced the F-PEC scale which is based on three pillars: ‘P’ for power, ‘E’ for experience, ‘C’ for culture. The F-PEC scale therefore stands for *family influence through power, experience and culture*. This scale allows researchers to evaluate the intensity of family influence and statistically exclude non-family firms. The resulting variables can be applied as dependent, independent, moderating or intervening variables (Klein, 2010, p. 25).

1.2.3. Legal and Institutional Frameworks

The Austrian Unternehmensgesetzbuch (which is the legal regulation for company law) defines in § 1 para. 1 UGB (freely translated from Jusline, 2011): “entrepreneur is who operates a business”. Hereon in para. 2, the definition on enterprise is as follows: “An enterprise is a continuance-oriented organization with independent commercial operation, may it be oriented on profits or not.” German law defines an enterprise in § 17 para 1 and 2 Handelsgesetzbuch HGB as (Jusline Online, 2011a): „Die Firma eines Kaufmanns ist der Name, unter dem er seine Geschäfte betreibt und die Unterschrift abgibt and "Ein Kaufmann kann unter seiner Firma klagen und verklagt werden“.

The “Institut für Mittelstandsforschung IfM Bonn in Germany (IfM, 2007)” provides a quantitative definition. Business size or the legal aspects of the company are not considered in this approach. The offered definition includes both small firms with a few employees and major players with over 500 employees; as well as small firms that belong to big public diffusely owned companies that are not family firms.

⁹ “*The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families*”.

¹⁰ “*A firm’s internal idiosyncrasies are identified as a critical component of its potential advantage. The umbrella term used to describe this approach is the Resource-Based View of the Firm. This approach has been successfully used to explain long-run differences in firm performance that cannot be attributed to industry or economic conditions*” (see also chapter 2.3 theoretical approaches to the family firm).

The family firm is often owned and managed by *one person*. In practice however, this is not always the case as for example professional managers do not always belong to the family. The IfM thus attributes two characteristics that characterize all family businesses:

- Maximum two natural persons or their family members are holding at least 50 % of the share,
- The natural persons are represented in the executive board.

The IfM Bonn explicitly distinguishes between family businesses and the so called KMU Klein- und Mittelunternehmen¹¹ (which is misused widely by media as a synonym for family businesses). Whereas family businesses are characterized by the unity of ownership and management, SME are formally defined as small and medium sized entities marked by the following criteria (IfM Bonn, 2010):

Company size	Number of employees	Turnover € / year
Small	Up to 9	Up to 1 Million
Medium	Up to 499	Up to 50 Million
SME (together)	Below 500	Below 50 Million

Table 1-2: IfM Bonn definition of SME with a quantitative approach¹²

Wallau (2008, p. 8) distinguishes between family businesses and SME using two different approaches. That is, family businesses are identified through verification of the unit of ownership and management and SME's are identified by their size.

The recommendation of the European Union's commission (European Commission, 2001) for defining SME is similar to the IfM Bonn definition for SME, applying a quantitative approach and enhancing the definition with the balance sheet total:

Company size	Number of employees	Turnover € / year	Balance sheet total
Medium-sized	< 250	≤ 50 Million	≤ 43 Million
small	< 50	≤ 10 Million	≤ 10 Million
Micro	< 10	≤ 2 Million	≤ 2 Million

Table 1-3: SME definition by the European Union's Commission¹³

¹¹ KMU stands for Klein und Mittel-Unternehmen and is translated as SME Small and Medium sized Entities

¹² Source: IfM Bonn, 2010

¹³ Source: European Commission, 2001

In an attempt to differentiate SME's from family business and to identify relevant issues (for political intervention), an expert group has been installed by the European Commission. The group defined - based on the definition on the Finnish Ministry of Trade and Industry – a firm, of any size, as a family business if (European Commission, 2001, p. 10):

- The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- The majority of decision-making rights are indirect or direct.
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

The variety of definitions has been studied by multitude of authors. Mandl for example reviewed the national definitions used in 33 countries around Europe to isolate the common elements determining family business (Mandl, 2008, p. 13 ff.). The author concluded that there is no unification, as she identified over 90 different definitions.

1.2.4. Differentiating Family Business from Entrepreneurship Research

For a deeper understanding of the family business, a distinction between entrepreneurship and family business may support. Entrepreneurship is concerned with the foundation of businesses and focuses on the first phase of a business in the organizational life cycles.

Similar to the field of family business research, entrepreneurship is a young discipline (i.a. Edmond & Wiklund, 2010, p. 142; Landström & Persson, 2010, p. 54) and definitions are undergoing intense debate (i.a. Zimmerman & Education, 2008, p. 142; Davidsson, 2005, p. 1 ff.). However, there are some distinguishing aspects that delimitate the two fields from each other. The following table exemplifies some of these aspects:

Family Business	Entrepreneurship
Entrepreneur: How to hand over the business	Entrepreneur: Who is an entrepreneur and what does an entrepreneur need to do to start a successful business?
General trans-generational considerations	General focus on the start-up phase
Research goals: Study of reciprocal relationships of business, family and ownership systems	Research goals: Study of growth strategies, analysis of foundation motives
Business goal. Keeping the business in the family over generations	Business goal: Innovation, creativity and growth and eventually selling the business
The needs and interests of the family and the owners, beyond needs of customers	Marketing: Understanding what the customers want?
Finance and growth against the background of risk-averse and risk loving shareholders	Financing against the background of organizational development phases
Political dimensions: Creation of a positive (e.g. tax-friendly) environment for succession	Political dimensions: Creation of a positive (e.g. tech-cluster-focused) environment for fostering start-up promotion

Table 1-4: Examples that distinguish family business from entrepreneurship research¹⁴

Although there are differences, family business research as a field of study has – being closely related to the entrepreneurship research field – contributed much from entrepreneurship research. Entrepreneurship research asks (in the sense of Schumpeter) who is an entrepreneur and what does an entrepreneur have to do to begin a successful business. Family business research is concerned with the entrepreneur who wants to hand over the business to the next generation. Entrepreneurship focuses on the starting phase of a business whereas family business research focuses the years after the business’ foundation - that is, the maturity stage in a business life cycle approach - where the next generation is involved. Thereby, family business research tries to unify business *and* family considerations.

The wish to hand over the business is vital to many entrepreneurs and also second generation successors. The resource-based view as well as the F-PEC scale mention the rising influence of the family through experience which is the umbrella term for gaining experience through generational transfer. If a family business is only a family business when intending to hand over the business to the next generation, it should be measured whether there are actions following this intention.

Various authors (see above) propose to limit the definitional framework to the question whether the business family plans to hand over the business to the next generation. This intention automatically leads to long-term goals – an idiosyncrasy that family firms are

¹⁴ Table created by author

commonly known for. For example, a firm that is owned by an entrepreneur or family in the first instance, but does not plan to hand over the firm to the next generation could eventually aim to sell the firm at a highest possible price¹⁵. Such a setting does certainly come up with the definitional constraint that an entrepreneur or family holds the shares and does influence the company's strategy. However, such a proposition need not imply that the owners are long-term oriented. In the sense of keeping the business in the family, this does not comply with a narrower definition of family firms. For many authors, the narrower definition of family firms includes the intention of handing over the business to the next generation (i.a. Plate, 2010; Chua et al., 1999; Astrachan & Kolenko, 1994; W. Handler, 1989). In this sense, Chua et al. suggest (from a behavioral perspective) that a family business is a *“business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”* (Chua et al., 1999, p. 25).

1.2.5. Determination of the Directive Research Definition for this Work

In their strategic reflection on family business research, Zahra & Sharma argue that *“a consensus is emerging that it is the reciprocal role of family and business that distinguishes family business studies from its sister disciplines”* (2004, p. 333). However, there is still no commonly accepted definition of the family firm. This thesis will use a clear definition in order to enable utilization and implication of results.

The research question of this research is dedicated to help the next generation successors to identify important preconditions (respectively key aspects) for effective succession. Succession is defined as managing the business. As a result, a suitable definition for this work has to distinguish between family-owned (with “only” governing the firm through a board without active management) and family-managed firms.

For this research, the author will base the definition of the family business following partly the definition of the WIFU (Wittener Institut für Familienunternehmen) as it includes

¹⁵ Such cases are for example well known from the new economy industry, where entrepreneurs try to sell their small business (or even just their business model concepts) to big players like GOOGLE, MICROSOFT or Investment Companies.

succession as an integral component of the definition. However, it is also important that a phase of succession has taken place already and that the company is owner-managed (managed by the owner who is a family member).

Authors also see family business in a “narrower sense” (e.g. Wallau, 2008, f. 8). They argue that influence on the development of the firm –exercised only by voting control in a board for instance – is not enough. A family member must manage the firm actively as a member of the executive board. This is an important point for this thesis. As the research question targets the perspective of the successor actively managing the business and experiencing the positive or negative outcome of effective succession directly.

The size of the business does not impact the research question as it is assumed that the conditions mentioned above automatically have lead to growth of the company. This is because the work concentrates on successors who have taken over a running business. Usually, those businesses have completed a startup-phase and have grown to a certain size. Following the afore mentioned concepts that include succession, a management by family member, the narrow and directive definition for research in this work will be:

A family business is entirely or partially held by one or more families respectively a family cohesion and the business is managed by one or more family members. Thereby, legal form or size of the business does not play a role. The transgenerational element is essential for the family business. And for this study, the business has been handed over to the next family generation at least once.

1.3. Systems Theory as a Framework to Approach Family Firms

The family business can be approached and assessed by using several different theoretical lenses. Amongst others, the resource-based explanatory approach, the life-cycle approach, the principal-agency theory and the systems theory have provided valuable frameworks to build a comprehensive understanding of the family business. The resource-based explanatory approach and principal-agency theory have advanced the field by identifying performance indicators through comparisons between family businesses and non-family-held businesses¹⁶. On the other hand, the life cycle approach enabled the academic body to explain the increase of the complexity in the ownership dimension, the reduction of risk in the investment dimension (on the basis of the portfolio theory of Markowitz), and the increase of the principal-agency problem in the governance dimension.

Systems theory provides an appropriate framework for understanding family businesses because it is not constrained to one scientific discipline. For this research, the systems theory is pertinent because it provides a basic framework for understanding the idiosyncrasies and interconnecting relations of family businesses. The following chapter introduces the main aspect of systems theory thinking.

Principles of system theory and application

A system is an accumulation of elements and their attributes which are reciprocally connected to each other¹⁷. The system is embedded in an inner and outer environment delimited by a boundary line that separates between relevant and non-relevant surroundings. Wilms (2008, p.2) illustrated this principle configuration including the observer as an integrative element of systems theory. Thereby, systems theory identifies universalities by analyzing structures and functions of a given system. Aiming to understand system behavior, system theory is mainly based on the analysis of the communicating elements within the system (Simon, 2012 p. 11 ff.).

One important idea of the systems theory is that of circular and reciprocal interrelations. In contrast to the “classical linear causality”, elements in the systems theory are affecting other

¹⁶ See 2.3.2 and 2.3.4 for a detailed discussion

¹⁷ from Latin *systema*, in turn from Greek *σύστημα* *systema*

elements and these effects – in turn – are having a reaction and influence. Systems theory accordingly criticizes trivial systems that promote calculability, linearity and seriality (Willke, 2005, p. 32).

On the other hand, business management theory is concerned with business in general. It studies structures, cultures and strategies of profit oriented organizations. A differentiation between small and big corporations is not sufficient when studying family businesses. While family research is concerned with the specific psychological dynamics of family members. Both scientific disciplines – business management and family research – do not feel responsible for studying family businesses as a whole – encompassing the family and the business.

System theory as an approach to family businesses

Based on the understanding of system theory, according to Luhman (cf. Luhmann, 2001, 2011), both families and businesses can be viewed as systems and therefore be understood using the same methodological approach. Although both systems are completely different concerning their elements and nature, both systems express themselves through direct or indirect notified rules of communication.

Using a broad definition, of what constitutes a family businesses have a significant influence on the policy of the business (see chapter 1.2 for detailed discussion about the definition of the family business). Systems theory further suggests that there is a reciprocal effect between systems. That is, if a family influences the business, the business also influences the family. Both systems evolve are self-contained *and* depended on the other system. Simon characterises this relationship between the family and business as a “co-evolutionary unit” (Simon, 2012, p. 22 f.). The family changes their rules with respect to the business and the business makes certain decisions that are in accordance to the needs of the family.

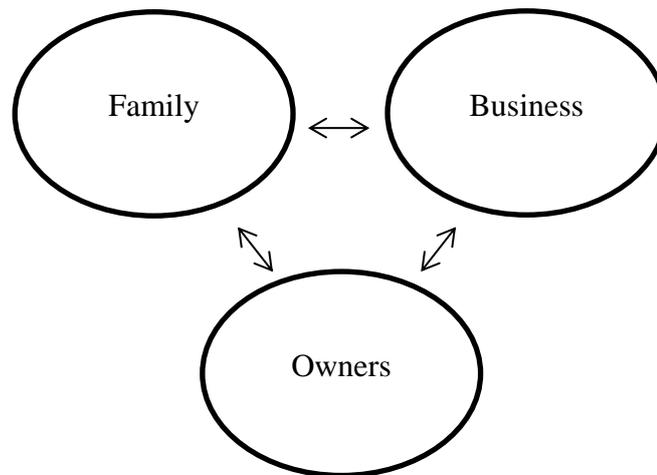


Figure 1-1: The co-evolutionary unit of family, business and shareholders¹⁸

The figure above shows that the family is dependent on the business as well as the business is dependent on the family. The figure also includes the shareholders (the ownership system) as a further interrelated subsystem. Usually, members of family are not always shareholders – and shareholders must not necessarily be family members. Dependent on the basic definition of family firms (see above), family firms can range from mum-and-pop shops (where all family members work in the business and are owners at the same time) to stock-listed corporations (where a majority of the shares is widely held).

When family members work in the business and are owners at the same time (e.g. mom-and-pop shop), all systems are closely related and one cannot always distinguish personal (familial) and commercial (business) issues. The more the business grows and develops, the more all three systems develop apart from each other; the communication rules of each system become more and more apparent Simon (2012, p. 11 ff.).

Identity and different roles in family businesses

System theory also demonstrates that each system has its own rules of communication. The problem is that one can have more than one role within the systems (father, business manager, and son at the same time). The interrelation of the systems and the problem of having multiple roles within the family system have been described by many authors. The three circle model

¹⁸ Following Simon, 2012, p. 23

has been used in the research field for over 25 years¹⁹. Davis & Tagiuri elaborated the two-system model with their work at Harvard in 1980 and making a critical distinction between ownership and management systems within the business circle, arguing it would be a more accurate way of portraying the full range of family firms resulting in the emergence of the three-circle model (cf. Gersick et al., 1997, p. 5). The three circle model illustrates the various roles that are potential in family businesses.

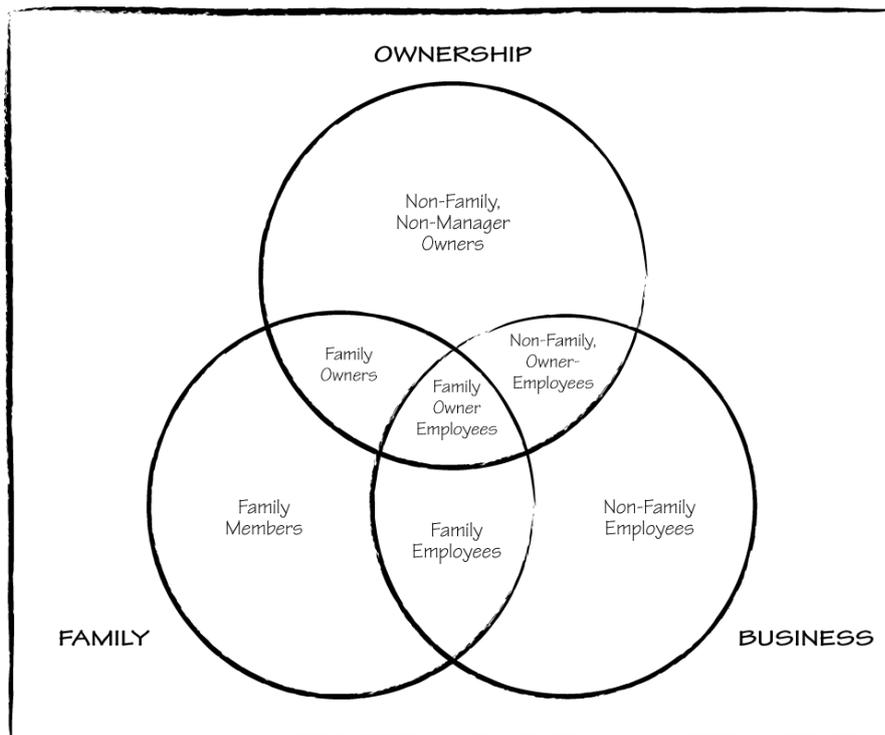


Figure 1-2: Multiple roles in the three circle model²⁰

For example, in the middle of the circles is the classical family business manager who owns the company and is a family member and – at the same time – is managing director of the company. He or she manages all circles simultaneously by balancing the needs and interests of each circle. This role is highly complex as the expectations of the business and the rules of communication within the business are different than those within the family. Combining ownership interest with business interest, this role stands for fast decisions and usually low agency costs.

¹⁹ It seems that this is in fact the only model that has been accepted by the research community as a paradigm.

²⁰ following Davis, 2011

A non-family employee at the right circle would be a hired managing director from outside the family. This is usually the case in bigger family businesses where the family takes a backseat in the board and focuses on corporate governance while leaving the operational management to experts.

Family members that do not work in the business and have no shares are typically in-laws or children of the owning family. They are also connected to the development of the family (e.g. through financial dependence) and – vice versa – the business is depended on the family (e.g. through reputation of the family or the development of potential next generation managers).

Different Natures and Rationalities in Families and Businesses

Each subsystem of the family business – business, family and ownership – principally follows a different rationale. Whereas businesses follow a task-oriented approach, families use a person-oriented approach. It is quite a public picture that the rationality of a business is affected by the supposed irrationality (emotionality) of the family. However, the logic of decision making within businesses and families follows different functions and have different forms of rationality. The types are different, but both are legitimate and do not stand in any hierarchically order (Simon, 2012, p. 19 ff.).

In addition, families and businesses as systems with their own rationality are facing a further structure: the ownership system. Here, the law sets its rules which are uncoupled from person- or task-oriented logic. The system of the shareholders follows formal legal rules. As Simon (2012, p. 22) emphasizes, the rationality of formal legal rules usually does not serve the purpose of families nor does it serve the goals of businesses.

The distinguishing rationalities in family businesses described above lead to paradoxes. Watzlawick understands so called “pragmatic paradoxes” as logically exclusive and contradictory operations (Watzlawick et al. 1967, p. 178 ff. in: Simon, 2012, p. 29). What makes sense for the family might not always make sense for the business. This applies for different perspectives on social and financial gains, strategies for viability, assessment of justice, duration of relationships, communication rules and fateful, accidental or conscious decisions on membership. On the one hand, justice in the family is following the equality of demands, rights, duties and expectations. On the other hand, businesses rationalities understand justice in the sense of performance assessment. Differences are being emphasized;

diverse credits result in diverse rewards, promotions and assignments of responsibility (Simon, 2012, p. 28 ff.).

Wimmer et al. (cf. 2009) assumes that the success of long-living multi-generation family businesses is based on the ability to solve these conflicting interests and rationalities between shareholders, the business and family members (Wimmer, Groth, & Simon, 2009, p. 113). The authors identified seven constitutive paradoxes for which long-living multi-generational family businesses have developed a viable solution framework. These paradoxes provide a broad picture of different rationalities that lay within the different systems²¹:

Paradox I: Family influence as resource and threat over the business.

Paradox II: Being loyal to the core family and the wider family connection.

Paradox III: Considering short-term (single-) investor interests and secure the business's future on a long-term basis.

Paradox IV: Fulfill the expectations on equality in the family and meet the inequality demands of the business.

Paradox V: Growth in respect of entrepreneurial autonomy.

Paradox VI: Maintaining corporate adaptability and preserve (family) traditions.

Paradox VII: Satisfying familial protection expectations and performance capacity of the business and its' governance.

It is the ability to manage these paradoxes that supports longevity. The existence of these paradoxes can be seen as threats or unsolvable "one-way roads". But that does not help much. Rather, professional family businesses are urged to accept these paradoxes as sources of power that leads to creative solutions.

Conclusion

Systems theory delivers a conceptual framework to study family firms. Therefore, the basic research questions related to the main thesis are: *How does each of the subsystems influence succession? How does the reciprocal effect of the subsystems support the effectiveness of succession? Are there specific ties that influence the successor and how do these connections*

²¹ freely translated from Wimmer et al., 2009, p. 114 f

support the effective succession process? Are there general pitfalls, problems or chances that influence the effectivity of the succession process?

1.4. Life Cycle Approach to Family Firms

Systems theory or the resource-based explanatory approach as theoretical frameworks can provide a deeper understanding on family firms. While those approaches are not the only standpoints from which to approach family firms, a closer examination on family firms can also be carried out through the life cycle approach. The term *life cycle* refers to the sequence of stages in the evolution of the phenomena under study. The life cycle approach is applied for instance on humans, families, new ventures, organizations, industries or products. Life cycles are based on the biological metaphor as businesses, organizations, or industries demonstrate a regular pattern of developmental progress.

Entrepreneurship theory for instance applies a life cycle approach at an early stage of a life cycle of a business (see i.a. Brush, Kolvereid, & Widding, 2010; Parker, 2006). Family and individual life cycles are under investigation by family therapists not only in general social sciences (see i.a. Goldenberg & Goldenberg, 2008; McGoldrick, 1992; McGoldrick, Carter, & Garcia-Preto, 2010) but also in family business research as different life cycles indicate different interests, needs and attitudes that might affect the business (see i.a. John A. Davis & Tagiuri, 1989; Gagnè, Wrosch, & Brun De Pontet, 2011). Industries have been examined through a life cycle lens to better understand the attractiveness of industries providing an analysis for business strategy and investment decisions (see i.a. Baum & McGahan, 2004; Filson, 2002; Frankl & Rubik, 2000) and much has been written on the product life cycle management providing businesses a framework for marketing, investment and product innovation decisions (see i.a. Grieves, 2006; Stark, 2011). The next chapter describes three life cycles in the context of family business research which share the majority of perceptions. The third life cycle approach – by May and Koeberle-Schmid – however applied additional theories (e.g. Portfolio theory of Markowitz) to further advance the life cycle approach to family businesses.

Life cycles in the family business²²

As a useful framework, life cycle theory helps to understand and particularly structure planning on family firms. Gersick was the first to introduce a life cycle approach to the family firm (1997). The classic family business circles (business, ownership, and family) help to assess a family business at a certain point of time, the life cycle approach helps to identify dilemmas and problems that arise due to changes within the organization, the family and in the distribution of ownership over time (Gersick et al., 1997, p. 16 ff.). *“Each of the three subsystems goes through its sequence of stages, the family subsystem has its own sequence, and the business also progresses through a sequence of stages”* (Gersick et al., 1997, p. 18).

Beyond the three life cycle of the individual, the family and the organization (the business), Carlock and Ward (2001, p. 24 ff.) identified, the industry is an external life cycle force that influences family businesses. The ownership configuration of the family business is thereby seen as a result of influencing life cycle forces respectively family decisions and is structured by seven configurations: Entrepreneurship, owner-managed, family partnership, sibling partnership, cousins' collaboration, and family syndicate.

The apparent sequence of ownership configuration above supposes a life cycle. However, life cycles are generally viewed as “biological processes”, inevitable and foreseeable. Ownership configurations might follow a collating sequence above in practice, but rather are determined through family decisions and industry pressures. In this sense, Carlock and Ward - in contrast to the work of Gersick et al. (1997) - suggest to view ownership not as a life cycle, but rather as an *“ownership configuration influenced by life cycle forces and family decisions”*. Life cycles thus exist in the organization, the individual, family and industry. Each life cycle force leads to changes in the family business when it progresses towards the next stage (e.g. when the industry has reached a maturity phase or enters a decline phase, the family business should reconsider its' overriding strategy). The axis organization, family, individual, and industry are illustrated in the figures in appendix VI.

In order to explain family businesses and – in particular - important development stages, May and Koeberle-Schmid (2012) presented a three-dimensional model with four categories. In the basic style of life cycle explanations (following Gersick et al. 1996 and Carlock and Ward 2001), the authors use further theories to approach family firms. Each dimension has its own

²² See appendix VI for figures

theory and rationale. The ownership dimension expresses the increase of complexity over generations, the investment dimension follows the portfolio theory of Markowitz and the reduction of risk through increasing assets and the third dimension – the governance dimension – is concerned with the increase of the principal-agency problem.

1.5. Beyond Three Circles

Thus far, authors have elaborated on the concept of the family firm. Probably best known and commonly applied is the three circle model which has emerged from the works of Tagiuri and Davis who advanced the original two circle model (business and family). They argue that ownership and management systems have to be distinguished due to prominent dilemmas existing between the two (cf. Gersick et al., 1997; Renato Tagiuri & Davis, 1982). Other authors have added further circles systems to the three dimensional model to express further reciprocal effects. Neubauer und Lank discuss the three circle and tie model“ adding to the board of directors as another individual subsystem (Neubauer and Lank, 1998 in: Fahed-Sreih, 2008, p. 52).

Klein adds the leadership circle as the fourth system and hence consciously distinguished between business and leadership (or management). In the sense of a life cycle perspective both systems leadership and business follow an individual development (cf. Klein, 2010). The Klein-model is illustrated below:

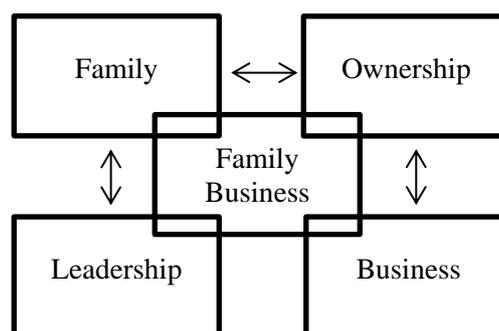


Figure 1-3: "Leadership" as a fourth subsystem²³

Weißman und Artman mention “personality” as a fourth subsystem (based on the work of INTES). Personality - described as a field of interest – is concerned with health, shaping life and happiness. However, viewing the subsystems from just their interests fades-out the

²³ Translated from Klein, 2010, p. 5

reciprocal effect of the systems. The personality consists of specific traits, motivations, worldviews and entrepreneurial orientation. These characteristics can certainly be influenced by the business, but also influence the business through the resulting management style and demands coming from that field of interest (Weißman & Artmann, 2007).

The four systems family, ownership, business and personality constitute four fields of interests that shape and frame the dynamic of the development of the family business. This distinctive constellation is the origin of challenges to the family business manager who has to manage these unequal systems of love, power and money (cf. Fowler, 2002). Whilst the existence of a business family can be a real asset to the company, it concurrently can be the source of ruin.

Conclusion and core questions to empiricism:

For this study, the knowledge about family business life cycles is important as it supports the assessment of each dimension. While there are various propositions for the succession process, they have similarities and follow the described process above – whether they are coming from practical or academic directions. However, various authors suggest viewing succession through a longitudinal methodology. The above mentioned knowledge leads to the following core questions for empiricism: *What is the appropriate methodology to research the family business and the successor of a family business? Which of the subsystems shall be investigated? Do the idiosyncrasies of the family business have any specific implications on the research design and how can a successor in a managerial environment be appropriately approached.*

2. PRACTICAL FAMILY BUSINESS IDIOSYNCRASIES

The following chapter summarizes the idiosyncrasies evident in each of the subsystems personality, ownership and family. As the main research question is concerned with factors that support effectiveness of succession, this chapter also outlines the process for succession as well as succession problems and success factors.

2.1. The Personality System

As described previously, family businesses are constituted by the reciprocal effect of the subsystems family, ownership and business. Weißmann and Artmann note that the three subsystems can be advanced by adding a fourth “field of interest” which is the *personality system* (Weißman & Artmann, 2007, p. 20 ff.). According to the authors, the subsystem “personality” has a principal interest for maintaining personal health and living creativity and enjoyment. Personality can be defined “as consistent behavior patterns and intrapersonal processes originating within the individual” (Burger, 2010, p. 4). Within this work, the author analyses the personality of the successor. However, rather than seeking for behavior patterns and intrapersonal processes, it is of interest how the personality of the successor influences the succession process. Therefore, this chapter outlines research studies that have been conducted on successors including the analysis on their attributes, motivations, education and training.

Family businesses commonly offer a “leader to follow” or a “foreman”. This further profoundly influences the firm’s culture as employees and customers are able to build up identification with the firm. Whilst a multitude has been written about succession in family businesses, only little has been written about the *successor*. Authors have for example questioned the skills of the successors and elaborated on their proper development and training (e.g. James J. Chrisman et al., 1998). Ibrahim et. al. (cf. 2004) studied the qualities of an effective family business successor in Canada and discussed the crucial role that education and training could have in enhancing the successors’ skills. While the authors suggest three factors²⁴ that are critical to an effective human resource strategy, other authors argue that it is

²⁴ These are the successor's capacity to lead, his/her managerial skills and competencies, and the willingness and commitment of the successor to take over the family business and to assume a leadership role.

useful to inquire into the relationships among all members of the succession generation when assessing the next generation (Swagger, 1991).

Interestingly, when the next-generation members were evaluated with their peers who came from non-family business settings, researchers found the former to have lesser clarity about their abilities, talents, goals and career interests (Eckrich & Loughhead, 1996).

2.1.1. Successor Qualification Strategies in Family Businesses

Qualifying a successor for a prospective responsibility is important. This aspect probably arises instinctively shortly after the birth of the business family’s children. Successors do follow typical paths when they begin their first degree. In his sequential explorative study, Nagel surveyed CEOs from big sized family firms in Germany²⁵ and found that the family business managers generally have high expectations of their successors. Compared to professional competencies, CEOs rate personal and interpersonal skills higher. Personality and the ability to motivate and lead people appears to be of extreme importance. The study also mentions other personal traits such as the ability to “decide and to develop oneself” and the “willingness” to take over responsibility as essential preconditions (Nagel, 2012, p. 52). Concerning education, the majority successors (60.5 %) chose a commercial study, whereas 23.7 % chose a technical field of study. Based on interviews held before the quantitative study, the author explains the desire for commercial oriented studies because in addition to the large size of the company, increased knowledge of strategy development, goal setting and overcoming obstacles is important (cf. Nagel, 2012).

Focus of first degree	Ratio
Commercial	61 %
Technical	24 %
Combination of Comm./Techn.	8 %
Legal	4 %
Humanities	4 %

Table 2-1: Focus of first degree of successors²⁶

²⁵ 79 German family businesses with 750 to 1,000 employees and 301 and 500 million turnover in average.

²⁶ Translated and adapted from Nagel, 2012, p. 52

In a pre-transitional phase the successor is educated and often trained on a real job through professional experience. Quite this professional experience is received from outside the family firm in an “external environment”. CEOs prefer external against internal job experiences and their own paths seems to confirm that as 63 % have started their career outside the family firm out of which most have gained experience in management and team leading. Some even have reached director level positions and were able to demonstrate their qualification for taking over responsibility in the family firm (Nagel, 2012, p. 52 f.). The requirement to reach director level in another firm first in order to be qualified for succession in the family firm is also an expectation that was mentioned at the “FBN Next Gen Summit” by a German big family business operating in the automotive sector.

Positions during external job experience	Ratio
Managing Director	30 %
Junior Manager	24 %
Team Leader	16 %
Department Chef	16 %
Division Manager	14 %

Table 2-2: Positions during external job experience²⁷

In medium to big sized family companies, successors tend to enter the business between ages of 25 and 35²⁸. This may be different in small family firms assuming that the family size is small. Concerning the role when entering the business, there are several scenarios: successors may start in the second line of executive management, may assist the current CEO or take over the role of the CEO with or without the responsibility for a specific business division.

2.1.2. Successor Attributes, Motivation and Education

Skills of effective successors

Ibrahim et al. (cf. 2004) found that there are three components that are crucial for effective successors by asking 42 CEOs of family firms (mostly in first or second generation) in Canada. The research study confirmed what the human resources and leadership literature

²⁷Translated and adapted from Nagel, 2012, p. 52 f

²⁸ Nagel surveyed 79 medium to big family businesses in Germany: half of the successors were between 25 and 30 years, one third were between 31 and 35 years when entering the family business (Nagel, 2012, p. 53).

have featured in previous studies also in the non-family business context. Firstly, leadership traits and skills are important for effective successors including the capacity to lead and influence others, the ability to make independent decisions, the ability to motivate, communicate and resolve conflict effectively. Secondly, the authors identified a number of management skills and competencies that allow for strategic planning, market positioning, financial and general management as well as industry specific experience. Thirdly, the results suggest that effective successors show commitment, motivation and respect to family and non-family members (A. B. Ibrahim et al., 2004, p. 476 ff.).

Attributes of successful successors

Besides important skills and competences for effective successors, the literature provides a broad framework on the elaboration of crucial attributes for successors. Attributes are qualities and traits that successors show. Chrisman et al. (1998) took a lead and explored 30 attributes of successors and initially grouped the multitude of critical attributes in existing literature. The authors further tested the attributes by a survey in a Canadian Anglophone family firms. Of the six attribute groups, *personality traits and current involvement with the business* were the most important, followed by competence, relationships with other family members, relationship with the incumbent, and finally family standing (Chrisman et al., 1998, p. 23). Among the thirty attribute variables, the study revealed *integrity* and *commitment to the business* as most important. The authors believe that integrity stands for honesty, intentions and timeliness of communication and considers not only employees but also family members. It is apparently important that family members perceive somebody working in the business to be trusted. Furthermore, the study reveals that relationships are likely to be more important than competence – at least in the family business context (James J. Chrisman et al., 1998, p. 25). In addition, what is striking is that out of the highest ranked 15 attributes only five are “hard” technology or business skills, the majority of the attributes include social, inter-personal skills self-confidence and trust from family members.

Education

Evidence shows that the successors have had a comprehensive educational and training phase when compared to their intercessors (cf. Lüber, 2011). Sardeshmukh (2008) elaborated on successor development in family firms in order to understand how internal and external

development impact on the commitment and self-efficacy of the successor, and on conflict and turnover in the senior management. Whereas researchers focus on the process of transferring power within the business-family (cf. Harvey & Evans, 1995), only a few have researched on the after-succession environment. Still a majority of the academic community are investigating pre-conditions of effective succession (such as attributes of successors). Authors have discovered that in both cultural areas of Canada and India, owners consider integrity and commitment as the most important attributes for successors (i.a. Rutherford, Muse, & Oswald, 2006; Sharma & Rao, 2000). Other studies are relating successor attributes such as self-confidence and managerial autonomy to effectiveness (cf. Goldberg & Wooldridge, 1993).

Career development

It is a definitional element of family businesses to hand over the business to the next generation. Incumbents may directly or indirectly communicate this wish to the next generation. For the next generation, this intention of the older generation can be both perceived positively and negatively. It is actually at the late adolescence stage where potential successors begin to intensively develop their vocational identity. Interestingly, evidence showed that late adolescents with a parent working for their own family's business shows less vocational identity when compared to adolescents whose parents work for a non-family business. They seem to have a *“less clear sense of their abilities, talents, and interests in a career than do late adolescents from non-family-business homes”* (Eckrich & Loughhead, 1996, p. 380).

2.1.3. Conclusion and core questions to empiricism:

The above leads to the following core question for empiricism: *How does the personality of the successor contribute towards the success of the business? Are there specific supporting topics within their motivation, leadership style, education and entrepreneurial orientation? What have been vital traits and important characteristics that have supported effective succession?*

2.2. The Ownership System

2.2.1. Configurations of Ownership Patters

One constituent element of a family business is the possibility of influence of the owner. This has become commonly known for fast decisions and consequent realization of decisions; a fact that deeply influences a firm's organizational structure and culture. Typically in family firms, relationships between key stakeholders are strong, and the shares of family firms are, to a degree, illiquid (cf. Mustakallio, 2002).

Ownership systems of a family business can have several different configurations resulting from ownership decisions in the past forced through life cycles (see chapter 1.4 for a detailed discussion). Depending on the individual configuration, the challenges and duties evident in the ownership system can vary. Following the framework of various authors, the ownership system usually moves through the following configurations (Carlock & Ward, 2001; Gersick et al., 1997; May & Koeberle-Schmid, 2012):

- Sole owner,
- Sibling ownership,
- Cousins' collaboration,
- Family dynasty.

Past decisions influence whether the business follows a linear configuration process and transcends from sole ownership to a family dynasty over time. The decision on the distribution of shares is – of course - highly dependent on the legal framework a family business is confronted with. The legal framework may be different across different countries. Furthermore, legal frameworks change over time, as a result of alternating political objectives. Decisions on the distribution of shares before, during or after succession processes are therefore made if it – at that specific time – is favored in taxation.

Besides legal preconditions, families of family businesses agree that the business must be owned by the family member who serves as the CEO or only by the family members employed in the firm. In such cases, the business “*would continually recycle itself in the owner-managed phase or the sibling partnership phase*” (Carlock & Ward, 2001, p. 119 ff.). Thus, the family, and their basic beliefs, shapes the decisions towards specific ownership

configurations. Most typical patterns of ownership structures are as follows (Carlock & Ward, 2001, p. 138 f.):

- Distribution of ownership to all family members / to all heirs.
- Distribution based on employment in the family business.
- Distribution to the family members employed in senior executive positions in the firm.
- Distribution of two classes of stock, voting to family members employed by the firm and non-voting to other family members.
- Distribution to a selected group of heirs, typically males.
- Distribution to the elder heir (typically male).
- Redistribution as each generation transition to balance ownership across different branches of the family.

Depending on the individual ownership configuration, the ownership system has differing core action areas. General programs that support ownership continuity are concerned with ownership education programs providing knowledge about the business, an understanding of its culture and the shareholder responsibilities such as understanding the ownership role, organizational culture, considering other stakeholders and principal governance responsibilities. Furthermore, shareholders should agree on basic principles related to stock liquidity (e.g. transferability of shares or shareholder rights), and financial expectations (which is mainly earnings distribution) and estate planning (cf. Carlock & Ward, 2001, p. 119 ff.). Therefore, estate planning is crucial as failed successors mentioned inadequate estate planning to be the reason for failure in succession (cf. File & Prince, 1996).

2.2.2. Governance as the Fundamental Responsibility of Ownership

Governance in this work is not only understood in the general business governance sense but also in a narrower sense which includes the organization of managing and controlling the business at the ownership level (considering the reciprocal effect of the subsystems family, ownership and business)²⁹.

²⁹ See i.a. Koeberle-Schmid, 2009, Ulrich, 2011

Establishing an effective and professional ownership system is a crucial element to businesses as the ownership system is confronted with the management of multiple family business dilemmas. Ownership in family business implies to ensuring qualified leadership (career planning), correctly allocating financial resources (capital management), following a plan (controlling function) and considering the values and demands of the family system. Planning for the effectiveness of the ownership system is essential in order to create a family business that is meaningful and valuable for future generations (Carlock & Ward, 2001, p. 118).

First, unlike management, ownership has no standardized job description, required training or special qualifications. Through purchase, inheritance or gifting, family members become shareholders with all the rights and responsibilities of ownership, no matter what their training, experience or qualifications. Second, shareholders, in most cases, are shareholders for their lifetime. Third, shareholders have the right to elect the board of directors and therefore influence the selection of management, the direction of the company and even the company's continued existence. Fourth, and perhaps most significant to the future character of the family business, shareholders gift or sell stock to the next generation of owners, thereby shaping the future ownership group (Carlock & Ward, 2001, p. 118).

Goals and objective of widely-held public companies are of course beating competition and - at the end - making money. This so called shareholder value maximization has its' legitimacy in capital markets oriented economies. However, the sole orientation on shareholder value has become under criticism especially during the recent financial crisis. Indeed, firm-value maximization is also evident in family firms – at the end, there will be no family firm when there is no profit – however, an additional goal exists in family firms which is concerned with the business family needs. The needs coming from the business family may be stronger or weaker depending on the culture of the family firm determining whether the business interests or the family interests are coming first.

Various authors have identified a multitude of dilemmas the business is facing routed in this interdependency. As a result, the governance function of the ownership system is concerned with balancing the business and family needs. Family businesses where the business comes first are in danger of diminishing attention to the family system. As a consequence, the family

businesses “often end up with families that do not relate to each other and psychologically compete with the business” (Carlock & Ward, 2001, p. 5).

2.2.3. Growth and Finance Strategy in Family Businesses

Businesses are a money making institution. Literature suggests that the ownership system in family firms is of course first and foremost concerned with making money and to maintain independence and diversification for distributing risks (i.a. Ward 1987, Berthold, 2005).

Financing a business or growth of a business is usually carried out through internal or external financing. Within internal financing, literature distinguishes between self-financing mechanisms (e.g. through retention of earnings) or other forms of self-financing mechanisms (e.g. financing through depreciation or through pension reserves). External financing can be distinguished by either being equity-financing (e.g. additional private equity or capital increase by an existing shareholder) or debt financing (e.g. supplier’s credit, long term loans or bonds) (cf. Drukarczyk, 1993, p. 6). The following figure explains the principal financing options for businesses:

Corporate financing			
Internal financing		External financing	
In-house financing	Other forms of internal financing	Equity financing	Debt financing
<ul style="list-style-type: none"> - Earnings retention - Hidden reserves 	<ul style="list-style-type: none"> - Financing through depreciation - Pension reserves - Financing through restructuring of assets 	<ul style="list-style-type: none"> - Capital increase by shareholders - New shareholders (e.g. private equity) - Initial public offering 	<ul style="list-style-type: none"> - Credit in current account - Supplier’s credit - Factoring - Long-term lending - Bonds - Leasing

Table 2-3: Internal and external financing as corporate financing options³⁰

Family businesses are tending to avoid financing their growth with external equity capital. Although the variety and supply of alternative financing options has increased during the past years, it seems that family firms tend to prefer to save their earnings and finance growth additionally by financing through deviations and classical credit loans (usually with their

³⁰ Redlefsen und Eiben (2006), S. 7; Kolbeck (2002), S. 392 in: Berthold, 2010, p. 62 ff.)

house bank). Redlefsen and Eiben as well as Kolbeck identified credit loans to be the most important external financing source in family firms (Redlefsen und Eiben (2006), S. 7; Kolbeck (2002), S. 392 in: Berthold, 2010, p. 62 ff.).

Reported evidence shows that earning retention and financing through depreciation and reserves are the most important investment tools (58.5 % and 40.6%). The most important external source for financing investments is traditional credit loans. As a consequence, the growth of a family business is often managed through in-house financing (cash flow financing) and external credit capital (loan capital). Thereby, the equity ratio of the firm is controlled and, and often, be kept at a high level. Autonomy over decisions seems to be the highest ranked goal.

In an attempt to explain this limiting application of financing instruments when it comes to financing the family business, Berthold (2010) and Schraml (2010) rebut the irrelevance theorem of Modigliani and Miller who proposed that the market value of any firm is independent of its capital structure and is given by capitalizing its expected return at the rate p_k appropriate to its class³¹. The research of Zellweger (2005) revealed that family business owners prefer financing alternatives that support the autonomy of the company rather than income returns. For example, family businesses do not invest in business opportunities (e.g. acquisition of a competitor) if they lose their independence (e.g. losing control through giving control seats to a private equity management). As a result, family businesses seem to be potentially and constantly insufficiently funded.

On the other hand, Berthold argues that family firms are not “under-financed”³². Rather, he asserts, that family firms tend to be creative, flexible and modern in financing their growth strategies. Family firms thus seem to find ways of financing that support their ideas of growth despite placing emphasis on autonomy.

2.2.4. Performance and Sustainable Progress

Frequently researchers have studied the performance of family firms. Overall, researchers tried to find out whether family firms perform better compared to other companies. Some results indicate the former while others indicate that the latter perform better. However, the

³¹ cf. Mogigliani and Miller, 1958 in: Berthold, 2010, p. 68

³² Berthold interviewed CEOs of family firms in Germany with turnovers above Euro 50 Mill.

recent financial crisis caused many scholars involved in the field to question the definition of performance once again. The (financial) institutions that blamed family firms for not being dynamic and for being lame are the same institutions that intensified their interest in family firms due to their performance during the financial crisis. Maybe those firms that have not extended their debt (in order to profit in the boom phase) are now well positioned, as they could have been saved in advance³³. This phenomenon has been termed “the patient capital” (Visscher, Aronoff, & Ward, 1995).

For instance, various authors assign family firms to have a higher readiness to assume risk (i.a. Zellweger & Fueglistaller 2005). Dyer (2006) proposes to structure family firms into four quadrants. His considerations are based on a principal-agency-framework where family can be seen as principals (owning / controlling principal) and managers (if not family members) as agents.

In a comprehensive literature research Jaskiewicz (cf. 2006) divided current research about family business and performance into three main topics. His methodological approach argued to measure the performance of family firms - as is the case for public companies - using the stock market performance or Tobin's Q and in case of private firms using return on equity, return on assets or gross profit. The second criterion questions whether the firms under research are admitted to an official quotation. Following Jaskiewicz, only 20 percent of studies related to family business and performance are focusing on non-listed firms. Finally, studies can be divided according to their specific research question. Villalonga and Amit (cf. 2006) for example examined performances of firms in the US. They suggest that family ownership creates value only when the founder serves as the CEO of the family firm or as its chairman with a hired CEO. The authors further point out that there is a costly conflict between family and non-family shareholders when descendant CEOs are involved. Further evidence developed by Lee (cf. 2006), who investigated on S&P 500 family firms to confirm that such firms tend to experience higher employment and revenue growth over time and are more profitable. In a study with a data sample of 508 listed firms, Villalonga and Amit (2009) showed inter alia that family ownership creates value only when it is combined with certain forms of family control and management. Family control in excess of ownership often results in multiple share classes, pyramids, cross, holdings and voting agreements, all of which

³³ See also Merton's “limited theories of middle range” point 4.1 for general theory.

reduce shareholder value. Family management adds value when the founder serves as the CEO; that is, when descendants assume the office of the CEO, however, the value of the firm does decrease.

The overarching question whether family involvement creates firm value has been studied from several perspectives (involvement in management, control or equity). However, the results are diverse, particularly when *non-listed family firms* are investigated. Anderson and Reeb (2003) found that publicly quoted family firms outperformed their non-family counterparts. Zellweger (2007) concludes that there is a positive effect on the firm value, as far as involvement in management is concerned. In addition, – he also found that involvement in equity draws a negative picture on financial value³⁴. Sciascia and Mazzola (2008) studied non-listed private Italian firms and found a negative quadratic relationship between family involvement in management and performance. The amount of publication has been accelerating since Habbershon, Williams and MacMillan (2003) and Chrisman, Chua and Litz (2003) published articles on performance in relation to the so-called “familiness” in family businesses³⁵ (Sciascia and Mazzola 2008). Dyer (2006) stated that the involvement of family reduces agency costs which arise within non-family CEOs and family systems.

2.2.5. Conclusion and core questions to empirism

The legal framework may be different across different countries. Furthermore, legal frameworks change over time (as a result of alternating political objectives). Decisions on the distribution of shares before, during or after succession processes are therefore made if—at that specific time, when the circumstance of taxation is favorable. In addition to legal preconditions, families of family businesses agree that the business must be owned by the family member who serves as CEO or only by the family members employed within the firm. In these cases the business “*would continually recycle itself in the owner-managed phase or the sibling partnership phase*” (Carlock & Ward, 2001, p. 119 ff.). Thus, the family (and the family’s basic beliefs) highly shapes the decisions towards specific ownership configurations.

³⁴ Zellweger argues that family firms tend to also strive for achieving non-financial results (e.g. reputation, independence) and subordinate financial goals.

³⁵ “Familiness” refers to the sum of the resources and competencies generated by the interaction of family, business and individual family members, the idiosyncratic nature of which provides a potential differentiator for firm performance.

The above leads to the following core question: *How does the configuration of ownership influence effectiveness of succession and what actions have been taken to support an effective succession process? What has majorly influenced the decisions on the distribution of shares? Is there a specific shareholder strategy that supports effective succession?*

2.3. The Family System

2.3.1. The Business Family as a Resource

A family in peace is the best a firm can have; a family quarrel the worst. One of the biggest threats is mentioned to be the estrangement; a phenomenon that appears when family businesses have been handed over to the next generations. Whenever companies grow and shares fragment, interests within the family and towards the business grow apart. In the case of the Hanoverian cookie manufacturing company for instance, a 15 year long fight led to Bahlsen's split into two separate firms.

Family members of family firms are repeatedly reported to have a high impact on shaping the organization's culture and strategy (Zahra 2003; Chrisman et. al. 2004; Zellweger et. al. 2010). The family owner usually consists of only a few and well known people – compared to anonymous shareholders in public companies – who are typically committed to corporate social responsibility in addition to having a sole capitalistic value orientation; a fact, that influences the organization's culture once again. Pastoriza and Arino (2008) provide further theoretical evidence in regards to such an *influence* by adding the “learning aspect” within the field of the agency-stewardship-debate. They argue that – through a chain of interactions –the relationship between two parties is forged by actions followed by reactions. The authors state that *“if one party, the principal, does not pay attention to the transcendental result, it makes the other party, the manager, less likely to pay attention to the transcendental results too, resulting in a lack of trust, a need to monitor both parties, and a situation in which agency theory will explain their behavior. On the contrary, if one of the parties, the principal, pays attention to the transcendental results of his decisions, he is helping the other party, the manager, to pay attention to the transcendental results of his decisions too”*. Following the Pérez-López theory about dynamics between two parties (Pérez-López 1991, 1993 in: Pastoriza and Arino 2008), Pastoriza and Arino describe three outcomes that arise from the

interaction between the two parties: extrinsic results³⁶, intrinsic results³⁷ and transcendental results³⁸. Hence, transcendental results are the learnings that the interaction produces within the reactive agent. Following this theory, it is assumed that the specific behavior of the family business manager shapes the organization culture and the behavior of the organization's employees.

Simon and Hitt (2003) provide a "resource based" view on family firm performance. They investigate the positive potentials of the so called "familiness" (unique resources that are inherent in family firms created by the interaction of family and business). The authors examine how these resources affect the purpose of creating a competitive advantage and wealth. They conclude that family business have distinguishing advantages and concurrent drawbacks in trying to gain a competitive improvement. However, they suggest in the conclusion that effective management of resources "can lead to value creation for the business and the family as owners" (Simon and Hitt, 2003, p. 353)

2.3.2. The Business Family as a Threat

Family businesses can be a valuable resource as they can provide valuable, rare, inimitable and non-substitutable resources to the firm. At the same time, the family can easily and rapidly become a threat to the business. This is the case, when divided and financially dependent family members consume value rather than create value to the business. Davis has provided a structured figure that points out the "playing fields" a family firm can find itself in.

United	<i>Orderly and Dependent</i>	<i>United and Industrious</i>
Divided	<i>Divided and Dependent</i>	<i>Divided and Industrious</i>
	Consume value	Create Value

Figure 2-1: Business family types³⁹

³⁶ The actions of both parties, observable outcomes

³⁷ Results that occur within the principal (active agent), not observable, inferable from future decisions

³⁸ Results that occur within the agent (reactive agent) as a consequence of the active agent's action, not observable,

³⁹ Davis, 2011, f. 8

Ostensibly and publicly interesting, family disputes are the cause for struggling family businesses. Depending on the firms' development (size, professionalization etc.) the influence can be of smaller or bigger impact. However, family disputes can lead to the demise of the family firm. Additionally, researchers hypothesize more basic societal changes for the demise of family firms.

Ajay Bhalla (cf. 2011) argues that the demise of the family firm in Western societies is rooted in two factors: First, there is a declining role of the family as an institution, that is, the family as an entity and living entity is increasingly becoming a subordinated function of society. It appears that individualism is stronger than the collective and collaborative concept of a family. Secondly, as Bhalla argues, the greater emphasis on creating corporate governance structures and aligning the interests of the owners and management has led to more exits of families (provided that the business is in particular development stage).

Wimmer et al. (R. Wimmer et al., 2009, p. 107) assert that the family is no stabilizing element of the family business. It is more likely the case that the family business experiences multiple family constellations during an individual life cycle. High divorce rates, interim singled and long-term partners lead to flexible family forms which do not provide the business with a stable, grounded and supportive family.

Furthermore, the change of values in the western world since the golden economic years has reversed the relationships of individual and community interests. As May (2007) argues, commitment and cohesion of the business family are not automatically in existence, they need to be worked out. It is thus imperative that the business families are managed professionally as well. Many authors therefore suggest developing and formulating both business and family strategies (Marsano et al., 2007; Carlock & Ward, 2001; J. Ward, 1987).

Disputes within a family or between related families can both escalate to highest levels and outlive generations. In his book, Hennerkes recalls a dispute in which two brothers were working successfully together for decades. Both the brothers had reached retirement age when one of the siblings began a new liaison after his spouse died. Consequently, both partners grew apart from each other. Soon a destructive fight evolved (Hennerkes, 2004). In addition to a number of authors (see i.a. Prince, 1990; BEEHR, DREXLER Jr, & FAULKNER, 1997; Hennerkes, 2004; Braun, 2009), the media and stories argue that the business family is the biggest threat for family firms. Families can have deep emotional dynamics that overbear

business considerations. Disunity concerning essential issues such as business strategy, involvement of the family in the business and profit distribution block a firm's decision pace. There are famous and well known stories, and there are infamous and unknown tragedies, which are unrecognized. Sometimes, business families reach an escalated level, where no point of return is possible and both parties are fighting into the abyss. There are several stories that can be reported from the media; some are exemplarily and shortened here:

- DuMont share owners fighting publicly about culture and power within the owning families. Because of a 50 : 50 distribution of the shares of the two families, decisions can not be felt without the other family (Grabitz, 2009).
- Between father and son of the worldwide operating cable car producer Doppelmayr exists a 10 year-old fight. However, the business's performance is still extraordinary (medienhaus.com GmbH, 2009).
- The related Herz families have been fighting for decades (it started in 1965), after the founder left an unclear succession regulation that stated "the two most capable off springs may have the controlling majority" (wiwo.de, 2011).
- Founders and owners of the regional operating airline InterSky have just recently re-inherited operational management after having handed over management to their son five years ago. Although not clearly stated, the family was not able to agree on essential strategic issues (Payer, 2011).
- The famous beer brewery Gaffel located in Cologne is teetering on the brink of collapse – due the bitter fight dispute that the two families are fighting for years. The firm - rich in tradition - faces increasing competitive environment and its owners appear unable to agree on vital investment necessities (Brambusch, 2011).

Power conflicts are typical for family businesses, especially when two siblings inherited 50 % of the shares each. In such cases, decisions have to be made principally with the other party in order to have majority. Sustainable dissonances between the controlling owners can then lead to the inability to steer a company in a stand-off.

2.3.3. Family Business Constitutions

Family business constitutions are a chance to overcome the dilemma of conflicting interests between the business and the family. Usually they are the written result of family meetings. Generally, disputes in family businesses can either be prevented or solved (cf. Baus, 2010). Whereas measures of prevention try to establish norms and cultures that lead to understanding, community and agreement, solving conflicts are very concrete measures that try to handle one specific issue.

Depending on the life cycle of the business and consequently on the complexity of the interaction of systems business and family to each other, the impact of threats and chances of business family are assumed to increase. Literature, family offices and private bankers suggest to develop a *family business constitution* in such cases. The major goal of a family business constitution is to establish a shared understanding of all the family members. This includes how the family is bound over the business, which values principally are shared, how control is managed, how the family acts within their environment, or how communication between each other is organized. At the end, an interconnected feeling of community and responsibility shall be developed; preconditions for an essential cohesion when the business suffers or undergoes critical times. The following figure is an example for the structure of a family constitution. A family constitution hence involves rules for both the business and the family and is based on overall values, goals and role perception.

Rules for the business	Values, Goals, Role, Perception	Rules for the family
Governance Control Information Participation Compensation Earnings distribution Investments of Shares Termination	FAMILY CONSTITUTION (Family Mission Statement) Shareholder Agreement Syndicate Agreement (in accordance with family constitution)	Principles and Values Information Control Assignment of governing and management bodies Communication Interaction with each other Handling conflicts Behavior of family outwards Contingency plan

Figure 2-2: Business family constitutions as a tool for conflict prevention⁴⁰

⁴⁰ Translated from Website Bankhaus Spaengler, retrieved from http://www.spaengler.at/011/cms.nsf/ch7_3_5.html [27.11.2012]

2.3.4. Conclusion and core questions to empiricism:

As the literature suggests, family councils/meetings and family constitutions can contribute to the perception of unity of the family as they prevent conflicts in early stage rather than solve conflicts. The above mentioned leads to the following core questions for empiricism: *How does the family system affect succession and what are important attributes, values and perceptions that supported effective succession? How did the level unity and the industrious behavior influence succession? Were there conflicts and, if so, how did they influence succession? Have conflict prevention tools been applied and how did they influence succession process? Does the family have a specific mission, vision and are there values that supported the overall succession process?*

2.4. Succession, Success and Failure

2.4.1. Succession in Family Firms, a Central Topic

Succession as a term describes a situation in which a task such as a responsibility or role is handed over to a follower. In this sense, the War of the Bavarian Succession was rooted in problems of the line of succession and the succession law is concerned with claims to an inheritance. In a narrower sense of family business research, 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 in: W. C. Handler, 1994, p. 134).

Some authors state that *generational transfer* is immanent to a family business definition and that they have incorporated this aspect to their specific definition of family businesses (J. Ward, 1987; e.g. M. Gallo, 1988; Astrachan & Kolenko, 1994; Churchill & Hatten, 1997; Chua et al., 1999; Carlock & Ward, 2001). Succession – the process of handing the family business to the next generation – has been a major issue from the very beginnings of the research literature. Family business studies and mainstream literature has evidently – besides the “definition problem” – focused heavily on succession issues (e.g. C. Aronoff, McClure, & Ward, 2003; Dyer, 1986; Fager & McKinney, 2007; Rutherford et al., 2006; Sharma & Rao, 2000; J. Ward, 1987).

Various authors have pointed out on the economic consequence of suboptimal political, legal and fiscal surrounding conditions (e.g. Hannes, Kuhn, & Brückmann, 2008; Kempert, 2008; Mandl, 2008; Mastromarco, 1992). Reviewing the research literature of the succession topic, Handler discussed five streams of research: succession as a process, the role of the founder, the perspective of the next generation, multiple levels of analysis, and the characterization of effective successions.

By its definition, a family business will be passed from one generation to the next generation (Ward, 1987). Unfortunately, evidence has shown that every third generation is likely to fail. Ward (1987) found that approximately one-third of post-start-up family businesses survive and reach the second generation of ownership, with 3 % of all family businesses operating at the fourth-generation level and beyond. Kets (1993) found that 3 out of 10 family businesses make it past the first generation and only 1 in 10 make it through the third generation.

While the succession issue is especially critical for family firms, Ibrahim et. al. (cf. 2008) finds that it is not surprising that so few owners address the problem, given the sensitive and personal nature of this issue. Handler (cf. 1992) argues that only little is known about how the next generation actually experiences the process of succession and indicates – by conducting an in-depth biographical study of thirty-two next generation family members – specific factors critical to succession.

Indeed, succession as an option in keeping family business alive and assuring the business's prosperity is not only a family-relevant issue, but a social phenomenon of macro-economic importance. Many studies have indicated the number of upcoming successions in different nations (e.g. Flören 2002 for Netherlands, Mandl 2008 for Austria, Freund 2004 for Germany, The PricewaterhouseCoopers Family Business Survey 2007/08 for USA). A majority at 84% of family-owned businesses intend to pass control of their business to the next generation of family members. This might be another reason why succession as a particular field of study within the family business field has grabbed researcher's attention. Researchers have estimated that only about one-third of all family businesses make it into the second generation (Ward 1987).

2.4.2. Succession as a Process

Various authors have aimed to advance inter-process-related aspects, such as managing succession as a process instead of seeing succession as an event (e.g. Carlock & Ward, 2001; Flören, 2002; Murray, 2003). Hennerkes (2004, p. 124) postulates that succession planning is part of strategic management and clarifies his point of view by saying: “*what is lost during the succession process can not be made up for decades in business operations*”. Meanwhile, there is a broad consensus that succession cannot be seen as a short-term event with formal transfer of ownership and control/management responsibility (i.a. Haag 2012, Dawson & Hjorth, 2011, Murray, 2003).

The start and the end of succession

Unfortunately, literature does not provide a precise answer to when succession starts and when succession ends. According to a survey of the Institut für Mittelstandsforschung (ifM Bonn), 24 % of entrepreneurs believe that the time frame including the preparation and implementation of succession adds up to four to six years, whilst 22 % estimate the time frame between two to four years (Leitl, 2007, p. 85). For instance, there are three major phases: preparation, integration and transition. The first step includes the preparation of the offspring for a leadership role at an early stage prior to joining the family firm. The second step is to integrate offsprings into the family firm in different positions. The third step involves the offspring taking control of the family business (Stavrou 1999; Handler 1998 in: A. B. Ibrahim et al., 2004, p. 475). There are two perspectives on how this can be further theoretically approached: one is to view the topic from the young generation (successor) and the other one to take the perspective of the predecessor who hands over the business.

The entrepreneur that hands over the business starts to think about succession for the first time. He/she may then start to decide for principal strategies (concerning controlling issues of the business, family wealth, design of the transition process, securing his/her personal income, amongst many other topics). The process – from the predecessor’s point of view – may reach an end when responsibility to the business is not in his/her hands anymore. However, this view limits the process to business focused issues. When considering the predecessors’ life, the process is over when he or she approaches new goals and responsibilities in his personal life.

Another perspective is that of the successor. This process begins when he or she becomes involved in the business for the first time – e.g. through part-time or full-time employment. This stage is followed by the phase where he or she receives a full responsibility in the business. The process may then end when the successor has taken over and has implemented his/her own first strategies within the business.

Handler argues that the succession process is not to be viewed as a “*single step of handing the baton*” (W. C. Handler, 1994, p. 134), rather it is a long ranging process over time beginning “*before heirs even enter the business*” which is not limited to whether a president has been designated. The success of a succession also includes the positive development of not only the business system but the personality system of the antecessor or the family system as a whole long after the point of officializing the next generation CEO in the business.

Churhill and Hatten (1997, p. 59 ff.) have developed a life cycle approach, that is based on the implacability biological imperative, to describe the succession process which enables indicating the shift of influence on the fate of the company of predecessor and successor. The authors identified four stages:

- a stage of *owner-management*, from start-up to entrance into the business of a family member,
- a *training and development* stage, where the offspring learns about the business,
- a *partnership* stage between the generations, where the offspring has delegated responsibilities,
- a *power transfer* stage, where responsibilities shift to the successor.

The following picture describes the process of succession as seen by the two life cycles of both generations and by level of influence on the fate of the company.

- the introductory stage: 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,
- the introductory-functional stage: the successor works as a part-time employee,
- the functional stage: the successor enters the organization as a full-time member,
- the advanced functional stage: the successor assumes managerial responsibilities,
- the early succession stage: the successor assumes the presidency,
- the mature succession: the successor becomes the "defacto leader" of the organization.

Halter summarized further succession process models coming from practical and academic sources which are outlining succession as a process. Many of the succession processes – whether they are coming from practical or academic directions - have similarities and follow the described processes above. For example, Schwass et al. (2004, p. 260) outlines seven phases: Vision for succession, preparation for the right attitude, entrance into the business, development of leadership skills, selection of the next generation, transfer of the business, preparation of the next generation. One can see that the fourth stage of Schwass et al. is similar to the fifth stage of Longenecker and Schoen. In medium to big sized family companies, successors usually enter the business between ages 25 and 35⁴². This may be different in small family firms assuming that the family is small. Concerning the role when entering the business, there are several scenarios: successors may start in the second line of executive management, may assist the current CEO or take over the role of the CEO with or without responsibility for a specific business division. The following figure explains entry levels in family businesses with evidence from a recent study on German big family businesses:

⁴² Nagel surveyed 79 medium big family businesses in Germany: half of the successors were between 25 and 30 years, one third were between 31 and 35 years when entering the family business (Nagel, 2012, p. 53)

Entry level in the family business	Ratio
Second management line	36 %
Management of a business division	27 %
Assistance to general management	16 %
Management without business division	13 %
Other	8 %

Table 2-4: Management levels of successors when entering the family business⁴³

The figure shows that most of the prospective successors enter the business in a management position in second line at 36 %. While 27 %, about every fifth successor, is responsible for a business division when entering the company. In sum, two out of three are entering in top positions. Other roles are assistance to general management, management without business division and other responsibilities.

2.4.3. Success and Problems in Succession Phases

Founding a new company provides the chance to develop and implement individual and new business ideas for entrepreneurs who want to build their own living. Taking over a running business has other general advantages such as continuing with the operation of a known and valued brand. Further general advantages – against founding a new company – are (Leitl, 2007, p. 85):

- Avoid beginner's mistakes,
- Limited and calculable entrepreneurial risk,
- An experienced staff assures continuity and stability,
- An existing customer base provides ongoing turnover and income,
- Existing distribution channels can be developed.

With an intent to holistically analyze the challenges faced in family business succession, Wulf and Stubner (2010) offer a basic model that outlines important and potential fields of the problems. The model intends to encompass all integral aspects of succession and thus helps that important facets are kept clearly in mind. The model allows also for structuring problems within the succession phase. The authors have identified four problem fields presented in their

⁴³ Translated and adapted from Nagel, 2012, p. 54

working paper. These are the entrepreneur, the successor, the family and the process of transition. Each problem field is influenced by specific drivers. Advisory boards can help to professionalize the important phase of succession especially when young family businesses are lacking succession experience.

From a practical business point of view, the importance of organizational culture in family businesses also requires consideration. Organizational culture is for now widely seen as a company's identity but also as the source of power of an organization. Family businesses have usually deep-seated histories and organizational culture from which employees establish their identity and loyalty. This is often the source where family businesses take their distinctive power from, but at the same time, this is what makes them what some would call "resistant to change". This aspect threatens the potential of success in succession as the management of the business is replaced typically after a long period of having the same management.

Molly et. al. (2010) studied the impact of a family business transfer on the financial structure and performance and found no evidence that a family firm's profitability is affected by succession, which shows that a transfer should not necessarily be seen as a negative event in the life cycle of a family business. A contrary position concerning the succession process is proclaimed by File and Prince (1996); In their research studying 749 heirs of failed family business, they found that inadequate estate planning is often associated with family business failure than is poor succession planning. Also contrary to several current publications, Lussier and Sonfield (2004) only found a few significant differences between the variety of family business management activities, styles and characteristics. However, Sharma has suggested to conceptually differentiating between high performance of families or businesses or both dimensions (cf. Sharma, 2004).

Wimmer and Gebauer summarized some critical aspects that impede a successful succession (cf. R. Wimmer & Gebauer, 2009, p. 49 ff.):

- Missing family strategy – the predecessor does not have a future perspective,
- Pronounced narcissism of predecessor (especially first generation founders) – the predecessor expects a "similar" personality as he or she is and (same dedication to the product and company),

- Involvement of the predecessor is not deconstructive – the predecessor is involved but leaves decisions and communication for the next generation.

Once a successor is taking over control, there are many potential conflicts that can arise because of different strategy approaches between successors and antecessor. Fink & Zimmermann (cf. 1989) summarize potential conflicts due to different interests between the successor and the antecessor respectively the owning family. These fields of conflicts could be developed further theoretically for potential successor success or failure.

..successor	Potential Interests of the...	...antecessor
COMPANY GOALS AND STRATEGIES		
Dynamic growth Diversification with new products Take out large-scaled loans Internationalization of business		Consolidation Concentration on core business Largely equity financing Stabilization and development of domestic / home market
COMPANY CONSTITUTION		
Take in new partners and participation on other corporations Transition in a public corporation and public offering		Protection of independence as a family business Maintenance of legal form / private company
LEADERSHIP STYLE AND ORGANISATION		
Extensive delegation of tasks, competences and responsibilities De-centralization Cooperative leadership style and team orientation		Concentration of decision making power at the top management Centralization Patriachal attitude and in line with individual relationships with employees

Table 2-5: Conflict potentials in transitional phases⁴⁴

When successors talk to their fathers for instance, they are confronted with multiple roles and expectations (father & son vs. CEO & successor). There is a danger of getting confused with a discussion by mixing up these roles. Business relevant propositions made by the successor for example can fast lead to criticism against the efforts of the older generation that were made in

⁴⁴ Translated from Fink & Zimmermann, 1989, p. 46

the past with high efforts (e.g. propositions on business or sales area development, changing IT systems, or handling customers different). Another pitfall may exist in announcing the intention to take over control. On the one hand, powers transferring family business managers expect the younger generation to progressively seize the business (through which a successor demonstrates entrepreneurial orientation). However, those managers may feel as though they are losing power.

Family businesses with an intensive overlap of the subsystem family and business are bearing a potential for failure and emotionally loaded fights as the two systems and, there within, the roles, identifications and expectations cannot be clearly separated by family members talking to each other. Inter-generational communication therefore has a special need for high-quality communication skills. In her speech at the “FBN Next Gen Summit”, Kux mentions the importance of good communication skills and outlines certain hints for improvement (Kardos, 2012):

- Check overlap of the systems family and business in order to identify explosive potential,
- Check overlap of the successors values with that of the business (and eventually face the brutal facts),
- Listen actively through paraphrasing, open questions, waiting, empathizing and reflecting,
- Demonstrate patience – every person has his or her individual biorhythm with decisions,
- Do not criticize the past – what was right in the past must not necessarily be right in future, but emphasizing changing the world and advanced customer expectations will better support arguing for changes.

3. RESEARCH METHODOLOGY, MODEL AND DESIGN

The purpose of this chapter will be twofold: to contribute to the methodological discussion in family business research and to enhance transparency of the research process in order to let the reader better interpret, classify, and criticize the specific findings of the empirical part of this work.

3.1. Methodological Principles

Philosophy of science is no uniform doctrine. It encompasses diverse schools, which are based on basic beliefs and provide propositions of reality from which approaches and methods for research result (cf. Stier, 1996). Depending on the research goal, researchers utilize *structure discovering* (exploratory) and *structure testing* (confirmative) research designs (Kromrey, 2002). These different ends of the continuum reflect the quantitative and the qualitative approaches. In the middle lies the mixed methods approach, which tries to balance the strength and weakness of both idealized designs.

When considering quantitative and qualitative approaches, one might instantly think of the first as dealing with a big amount of data and think of the latter one as investigating fewer cases. This distinguishable feature reflects different goals of gaining knowledge. Whereas the former tries to *test* theories, the latter tries to *generate* (discover) theories (Brüsemeister, 2008). Behind different approaches are different worldviews that fundamentally shape the researchers' approach⁴⁵. Creswell distinguished between four worldviews: Postpositivism, Constructivism, Advocacy/Participatory, and Pragmatism.

⁴⁵ Guba (1990) described worldviews as „... a set of beliefs that guide action...“

Postpositivism	Constructivism
<ul style="list-style-type: none"> - Determination - Reduction - Empirical observation and measurement - Theory verification 	<ul style="list-style-type: none"> - Understanding - Multiple participant meanings - Social and historical construction - Theory generation
Advocacy/Participatory	Pragmatism
<ul style="list-style-type: none"> - Political - Empowerment Issue-oriented - Collaborative - Change-oriented 	<ul style="list-style-type: none"> - Consequences of actions - Problem-centered - Pluralistic - Real-world practice oriented

Table 3-1: Four worldviews shaping the researchers' approach⁴⁶

Historically, postpositivists represent the thinking after positivism (19th century). Principally, the notion of positivism is characterized by two aspects: scientism (belief in authority of “positive” sciences; religious, theological, esthetical knowledge is fantasy) and empiricism (opinion that sensuous experience is the only source of knowledge) (Anzenbacher, 1981, p. 35).

Positivists believe that knowledge is speculative and in social sciences always only true “*most likely*”. In order to test theoretical hypotheses⁴⁷ against reality, researchers create hypotheses; i.e., assumptions of causal and correctional relationships (“if-then” or “the-more-the-...”), and test these hypotheses through observations made in experienced reality (Mayer, 2004). A central function of empirical science (as argued by critical rationalists) is to generate theories about reality and to test for systematic relationships. Quantitative approaches typically use post-positivist knowledge claims, surveys, and experiments as strategies of inquiry that utilize closed-ended questions and numeric data with predetermined approaches. Researchers using quantitative strategies test and verify causal and correlational relationships with variables they have identified before by applying unbiased approaches and by employing various statistical procedures such as descriptive and inferential statistics (for example regression analysis) (Creswell, 2009).

⁴⁶ following Creswell, 2009, p. 6

⁴⁷ The terms hypotheses and propositions are principally used equally in this work as both words aim to describe assertions about relations between concepts. However, as this work follows non-positivist a model of research inquiry, the results and interpretations are expressed as “propositions”.

On the contrary, *qualitative research approaches* have gained increasing attention in the past decades⁴⁸. Authors stated that this is, on the one hand, due to the further and new developments in qualitative research methods (Mayer, 2004) and on the other hand, due to “individualization of live circumstances and biographic patterns” (Beck 1986 in: Mayer, 2004), reflecting the “new complexity” (Habermas, 1985 in: Mayer, 2004) in a “postmodern society (Jencks 1990: in Mayer, 2004).

Qualitative researchers tend to follow a *Social Constructivist Worldview*. Social Constructivists believe that individuals “seek understanding of the world in which they live and work” (Creswell, 2009) and subsequently develop subjective meanings of their experiences. Causal laws do not determine social phenomena; instead, humans act based on meanings they assign to other humans, things, or symbols. These meanings are constructed according to the interactions with others.

Interpretive research, which includes qualitative research, assumes that reality is socially constructed (Merriam, 2009). “They are not simply imprinted on individuals but are formed through interaction with others (hence social constructivism) and through historical and cultural norms that operate in individuals lives” (Creswell, 2009, p. 8), researchers often address the processes of interaction among individuals. They also focus on specific contexts in which people live and work in order to understand the historical and cultural settings of the participants. Researches recognize that their own backgrounds shape their interpretation. The researcher’s intent is “to make sense of the meanings others have about the world. Rather than starting with a theory (as a Postpositivist), inquirers *generate* or inductively develop a theory or pattern of meaning” (Creswell, 2009, p. 8).

As described above, qualitative and quantitative approaches are contradictory. *Triangulation* is trying to settle the “old conflict” that exists between quantitative and qualitative methodologists. It combines different research strategies. For example, a sequential exploratory strategy uses one research design (qualitative) first and applies the second design (quantitative) afterwards. If one generates a theory based on a qualitative observation, he/she might want to validate his/her propositions, e.g. by testing them empirically in order to verify or enhance his/her theories.

⁴⁸ See for example: Bässler, 2009; Bortz & Döring, 2002; Brüsemeister, 2008; Creswell, 2009; Crompton, 2002, 2002; Flick, 1995; Friedrichs, 1990; König, 2002; Lamnek, 2005; Scheuch, 1967; Strauss, 2007

3.2. Methodological Considerations in Family Business Research

Zahra and Sharma (2004, p. 15) proclaimed that “*scholars in family business studies must ensure that their chosen substantive domain lies clearly within the domain of the field, that is, interaction between families and business.*” This brings up two factors to the research: firstly, families have a desire for privacy which poses a challenge for data collection; secondly, studying family businesses demands an interdisciplinary research. An unclear research framework adds to the complexity of studying family businesses. As a result of these research complexities, researchers have proposed non-traditional methods to collect data. This chapter will discuss the methodological considerations that have to be taken when researching family businesses.

Family business research was initially dominated by the works of business advisors who are not trained in research practices. Therefore, early articles tend to be based on their personal consulting experience within certain historical, economical, and societal context and in certain organizations. Although their contributions have laid an important foundation in the field⁴⁹, their methodology often employs case studies which generally create validity issues in research. Zahra and Sharma described the pioneers in the field as scholars “close to the challenges faced by family business managers as they devoted their energies to consulting with these firms” (Zahra & Sharma, 2004, p. 333).

Within the last decade, authors have identified a rising interest in academic institutions which are placing more chaired professorships and research organizations concerned with the field (cf. Zahra & Sharma, 2004). As a result of improved academic approaches, an increasing number of statistical tools have been applied to provide more empirical safety. However, at least until 1996, Shanker and Astrachan (1996) found that most statistics concerned with the collective economic impact of the US family businesses were not rooted in formal research. They argued that the definitions were “ambiguous or omitted all together”.

While researchers have been promoting the need for empirical science in the field (Handler, 1989; Wortman, 1994), some started to report an increase of such studies (Bird, Welsch, Astrachan, & Pistrui, 2002; Chrisman, Chua, & Sharma, 2003). In her editorial note and 2010

⁴⁹ These articles are amongst the most cited works within the family firm research area – see James J. Chrisman, Kellermanns, Chan, & Liano (2010)

review of FBR, Sharma noted a “domination of studies using quantitative methods” (Sharma, 2011). While Sharma (1997) observed that the dependent and independent variables were not explicitly defined, Bird et al. (2002) noticed five years later “*a change in this tendency; dependent and independent variables were being more clearly stated by researchers*” (Zahra & Sharma, 2004, p. 331). Although theoretical rigor and research designs seem to improve, the above exemplifies that the context of this specific research areas is complex and certain factors strongly influence a scholar’s research design.

3.2.1. Contextual Factors influencing Research Designs

As introduced above, when studying family businesses, one must consider certain contextual factors that are influencing the research design. For example, families behave differently from shareholders; they prefer privacy and confidentiality while public companies are supposed to provide a high level of transparency. Therefore, if one is intending to study a business where a business family is highly involved, he/she has to consider the family system and respect the openness of the family in the data gathering process. The following aspects are promoted to be considered⁵⁰:

1. The definitional problem and the subsequent problem of operationalization need to be considered first.
2. Second, the heterogeneity of the object of investigation (e.g., size, shareholder structure, history, trans-generational knowledge) demands a clear guiding definition within the research design.
3. Third, the lack of secondary data in the field hinders researchers from cross-testing and comparing results.
4. Fourth, the lack of rigor in research quality has led the field to a pre-paradigmatic state.
5. Fifth, business families often demand privacy.

⁵⁰ For a detailed discussion see BAUR (2012), p. 150 ff

6. Sixth, business families are assumed to show some disinterest in academic studies. All of the above issues are the major limitations in gathering data in family business research.
7. Seven, the academic field does not offer a common framework for guiding the research process.
8. Eight, trans-generational issues, a major field of interest, usually involve processes and phenomena that cannot be captured in a short time span, coercing the need for longitudinal studies, which are seldom practicable.
9. Nine, the interaction of various academic fields – for example business management and family therapy – increases complexity, which leaves researchers open to criticisms.
10. Ten, the transfer of theories that originated in other disciplines can be lost in translation.

The issues described are either related to the evolutionary stage of the scientific discipline or related to the idiosyncrasy of the system family firm. The following figure summarizes the factors that have to be considered when researching family businesses.

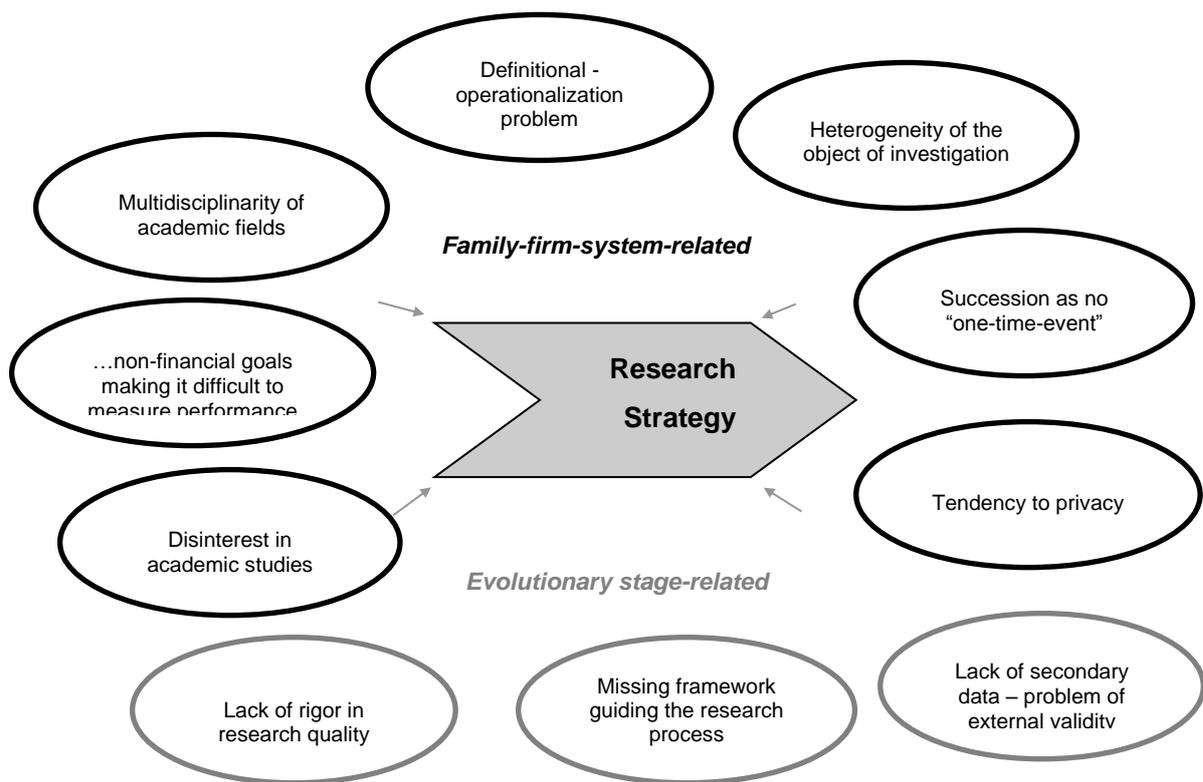


Figure 3-1: Influencing factors on family business research⁵¹

3.2.2. Implications on Research Designs

As described above, various factors in the context of family business research are influencing research designs. Below, implications are discussed.

Quantitative family business research has a fundamental problem. The scientific community has not been successful in agreeing on a definitional framework. Consequently, conclusions can be reliable but not necessarily valid. Without an accepted definition, hypothesis testing is limited in validity. This missing commonality is the basic problem that leads to the general lack of secondary data. However, quantitative research has a couple of pitfalls that researchers have to keep in mind: Danger of self-serving-bias, danger of observing one-time-events, and social desirability.

The problem of the missing framework guiding the research process comes forward when it comes to measuring constructs that are not quantifiable. For example, *“we cannot observe or*

⁵¹ Created by author, 2012

directly measure family intentions for the firm, or altruism, or agency-related issues” (Pearson & Lumpkin, 2011). Family firm research faces similar challenges as every research on organizational theory, including challenges with construct validity (how well measurement device measure what it intends to measure) and reliability (how constituent responses are). The problem of operationalizing the objects and constructs of investigation has led to poorly validated measures with contradictory results. This has left “*scholars with the uncomfortable and somewhat embarrassing realization that results are inconclusive and that very little may actually be known about a particular topic*” (Hinking 1995, p. 967 as cited in: Pearson & Lumpkin, 2011).

Due to relatively immature research in this field, a majority of the research is based on qualitative studies (see discussion on evolutionary stage of the academic discipline described above). An essential problem of qualitative approaches in family firm research is the limited possibility to generalize the results. Zwack (2010) mentioned the difficulty in generalization of conclusions due to the uniqueness of a described case⁵². The problem of external validity – especially when published in international magazines – has also been outlined by Chenail (2009) who offered some thoughts for improving external validity in such cases.

Being a very popular research method, case studies has provided the family business field with a vast amount of information. Chenail identified the increased usage of case studies in family business research and discussed five basic aspects concerned with qualitative research methods, communicating their results within a global context. These are (cf. Chenail, 2009): making the local findings globally significant, marking differences between methodology and methods, managing errors of deficiency and exuberance, maintaining coherence across reports, making transparency goal one. Case study, as Chenail asserted, is “*a prominent approach that family business qualitative researchers take in their studies driven by the local importance of the business to the investigator*”. However, in principal, this method lacks external validity and replicability:

⁵² Zwack cited the study of Jones (2006) that “*delivers a detailed description of the interwovenness of values of the founder and the regional culture within the family business culture and their implication on the ‘organizational energy’ of a coffee- and tee importer in one of the southern states of the USA*”.

With an attempt to strengthen the research area concerned with family businesses, Handler (1989) suggested considering five methodological issues when studying family businesses⁵³. Each point outlined is linked to related parts of this work.

- Defining the family firm. There has been – and there still is – the lack of understanding of what defines a family business. Within this work, the guiding research definition is formulated within point 2.2.5
- Using process reporting. Studies associated with family business have often omitted the discussion of the research methodology itself. The value and utility of a research is based, in part, *on the way it is conducted*. The use and implication of the research method as well as the research process within this work are summarized in chapter 3.
- Using self-scrutiny. The researcher has to be explicit about his/her professional and educational background, his/her roles, and his/her assumptions that shape the research nature. The author’s educational and professional background, his role, and his personal assumptions are described in appendix X.
- Alternatives to research based on individual consulting efforts. Research on family business has its roots in the consulting industry. Handler argued that there has been “some reliance on “piggy backing” research” and promoted the utilization of action research⁵⁴ and team research.
- Broadening the range of research methods. Studies of family firms have typically been case oriented, relying on questionnaire or interviews for data collection. Handler called for expanding the methods by including interviews, participant observation, surveys, and quasi-experiments. Within this work, the author tries to combine qualitative and quantitative approaches in order to improve the consistency of the conclusions.

⁵³ Cf. Comprehensively W. Handler (1989)

⁵⁴ Action research is a form of enquiry that enables practitioners everywhere to investigate and evaluate their work. They ask, ‘What am I doing? What do I need to improve? How do I improve it?’ (McNiff & Whitehead, 2006)

Conclusions for research designs

Summing up the factors influencing research design, researchers in the family business field have three major methodological approaches. Firstly, they can utilize a quantitative approach with an intention to make their results globally replicable through quantification of their concepts; consequently, they may face the criticism of being feel-good-scientists (valid but not reliable). Secondly, they could apply qualitative research methods to provide a valid and deeper insight and understanding; the limitation with this method poses difficulties in making generalizations. Finally, the triangulationists applying mixed methodologies - are confronted with the argument that their approach is methodologically impure.

The contextual factors underlying the family firm that could influence the research strategy are twofold; these factors are rooted in family-firm-related specialties and that they are due to the evolutionary stage of the academic discipline. BAUR outlines these factors in detail and points out their implications for qualitative and quantitative research designs (BAUR 2012, p. 155 ff).

The multidisciplinary of academic fields involved in family business research increases complexity for researchers. Researchers have to intellectually encompass for example business management (e.g., performance management) aspects with family therapy (e.g., constructivist approaches of family systems therapy). Consequently, this threatens the content validity of measures due to inappropriate definition of the measure in quantitative designs. Concerning qualitative research designs, the same holds true, but additionally, there is a need for self-scrutiny and transparency regarding the researcher's educational and professional background. Special attention needs to be paid to the interpretative aspect of data analysis in constructivist approaches.⁵⁵

3.3. Research Question, Research Strategy and Process

This work applies a sequential exploratory research strategy⁵⁶. The study focuses on identifying important factors within the family, ownership, personal and management system that help next generation managers to effectively succeed the company and – as an assumed

⁵⁵ For a detailed discussion see BAUR (2012), p. 150 ff

⁵⁶ Following Creswell (2007)

effect – to being able to improve the performance of the business after succession. The study has five main tasks:

- 1.) A comprehensive theory study to develop a conceptual framework and an interview guideline,
- 2.) 13 problem-centered expert interviews with effective successors of medium-sized family businesses to establish knowledge via qualitative content analysis,
- 3.) interpretation of the transcript using integrative-connecting elements to create theories and propositions,
- 4.) evaluation of these propositions via an online-survey utilizing statistical methods,
- 5.) presenting and discussing the results in an expert round to establish key factors.

The work at hand thereby is the result of a process that incorporates information from personal experiences (from the author's family business), books, journals, (coming from practical and academic direction), magazines, stories from newspapers, 13 interviews with outperforming successors, a quantitative survey-based study to strengthen the findings and an expert round to further discuss and confirm results. The conceptual framework of this thesis is thereby based on a variety of published sources, some of which heavily influenced the work⁵⁷.

Performance within this work is assessed by the sustainable progress the business is showing. Sustainable progress⁵⁸ is assessed by evaluating six key performance indicators. Only some of these variables can be found in classic performance evidences, like balance sheets or income statements. The variables that cannot be found in balance sheets and income statements, including market position, innovation performance, productivity, attractiveness for the right people, liquidity, and profitability, will be assessed subjectively by the interviewed experts⁵⁹.

The concept of family businesses in transitional phases will be understood by assessing the characteristics and challenges in pre-transitional and post-transitional phases – that is, issues faced by the successor during these crucial phases. In order to reach the central goals mentioned above, the main research question is:

⁵⁷ A full list of the used sources can be found in the bibliography chapter in the appendix.

⁵⁸ As suggested by Malik (Malik, 2008, pp. 146–162; Malik, 2006, p. 111 ff.)

⁵⁹ In case of this work, *successors* will be interviewed as experts, see chapter 3.5 for more details.

What are key factors that support successors in effectively succeeding the family business?

The defined research question will be approached qualitatively in a first instance to develop propositions (or hypotheses) and – in a second step – quantitatively to test the propositions respectively to strengthen the findings. Part one uses a research method that recognizes both narrative-open and more structured data gathering to develop hypotheses and theories. Part two of the research follows basic approaches of statistical methods⁶⁰. Finally, the results were discussed in an expert round to assess the findings and build key factors for effective succession.

Sensitizing model as a structure for outlining an interview guideline

When developing interview guidelines, Mayer proposes to use a “sensitizing model”. Mayer described the sensitizing model as the result of theoretical preliminary considerations, outcomes of other studies and own field investigations (Mayer, 2004, p. S. 42). In the beginning of an investigation, the concept serves as the basis for the development of the interview structure. This structure will later guide the interview process serves to isolate a segment of reality in order to analyze the topics relevant to the main research question. In appendix II, the sensitizing model for this work is outlined. It is based on the literature study that combines a timeline with the subsystems constituting a family business and the assumed relationship of effective succession and key factors. The timeline is divided into three components. The pre-succession phase, that indicates the period before the transition phase takes place. Usually, this is the phase were a successor is trained and educated. The transition-phase, that includes the period in which the senior generation passes the baton and the successor takes over managerial responsibility. Finally, the post-transition phase begins when the successor has taken over responsibility and develops and implements new strategies for the business. The systems family, ownership and personality are the fields of interest within the observation within which good pre-conditions (key factors) for effective succession are sought.

⁶⁰ See appendix for questionnaire and variables

Applied research design and process

The research question attempts to identify relationships which calls for an inductive and qualitative research approach in a first instance and will be advanced by quantitative elements. Based on methodological principles of science (see chapter 3.1) and family business relevant considerations (see chapter 3.2), this work applies a sequential exploratory research strategy (following Creswell 2009)⁶¹. This strategy utilizes qualitative designs to create theory and quantitative elements to assist the interpretation of the findings (triangulation).

Circular processes are based on the systematic reflection of the process and its sub processes, which are; theoretical sampling, theoretical coding, and writing of theory (Flick, 2011). Pre-knowledge, gained through the study of existing literature and theory is not applied to determine hypotheses but to shape the central research question. Qualitative research that is devoted to practical application does not try to reduce investigated cases to a few operationalized variables. It attempts to understand complex social phenomena within their individual context by considering the complexity of the phenomena, individuality, and identity in the analysis (Kannonier-Finster, 1998). The principles thereby are “*openness, explication, reflexion, and flexibility*” (cf. Lamnek, 2005).

However, the superior process leans against a sequential and linear logic and starts with formulating the problem or, more specifically, the formulation of a scientific question. This includes; the delineation of the problem, necessity of explanation, and the proof of necessity through empirical investigation (see amongst others Hagen, 2009, p. 188). In the early research phase, it is necessary to gain a sound overview of publications relevant to the research question. In this stage, the research question is narrowed down and the knowledge-gain allows for structuring the question into specific dimensions (following a systems theory approach; see chapter 1.3).

Following the problem formulation, the overriding linear approach was used to define the object of research. Furthermore, the empirical model and approaches to gathering data (with problem-centered interviews) were defined and prepared. After concluding the interviews, the results of the interviews were analyzed and evaluated according to the principles of qualitative

⁶¹ A sequential exploratory research strategy uses the qualitative research design first and applies the second design (quantitative) afterwards.

content analysis. As an outcome, several propositions (hypotheses) were developed. In a last step, the propositions were tested by executing an online survey with standardized questionnaire. Finally, the findings were discussed in an expert round to evaluate the propositions and transform into key factors. In this sense, the research process started to follow a more *circular approach*, which included both literature review and the re-evaluation of the qualitative empirical data. The results were integrated and an advanced model for effective succession was developed. The research process is shown in figure 3-3.

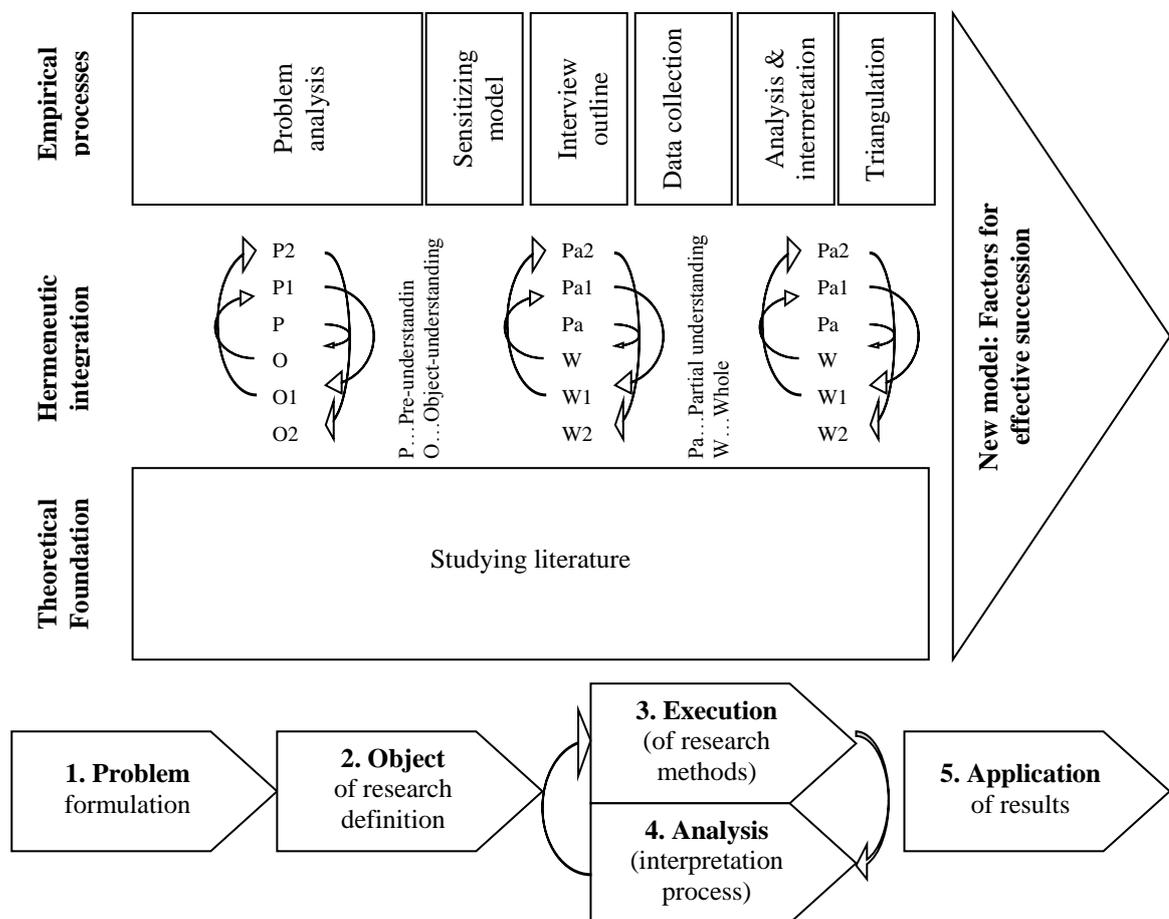


Figure 3-2: Research process⁶²

Following the figure and summing up the explanations above, the applied research process five main actions:

- Reviewing literature to build theoretical foundation,

⁶² Created by author, 2012

- Interviewing successors via a problem-centered interview structure (following Meuser & Nagel, 2002a; Witzel, 1989),
- Understanding, interpreting the data gathered to develop propositions (hypotheses) following a hermeneutic approach (Flick, 1995; Lamnek, 1995),
- Executing an online-survey to gather quantitative data to assist the interpretation of the findings respectively to test hypotheses (following Creswell 2009),
- Discuss the findings with an expert round to further strengthen and evaluate the results.

The literature review encompassed both theoretical approaches to the family business and practical views on family business idiosyncrasies. Thereby, the author studied using relevant books, journal publications, and dissertations, which included:

- Literature in English and German language concerned with family businesses specifically from the perspectives of systems theory, agency theory, and life-cycle theory,
- Theoretical literature in English and German language that was particularly concerned with processes and success factors associated with succession in family businesses,
- Methodological literature on utilizing qualitative and quantitative research approaches.

In order to fulfill the qualitative research goal of *understanding*, the author applied a hermeneutic approach, which integrates pre-understanding of previously studied literature with the knowledge gained from the empirical component. The hermeneutic-integrative element allows for constant interchangement of pre-understanding (through literature study) on the one hand and qualitative investigation on the other hand. In addition, the researchers' views of the world, his/her understanding and perceptions are additionally influencing the process of understanding and need to be understood.

Based on the basic research question (“what are key factors that support successors in effectively succeeding the family business?”) and the underlying worldviews, such as constructivism and interpretivism⁶³, this work utilizes an inductive research approach that incorporates cross-sectional case studies to collect and interpret data and – in the sense of a

⁶³ See chapter 3.1 for details

sequential exploratory research strategy – a quantitative design utilizing an online-survey to identify relationships and strengthen the findings via statistical methods (regression analysis).

3.4. Research Method to Identify Supportive Factors for Effective Succession

Based on the described research strategy and process, the following chapter outlines the method of data collection and interpretation. Qualitative data is collected using problem-centered expert interviews and executing a survey in a second part. The analysis and interpretation of the qualitative part follows a hermeneutic approach utilizing the processes of paraphrasing, reducing, selecting, abstracting, and integrating. The quantitative data is gathered via an online-survey and by utilizing statistical methods (such as frequency scales and regression analysis). Finally, the results are discussed in an expert round to reflex and assess the findings.

3.4.1. Semi-structured Expert Interviews in a Managerial Environment

The interview is the oral form of data gathering. Interviews can be structured, standardized, or unstructured respectively open-ended. Terms used for describing unstructured interviews are known as explorative, intensive, or in-depth interviews (Friedrichs, 1990). Commonly known forms of interviews are – amongst others - problem-centered interviews, semi-structured interviews, expert interviews, narrative interviews and guided interviews.

The problem-centered interview, introduced by Witzel⁶⁴, is characterized by being reciprocally deductive-inductive. Any pre-understanding has to be presented in a dialog within a heuristic-analytical framework comprising ideas and questions between interviewer and interviewee. At the same time, the principle of openness is realized by stimulating the specific relevance of the individual subjects through narration. Utilizing both thematic structure and openness allows the interviewer to select interesting themes from the “*horizon of possible conversation topics*” (Meuser & Nagel, 1997, as cited in Mayer, 2004).

⁶⁴ cf. Witzel (1982, 1989, 2000), see also Mayring, 2002, p. 68

Furthermore, the method allows researcher to narrow down during the interview process—through pre-knowledge - and being able to dig deeper through follow-up questioning.

Similar to the problem-centered interview method, the semi-structured interview⁶⁵ combines both structure and openness at the same time⁶⁶. Expert interviews are described as a special form of structured interviews, whereas the interviewee is not investigated as a person but serves as an information source through his or her function as an expert (cf. Mayer, 2004). An expert is someone who has privileged access to information (Meuser & Nagel, 1991, as cited in Mayer, 2004). Expert interviews are as well common in social research (Bogner & Menz, 2002). The expert interview as a data collection method is by its name only specified through the reference on the quality of the interview partner as an “expert”. Methodological purists criticize the expert interview as a “dirty approach”, as it operates in the “*nowhere land between the quantitative and qualitative paradigm*” (Trinczek, 2002, p. 209 f.).

Without going deeper into the discussion of the quality of the expert interview from the quantitative and qualitative methodological perspectives, the expert interview has the potential to fulfill some requirements that are advantageous especially in a managerial environment. Managers who are interviewed in the organization in which they work and/or are confronted with questions that are relevant to their work environment tend to utilize the rules of their organization in the interview situation. They expect the interviewer to ask questions to which they will provide answers that would be as precise and short as possible. Similarly, these managers expect their employees to answer their questions precisely and directly. This behavior is heavily influenced by their day-to-day experience as asking and answering questions is an elementary ingredient of managerial work (cf. Trinczek, 2002). Managers accordingly expect a “certain structure” to guide the interview. The introduction of other approaches would have to overcome this dominant question-answer-orientation of managers. For example, introducing an interview quite quickly by asking for a possibly long narration is likely to fail (cf. Trinczek, 2002). Furthermore, the interviewer might appear non-prepared or incompetent to the interviewee.

⁶⁵ Researchers use different but likewise terms: structured interview, guided interview or structured guideline interview.

⁶⁶ Structured interviews are not to be confused with *standardized interviews*.

Trinczek (2002) further explained that interview-situations are not static but follow their own dynamic in which the expectations of the interview partners change. Usually after a successful initiation of interviews, followed by decreased uncertainties, the atmosphere of an interview becomes better. The interviewee realizes that – other than in the organizational environment – the information does not have to be handled strategically, as the interview is not perceived as a structured assessment. At this stage, the interviewees expectation for structured questions demises so that at this point, the form of the interview can be changed with no danger of failing the interview. The principle of being “open” – a methodological postulate of qualitative research – allows for shifting to a more narrative interview style (cf. Trinczek, 2002).

Family firm managers that manage their business are expected to follow the principles of dominant question-answer-orientation (as described above). Consequently, when considering the managerial environment that is given in the interview set-up, the (semi-structured) expert interview is best suited for answering the research question.

3.4.2. Selected Cases and Successors as Experts in Qualitative Research Part

The cases in the qualitative part were not selected randomly. They were selected purposely to address the main research question. It was the aim to find successors who succeeded the business 2-10 years ago and who performed well with the business. Although it would be interesting to have more information on bad pre-conditions that are responsible for under-performance, it is not the goal of the research question. In detail, the cases were selected according to a certain pattern:

Attribute	Feature	Description
Size of business	Medium	It is assumed that family firms that have been handed over to the next generation have reached a certain size just because of the business' age.
Sector	Industry or trading	On the one hand, this is due to an evident high density within the focused area while on the other hand, this is due to a better access to relevant firms through personal contacts of the researcher. Furthermore, other sectors like gastronomy/hotel businesses or agricultural firms are assumed to underlie specific rules of succession and usually do not show a necessary size.
Area	G.A.S. area (Germany, Austria, Switzerland);	The area involves three nations and is recognized as an European region (“Euregio Bodensee”)
Succession	Inauguration since two to	Next generation family firm managers should have taken on full

	max. ten years	responsibility of the business since a couple of years. It is assumed that a certain timely distance to the succession process will support a better reflection of the process, as problems or issues have been processed mentally to knowledge already.
Business Performance	Outperforming the competitive environment	Selected cases are outperforming their competitive environment concerning six key elements of performance (e.g. relative market position compared to the competitors).
Size of the sampling	13 experts respectively successors	In-depth interviews with narrative elements have provided sufficient material for creating hypotheses.
Profile of the experts	Male and female successors	The interviews were held exclusively with successors that were inaugurated at least two years but no more than ten years ago.
Interview duration	Between 60 – 120 minutes	The interviews were all held at the business premises of the successors.
Method	Problem-centered expert interviews	Combining the problem-centered methods and expert interviews based on a guideline, which was derived from a sensitizing model.

Table 3-2: Features of the selected cases

The cases have been identified by reading local and regional newspapers, commercial journal reports (print and online) and by considering an existent network that the researcher has through membership in diverse interest groups (e.g., FBN Family Business Network).

Next generation family business managers as experts

Next generation family firm managers are typically connected to all subsystems relevant to succession (family, ownership, business, and their own personality).

They have been involved in the preparation stage by being preparing to manage the business, and they have been involved in decisions concerning the ownership configuration. Furthermore, they have– as family members – experienced important dynamics within the family before and during the succession process. As they are now managing the business, they are assumed to be confronted with the real life reactions. It is assumed that the managers are able to identify good preconditions for effective succession. As the title of the work indicates, the goal is to explore particularly the real life experience of successors. This is why the next generation family firm managers have been selected as experts for the purpose of this work.

Following the described pattern above and the time to complete the study, it was possible to interview 13 successors and analyze, interpret, and describe their cases. The cases are described case by case in appendix III. The method of data analysis and interpretation follows the qualitative content analysis (by Mayring) described in chapter 3.5.6.

Interview preparations and set-up

When scheduling potential interviewees for an interview, the author first wrote an e-mail followed by a telephone one day later. The e-mail included an overview of the project and main topics questions as well as a brief introduction of the authors' personal background. The author included his CV as an attachment. Although the questions were not presented in detail, it was assumed that introducing some major topics would allow the interviewees to prepare for this interview. An expert interview utilizing a structured guideline, flexible and non-bureaucratic in the sense of having the "range of topics at hand"⁶⁷, is crucial to the success of the interview especially with experts in a managerial environment (cf. Meuser & Nagel, 2002b; Trinczek, 2002). For this reason, the main topics were sent again to the interviewees along with a follow-up email that confirmed the appointment. The outline of the interview follows a combination of time processes (succession over time) and content (encompassing all relevant subsystems: family, ownership, business, personality), which are described as the sensitizing model in chapter 3.3.

The interviews took place in the firms and offices of the successors and lasted about 60 to 120 minutes. The interviews were conducted in June, July, and August 2012 and were recorded for transcription. Although most interviewees agreed to being recorded, the author placed emphasis on building an environment of trust and openness through explaining the intended goal of the study, disclosing the authors' personal background, and handing over a present at the beginning of the interview⁶⁸.

3.4.3. Measuring Performance including Non-financial Measures

The aim of this work was to identify factors for effective succession as perceived by the successor. Whereas the subsystems of family, ownership, and personality are encompassing factors which are independent variables, the dependent variable is effectiveness of succession respectively the performance of the subsystem business. The performance of the business is usually measured using classical quantitative measures derived from the balance sheet and

⁶⁷ Not to be confused with standardized process scheme

⁶⁸ The present handed over to the interviewee was a book about the researcher's family business. The intention was to symbolize thankfulness. Furthermore it was intended to support a positive interviewing atmosphere.

income statement. Within this work, the author uses indicators as proposed by Malik (2008, p. 146 ff.).⁶⁹

- Relative market position compared to the competitive environment.
Questions: How did the market position with relevant customer groups and distribution channels improve? How is the position related to product substitutions?
- Relative Innovation Performance compared to the company's competitors.
Questions: How did the innovation rate (turnover-ratio of new products) improve? What happened to the time-to-market speed?
- Relative productivity compared to the company's competitors.
Questions: How did labor productivity improve (blue color labor, sales labor, management labor)? How did the productivity of invested capital improve (benefit)?
- Attractiveness of the right people compared to the company's competitors.
Questions: How did employee attrition and employee absence rates improve? How did the ability to recruit and retain highly skilled staff improve?
- Liquidity compared to the company's past.
Question: How did liquidity (also cash flow, earnings) improve compared to the company's past?
- Profitability compared to the company's past.
Question: How did profitability in terms of costs of capital and total costs of money improve?

The term *past* refers to the time before the successor has taken over the responsibility for the family business. The past may start from the time when the successor is first integrated into the company and consequently, he/she experiences the characteristics of the firm. Comparison with the past is used, as the author does not expect all the experts to be able to estimate the competitor's financial situation. It is clear that the assessment of the performance of the

⁶⁹ Malik evaluated a „healthy company“ by including non-financial measures, such as „attractivity fort he right people,“ to avoide typical pittfalls of shareholder and stakeholder theories.

company is subjective. However, the author assumes that the interviewees are able to assess their business concerning the company's past and the company's competitive environment.

3.4.4. Interview Pre-test

Pilot tests increase the quality of the interview by identifying problematic and complex or incomprehensible formulations. A so called pre-test may also reveal a range of topics that have not been considered sufficiently. On the one hand, the principle of openness shall still recognize further topics arising in the interviews. However, an early structuring and adaption of the interview outline improves the entire survey and comparability of the results (Mayer, 2004). The pretest in this work was held with two successors. The immediate feedback of the pre-testers leads to the following changes:

- Adding the *management system* as a forth category; that is, adding management and strategy and tactical decisions.
- Adding business and governance topics to the management system (e.g., strategy, structure and cultural aspects),

The initial basic interview guideline was developed by creating open ended questions based on the sensitizing model. The sensitizing model was in turn based on previous study that defined the two main concepts: the overlapping systems family, ownership, personality, and business, which constitute the family business in general and the underlying timeline consisting of a pre-succession, transition, and post-succession phase. These so called dimensions provided a basis for outlining the interview (see following figure).

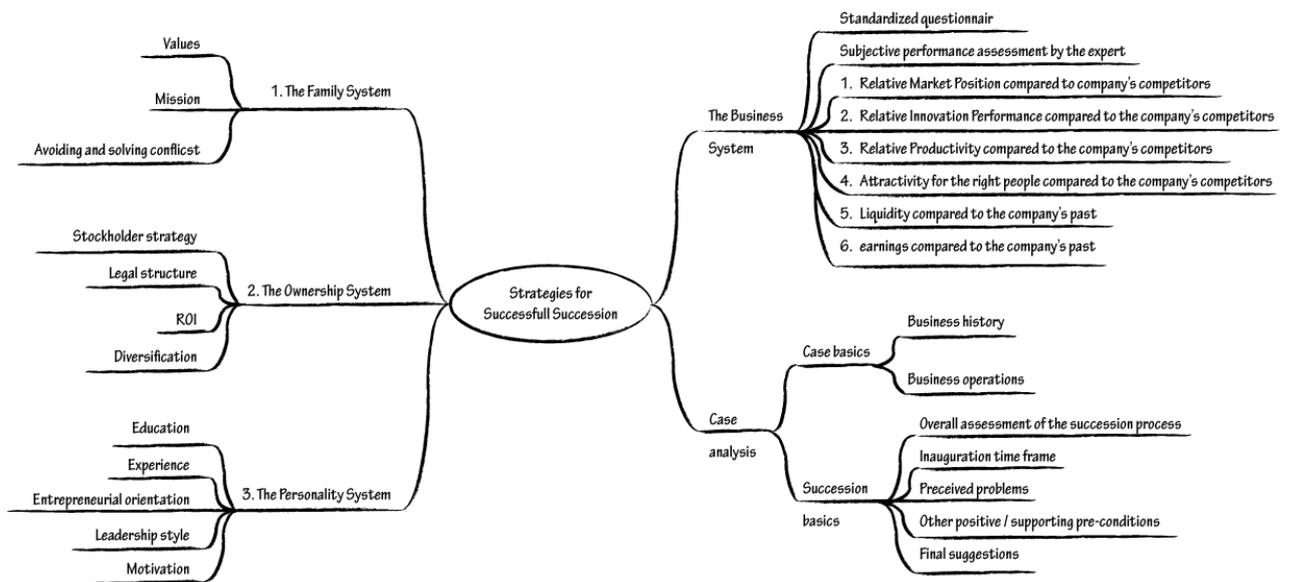


Figure 3-3: Dimensional analysis as basis for outlining the interview⁷⁰

3.4.5. Methods of Data Analysis and Interpretation of Qualitative Research Part

The qualitative part of this work is based primarily on material which emanated from verbal data obtained from the interview summaries and transcripts. After an interview, the recorded interview was transcribed in order to make the full content available⁷¹. The transcripts formed the basis for the analysis and interpretation, which follows the process of qualitative content analysis. Text interpretation in social sciences is a central issue (cf. Mayring & Brunner, 2010; Meuser & Nagel, 2002b) and the explanation of the strategy of analysis is crucial especially in qualitative research approaches in order to assure rigor in research. The qualitative research of this work applies the so called qualitative content analysis.

Qualitative content analysis has become a standard method of text analysis (Mayring & Brunner, 2010). Thereby, qualitative content analysis follows the methodical process of quantitative content analysis. The following aspects characterize qualitative content analysis (Hagen, 2009, p. 211):

- Embedment of the materials in the context of communication

⁷⁰ Created by author, 2012

⁷¹ Precise protocol of non-content-statements such as “hm”, “aehm” or length of pauses has been excluded.

- Systematic and following a specific theoretical methodology
- Categories in the center of analysis
- Referencing to object of investigation
- Evaluation of the methods through pretests
- Connecting analysis with theoretical foundations
- Inclusion of quantitative analyzing steps
- Quality criteria of objectivity, reliability and validity

Mayring distinguished three basic forms (or processes) of qualitative content analysis (cf. Mayring, 2002):

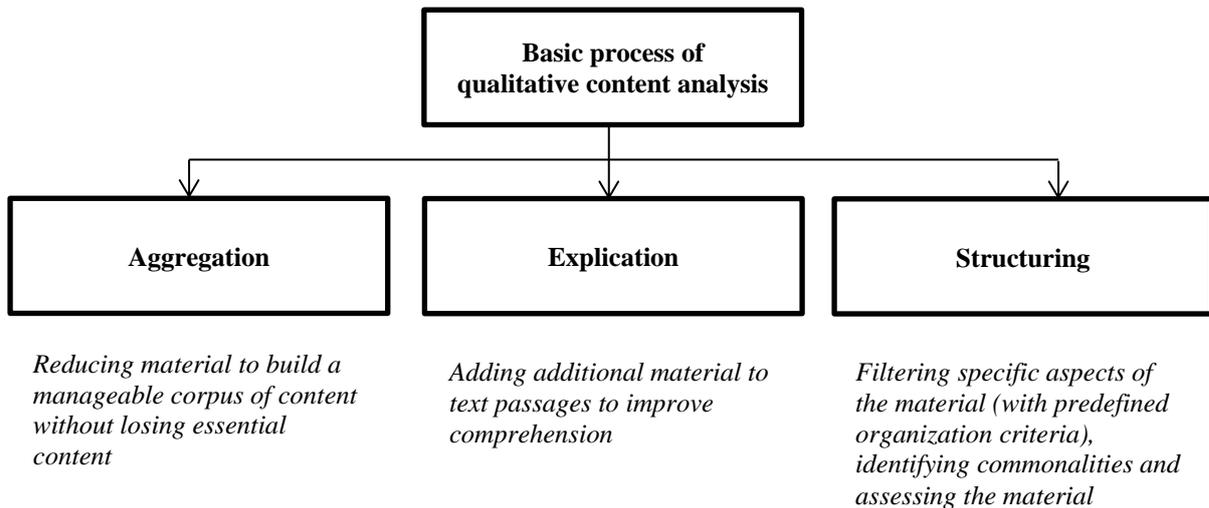


Figure 3-4: Basic processes of qualitative content analysis

“Aggregation” respectively “Reduction” follows the general process proposed by Mayring (2002). The superior process of reduction follows several steps, which are *eliminating, generalization, construction, integration, selection, and content bundling* (Mayring, 2002). However, as all interviews were held in German language, the author had to translate relevant statements before paraphrasing them. Based on the basic processes proposed by Mayring, the

strategy of data analysis and data interpretation follows a structured process described below⁷²:

1. Organizing the material removes redundancy and inconsistencies from the data in the transcripts.
2. In the second step, researchers identify, select and reduce, and paraphrases relevant text. This process allows for building categories. The sensitizing model at hand thereby delivers a certain pre-structure allowing the identification of specific evaluation categories.
3. In the third step, the categories are changed according to the findings derived from the first material classification. The main categories are then sub structured to advance the content. Practically, this encompasses repeated sighting of the material until the important statement of the interviews has been captured.
4. In the last step, through summarizing sub and main categories, the data is finalized and propositions (hypotheses) developed. These propositions form the basis for interpretations, for proposing a model of effective succession by advancing the given sensitizing model and executing further quantitative research.

In order to provide transparency and traceability, each statement or category is coded with a footnote indicating the source. The codes refer to the interview number and the paragraph⁷³. Categories are built through the process of organizing the material⁷⁴ using inductive and deductive reasoning. The emergence of category is inductive if the category comes out from the material. If the creation of a category is based on a theoretical foundation, the emergence is deductive. According to Kuckartz (1999), in research practice, both approaches, deductive and inductive, are frequently merged when building categories.

⁷² Mayring (2002) named this process the „inductive categories building“. Although basically following an inductive approach when building categories, the theoretical background through literature study and the resulting „sensitizing model“ provide a basic framework to organize the material, which is actually following a deductive approach. However, the inductive approach is dominant.

⁷³ E.g. I2 for Interview number two and I2/19 for Interview number two and text row 19.

⁷⁴ Strauss stated: “Codes are theoretical directives” (Strauss in: Kuckartz, 1999, p. 202)

3.4.6. Quantitative Research Setup and Methods of Analysis

Based on the outcome of the qualitative research process, an online survey was created and distributed to regional and international successors of family businesses. All defined variables and draft of questionnaire can be found in the appendix. The targets/respondents were members of Austrian and international chambers of the FBN (Family Business Network) and Austrian Commercial Chambers. The difficulty of getting access to family business members is explained in this thesis and the challenge of designing research in the context of family businesses was subject of a publication (BAUR 2012). The questionnaire was executed in German and English language for better convenience of the participants and distributed to targets via a commercial online-tool. The design of the questionnaire is based on the main assertion and follows the proposition matrix which was developed by analyzing and interpreting the interviews (see appendix VII). The following dimensional analysis illustrates the route-cause dependencies including the coding (see appendix IX for variables description):

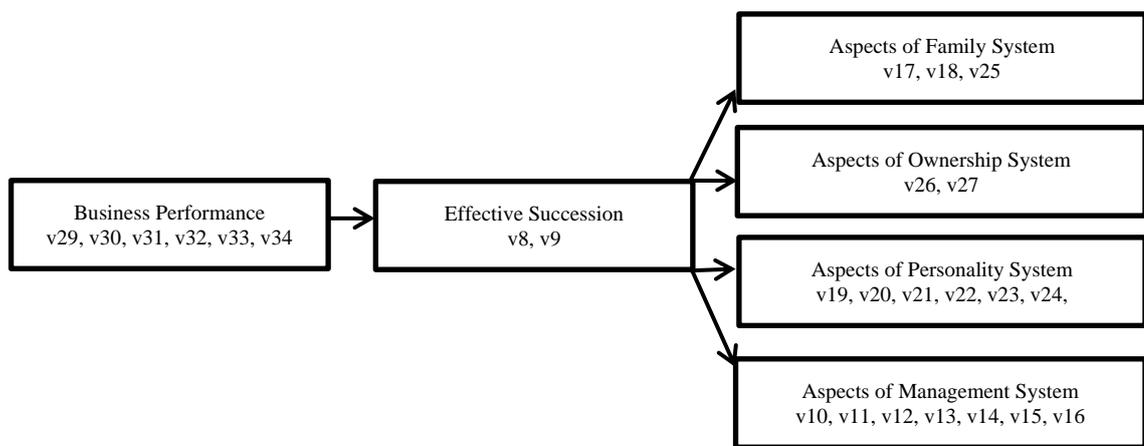


Figure 3-5: Dimensional analysis⁷⁵

Data analysis

The data was first analysed by applying descriptive statistics. Tables and figures with absolute and relative values were created to identify frequency scales. In order to sort and rank the

⁷⁵ Created by author.

results, the analysis was including arithmetic averages and standard deviations. Standard deviation is defined as follows:

$$s = \sqrt{s^2}$$

Whereas s for standard deviation and s^2 for variance. Thereby s^2 is calculated as follows:

$$s^2 = \frac{1}{n - 1} \sum_{i=1}^n (x_i - x)$$

for:

s^2 ...variance; n ... sample; x_i ... case value; x ...arithmetic average.

Frequency scales, arithmetic means and standard deviations are documented in the appendix XI. To test hypotheses, a non-parametric correlation analysis applying Kendall-Tau has been conducted. Through this method, the asymptotic significance (2-tailed) is indicated (for $p < 0.05$ is indicating a significant correlation).

3.4.7. Method Benefits and Limitations

Case studies – longitudinal or cross-sectional – have generally limited validity due to a small sample size. Qualitative research using interviews as a data-generating tool requires competent usage of the techniques and postulates a high field competence and acceptance. Interviews as a research method also require a personal sensitivity and adaptability as well as the ability to stay within the bounds of the designed protocol. The author has experience in the field of Human Resources Management and is organizing and facilitating experience-talks with a group of family business managers of medium-sized industrial companies. Thus, the author feels that he has adequate experience in interviewing and building a confidential environment. To improve validity, additional quantitative elements have been added and an expert round was confronted with the results (see triangulation 3.4.8).

Classic criteria for research emerged from quantitative approaches. These criteria included *objectivity, reliability, internal validity, external validity as well as benefit, application, and practical orientation*. However, these classic criteria may not suit for assessing qualitative research approaches (e.g., Hermanns, 1992, Mayring, 2002). The method of the qualitative part in this work– although applying an overarching straightforward and linear basic epistemological process – is characterized by having a low level of standardization. Flick

(1995) suggested that this is still an unresolved problem of evaluating qualitative research (1995). To improve the quality and validity of propositions, a standardized questionnaire was developed and distributed to approximately 800 targets to fulfil the requirements of a sequential exploratory research strategy.

For qualitative research, many authors have proposed several criteria to assess the quality of research methods (e.g., Lamnek, 1995; Mayer, 2004; Mayring, 2002, Reay, 2014). Flick (1995), for example, outlined the reliability, credibility, and reliance as the principle criteria and described the analysis of the interview situation, communicative validation, and selective plausibility. Mayring (2003) proposed six general quality criteria (described below). Along with these criteria, the corresponding improvement strategy applied in this study is outlined:

1. Procedure description

Description: Without describing the research process, the results are useless. Whereas in quantitative approaches the processes and techniques are standardized, qualitative approaches have to document individual and investigation process of the research.

Strategy: The author has tried to make the research process of the qualitative part as transparent as possible by describing the applied research strategy, methods, processes, data analysis and underlying methodological perspectives.

2. Argumentative validation of presuppositions

Description: The researcher significantly influences the interpretation process.

Principally, and as the hermeneutic process of understanding points out, the researcher him/herself plays a major role when interpreting results due to his/her perceptions of the social phenomena. Thus, researchers' judgments that are formed based on their perceptions influence the interpretations of the results.

Strategy: Interpretations are not simply set but individually justified with theory-governed arguments derived from the researchers' -understanding gained from the existing literature. The researchers' general presuppositions as well as educational and professional backgrounds are described in appendix X. Furthermore, all thoughts during processing qualitative data have been documented as far possible. Experts have been consulted to discuss and evaluate conclusions made. A quantitative online survey has additionally improved validity.

3. Systematic analytical procedure

Description: Openness and possibilities of variation in qualitative research designs should not lead to arbitrariness and unsystematic procedures. Instead, qualitative research has to follow a systematic and clearly described process.

Strategy: The research design is comprehensively formulated and processes are following a clear systematic as described in detail in chapters 3.4 and 3.5. This study gathers data by applying a linear-circular approach using problem-centered expert interviews. It utilizes qualitative content analysis for interpretation, expert rounds for evaluation and an online survey for testing hypotheses.

4. Closeness and adequacy to the phenomenon

Description: Qualitative research should connect to the everyday life of the investigated subjects. Therefore, the highest possible closeness to the phenomenon should be pursued.

Strategy: Generally, qualitative research meets the requirement of closeness and adequacy, as both researcher and investigated subject are working together in an ideally open and fruitful relationship. The work concludes with implications for practical and academic working fields in order to evaluate the outcome of the research project.

5. Communicative validation

Description: The communicative validation is one option to assess the validity of the results by discussing the results and interpretations with the interviewees. If interviewees confirm the results, one can assume that results are valid.

Strategy: The applied research method at hand is time consuming for both the researcher and the interviewees who - as CEOs - are typically heavily involved in their businesses and have little time to spare. For that reason, it was not possible to review the results with the interviewees at this time. However, the results were confirmed by third party institutions (family business networks) and in a second quantitative part, hypotheses were tested with a large number of successors.

3.4.8. Triangulation to Validate and Enhance Results

The quality of research can improve by applying more than one source of data, by using different interpreters, theoretical approaches and/or analysis methods. In this work, the result of the qualitative research part – the propositions – have been mirrored by conducting a survey resulting in quantitative data. Through this, it was possible to reflect, sort and rank findings. The research strategy follows Creswell (2007, p. 211 ff.), who describes this as sequential exploratory research strategy using a qualitative research design first and applying a second design (quantitative) afterwards to assist the interpretation of the findings. Theories respectively hypotheses (propositions) generated by the exploratory research are subsequently validated and enhanced by empirical tests. In the sense of triangulation, the results of the study were then presented to an expert round in January 2016 in Dornbirn/Austria at the premises of business consultant Loos & Partner. Three participants – a family business lawyer, a tax consultant (BDO Austria) and a family business consultant further discussed and strengthened the findings. Comments of the expert round are incorporated in results part with conclusions on several findings.

4. ANALYSIS, INTERPRETATION AND RESULTS

4.1. Descriptive Overview

The results presented hereafter are the results of a circular approach that aggregated the data from the empirical part and explicated the material with pre-knowledge of the relevant literature. The author consolidated the results thematically according to the basic sensitizing model (see 3.3). Data was gathered by interviewing 13 effective successors and by receiving 65 answers through a survey. The cases of the qualitative research part are described in appendix III. By applying method of qualitative content analysis (following Mayring), data from the transcript is interpreted merging relevant content of the interviews with the pre-knowledge of the researcher. As a result, four categories emerged for effective succession and 17 propositions are developed. Using statistical methods provided further material to evaluate and assess the findings. The model and propositions were presented to an expert round which assessed the propositions. As a result 14 key factors were identified to being potentially supportive for effective succession.

In the qualitative research part, all successors, except of two, subjectively assessed their succession as effective and all cases displayed an overall positive development of business performance since succession. One indicator that was found to show a negative development in almost all cases was *liquidity*. This could be due to the cash-out for buying sibling shares with the intention to concentrate shares to those who work in the company. Overall, all investigated cases appeared to outperform their competitors in their respective business field⁷⁶. All interviewees were managing directors of their family businesses for at least two years.

- 13 cases investigated (AUT, GER, SWISS),
- 11 effective, 2 ineffective case,
- 11 outperforming cases,
- Date range: May/August 2012,
- Size range: 4 – 150 Mill.,

⁷⁶ It has to be mentioned that the assessment of each performance indicator has been made by the successor. Although not observed during the interview, there may be a risk of exaggeration.

- Sectors: industry,
- 3 female successors,
- Transcript: 54.000 words.

Based on a proposition matrix⁷⁷, a questionnaire was developed and distributed via online-survey to family business successors which have taken over the business recently⁷⁸. This survey, carried out between August and November 2015 and distributed to 772 potential targets, was accessed by 78 participants (65 have at least responded to one question = 63 %) ⁷⁹. Targets in the quantitative research part were defined to be successors that have recently taken over their family business – similarly to the targets in the *qualitative* research part. The majority of the participants were male successors (67 %); younger than 40 years (76 %). Most of the answers were given by successors who stated that their year of succession was 2010 or later (only 17 % had their succession 2009 or earlier). Except of one (Americas), all answers were given by successors with business location in Europe. The majority of successors have businesses in a medium sized range (67 %). Most of the participants are second or third generation family members. The majority has stated that succession has taken place and is basically completed. Concerning succession, the participants declared that they feel to have reached their personal goals.

17	(31%)		Fully agree
25	(46%)		Agree
8	(15%)		neutral
2	(4%)		Disagree
2	(4%)		Fully Disagree

Table 4-1: Personal goals achieved

An important question was to clarify whether the successor assesses the succession (planning and execution) as effective for all (in the sense of “the goals of all family members have been reached without bigger irritations). As can be seen, 72 % of the respondents agreed.

18	(35%)		Fully agree
19	(37%)		Agree
9	(17%)		neutral
3	(6%)		Disagree

⁷⁷ see Appendix VII

⁷⁸ Quantitative research design is described in 3.4.6

⁷⁹ Targets: 691 in a international successor facebook group + 49 Austrian family business successors + 32 additional international contacts => response rate is 8,4 %)

3	(6%)	■	Fully Disagree
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Table 4-2: Effectiveness of succession process for all family members

A full descriptive overview and frequency scales can be found in Appendix XI.

4.2. Analysis, Interpretation and Evaluation

This chapter documents the interpretation of the data. Based on the transcript, propositions are developed and reflected with the data from the survey. The data gathered from the problem-centered interviews is analyzed and interpreted by merging the data with the pre-knowledge of the researcher that was described in the first and second chapter of this work. Applying a non-linear circular research approach and a method of qualitative content analysis revealed four categories that constitute the structure of this following chapter. These categories are: the Personality System, the Ownership System, the Family System, and Management System.

4.2.1. Category A – Personality System

The personality of the successor as well as other identified categories (ownership, family and management system) influence the process of succession⁸⁰. Personality can be defined “as consistent behavior patterns and intrapersonal processes originating within the individual” (Burger, 2010, p. 4). Within this work, the author investigates specifically the personality of the successor. However, rather than investigating behavior patterns and intrapersonal processes, this study examines the effect of the successor’s personality on the succession process. In this sense, personality is understood as an inter-connected subsystem of a family business covering individual demands, motives, skills, traits, as well as the successor's educational background, professional training, and entrepreneurial orientation.

Successor Qualification

The successor’s qualifications include the topic of education as well as professional training. The former is discussed in two ways in the family business research literature. On the one hand, education is concerned with general management topics (like strategy development, marketing, bookkeeping, etc.) and the ways in which these disciplines relate to the importance

⁸⁰ See chapter 2.1

of inter-personal competences. On the other hand, the family business field explicitly studies and provides courses to increase the understanding of the concept of the family business (that is the reciprocal effect among *family, ownership and management*)⁸¹. The interviewees did not attach any special importance to improving the knowledge of the complexities in the family business. It seems that investigated successors did not face high complexity in their succession process as it might occur in family businesses.

Education, as far as general management is concerned, was mainly identified as a fusion of technical and business education, which is mostly achieved in schools and universities rather than professional apprenticeships. Interpersonal competences – as suggested in literature – were not particularly mentioned as an important part of education. Instead, interpersonal knowledge related to personal traits that help gaining acceptance by the personnel (see proposition A.3). As far as education is concerned, the investigated successors had a comprehensive educational background related to the business⁸². Relevance is given when the successor has enjoyed a specialized technical or commercial school and/or graduated in business and/or engineering⁸³. Educational process in the sense of continuously investing in personal development is another important point mentioned either by visiting individualized workshops or by relying on personal advisers⁸⁴.

Before succeeding the business, many of the investigated outperforming successors reported working outside the business and/or inside the business. When working inside the business, successors usually get involved in various departments or specific business projects^{85 86}.

Vice versa, having no real life business experience might lead to uncertainty and overcautious behavior. In case 11, the successors took over leadership when they were quite young, right after finished their education and basic training. This happened because the antecessor did not

⁸¹ See chapter 1.3

⁸² I2/25, I5/51, I2/28, I4/14, I4/47

⁸³ I4/47: "*Naturally I've had a huge advantage. I received relevant training, managed an analogous business, became familiar with the craft involved, and learned about the industry. I have also myself worked in all parts of the business - in production, in the sales department. I was able to cover the whole spectrum of the business*"

⁸⁴ I4/65: "*... it's also the case that that I invested 5 days each year towards personal development. ... I don't visit standard seminars, but I seek out opportunities to develop specific leadership skills, and I spend quite a bit of money on the process... between 5 and 10 thousand Euros per year.*"

⁸⁵ I6/33, I9/65, I10/26, I12/79

⁸⁶ I9/65: "*I've known this business since I was six years old. There isn't much left to tell me.*"

want to be involved in the business after his divorce. The successors mentioned their lack of practical experience preeminent at that time. The business has since decreased its' staff by 60 percent.

The possibility of gaining experience by trial and error was frequently stated by the respondents. When one successor was asked what he thought important and what he would replicate from his predecessors, he mentioned the importance of creating situations for the next generation where both success and failure were possible⁸⁷.

Proposition A.1

Effective successors have a comprehensive educational background relevant to the business and continue to invest in personal development. Effective successors complete intensive trainings outside or/and inside the company. Whilst, inside the company, they have the freedom to learn by trial and error.

In the survey, this was approved by 90 %. 10 % stated neutral or disagreed. With an arithmetic average of 1.58 this finding was strongly supported in the survey.

30	(60%)		Fully agree
15	(30%)		Agree
4	(8%)		neutral
1	(2%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.52 - Median: 1 - Standard deviation: 0.727

Table 4-3: Survey results on proposition A.1

With an α -value of 0.397 on dependent variable 8 (personal goals achieved) and an α -value of 0.699 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation between education and effectiveness of succession.

Entrepreneurial Orientation and Willingness to Take over Responsibility

When the successors were asked about important personality aspects related to succession, the successors frequently mentioned that there must be a certain willingness to take over the

⁸⁷ I3/16: "What would I do if I had to do it all over again? ... Create situations where both success and failure are possible, that kind of early and necessary educational process."

responsibility⁸⁸. One successor stated, “*you have to be damn sure about it.*” (I3/4). Being sure about wanting succession helps drawing upon that certainty when obstacles (e.g. in the business) start to arise. Being sure about succession also requires knowing oneself in a deeper way by identifying subjacent motivations, interests, and values^{89 90}. One way to get to know the business better is from early involvement. By participating in projects, internships, or advisory meetings, successors get involved in an early stage. Early involvement supports the understanding of how the business functions and builds commitment^{91 92}.

In general, successors did not report that the predecessors would impose their expectations⁹³. The investigated successors have always had the freedom to choose whether to enter the succession or not. Still, some expressed the feelings about (external) expectations from society. These “societal expectations” were reported to be rather emotionally stressful^{94 95}. Successors who sensed a certain predetermination tend to fight in some way against it. However, the possibility to choose succession might provide the right basis for career decisions. It appears that successors have to decide whether they succeed because of certain outer expectations or because they really want to be entrepreneurs and take over responsibility.

Proposition A.2

Effective successors are very sure that they want to take over the responsibility based on a deep-rooted motivation and on early involvement in the family business.

In the survey, this was supported by 75 %. 20 % stated neutral and 4 % disagreed. With an arithmetic average of 1.71 this finding was strongly supported in the survey.

29	(59%)		Fully agree
8	(16%)		Agree

⁸⁸ I3/4, I1/54, I7/78, I8/78, I9/36, I9/83, I10/58, I1/54-60, I9/84-89

⁸⁹ I10/58: “*It is a very good thing if you already know how you want to live.*”

⁹⁰ I9/83: “*Being one hundred per cent sure that you love this business. Without that, you just won't make it.*”

⁹¹ I1/14, I13/20, I11/130, I3/13, I6/37, I13/20

⁹² I6/37: “*I have been taking part in meetings where we go over the balance sheets for 12 years now.*”

⁹³ I13/20: “*There was no pressure that it had to be mechanical engineering, but in the end, it was mechanical engineering.*”

⁹⁴ I1/21-24, I1/60-61, I8/108-110

⁹⁵ I1/21-24: “*This predetermined nature has influenced me a lot, and I was set to struggle against this being predetermined for me.*”

10	(20%)		neutral
1	(2%)		Disagree
1	(2%)		Fully Disagree

Arithmetic average: 1.71 - Median: 1 - Standard deviation: 0.989

Table 4-4: Survey results on proposition A.2

With an α -value of 0.037 on dependent variable 8 (personal goals achieved) and an α -value of 0.108 on dependent variable 9 (effectiveness of succession), the results show a significant correlation between sureness to take over the business and effectiveness of succession.

Personality traits, Management, and Leadership Skills

Successors succeeding the family business frequently reported specific personality traits that helped them during succession. Modesty was one trait that was mentioned often⁹⁶. In the sense of not being greedy, effective successors are more likely to obtain trust from the older generation, which is essential for effective successors (proposition C.3)⁹⁷. Not being self-assertive as a principal value might be already rooted within the family, as the effective cases showed a “business-first-attitude” (see proposition C.1)⁹⁸. However, being modest does not mean undemanding. Successors reported that a certain level of self-confidence is necessary to go through succession as well as to manage the business successfully⁹⁹.

Proposition A.3

Effective successors demonstrate a mixture of modesty and self-confidence.

In the survey, this was supported by 82 %. 8 % stated neutral and 4 % disagreed. With an arithmetic average of 1.55 this finding was strongly supported in the survey.

26	(53%)		Fully agree
19	(39%)		Agree
4	(8%)		neutral
0	(0%)		Disagree

⁹⁶ I4/29-34, I6/45-51, I11/158, I12/61

⁹⁷ I4/29-34: "Modesty. When you have a company the size of ours and you see the amount of money in it, when you start out as the successor and you realise just how large the cash-flow is, you need to be humble enough to say: 'That is the company - the company needs this money', and you have to be able to place yourself in a totally different level personally."

⁹⁸ I11/158: "That is the topic of greed. That stands in the way of plenty of people. And I think that we here are not at all like that. There's a different culture that you get from the family."

⁹⁹ I7/78: "You need to be self-confident right from the beginning because they're always seen as 'just Junior!'."

0	(0%)		Fully Disagree
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Arithmetic average: 1.55 - Median: 1 - Standard deviation: 0.64

Table 4-5: Survey results on proposition A.3

With an α -value of 0.341 on dependent variable 8 (personal goals achieved) and an α -value of 0.126 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation of the personality trait “modesty and self-confidence” and effectiveness of succession.

The relationship with the older generation was also mentioned several times. Many successors indicated their respect toward the older generation¹⁰⁰. One successor (Case 1) struggled with the older generations during succession because there was no succession-experience, as his father was the founder of the business. After many years of battle within the family, he stated: *"I am also thankful that my father let go of the reins, and my thanks comes with a lot of respect."* Showing respect towards the older generation was mentioned as one of the success factors¹⁰¹. This was for example demonstrated when disputes arose or decisions that had to be taken were delayed by the older generation. In these cases, the successors demonstrated patience if the family (especially incumbents) was involved. Some also reported to give away when generation disputes arise¹⁰² (see also proposition 3.2 on family dynamics and conflicts).

Proposition A.4

Effective successors foster a good relationship with the older generation

In the survey, this was supported by 96 %. 4 % stated neutral and 0 % disagreed. With an arithmetic average of 1.26 this finding was strongly supported in the survey.

38	(78%)		Fully agree
9	(18%)		Agree
2	(4%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.26 - Median: 1 - Standard deviation: 0.525

¹⁰⁰ I1/34, I3/14, I5/100, I12/30,

¹⁰¹ I3/14: *"One of the factors in our success was the respect for the generation that came before me."*

¹⁰² I1/34: *"What I want to say is that I haven't had any serious disputes since 2007 because I give way if necessary. I am one to repeat that adage that all roads lead to Rome. For me, it is important that everything runs smoothly."*

Table 4-6: Survey results on proposition A.4

With an α -value of 0.875 on dependent variable 8 (personal goals achieved) and an α -value of 0.018 on dependent variable 9 (effectiveness of succession), the results show a significant correlation of the relationship with senior generation and effectiveness of succession.

Along with a good relationship with the older generation, successors use the experience of the older generation¹⁰³. They seek moral support and gain a lot of knowledge from the older generation¹⁰⁴. Regarding the experience of the older generation, it was mentioned frequently that – together with the senior generation – additional important experts left the company (mostly due to retirement)¹⁰⁵. This could lead to an even greater gap of knowledge. On the other hand, this gives successors the opportunity to reorganize the management board according to their (eventually adapted) strategies. However, effective succession should consider possible missing knowledge during succession.

Proposition A.5

Effective successors use the knowledge of the older generation for as long as possible.

They are able to manage the loss of expertise on the part of key staff that typically leaves during a succession

This proposition was not included in the quantitative part as it fell out from the proposition matrix. Anyway, this proposition cannot be connected to effectiveness of succession. It was established in the context of business performance and will not be part of the success factors. However, this aspect may be important and shall be included in the general suggestions for successors as an aspect to consider in the post-transition phase.

4.2.2. Category B – Ownership System

The ownership system is concerned with the interests emerging from the ownership system and demands coming from the other systems (personality, family, business). The ownership system principally translates expectations and values from the family into the business goals

¹⁰³ I8/78, I9/34, I11/110, I11/118, I12/30, I13/25

¹⁰⁴ I13/25: "I was managing director right from the start, but that knowledge I gained from my father was with me."

¹⁰⁵ I4/44, I13/35, I13/37

and caters for good governance of the business. From the interviews, it emerged that the topics governance, controlling power, transfer of capital, and business performance have to be addressed when planning for efficient succession. The following chapter describes those topics and derives propositions from the data generated.

Governance and Controlling Power

Governance in this work does not refer to family business governance (which considers the reciprocal effect of the subsystems family, ownership, and business); instead, it refers to the organization of managing and controlling the business at the ownership level in the broader sense. The investigated cases mostly demonstrate a typical organization where fast decision-making and low agency costs through uncomplicated governance structure are evident. Based on a mutual understanding of the basic goals of the business and of the purpose the business fulfills for the business-owning family, the successor is able to act efficiently and – apparently – with little supervision¹⁰⁶. As this work has investigated successors in family businesses that belong to the business family, there have been no cases with an advanced stage of the governance dimension- that is., a solely family controlled business¹⁰⁷. Demonstrating efficient governance structures might also be rooted in the fact that there is typically a wealth of mutual trust between family members and the successor (see proposition C.3) that leads to low agency costs. Full amount of shares are either distributed to the younger generation early during live time of the senior generation (which is appreciated¹⁰⁸), or the majority is given to the younger generation, giving them the possibility to act without or through low level of supervision (e.g., by an advisory board).

Controlling the business is an essential issue that was addressed several times during the interviews. Controlling power is understood in the broader sense as being able to steer the business with decisions on major topics. As stated frequently, siblings, cousins, or older generation should not be having too much control. Several times, successors mentioned the importance of having at least the majority of the shares¹⁰⁹. The cases displayed effective

¹⁰⁶ I5/45: *"The fact that we are able to take decisions relatively quickly is certainly a factor in our success. There's no need for a board meeting."*

¹⁰⁷ see chapter 1.3.3 for life cycles, particularly Koeberle-Schmid & May 2012 (also in appendix VI)

¹⁰⁸ I9/34: *"I'm glad that my father did do that and especially while he was alive."*

¹⁰⁹ I2/60-61, I10/28, I2/49, I2/51, I4/18, I1/26-27, I2/47-52,

successors who preferred owner-managed structures, as did their predecessors, in order to establish effective controlling power. Only one person can control the business, as indicated by the interviewees. Having a rather simple shareholder-configuration is advantageous when it comes to fast decision making and identification of the successor¹¹⁰. Vice versa, shareholder structures in the background of the business that would increase complexity seems to be – at least in the medium sized businesses investigated in this work – undesired. The negative effect of increased complexity on the ownership axis¹¹¹ has been exemplified by one of the two ineffective cases (See Case 8). The successor reported about several years of emotional issues and obstacles to overcome: the business was teetering on the brink of collapse during the succession phase. The successor faced frequent and tactical surprises of the siblings aiming to damnify the family members.

Effective successor seems to prefer freedom of decision making and are likely to draw the consequences if shares are not concentrated on their side^{112 113}. In Case 1, the successor exemplified this principal aim as he resigned after he was not allowed to buy his sister's shares. In general, the statement was, that those who have authority and responsibility have to be able to act on behalf of the firm.

Proposition B.1

Effective successors prefer owner-managed structures, just as their predecessors. They are thus able to manage their business with little agency costs based on mutual trust within the family.

This proposition was not included in the quantitative part as it fell out from the proposition matrix. However, this aspect may be important and shall be included in the general suggestions for successors as an aspect to consider.

¹¹⁰ I2/60-61: "I believe that this (having the majority of shares) is an important precondition to being able to identify oneself properly, especially in difficult times, but also in good times."

¹¹¹ see life cycle approach to the family firm, chapter 1.3.3

¹¹² I1/30-34: "... and he said: 'Fine, if that's what you want, you'll have to pay of course.' And so we arranged a third-party evaluation of the business."

¹¹³ I2/60-61: "If it had been different, I am not sure whether I would have engaged with the company that intensively. Why would I do that to myself?"

Transfer of Capital and Estate Planning

Although the businesses of most successors under the investigation outperformed their competition, liquidity compared to the business' past has decreased quite often. In many cases (in ten cases out of 13), this was described to be due to necessary capital transfers to former shareholders or to siblings. However, payment rates are often stretched for many years and estate assets such as the buildings and facilities where the business operated were at this stage frequently extracted from the business to increase fairness between siblings¹¹⁴. Typically, renting the premises from other family members becomes the business. Excluding all possible assets that are not directly influencing the business operation helps satisfy the principal desire of a family to bequeath equal asset ratios amongst siblings without tearing apart the business itself¹¹⁵. In effect, this plays to the advantage of giving one successor full control. Finally, the family interests in maintaining family unity through fair asset distribution are more likely to be fulfilled.

Proposition B.2

Effective successors have inherited only the operative business. Non-operative assets are excluded from the business to improve the equality of asset distribution within the family and maintain family unity.

In the survey, this was supported by 71 %. 10 % stated neutral and 20 % disagreed. With an arithmetic average of 2.21 this finding was supported but also questioned.

17	(40%)		Fully agree
13	(31%)		agree
4	(10%)		neutral
2	(5%)		Disagree
6	(15%)		Fully Disagree

Arithmetic average: 2.21 - Median: 2 - Standard deviation: 1.389

Table 4-7: Survey results on proposition B.2

With an α -value of 0.231 on dependent variable 8 (personal goals achieved) and an α -value of 0.347 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation of the exclusion of non-operative assets with effectiveness of succession.

¹¹⁴ I1/42, I9/42, I10/42, I5/13

¹¹⁵ Frequently, the majority of the family assets lies within the firm rather than in private estates.

Performance and its Assessment

Financial autonomy in the business is typically rated high in family-held businesses¹¹⁶. Thus, for a business family that places business first (see propositions in category family system below), earning retention is thus typically the number one precondition. In effect, successors of such family businesses are taking over a well-running company. If siblings are existing, successors may be taking over just one part of the business (usually the operating part and not the assets part – e.g. facilities). However, that part which was handed over to the next generation was typically financially well grounded. Taking over a well-running business with a solid financial ground might probably be an important precondition for effective succession¹¹⁷.

Vice versa, little capital background hinders a successor to create an environment for outperformance. One of the two ineffective cases investigated was left by the antecessor without a solid capital ground (see Case 11). Although the successor appreciated the fact that she was able to succeed a business with available knowledge and existing customers, the successor was unable to invest in necessary organizational structures respectively and in long-term future business opportunities that would lead to outperformance. Having no financial pressure allows the new manager of the business to pursue objectives that advance the organization instead of just barely keeping it alive¹¹⁸. Outperforming the competition is thus more difficult when being confronted with weak financial background¹¹⁹.

However, several cases interestingly reported that they have had argued with their older generation about the definition of business success. One successor reported a dispute over investing in a new plant, as the older generation insisted on carrying out a high-level architectural building whereas the new generation wanted to give priority to the return on investment and thus keep the sustainability of the building at a lower level (case 7/68-72). In general, effective successors seem to have a higher expectation of the performance of the business compared to their predecessors¹²⁰. This might be because successors nowadays are

¹¹⁶ See chapter 2.2.3 and I2/57

¹¹⁷ I3/16, I5/39, I9/42, I9/50, I13/45, I4/36

¹¹⁸ I3/16: *"A well positioned business is something important in itself."*

¹¹⁹ I13/45: *"It would have been more difficult if the company had been in a condition where you would have to ask yourself first how to even make any money from it."*

¹²⁰ I2/73-75, I7/68-70, I9/34

educated differently and participating in business management lectures highly influences their perspective on business performance¹²¹.

Proposition B.3

Effective successors take over a well-positioned business. However, they have higher expectations of good business performance compared their predecessors. This leads to better business performance, but might also lead to transgenerational conflicts (provided that the senior generation is still somehow in power).

In the survey, this was supported by 72 %. 25 % stated neutral and 4 % fully disagreed. With an arithmetic average of 2.02 this finding was strongly supported.

17	(35%)		Fully agree
18	(37%)		Agree
12	(25%)		Neutral
0	(0%)		Disagree
2	(4%)		Fully Disagree

Arithmetic average: 2.02 - Median: 2 - Standard deviation: 0.979

Table 4-8: Survey results on proposition B.3

With an α -value of 0.698 on dependent variable 8 (personal goals achieved) and an α -value of 0.608 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation of expectations on good business performance and effectiveness of succession.

4.2.3. Category C – Family System

The family system in family businesses can be a source of power or threat for the business. The theoretical part (see above) revealed certain issues within the family system that are important to consider in family businesses. In phases of succession, the family and its members are stepping upfront as their interests are highly dependent by the big change in the business. The family system supports the business by providing a basic culture and values that influence the predecessor, the successor, and in effect the business through influencing ownership strategies. From the data generated through interviewing successors, the following

¹²¹ I7/68-70: "That's an irrational battle. We are much more profitable now, but profitability wasn't that important to my predecessors. ... When you continually hear 'shareholder value' throughout your studies, you just pay more attention to it."

sub-systems emerged, which are described below in detail followed by a proposition generation.

Family Culture and Values

Businesses where a family is involved in controlling and/or managing the business is highly dependent on the behavior and demands of the business family¹²². Friction and unbalanced business family strategies heavily influence the business strategy and well-being. Thus, an owner manager of a family firm needs to balance the family strategy with the business strategy (cf. Carlock & Ward, 2001). In a simplified model, a business family can be consuming or creating value (by being dependent or industrious to the business) and divided or united (by being at odds with each other or orderly and united)¹²³. Family businesses that displayed effective succession appeal to put business first, which is shown in both few (financial) demands and creation of value coming from the family.

In this sense, effective successors seem to be able to concentrate on the needs of the business rather than on the needs of the family, which reduces overall complexity for the successor. Cases with effective succession showed that the family is quite clear about the purpose of the business and distribution of profits^{124 125}. This leads to the following proposition:

Proposition C.1

Effective successors have business families that put business first. These business families have defined what they want to achieve with their company.

This proposition was not included in the survey as it was not repeatedly mentioned by the interviewees. However, this aspect may be important and shall be included in the general suggestions for successors as an aspect to reflect.

Having a defined the purpose of the business from the perspective of a family, helps moderate and line-up discussions on the business's basic strategy. For example, this leads to a clear

¹²² See chapters 1.2, 0

¹²³ See Davis (2011) or point 3.4.2

¹²⁴ I4/59: "The family must define itself, from its perspective as a family, what it wants to achieve with the company. That is: what purpose does the business fulfil from the family's perspective."

¹²⁵ I4/59: "We have a clear rule when it comes to profit distribution. A minimum of 85% of the profit is to be kept in the company."

profit distribution rule, which is ideally accepted by everyone. During the succession phases, the business is undergoing a huge change process as the management (sometimes even the whole management board) is being renewed. Basic business needs, such as a stable financial ground, is therefore important especially during succession. Business families that place business first and define the purpose of the business support the process by giving certain stability.

Family Dynamics and Conflicts

The literature mentions that successors are sometimes confronted with a pronounced narcissism of the incumbent. This is rooted in a number of reasons. However, the effective cases investigated in this work showed a general and explicitly positive relationship between the successors and the incumbents, with no sign of pronounced narcissism of the senior generation. The majority of the successors mentioned the positive relationship they had or presently have. The effective successors report few conflicts with their senior generation. Thus, conflict solution processes hardly exist. Instead, one could speak of the effective *conflict prevention* due to the ability of the successor to acknowledge the existence of different opinions and together with a seemingly good discussion culture¹²⁶. Effective successors communicate in a civil manner. For example, the successors report that they did not experience situations where screaming was involved. Effective successors have further showed the ability to understand different roles and needs of the individual's developmental stages, e.g., the switch of the senior generation from being a leader to not being a leader anymore. In cases where there are obstacles to overcome, such as role switching, external advice is sought to better facilitate the change process.

Proposition C.2

Effective successors acknowledge the existence of different opinions and shown that they belong to a family culture that fosters constructive debate.

¹²⁶ I2/69: "Conflicts? Here we have a very good foundation of 'live and let live'. But there were never really any large problems - everybody has his own opinion, but that is accepted as such. This is much easier when basic values are shared".

This proposition was not included in the survey as it was not repeatedly mentioned by the interviewees. However, this aspect may be important and shall be included in the general suggestions for successors as an aspect to reflect.

Family Trust and Appreciation

Trust seems to play another essential part in effective succession. Many effective successors report that they have obtained and highly value the general trust exhibited by the family¹²⁷. Assumably, trust helps the successor focus on the business rather than on achieving trust¹²⁸. Furthermore, and in order to have only few conflicts between the senior and successor generation, effective successor checks the overlap between basic values and beliefs. This is usually evaluated before succession, for example, by participating in advisory board meetings where principal directions for the business are discussed¹²⁹. Sharing basic values seems to be crucial. In this sense, the existence of mutual respect between both the successor and the predecessor appears to be a crucial factor for effective succession¹³⁰¹³¹. This leads to the following proposition:

Proposition C.3

Effective successors obtain and value the trust exhibited by the family. This is also rooted in the fact that they share basic values with the older generation.

In the survey, this was supported by 93 %. 6 % stated neutral and 2 % disagreed. With an arithmetic average of 1.39 this finding was strongly supported.

36	(71%)		Fully agree
11	(22%)		Agree
3	(6%)		neutral
1	(2%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.39 - Median: 1 - Standard deviation: 0.688

¹²⁷ I11/122-124, I3/14-15, I4/24, I5/37, I7/38, I12/59, I9/36, I13/41

¹²⁸ I4/24: „And the most benefical thing was that he (father) trusted the new generation, including me as the managing director, 100 per cent.“

¹²⁹ I13/41: "That we think similarly about our basic principles was clear to me already due to my role in the advisory board."

¹³⁰ I4/24: "And the most benefical was that he (father) trusted the new generation 100%."

¹³¹ I3/14-15, I4/24, I5/37, I12/59

Table 4-9: Survey results on proposition C.3

With an α -value of 0.021 on dependent variable 8 (personal goals achieved) and an α -value of 0.002 on dependent variable 9 (effectiveness of succession), the results show a highly significant correlation of expectations on good business performance and effectiveness of succession.

4.2.4. Category D – Management System

The management system of a family business depends on the basic direction of the business family and the personality of the successor who proposes and implements certain company strategies. During the times of succession, the leadership has affected the management system and, unsurprisingly, the new leadership frequently tends towards implementing new strategies within the business. The four sub-categories emerged from the interviews:

- Company Goals and Strategy Implementation
- Governance and Controlling Power
- Transfer of Leader-role
- Leadership and Organizational Culture

Each subsystem is described and related to the conclusions of the successors. The experiences of the successors show that before (when preparing succession), during, as well as after (“first 100 days”) succession takes place, certain aspects have to be considered to advance succession effectiveness.

Strategy Development and Business Management

Those successors who were able to outperform their business competitors appear to have a clear understanding about how their family members (siblings, parents, or other relatives) should be involved in the business. Involvement can either exist by possessing a certain controlling power through shares (see next proposition) or through a top management position in the business.

The successors of cases where no siblings, relatives, or parents are involved in the business management and strategy development mentioned the importance of having only one sole

decision-taker at the top of the business. It simply reduces complexity and fosters a fast and uncomplicated decision-making process¹³².

The cases that have experienced the complexity of involved siblings, parents or other relatives have either changed the situation after some time, or kept the involvement of those family members at a rather low level (e.g., part-time positions with less responsibility). For example, in Case 8, which was evaluated as non-effective¹³³, senior generation comprised four brothers who held the business and it was initially planned for the successor to succeed the business together with a cousin. In awareness of the rather high complexity, since four families are involved in the business, the business families sought professional advising and agreed on a strategy for succession. However, during succession, a severe conflict emerged among the families and after many months of distress, the successor managed to succeed the business without the cousin. Furthermore, during these times, the successor found out that he did not share the same values with his cousin. In retrospect, the successor stated that he is now glad to be running the business himself. Some of the relatives are still employed by the company, but they are only marginally occupied on a part-time basis, having lower responsibilities at the assistant levels¹³⁴.

Having siblings involved in the business might increase complexity. Leading and managing family members in a business environment is difficult, as the two systems, the family and the business system, follow very different rationales¹³⁵. Those cases who have had siblings involved in the business have either experienced conflicts or established a clear hierarchy within the business that would be accepted by all members involved¹³⁶. A clear hierarchy is existent if only a sole leader is managing the business and others are subordinate. Relatives are at lower level positions, e.g., part-time employees. The subsequent proposition considers the importance of the sole leadership and if relatives are involved, all family members accept the importance of a clear hierarchy.

¹³² I4/15-21, I2/53, I4/22, 8/74-76, I4/26

¹³³ I8/44 "Everything was a mess.""

¹³⁴ I8/74-76: "I think that it would have been more difficult had we done it as a pair. I found out later that my cousin had, to some extent, very different values. ... In the end, one person has to take the decision. It simply can't be avoided."

¹³⁵ See chapter systems theory in chapter 1.3

¹³⁶ I9/32: "All three siblings work in the company. However, that's only possible because the hierarchy is clear. And that's most important."

Proposition D.1

Effective successors prefer to be sole decision-takers in the business. They tend to avoid having siblings (or other relatives) involved in the business, especially at the strategy-relevant levels. If relatives are involved, a clear and by all members accepted hierarchy within the business must be given to reduce complexity.

In the survey, this was supported by 57 %. 13 % stated neutral and 29 % disagreed. With an arithmetic average of 2.48 this finding was supported but questioned.

23	(44%)		Fully agree
7	(13%)		Agree
7	(13%)		neutral
4	(8%)		Disagree
11	(21%)		Fully Disagree

Arithmetic average: 2.48 - Median: 2 - Standard deviation: 1.599

Table 4-10: Survey results on proposition D.1

With an α -level of 0.127 on dependent variable 8 (personal goals achieved) and an α -value of 0.751 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation of preferring to be sole decision takers and effectiveness of succession.

Company Goals and Strategy Implementation

Successors are usually well educated and in many cases, they are better educated compared to their predecessors¹³⁷. Usually, this leads to modified business strategy formulation, and its implementation results in organizational and cultural change. Especially in family businesses, researchers have observed different organizational structures and cultures when it comes to change. As family business usually pulls employees toward their organization in an early stage, the employees’ loyalty is reported to be quite high. This in turn also results in certain expectations of the employees regarding the company, such as workplace safety. For example, employees expect that their employers consider layoffs as the hindmost option.

In effect, successors have difficulties in implementing new strategies because of this latent resistance to change in their family businesses. Successors who want to progressively grow the business may therefore consider pitfalls and obstacles when managing change

¹³⁷ See also 2.3

processes¹³⁸. One successor who actually experienced an overall smooth process (see Case 2) in the pre-succession and transitional phase said that the barriers the company structure showed highly influenced the post-transitional phase. The successor was hardly able to implement new strategies as key staff refused to cooperate. The successor stated quite definitely that if he could go back in time, he would – replace the entire top management (as well as medium level management) in order to get things moving faster¹³⁹. Although this may be harsh, replacing personnel in key positions after a new management has taken over is in fact common practice in businesses. However, successors of family businesses have in many cases worked together with these employees, years before they even participated in internships, making it very hard to execute such challenging actions.

Family businesses might be a bit too soft when it comes to arguing and radically changing structures. It appears actually that employees in family businesses are treated more like family members by prioritizing harmony in the organization culture rather than getting things done fast through unpopular decisions. In effect, business strategies are postponed for the good of the employees. It seems that the good culture within the family – that is fostering constructive debate – has its constraints when the structure of a company has to be reorganized. Problems are simply unavoidable^{140 141}.

In another, rather non-effective case (See Case 8) that showed no outperformance, the successor experienced difficulties in changing existing organizational culture by admittedly refusing to take the hard way. Instead of changing the processes and structures to foster a planned new strategy, he waited until the staff retired¹⁴². Again, as described above, these problems are simply unavoidable.

¹³⁸ I2/104, I2/106, I2/110-114, I2/108, I3/6, I8/72, I9/77, I0/66

¹³⁹ I2/110-114: *"In addition, I should say that you should replace not only top management, but also middle management. You need to affect transitions in other places, too, such as in the case of a long-standing factory foreman who is stuck in his old ways. ... That was the biggest stumbling block I had."*

¹⁴⁰ I2/108: *"Arguing is not a part of our culture. You could perhaps say that we have a poor atmosphere for constructive debate. Sometimes one can be too cautious. You avoid talking about things; you try to sit the problem out."*

¹⁴¹ I2/69

¹⁴² I8/72: *"We are now at the point where one of my employees is retiring, and so we will soon be able to take a look at how we can change things. Questioning our processes, everything..."*

Furthermore, the successor's ability to separate from the attachment to their employees is a huge step. Often, successors have worked together with various employees in various departments who instructed and supervised them during their internships. This becomes complex as the successor wants to change job descriptions, job roles, and responsibilities of employees or even lay off personnel¹⁴³.

Effective successors who want to grow the business by implementing new strategies that involve changing the organizational structure have difficulties managing the change processes due to (too strong) ties with the staff and a rather harmony-minded family culture that is mirrored in the business arguing culture. Effective successors who show outperformance of their business adopt new business strategies and implement those strategies, although there are many obstacles to overcome especially in family businesses. Therefore, the arguments above lead to the following proposition:

Proposition D.2

Effective successors change – if necessary – business structures although they are confronted with obstacles preeminent in family businesses.

This proposition was not included in the survey as it was not repeatedly mentioned by the interviewees. Anyway, this proposition cannot be connected to effectiveness of succession. It was established in the context of business performance and will not be part of suggested success factors. However, this aspect may be important and shall be included in the general suggestions for successors as an aspect to reflect in the post-transition phase.

Transfer of the Leader Role

Succession is a major event in a business, regardless of whether it is a family business or not. Whereas non-family businesses might replace persons responsible for management and leadership more frequently, family businesses typically work with the same leadership (first with the older generation and then with the younger generation) for decades. That is why succession in family businesses has also been termed as a *transgenerational moment* for the family business. Various studies have investigated how the process of passing the baton could

¹⁴³ IO/66: "But this is also difficult, to have grown up here, to have worked next to each employee at some point, and to have always gotten along well with everybody. That was a huge step for me to take, to be able to separate myself from them."

look like and how succession affects the business. Four factors can influence the dynamics of succession, including sequence, timing, baton-passing technique, and communication¹⁴⁴.

Once the next generation moves to the top management, the effective cases showed that there was a clearly planned, visual (meaning signs that can be seen by the outer word) and – once started – fast transfer of leadership role¹⁴⁵. Having a plan or a road map for succession supports the overall process, as it structures time with important events that occur during the succession¹⁴⁶. The speed of the sequence in which the younger and older generation are eventually intermittent working together is also important. Effective successors state that they appreciated having a rather fast transitional phase, sometimes shorter than initially planned¹⁴⁷. Having a road map also facilitates the right communication with stakeholders, which represents an important part of succession (see Proposition D.4 below).

Proposition D.3

Effective successors have a clear road map for succession and - once begun – the quick transfer of the leadership role becomes crucial.

In the survey, this proposition was supported by 46 %. 23 % stated neutral and 31 % disagreed. With an arithmetic average of 2.71 this finding rather low supported.

12	(23%)		Fully agree
12	(23%)		Agree
12	(23%)		neutral
11	(21%)		Disagree
5	(10%)		Fully Disagree

Arithmetic average: 2.71 - Median: 3 - Standard deviation: 1.291

Table 4-11: Survey results on proposition D.3

However, with an α -level of 0.005 on dependent variable 8 (personal goals achieved) and an α -value of 0.001 on dependent variable 9 (effectiveness of succession), the results show a highly significant correlation of having a succession roadmap and effectiveness of succession respectively reaching the personal goals.

¹⁴⁴ i.a. Molly et. al. 2010, Dyck et. al., 2002

¹⁴⁵ I2/121, I7/25-30, I13/23, I13/23, I13/80

¹⁴⁶ I13/80: "What helped with my succession was that I viewed the transition as a project, which I've managed like I would any other project."

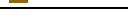
¹⁴⁷ I13/23: "We then decided that it was better to clearly communicate with the employees right from the beginning and manage the director from day one."

The cases with effective succession have clearly demonstrated signs of the leadership transition¹⁴⁸ that can be seen by the outer world¹⁴⁹. Clear communication of the transition process provides clarity for the stakeholders of a business. For instance, employees and banks appreciate it when they are informed at the right time, in a correct manner, and by the right officials. Disregarding the importance of the right communication leads to rumors and uncertainty, and it can harm the organization. Setting a clear sign typically involves celebrations and ceremonies (e.g., at some kind of business event)¹⁵⁰.

Proposition D.4

Effective successors foster setting clear signs of the transition of leadership. Typically, setting signs involves celebrations and ceremonies.

This proposition was confirmed by 46 % in the survey. However, a big part did not set signs for the transition (46 %).

15	(30%)		Fully agree
8	(16%)		Agree
4	(8%)		neutral
3	(6%)		Disagree
20	(40%)		Fully Disagree

Arithmetic average: 3.1 - Median: 3 - Standard deviation: 1.734

Table 4-12: Survey results on proposition D.4

With an α -level of 0.012 on dependent variable 8 (personal goals achieved) and an α -value of 0.001 on dependent variable 9 (effectiveness of succession), the results show a highly significant correlation of having a succession roadmap and effectiveness of succession respectively reaching the personal goals.

Having a clear and communicated roadmap and fostering a rather fast sequence of dual leadership is important and has to be synchronized with the older generation who needs to be able to let go. The importance of how the older generation is able to let go was mentioned

¹⁴⁸ I2/129, I3/20, I6/84, I12/33

¹⁴⁹ I6/84: "The key moment for me, for example, was when we had a company event ... to celebrate the firm's 120th anniversary... and my father's birthday. ... We did that consciously in the firm itself. ...A good mixture of family and business. After that experience, it was clear that we (the younger generation) are taking the reins."

¹⁵⁰ I2/129: "...setting visible signs for the outside world. And that must be done clearly and rather early on. ... Clear signs, a passing of the baton."

frequently in the individual interviews^{151 152}. Not surprisingly, successors appreciate a clear conduct of the older generation and having incumbents with a forward-looking perspective that makes it prediction of their expectations easier.

Whereas in some cases, the incumbents were able to let go¹⁵³, in other cases, even if the incumbent tried to let go, he/she experienced difficulties letting go. Seniors seemed to know very well that letting go is important, as it allows the next generation to live out their work with confidence. However, some incumbents seem to let go too fast, as successors reported how difficult it became for the incumbents after transition has taken place. Successors reported that they consequently had to actively influence the letting go process¹⁵⁴. Successors found projects or other tasks to engage the older generation, for example, taking care of constructing new premises or plants. The successors believed that seniors needed to be informed about the business on a frequent basis.

Strategies for creating a smooth transition for the incumbents to manage the business are manifold. However, the strategy must consider the fine line between involving the senior generation and maintaining the successor's decision-making freedom in business strategy development and management (see proposition D.1). The question of how the older generation will be engaged after the transition is very important and should be addressed by the successor much before succession takes place.

Proposition D.5

Effective successors have a supportive senior generation that lets go. However, effective successors consider how difficult it might be for the senior generation and seek alternative strategies to involve the senior generation after the transition has taken place.

In the survey, this proposition was supported by 92 %. 4 % stated neutral and 4 % disagreed. With an arithmetic average of 1.58 this finding was strongly supported.

¹⁵¹ I12/33, I6/35, I10/34, I9/34, I10/24, I6/80, I4/55

¹⁵² I7/25-30: *"That (transfer of leadership) has been planned from the beginning ... I think that planning for succession has to be done by the older generation. However, I wouldn't have started here if there had been no plan."*

¹⁵³ I6/35: *"He (the predecessor) left the building and said: 'If you need me, I'm here for you as an advisor'."*

¹⁵⁴ I9/34, I2/63, I7/59-68, I9/47, I13/104

27	(53%)		Fully agree
20	(39%)		Agree
2	(4%)		neutral
2	(4%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.58 - Median: 1 - Standard deviation: 0.745

Table 4-13: Survey results on proposition D.5

With an α -level of 0.865 on dependent variable 8 (personal goals achieved) and an α -value of 0.738 on dependent variable 9 (effectiveness of succession), the results show a non-significant correlation of having plans how to involve the senior generation after succession and effectiveness of succession respectively reaching the personal goals.

Leadership Style and Organization culture

In order to get strategies implemented, new leaders have to obtain a certain level of respect and acceptance from their employees (see personality system 5.1). After a transition in a succession has taken place, the successor needs to “survive the first 100 days”. Successors frequently mentioned the importance of the good leadership, respect, and handling people, which helped them implement strategies and advance their business¹⁵⁵. Additionally, these successors appeared to have a more communicative, participatory and people-oriented leadership style within their organization in comparison to their predecessors¹⁵⁶. Seemingly, advancing the organizational culture supported effective successors to develop the business-participative leadership and an esteemed culture is not only modern, but motivates staff and improves attractiveness of the workplace¹⁵⁷. Besides this, attractiveness of the workplace helps find the right workers in a scarce labor market.

Proposition D.6

Effective successors strive to advance the business as an attractive workplace

In the survey, this proposition was highly supported by 71 % and supported by 29 %. With an arithmetic average of 1.29 this finding was strongly supported.

¹⁵⁵ I1/72-74, I7/82, I12/55, I5/75

¹⁵⁶ I4/34, I5/51, I11/102, I11/134

¹⁵⁷ I5/51: "Certainly, the leadership style is different from that of the former owner. He was more like Ludwig XIV. I have a more cooperative leadership style."

36	(71%)		Fully agree
15	(29%)		Agree
0	(0%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.29 - Median: 1 - Standard deviation: 0.455

Table 4-14: Survey results on proposition D.6

With an α -level of 0.003 on dependent variable 8 (personal goals achieved) and an α -value of 0.007 on dependent variable 9 (effectiveness of succession), the results show a highly significant correlation of attractiveness of workplace and effectiveness of succession respectively reaching the personal goals. However, this proposition cannot be connected to effectiveness of succession. It was established in the context of business performance and will not be part of the success factors.

4.3. Results, Model Innovation and Significant Relationships

The analysis and interpretation of qualitative data has resulted in the emergence of several propositions for effective succession. A survey with 65 returns has provided quantitative data which was used to reflect and connect these propositions to be key factors for effective succession. By presenting and discussing the findings with experts, the model and key factors have been assessed and confirmed to potentially be key factors for prospective successors to improve effectiveness of succession. In this sense, the work uses the term key factors from now on (instead of propositions). The following chapter summarizes the main results.

4.3.1. Relationships of Key Factors and Succession Effectiveness

Based on the quantitative data, a correlation analysis shows the significance of certain relationships. The following five key factors indicate a strong relationship to an effective succession:

Key factors with significant correlations	Sign. v8 α -value	Sign. v9 α -value
Key factor A.2: Effective successors are very sure that they want to take over the responsibility based on a deep-rooted motivation and on early involvement in the family	0,037	0,108

business.		
Key factor A.4: Effective successors foster a good relationship with the older generation.	0,875	0,018
Key factor C.3: Effective successors obtain and value the trust exhibited by the family. This is also rooted in the fact that they share basic values with the older generation.	0,021	0,002
Key factor D.3: Effective successors have a clear road map for succession and - once begun – the quick transfer of the leadership role becomes crucial.	0,005	0,001
Key factor D.4: Effective successors foster setting clear signs of the transition of leadership. Typically, setting signs involves celebrations and ceremonies.	0,012	0,001

Table 4-15: Relationships of Effectiveness and Success factors

All other relationships have weaker relationships. A summary can be found in the appendix of the promotional work. As family businesses are generally inhomogeneous entities, mathematical respectively statistical research has to be conceded to having boundaries¹⁵⁸. As a result, all 14 key factors might have specific impacts in specific cases. The expert round has commented on the presented key factors and concluded that the factors are in general supportive for effective succession¹⁵⁹.

4.3.2. Relationship of Effectiveness of Succession and Outperformance

Besides the correlation of key factors and effectiveness as described above, it was further assumed that there is a relationship between effectiveness of succession and performance of the business. The underlying assertion was: if succession is effective, business performance improves. In the study, performance was judged by the respondents (in both the qualitative and the quantitative research part) giving answers on six key performance indicators¹⁶⁰. Against this assumption, the regression analysis did not show a significant correlation between effectiveness and performance of the business.

¹⁵⁸ An overview of the obstacles when researching family businesses has been published in BAUR (2012).

¹⁵⁹ Expert 3: *“In general these key factors support effective succession”*. Expert 2: *“yes, especially if one understands effectiveness to be also sustainable and crisi-proof.”*

¹⁶⁰ Market position, productivity, innovation performance, employer brand, liquidity, profitability; refer to 3.4.3 for a detailed discussion.

assumed to be headed by the family system. The family system – consisting of parents, children and in-laws - defines basic values and world beliefs that influence the ownership system. Ownership in turn affects the business system by defining normative rules and principles that comply with the basic family values and world beliefs. These normative rules are assumed to have a strong influence on the framework within which the successor is able to act respectively to manage the business. The successor is thus influenced by his/her own personality and the framework the ownership system provides. Subsequently, each subsystem has superior systems that influence subjacent systems either directly or indirectly. This work assumes that outperformance is achievable on the basis of an effective succession. Expressed as an equation, the function for outperforming successors is the sum of two functions involving the systems family, ownership, personality and effective succession.

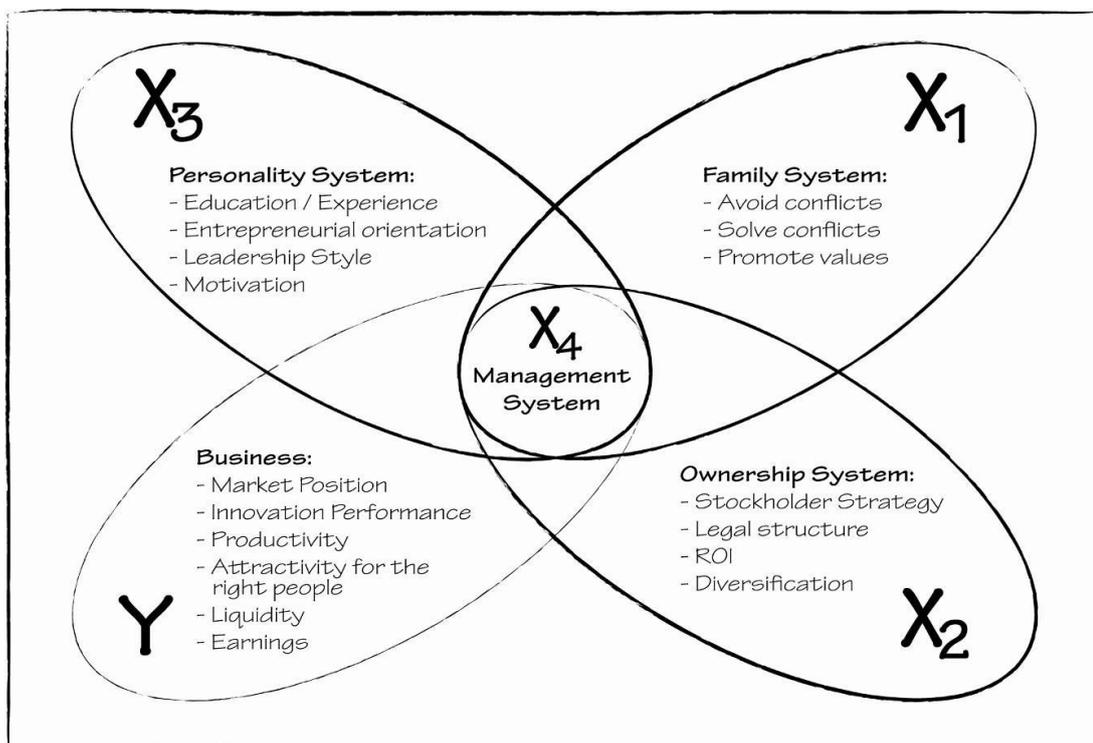


Figure 4-1: Structure of dependent and independent variables¹⁶³

The following equation shall explain the above mentioned relationships:

$$Y = f(x_1 + x_2 + x_3 + x_4)$$

for

¹⁶³ Created by author, 2012 (based on Weißman & Artmann, 2007, p. 21)

$$x_4 \rightarrow f(x_1 + x_2 + x_3)$$

$$x_2 \rightarrow f(x_1)$$

where as

x_1 ... family system, x_2 ...ownership system, x_3 ...personality, x_4 ...succession process, y ...outperforming business

Whereas the analysis of the quantitative part of the research confirmed that the family system is in fact the top rated system when it comes to effective succession, it cannot be confirmed that the ownership system is more important than the other systems (personality, or management). The results of this variable are summarized in the table below:

	Very important	Important	Neutral	Less important	Not important	no answer	
Family	32 64%	11 22%	6 12%			1 2%	Total: 50 x: 1.47, std: 0.7
Business/Management	28 56%	18 36%	2 4%	1 2%		1 2%	Total: 50 x: 1.51, std: 0.67
Your personality	20 40%	22 44%	7 14%			1 2%	Total: 50 x: 1.73, std: 0.69
Ownership	6 12%	26 52%	14 28%	3 6%		1 2%	Total: 50 x: 2.29, std: 0.76

Respondents count over all rows (n): 50 - Empty cells contain the value 0. Total arithmetic mean of row's means (whole table): 1.75

Table 4-18: Importance of the four family business systems

The family system is ranked as most important system with an arithmetic average of 1.47; ranked as second position is the system Business/Management with an arithmetic average of 1.51. This supports the theoretical outcome of the qualitative research results concerning hierarchical importance of systems only for the family business system but not for the other family business systems. Confronting the expert round with these results revealed that the experts as well estimate all subjects to be equally important in general¹⁶⁴.

¹⁶⁴ Expert 2: "you have to find the right balance of all systems".

4.3.4. Management-Model Innovation for Effective Succession

The analysis and interpretation of qualitative data revealed several propositions that might support successors in effectively succeed a family business. Executing a survey with 65 participants responding showed that the majority of the propositions are supported to be success factors for succession. By analyzing and evaluating the propositions, the propositions were translated into key factors. An expert round (including a family business consultant, a family business tax consultant, and a family business lawyer) who was confronted with the results has found the proposed key factors to be applicable for successors. By using the framework of Systems Theory and incorporating these findings into four categories, a new model for effective suggestion emerged (see below). Effectiveness is perceived if personal and contextual goals have been reached straight forward and without irritation for all family members.

The model describes: successors shall actively involve themselves when planning and executing succession and there are specific key factors for successors to achieve an effective succession. Thereby, the key success factors can be organized into four systems (or categories): the personality of the successor, the ownership, the family and the management system. Each system contains success factors which are proposed to be considered when planning for or executing succession. All key factors are developed in chapter 4.2 (as propositions) and connected to the survey results in order to evaluate how much successors asses these propositions as key factors. If success factors were strongly supported they are ranked on top in the model below; if factors were weakly supported they are ranked further down (see also proposition matrix in appendix). However all key factors are of importance, whether stronger or weaker supported in this study as family businesses are in general heterogeneous and each case will have its specifica. In this sense, every factor proposed is worth to be reflected when planning for succession. Additionally, literature suggests additional factors to be considered. Therefore, this model cannot be seen as all-encompassing; but it can partially support successors to be more effective and successful.

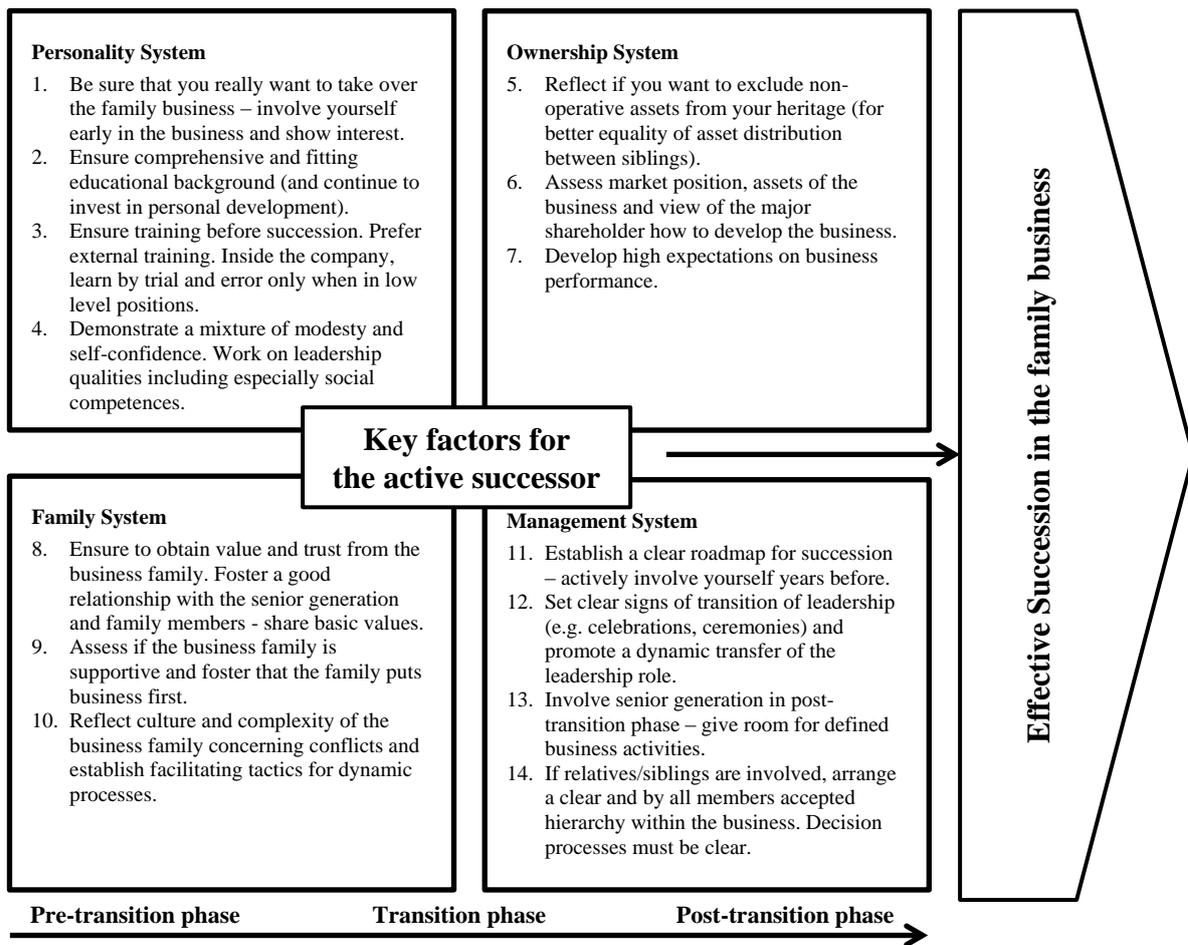


Figure 4-2: New Model: The Successor’s Model for Effective Succession¹⁶⁵

This model named “The Successor’s Model for Effective Succession” (SMES) was designed to provide a dense overview of the factors that support effective succession. As a premise, the study proclaims the picture of *the active successor*. In this sense, effectiveness of succession is supported if successors involve actively when planning and executing succession. The study assumes that an effective succession is a basic precondition for improving the performance of the business. Thereby, each system has its own rationale as each system follows a different set of rules (see Systems Theory in theoretical part). The key factors are transformed to conclusions and suggestions addressing prospective successors in the chapters below. The timeline shows a pre- and a post-transition phase in addition to the commonly known transition phase. Generally, all the systems are relevant and have to be considered when aiming to effectively succeed a family business. However, while personality and family system seem to be more relevant in the pre-transitional phase, managerial and ownership

¹⁶⁵ Created by author, 2013

issues are of higher importance during the transition and post-transition phase. While diverse authors (i.a. Dawson & Hjorth, 2011, Murray, 2003) have argued to enhance the view on succession by looking more closely at early stage activities¹⁶⁶, the work revealed that – for a successor – succession is not completed after inauguration. In fact, several family-business-related issues have to be considered especially after inauguration in order to be continuously successful as a successor (see suggestions below for details).

4.4. Results Summary and Novelties

Definition of the family business

The definition of the family business has been under investigation since the early beginnings of the research area. Researchers have agreed to distinguish between quantitative and qualitative measures to define the family firm. Furthermore, the existence of the reciprocal effects of the systems family, ownership and business has become widely accepted and applies as a universal framework. However, the academic discussion on the definition of the family business is still ongoing. In an attempt to foster the discussion on the definitional issue, the work offers a comprehensive and structured list of a multitude of definitions (see appendix V) and a novel perspective based on a life cycle approach to differentiate the family business research against entrepreneurship research (see chapter 1.2 or BAUR 2016).

Supporting the research framework

By contextualizing methodological research principles to this specific field of study, the work has introduced a novel list of research-field relevant factors which generally influence research designs in this specific research field with the aim to advancing the research framework (see Baur, 2012).

Perspective of the successor

As a novel approach, the perspective of the successor on succession was object of the study. This revealed a novel perspective on succession in family businesses.

Relationship of key factors and succession effectiveness

¹⁶⁶ In this work “pre-transitions phase”

The analysis and interpretation of qualitative and quantitative data generated several propositions that support the effectiveness of succession (4.2). Some of these propositions correlate significantly to the effectiveness of succession, some less significant (see 4.3.1 or appendix). However, as every succession case is unique, a prospective successor is well advised to consider and assess all propositions offered. An expert round has confirmed all key factors to be valuable for effective succession.

The main assertion (**thesis**) of this work is:

The more certain key factors of the family business systems are considered, the more effective is succession.

In the sense of the sequential exploratory research design, the theses set forth to be defended can be confirmed.

→ Qualitative part: 17 propositions for key factors emerged.

→ Quantitative part:

- α -value for key factor A.2 = 0,037
- α -value for key factor A.4 = 0,018
- α -value for key factor C.3 = 0,002
- α -value for key factor D.3 = 0,001
- α -value for key factor D.4 = 0,012

→ Expert round: commented to estimate all presented key factors to be improving the effectiveness of succession.

New management model for the active successor

By using the framework of Systems Theory and incorporating the findings into four categories, a new model for effective succession emerged (see chapter 4.3.4). This guiding framework named “The Successor’s Model for Effective Succession” (SMES) provides a dense overview of the factors that support effective succession and shall support prospective successors when planning for succession. Literature suggests a multitude of factors that increase the success of succession. However, as literature mainly provides factors to be considered for the senior generation, the novelty of this work is the presentation of success

factors for the next generation – the successor. A premise thereby is that the successor is intending to actively involve in planning and execution. A timeline in the model indicates a pre and a post-transition phase in addition to the commonly known transition phase. While diverse authors have argued to enhance the view on succession by looking more on early stage activities (pre-transitions phase), the work revealed that – for a successor – succession is not completed after inauguration. In fact, several family-business-related issues have to be considered especially after inauguration in order to be continuously successful as a successor. The model shall be understood as a management model for successors and is intended to support when planning and executing succession.

Correlation of succession effectiveness and business performance

It was not possible to statistically confirm a significant correlation of effectiveness of succession and business performance (4.3.2). Out of 13 cases studied 11 have shown an outperformance since the inauguration of the successor. The work assumes that outperformance was possible as the successor experienced an effective succession. The two ineffective cases confirmed the assumption as the successors related their mediocre business performance to deficiencies of succession. While statistical analysis did not indicate a significant relationship between effectiveness of succession and business performance, an expert round concluded that effectiveness of succession might build an important basis for further business success. In general, all dependent variables showed α -values of 0.2 and higher.

Hierarchical order of family business subsystems

Concerning a potential hierarchical order of family business subsystems, the data did not provide a sufficient basis to identify significant correlations or argue on a ranking order (4.3.3). However, to identify hierarchical orders of subsystems was not a main task of this work and shall be offered for further research.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions for Prospective Successors

“The ultimate aim of family firm research is to inform, lead, enrich, and guide managerial practice” (Zahra & Sharma, 2004). In this sense, the following conclusions are addressing prospective successors with the intention to support when planning and executing succession. The investigated cases show that family business succession must not be doomed to failure a priori. Majority of the investigated cases demonstrated an effective process of succession. The expert round has reported to having moderated and assisted several succession were successors have been taking an active role in planning and execution with a noticeable effect of better effectiveness of succession. In the sense of Haag (2012) who suggested viewing succession as a process where the successor is a “part of it” rather than “taking over it”, potential and prospective successors are invited to assess the offered key factors and mirror their specific case. The model SMES respectively the set of key factors developed in this work are offered to stimulate thoughts as well as to check the relevance to and overlap with the successor's individual situation. Thereby, the model is based on four categories: Personality System, Ownership System, Family System, and Management System. Each of the system has to be considered and analysed when planning or executing succession.

It was not possible to statistically confirm a relationship between succession effectiveness and business performance. However, experts concluded that an effective succession may build an important base for further success of the business. Further, it was not possible to identify a hierarchical order of the family business subsystems. However, it was possible to identify significant relationships between key success factors and effectiveness of succession. Whereas some were more relevant, some had weaker connections. However, as every family business case is specific – and this is an idiosyncratic aspect of family businesses – a successor is well advised to assess all propositions made.

On the personality side of the successor, he/she should consider his/her level of relevant educational background and plan the ways in which he/she will continue to invest in personal development. Furthermore, an effective successor should organize intensive trainings preferably outside the company. Inside the company, he/she should facilitate an environment

where he/she has the freedom to learn by trial and error and this is only wise in low level positions. The freedom to learn by trial and error should be based on a respective culture permitting to make failures. However and as experts commented, there is danger of losing authority and to get negatively stigmatized (by employees). If a successor starts in high level positions, he/she must ensure to be supported by external advisors. Furthermore, successors should consider that there is an advantage to get to know other companies as there is always a danger of organizational blindness.

Effective successors should check their entrepreneurial orientation and their true willingness to take over the responsibility. One question to be answered for example is whether successors have a deep-rooted motivation and whether they get involved early in the family business. Deep-rooted motivation thereby stands for the reflection of the inner and very basic motives. Early involvement (in the business) supports identification with the business. Each business has its' specific organizational and cultural environment as it acts within a certain field of business. The author has met prospective successors who consciously decided against succession as they have questioned their personal "fit" to the family business (personal values vs. business values) before succession whereas they concluded that there is no fit. In this sense, early identification ensures that the successor has enough insight into the family business and its' cultural environment so that he/she is able to better assess the situation.

Experts commented that to involve the successor is generally positive, however, if the successor experiences the business as the reason why the father is working too much, this may negatively influence. For the senior generation, it is important to find out who of the children shows an interest in the business. Thereby, it must be considered that children can be influenced (by the father). In this sense, a successor has to show a clear interest and the motivation should not too much be manipulated by the parents.

Prospective successors should also assess their career and life goals, and they are advised to check the overlap between their life goals and the business role. It is further important to know ones personality traits and leadership skills whereas – besides integrity and commitment to the business - a mixture of modesty and demonstrated self-confidence seems to be advantageous. Modesty thereby points towards the ability to place the business and its long-term survival before individual (and business family member) interests. Self-confidence

means to be sure of oneself and of the good personal judgment and abilities; in this sense, to be able to live up to expectations.

Experts confronted with these results agreed on this view but commented that this may be attributed to a specific cultural area only. Modesty in the area where the research has been done is perceived to be positive. This can be different in another area. Further, generation Y eventually interprets modesty negatively. Further, males and females are different and age makes a further difference: with 55 one is different than with 25. Also, the characteristics of being even-tempered, introverted or extroverted can independently contribute to success. Important traits according to experts are: competence, to be goal-oriented, to have leadership skills. One expert commented that a successor has to be a true CEO "Chief Entertainment Officer". In this sense, the experts concluded that social competence is more important than professional competence.

The ownership system demands a distinguished exposure, as effective successors prefer owner-managed structures, which can limit complexity of future transitions. Possessing a majority of shares keeps agency costs low and successors are able to work efficiently. Additionally, when siblings are involved, prospective successors should assess the overall capital and estate parameters to check for potential and meaningful division of assets before succession takes place. It is a meaningful and reasonable move to exclude non-operative assets from the business to improve equality of asset distribution in order to maintain family unity while keeping the core of the business under full control.

Successors interviewed typically took over a well-positioned business. Further, the cases observed indicated that these successors sometimes have higher expectations for good business performance. This increases business performance, but it may lead to transgenerational conflicts (if interests of the senior and junior generation are contrary; see conflict potentials in 2.4.3). In this sense, successors should assess the view of the senior generation (typically the major shareholder) how to develop the business. Depending on the involvement of the predecessor, a prospective successor should assess the overlap of his/her own values and goals. This requires engaging with the business' financial situation before taking over. The installment of an advisory board can be a positive facilitating institution to moderate and balance the needs of the two generations. Furthermore, it is recommended to assess the future economic survivability of the business; a topic not easily to discuss with the

senior generation; here as well an advisory board or external business consultants may be a good supportive option.

The research results show that the family system influences the success of succession. Literature suggests that the interests of the business and the business family should be balanced. However, the cases studied show that effective successors have business families that put business first which stays in contradiction to existing literature. Depending on how the family is structured and involved within the business, prospective successors are advised to instantly assess whether the business family is consuming or creating value. The successor is advised to improve the family's notion on the business if necessary. For example, the family should define what they want to achieve with their company. Sometimes, Sunday works are necessary and this should be supported by the close family members. If more family members are involved (e.g. siblings as stakeholders), an advisory board who balances the needs of the business and family could be of advantage and the successor is advised to assess if a board is needed and – if so – promote to install such a advisory board.

Effective successors also mentioned the importance of a good communication culture within their family and stressed the importance of acknowledging the existence of different opinions. Prospective successors may check their own but also their family's culture of fostering constructive debates. Experts comment that the ways how conflicts are solved are always different, depending on types, sex and age. In any way, building structures to preventing stalemate is an important aspect. In this sense, it is important to define legal forms for controversies (e.g. define tie-breaking votes). These aspects are reported to be not considered much in practice (a parallel to marriages). Often, the senior generation shapes the frame conditions; once he is not there anymore, troubles between siblings start. Generally, it is important that prospective successors obtain and value the general trust exhibited by the family, which is rooted in the fact that they share basic values with the older generation.

Further, it seems to be of importance to have or foster a good relationship with the family, especially with the major shareholders, by exhibiting a respectful behavior and applying constructive and supportive communication techniques. Literature often suggests that the senior generation has to be able to make a clear cut with the business and emphasizes the importance of alternative goals and perspectives for the senior generation after succession has taken place. This is true as having new perspectives facilitates inner separation. At the same

time, is of advantage to use the knowledge and experience from the older generation. In essence, successors are advised to involve the senior generation in the post-transition phase – to give room for defined business activities. The cases investigated showed that effective successors have a supportive senior generation that can let go of their role. However, successors mentioned how difficult it was for the senior generation and sought alternative strategies to involve the senior generation after transition has taken place. Furthermore, the research revealed that effective successors use the knowledge of the older generation for as long as possible. The relationship between successor and predecessor is of course important to make use of the knowledge of the senior generation¹⁶⁷. The importance is also given as eventually additional key staff leaves during succession (typically it is not only the predecessor who leaves but also other important management personnel).

The management system comprises certain aspects that influence especially the post-transition phase. Successors who were able to outperform their business competitors seem to have a clear understanding of how family members (siblings, parents or other relatives) should be involved in the business. Involvement can either exist by possessing a certain controlling power over the shares or by being employed in the business, as one has a certain role within the company. Successors who had no siblings, relatives, or parents who would be involved in the business management and strategy development, mentioned the importance of having only one sole decision-maker at the top of the business. It simply reduces complexity and fosters a fast and uncomplicated decision-making process. Prospective successors might therefore aim to become sole decision-makers in the business. Depending on the overlap of common values exhibited by all siblings, prospective successors should either avoid involving siblings (or other relatives) in the business, especially at the strategy-relevant levels, or at least have a clear and by all members accepted hierarchy within the business to reduce inbuilt complexity. Certainly, the conception of family members working together appears to be nice and mutual support may ideally emerge. Also, there may be a number of cases where siblings together successfully run their family business. Experts report that, subordination does not always work and 49:51 shareholder-configurations are difficult at the end. The cases investigated exemplify and therefore suggest such a rather radical approach (a rather one-sided dogma to avoid working with siblings within one operating business). Anyhow,

¹⁶⁷ see also Hatak and Roessler, 2015

stalemates have to be avoided. Eventually the business can be divided, so everyone is able to make decisions. Whereas hierarchy is one thing, it is generally important that decision processes are regulated clearly.

Successors today are usually well-educated and in the cases investigated, they are better educated than their predecessors. Usually, this leads to modified business goals, the implementation of which changes organization and culture. Especially in family businesses, researchers have observed different organizational structures and cultures when it comes to change. The study revealed that there is indeed a relationship of strategy implementation and preeminent family business idiosyncrasies. As family business usually pulls employees toward their organization at an early stage, the employee's loyalty is reported to be high. This in turn also results in certain expectations of the employees from the business, such as workplace safety. Quite typically, a successor has worked together with various employees in various departments who instructed and supervised them during their internships. One can imagine how complex it is when a successor wants to change job descriptions, job roles, and responsibilities of workers, or even lay off personnel. Prospective successors who intend to grow the business by implementing new strategies to change the organizational structure should therefore consider possible difficulties when managing the change processes due to (too strong) ties with the staff and a rather harmony-minded family culture that is mirrored in the business arguing culture. Effective successors who show outperformance of their business adopt business strategies and implement them, although they have to overcome a number of obstacles, especially in family businesses.

The event of transferring the leadership role within the business is a final and important step in a succession process. Effective successors collectively reported to have set up a clear roadmap for succession, which subsequently expedited a quick and visible transfer of the leader's role. Prospective successors should therefore assess how clear signs of the transition can be made and at what stages of the succession process. Typically, setting signs involves celebrations and ceremonies. Depending on the personality of the successor he/she might more or less need ceremonies. For improving organizational acceptance and improving the effectiveness of succession, it must be considered that ceremonies are important for senior generations and employees.

As the study exemplifies, effective succession is fostered when successors involve themselves actively in the planning process. In one case, the successor was directed to plan and execute the whole succession process. The outperforming successors studied in this work have showed that active involvement and the conscious management of the process (e.g. handling the succession process with the tools of project management) has led to fast and goal oriented succession phases. Although literature highlights the importance of involvement of the successor in the family business in general, the notion of the active and influencing successor who creates and manages the succession process (in contrast to just “being inaugurated” because the senior generation has arranged it and is now willing to let go) is be a critical factor for successful succession.

5.2. Limitations

Although this work is the result of a couple of years of intensive engagement with the topic and the authors personal involvement in the family business which has contributed towards the perception of the family business research, the work at hand is far from being without limitations. These limitations pertain to methodological issues, specific research field issues, research strategy decisions and further researcher related issues that shall be described below. These limitations have a potential effect on the quality of the findings.

Methodologically, the work at hand followed a sequential exploratory research strategy. Due to the research approach chosen, the work at hand naturally cannot provide clear evidence about right or wrong, good or bad preconditions for effective succession. The analysis and interpretations of the qualitative data lead to the development of propositions. To evaluate the findings, a survey was executed including 65 answers followed by an expert round to discuss the findings and transform the propositions into key factors.

The research strategy puts weight on qualitative research but supports with quantitative elements. In qualitative research, which is interpretive research based on a constructivist worldview, the reader has to consider the background of the researcher. Although the professional and educational background is described in the appendix of the work, the work is never free from bounded rationalities and a specific set of beliefs that shape the interpretation of the results. It has to be recognized that research methods are generally limited by the social,

cultural and historical background of the researcher/interpreter (cf. Creswell, 2009). Interviews – as a tool of data generation – are underlying typical sources of errors (cf. Friedrichs, 1990): formulation and alignment of questions, behavior of interviewer, reliability issues, and validity issues (correspondences of words and action). Concerning the research approach, it must be considered that the main research issue involves developing questions with discrete content addressing personal contexts. The nature of the study therefore implicates a necessary sensitive insight into personal lives of the study participants. To obtain meaningful insights, certain openness was necessary which is only attainable through personal interactions in a confidential environment.

The research field of the family business itself is complex. Various institutions recognize the existence of the multitude of academic disciplines, methods, and research questions involved in the research field. This mixture of academic disciplines is of increasing complexity for the researcher who is coerced to collaborate with many fields. This work tries to bring together key factors for effective succession. These factors are assigned to diverse systems with differing rationales (personality, ownership, family and management system). This multidisciplinary approach satisfies indeed the general concept of the family business, but it runs the risk of losing knowledge when translating from other theories, as translations can never be perfect (Zahra & Sharma, 2004, p. 339).

The research was designed to interview successful next generation managers of family firms in German language (successors from medium sized family firms in Austria, Germany and Switzerland). The subsequent translation of the relevant parts of the transcript from German to English language might degrade the quality of the interpretations. To counter this, the relevant selected and translated material in the transcript has been proofread by a professional proofreading service. Still, the individual usage of terminology and semantics may limit the work.

Furthermore, all cases were geographically close coming from a relatively similar cultural environment (Euregio Bodensee consisting of the close-to-the-boarder-parts of Austria, German, and Switzerland); the results therefore might be different for other regions or countries. The study investigated (only) 13 cases, which might be considered insufficient. However, the depth of the interviews (of which some lasted up to two hours) and the extensive analysis of the data should balance this limitation. Additionally, to gather more

data, an online-survey was executed and the proposed key factors have been presented to the interviewees, to experts (expert round including family business advisors, family business experienced lawyers and family business tax advisors, FBN Austria); they have confirmed the key factors to be applicable for the managerial practice and generally helpful for prospective successors.

The time and period (outlined in the introductory part) of the study does rather not limit the work. This is the case, as the applied method to assess performance of the business did consider the development of the business *compared to the competition*. Subsequently, business sector maturity stages (e.g. life cycle decline phase of a sector) or economic parameters are excluded respectively neutralized. Still, the assessment of each of the six performance indicators has been made by the successor him/herself. Although not observed during the interview, there may be a risk of exaggeration.

5.3. Suggestions for Further Research

Scientific work should ideally provoke further research. The study at hand explored important aspects that increase the effectiveness of succession in the family business. In essence, does the offered management model support effectiveness of succession different types of family businesses in different places? What factors can be added and how can the model be developed? Based on 14 key factors presented, further questions can be derived:

- How does the freedom to learn by trial and error inside the family firm influence the effectiveness of succession?
- How is willingness (to take over the responsibility) related to a deep-rooted motivation and early involvement?
- How can modesty and self-confidence of the successor be increased and how much is it related to effective succession?
- How do successors perceive key staff losses during succession in the family business, what is the impact and what strategies do successful successors implement to counter against the loss of knowledge?

- If effective successors avoid working with siblings, what is the impact in the family system and what are the strategies to balance the needs and interests of the family members?
- What is the relationship of strategy implementation and preeminent family business idiosyncrasies (e.g. usually harmony-oriented family culture which is mirrored in the business culture and the circumstance of close ties of the successor with the personnel due to early involvement in the business which influences the implementation of (radical) changes in business structure)?

More generally, when researching family businesses, various factors influence the research design and have to be considered (see 3.2). Thus, advanced research should further explore the impact of family business contextual factors on research designs. Furthermore, the longitudinal nature of succession gets often faded-out in research. The study revealed that good pre-conditions for effective successions are set very early. Thus, further research should explore succession in the family business applying a wider period of examination (longitudinal studies).

Concerning a potential hierarchical order of family business subsystems, the data does not provide a sufficient basis to identify a significant correlation. However, to identify hierarchical orders of subsystems was not a main task of this work and shall be offered for further research.

The study of outperforming successors at hand revealed that successors tend to influence and manage the effectiveness of their succession. The advantage of the active involvement of the successor in the succession process is a further aspect that might be more deeply considered in the research field. Therefore, what is the impact of the active and influencing successor who creates and manages the succession process on the effectiveness of succession? The new model for effective succession presented is based on a systems theory framework. Further research might investigate on the hierarchical structure of the four categories (personality, family, ownership, and management) as suggested in 4.3.3

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APPENDIX I: Example Transcript - Interview 4

Interview 4

START #00:00:00-0# (Procedure explanations excluded)

1. I: So, thank you again for taking the time. In comparison to the competition, how has your market position developed since you've been active: is it better, worse, or has it remained about the same? #00:00:40-8#

2. E: Better. In other words we've been able to gain market share. #00:00:50-2#

Good, and if we look at innovative performance - again, would you say better, worse, or the same - how has that developed since the takeover? #00:01:03-0#

3. E: Better. In the third generation, where we are today, we have now been able to implement new technologies. A particular example is cleanroom technology, which is something we were previously unable to do. The product range is continuously expanding, so in other words, it is ongoing. But in our company we have a basic principle whereby we say we would like to generate 10% of the turnover from new products. Sometimes we achieve that, sometimes we don't. But in general, we're experiencing growth, even in the area of innovative development. #00:01:38-8#

4. I: OK, taking a look at productivity, in other words turnover per employee, for example - how has that developed? #00:01:47-6#

5. E: Also positively, because it is a basic requirement for the company to be able to develop. In the past, this was based on gut feelings. Today we have a system in which we call PxGx. PxGx means having a progressive approach and that productivity has to undergo continuous improvement, otherwise we won't be competitive. #00:02:10-3#

6. I: I understand. Looking at the competition, how has your appeal as an employer developed? #00:02:25-6#

7. E: Hmm, looking at the competition, and even the direct competition, they are more or less in a poor financial situation. We are a profitable company that is experiencing an equally positive development in the labour market. Not only in terms of Occupational Health & Safety but also in terms of education and further training. And this can also essentially be seen in the level of affiliation to the company. In this respect, we doubtless also have advantages over the competition. #00:03:02-4#

8. I: Just two more questions with regard to commercial success. How has liquidity developed in comparison to the past and since the takeover? #00:03:12-8#

9. E: I would say it has remained about the same and stable in comparison to turnover. #00:03:24-7#

10. I: In other words, nominal growth and comparatively stable. #00:03:30-4#

11. I: And profitability? #00:03:38-6#

12. E: That can vary considerably depending on the sector. The best financial years in the history of the company were 2009 and 2010. Those were in the new generation. #00:03:46-2#
13. I: OK, so in that respect, there has also been good growth. Good, thanks. Let's talk about succession in general. As a warm-up then, what was the basic approach, what did the transitional phase look like? #00:04:12-3#
14. E: Well, the plan and serendipity were closely intertwined. Basically, it was the case, that due to the family structure - in other words, at the time when the handover took place and I joined the company, that was 1998, I was the only one of the three sons who had the ambition of joining the company. The other two weren't interested. I then had a mentor assigned to me, and in - sorry, let me revise that, it was 1989 - I worked as a production assistant. I had also been trained in the company's core business and, err, by 1995 it had already actually become clear that I would be the successor, in the operative part of the business at least. I then worked my way through another few positions as planned. Then in 2000 the call to me became even greater. At the time I was still the CEO of a subsidiary company, and then my father decided to step down slightly earlier than planned. In 2002 I therefore became joint CEO. In other words together with my father, who then in 2003, due to an ideal personal relationship, said: you're getting on with the team there, and retired as CEO in 2003. #00:06:15-0#
15. That's on the operational level. At this time, in 2000, we began to review specific aspects of corporate law, completely separately from the operational side of things. At the time, the company comprised two separate companies, XXX and YYY. My brother took over YYY, and then the entire company assets were essentially split between the three sons and the companies were evaluated according to the same process. The small company YYY then went to my younger brother, who therefore only received a minority share in XXX. This means that the entire assets of the company are fairly distributed among the three of us. This resulted in two equal shares of XXX and an unequal share of the older brother because he had taken over YYY by himself. Then founded a trust and said we want to manage a trust for the event of our father's death and an endowment. And we did this because we didn't have the inheritance tax in cash at home at the time, because we've always invested all the money in the company. And that's where the idea for the trust came from. In 2007, the inheritance and endowment tax situation led to father transferring the handover project to me and I was in charge of concluding the project. Since I had already been in the company for almost 20 years, my two brothers waived their rights to small shares in the firm and signed them over to me. The basic idea has always been that there must be a key decision maker. #00:08:29-1#
16. The remaining share of the votes up to 51% were then notarially assigned to me and this was enshrined in the articles of association, as it was the wish to have a single decision-maker. And that was then completely rolled out in 2008. #00:08:49-1#
17. I: OK, so, originally, from the point of view of the family there was a fair distribution, and over the years you have managed to achieve a majority in order to be able to run the company efficiently. However, that means that there are still other shareholders involved today, in other words your brothers. #00:09:19-0#
18. E: They are involved, but I hold the majority of the votes. I am the sole decision-maker. #00:09:25-5#

19. I: Is it more than 75%? #00:09:31-4#
20. E: No, it's more than 51%. #00:09:33-8#
21. I: OK, good. That sounds very efficient and sensible. From the point of view of the successor, would you consider that efficient? Did this way work? #00:09:56-4#
22. E: Yes, it was perfect. There's not a single comma that we would change in our succession plan. It really was an exemplary handover from our parents because it wasn't just a formal handover. My parents also played an informal part, withdrawing and basically handing over all decision-making to me. But that was already at the point where I had been CEO, and in 2003, when he appointed me joint CEO, he had essentially already handed over all decisions to me, and today, information is exchanged among the family. However, all decisions clearly rest with me. #00:10:46-0#
23. I: Yes, and since we're talking about the family system, your father plays an important role with the way in which he withdrew and handed over. Your mother as well, I presume. If you consider the influence of the family, what proved to be an advantage? What was a help and what was a hindrance to the process functioning so well? #00:11:12-8#
24. E: Well, nothing was a hindrance. Nothing got in the way because everything they did was helpful. My mother had never been a shareholder or on the board. In this respect, she was not involved in the process at all, just retired at her pensionable age. She wasn't involved in the handover process either. And the very clear structure my father had established was a help. The fact that he had stuck to his agreements, word for word. And the most helpful thing was, of course, that he trusted in me 100% as CEO of the new generation and never questioned my decisions, but accepted them. #00:12:07-1#
25. I: Yes, I think this trust is very important. It has to be there. Did you personally feel up to it during this phase? Did you trust in yourself? Or was it clear cut for you? #00:12:31-2#
26. E: Of course you have a certain amount of fear of failing. That's always there. Anyone who says they're quite relaxed about it all is lying. They'd get caught out. I was sure about one thing - we had a good team at the time and I knew I could work with this team. And that was the case. I've always enjoyed it. The whole team trusted one another. There has always been a clear division of responsibility within the management team. These structures were clear to all. And the fact was simply that I always have the last say. From this point on, I was Chairman of the Board. Even with respect to the operative area of production under me. I've therefore also been fully involved in the daily business. From that perspective, there is always a certain amount of respect and fear. I always compare it to a Formula 1 race. If the racing driver doesn't respect the speed, he is closer to having an accident than he thinks. And it's basically the same thing when managing a company. #00:13:58-1#
27. I: Other successors that I've interviewed have said that in a previous phase they've already experienced a failed project. They've seriously failed at something. Had you previously failed or not? Did you learn anything from it? #00:14:26-3#
28. E: You are always learning before and afterwards. Because when you look at it closely, everything you do, you can always do a little bit better than you have effectively done. Any mistake that occurs in a company - whether it's

something an employee's done or I've done - is a small failure. In my opinion, you always fail at something every day. I mean that you have a target, and you almost achieve the target. It is successful, just not in the way you'd imagined. It's not exactly what I'd call failure though. We've been lucky that 51% of all of our decisions have turned out to be the right ones. And if you look at the company today and can say, OK, we're profitable, not insanely profitable, but we have an equity ratio of more than 70% and gearing of less than 1 year, then I think you can say that there never has really been a failure. But there are projects, for example, the small "XXX" that I opened in Vienna as a personal side project. That has been a gigantic success for the customers and for the employees down there. Everything's great, except for the fact that we're not earning any money. And that, for me, is a failure. So, once you've basically identified a failure, and are prepared to correct it, then at some point you can say: "OK, we haven't failed, we've grown from it." #00:16:23-1#

29. I: Would you say that the family has certain values or behaviour patterns which are pronounced in you all and have helped you personally to step in as successor? #00:16:43-8#

30. E: Yes, modesty. #00:16:46-0#

31. I: Modesty. And this expresses itself in ...? #00:16:58-5#

32. E: Modesty. If you have a company the size of ours today and you see the Euros rolling in and you become the successor and see the enormous financial capacity essentially being minted here, then you need to be modest enough to say: "that's the company - the company needs the money and you have to put yourself on another level entirely in your private sphere." That is something we've certainly inherited from our father. Definitely. In comparison to the size of our company, we try to lead a very modest and minimalistic life. We concentrate on the task in hand. And that basically makes it easier not to take on all the dirty baggage around you. And I think that was the most important thing in the handover process. #00:17:43-6#

33. I: That's also reflected in the equity ratio. #00:17:46-2#

34. E: It is. #00:17:48-2#

35. I: OK. Going back to the business again. Since you started, have you changed any specific strategies or the way in which strategies have been implemented? What incentives have you introduced? From 2003, for example. #00:18:19-8#

36. E: Well, with regard to strategy - I'm a fan of "never change a winner". In other words, what we've done in the past has been a success and remains a success. In other words, I don't have to reinvent the wheel. That often doesn't work. Errm, you only become faster and more efficient at the things you do. When you've reached a certain level of development, you can only proceed with small steps. The large jumps in growth aren't usually there. But what's changed? When my parents left, two important key players retired. That means that I'm their replacement. And in that respect I've surely looked at some other cultural aspects. In other words, we used to be very hierarchical. Today, we have a more cooperative management style. This is also because we wanted to become a more attractive employer. In other words, while we have, shall we say, a strict style of managing the business, we have definitely changed in the way we deal with people and the meaning they have. Today, we're like an orchestra. There is a conductor, but the employees have to play the instruments. And we clearly view the company as our employees' stage. We try to operate this way, and I believe we do operate this

way. It can be improved upon day by day, but we're on the right track. #00:20:05-2#

37. There have been big changes to make us more structured. We used to be a bit chaotic and led according to instinct. That is definitely the new generation. However, it's not just my achievement or my change - I've allowed things to happen in a slightly different way to the previous generation. With the new generation, we've gained an awful lot of new knowledge, and we've generated, exploited and allowed that. That means, be that a new approach, a new process or a permanent improvement process, where we say, OK, we've identified a problem here, we don't fix the problem, but the cause. This culture, I mean. It's internal, it's not very measureable. #00:20:57-4#
38. In the new generation, we've certainly also decided to continue on our course of growth and have approached new countries. We've done that. And, I would like to point out, that since 2003, we've achieved a growth rate of 100%. #00:21:21-8#
39. I: Through new markets or competitor displacement? #00:21:28-2#
40. E: New markets, new products, and competitor displacement too. Acquisition. The current generation has already acquired two companies. In 2004, we bought a company that was generating a turnover of 14 million at the time. This subsidiary has already made an acquisition of its own. And together, these two companies have a turnover of 45 million Euro today. #00:21:59-2#
41. I: Have you been able to keep up with this pace that you've set yourself with the existing team, or have you had to create other structures? #00:22:10-5#
42. E: Existing teams. Well, the management team is completely new. Only the CFO from father's time is still here, whereby he actually came back with me at the same time to our company. The sales team is completely new and the sub-structure below me has been completely restructured, and purchasing has also been completely reorganised. #00:22:46-6#
43. I: I find that interesting because, as they say that family-run companies are generally somewhat change-resistant. Many roles grow over time. Many have been there for a long time, employees are bound to the company. Conversely, the employees also expect the company to show loyalty to its employees. That is almost expected familial behaviour and thus, as a result, it is often difficult to implement a change in strategy with the old team. And that's where I'd really like to get dig a bit deeper again. Is it really the case that you thought, I can't do this with this team - I'm going to have to change it, or did it just happen that they left anyway, or how was it? #00:23:42-1#
44. E: It was an enforced blessing, in other words, half and half. On the one hand, three pillars of the company had retired. My father, the sales director and my mother. Relatively close to one another within a decade. And the production director had always been a somewhat difficult person and at this point no longer fitted in at all well in the family structure and to the way we wanted to work. In other words, only one person currently remains from the management team, the CFO. All others have been newly appointed. This occurred through retirement, natural attrition and an enforced exit. #00:25:00-6#
45. I: OK, good. Returning to your personality. How was that for you? Why have you taken this course? What were your motives? #00:25:23-8#

46. E: Essentially very simple. As an eleven year old boy, I had a serious car accident, and for a long time it was questionable whether I would have sufficient mental capacity to be involved in the business in future at all. It was actually my parents' wish that I had more to do with the church, because it was said that, due to the injuries I had sustained back then, it was questionable whether I'd be able to cope with the rigorous training required to become a corporate manager. And that's how it happened. It happened in primary school, during the switch to secondary school. I just passed secondary school. Then there was the question of a polytechnic course, and I said no. I wanted to be a bit more ambitious and so I decided on the business school. I completely failed the first year. Strangely enough though, I then recovered well, and I completed the business school with an average grade. Then came the question about what to do next, and I said I wanted to study XXX (relevant professional training), because then I could at least work in production. I was then able to complete a traineeship at XXX and strangely enough I completed the traineeship and master's examination with distinction. So we said, OK, let's take this a step further. I then went to America, to study at the American Institute of XXX where, strangely enough, I also passed with distinction and it was clear that the injuries were no longer as severe and I developed considerable enthusiasm for the products. At the time, it was not my aim at all to become the big boss. I said I was going to take it a step at a time. I'll go as far as I trust myself to. And when I was in my mid-twenties, a business came up for sale in Upper Austria which used to produce in Austria, and my father spontaneously asked: would you like to try managing it as the CEO? I did that over the course of three and a half years. It worked quite well. We never ran it as a financial front runner, but we turned it round from a total catastrophe to a profitable business. I was able to put the business back on its feet and sell it. In other words, I managed to run a company, to buy it and sell it, all in my mid-twenties. #00:28:04-1#
47. Then, when I turned 30, I became joint CEO and was able to take the first steps in exports with our Sales Manager and thus became increasingly involved in the management process. Of course, afterwards I had an enormous advantage. I had studied XXX, managed a suitable business, learned the trade, studied the industry - I'd then worked in all positions in the production department and worked in sales, and had actually covered the entire range of the company. And the logical conclusion then was that I had so much enthusiasm, that I said, yes, I will manage it. It must have given that impression so that my father recognised the enthusiasm and he said that, yes, he has the foundation he needs, he can do it. Of course, always in a company of our size and with the right team. You need a specialist in marketing, etc. of course, but I can control and manage everything. #00:29:15-5#
48. I: Yes, it looks exemplary. So your motivation grew over time. You had exactly the right training. You gained experience in a subsidiary. Sounds good. Is there anything that you would do differently, looking back today, or a period you wouldn't necessarily have had to have gone through, in other words negative memories? #00:29:50-2#
49. E: A negative memory would certainly be that my training mentor was the then production director. He was my training mentor. So, when I came back, I had what we referred to as a training mentor, who wasn't my father, but our production director, who knew on an international level, how to run such things. Unfortunately, this transformation from subordinate to superior didn't work. As far as I'm concerned, it could have worked. I battled with this man for quite a long time, and tried to teach him some manners. That might have been the reason why my father left so early, because he no longer saw eye to eye with him. He was an extremely power-hungry person, with whom no-one in the entire company got along with. He was actually the spearhead and had a very powerful leadership style and then even started to intervene in the family. Within the hierarchy, he was on the same level as my mother. He completely broke my mother mentally and this

period was very uncomfortable. But today, with hindsight, I would not want to miss it, because it was incredibly difficult and it gave me a lot of experience. I wouldn't want to have missed out on it, but I wouldn't want to go through it again. And of course, I'd like to spare everyone else the same thing. But you grow an incredible amount, and he was rhetorically stronger than me. The man had considerably more specialist knowledge in some areas than I had, but there was one thing he didn't have, he didn't have any human qualities and his character let him down. And I, on the other hand, beat him on a human level, because I was able to get him to resign himself. If he hadn't done that, I would have thrown him out. However, he was with us for seventeen years, and that would have cost far more than 200,000 Euros to deal with. And it was my challenge to bring it to the point where he went of his own accord. That was my greatest success. #00:32:20-8#

50. I: I don't know how you run the business here, but I can imagine that Production Director is a relatively important role. If he has a lot of knowledge, he also has a lot of power. #00:32:36-2#

51. E: Correct, and he exploited this power, and placed my father under pressure with regard to his salary among other things. It was my job to channel his knowledge. To see where it is within the company, to bundle it and then subsequently distribute it among various individuals, and today we are no longer dependent. In other words, when one of the teeth on the cog breaks, it's no longer a catastrophe. Father held on for many years because he was worried production would collapse. #00:33:10-2#

52. I: Yes, that's understandable. Employees are often in the position to make out nothing would function without them. #00:33:16-9#

53. E: Exactly. That's no longer the case with us. That was the biggest change process. In none of the departments. It's possible for someone to be missing anywhere. Today, we're covered. It's also the case today that I demand ever more from my management colleagues, that they have a representation arrangement, someone who can take over their job. Of course, it won't be that easy. But the business must go on. That's how we're structured today. #00:33:47-7#

54. I: Good, and what would you advise a successor? #00:33:56-2#

55. E: I would advise a successor one thing above all else. The hardest phase of all is always to either allow the incumbent to let go themselves, or to help them let go. #00:34:10-6#

56. I: So, when you say help, you mean actively manage. #00:34:18-7#

57. E: You have to actively manage. If I as successor essentially have the expectation of my handover that you must hand that over to me now and if you've handed over everything cleanly, you make yourself scarce and just give me an answer when I ask a question, that is the sort of handover processes that fail. I have always - my father has always been a great role model for me - and in the handover phase above all, respected his wishes and I also tolerated it in the first months of the handover, when he approached me with the request to cast an eye over things, it was very important to me to fulfil his wish. And he noticed relatively quickly from this, oh, he is respected, and his opinion is being taken into consideration. And throughout the entire handover process - that was about 1.5 years - that then generated trust. Then he really trusted me. And then there is the lucky circumstance that separated me from this employee who had made his life so difficult. And then he saw, that it functioned anyway. That was the final thing for him, because he said, I'm letting go now,

because you're coping. So, that is essentially the respect and the wishes. If a company is successful today, and has been successfully built up by a generation and also functions and the successor has the feeling he has to reinvent the wheel, and doesn't really respect the person handing it over to them, then it won't function. #00:36:11-1#

58. I: Good, I'm actually finished. Is there anything else which comes to mind? #00:36:25-4#

59. E: In the handover process, there are two crucial factors. From the point of the view of the family, it is necessary to define what you want the company to achieve. That means, what commercial purpose does the company fulfil from the perspective of the family. On the one hand, we know that a company needs a strategy, a marketing strategy, etc. It needs turnover and a profit so that it can develop. But the family, if there are several children, must specify whether we have the company in order to offer the family excessive luxury, or does the family also have such a company to be able to work. And naturally to earn a living, but that has nothing to do with a luxury lifestyle. We have a very clear rule, that the company will be managed by a single person. I am that person. And how can I essentially also protect the brothers? In this respect, we have a very clear profit distribution rule. In other words, at least 85% of the profit remains within the company. Those who work for the company should earn a wage appropriate to the market. And then, when we make a dividend payout, it is only a small proportion of that, because we are convinced that the company needs money to develop further. And when that is specified, you know where you're going. And we said that we are in a sector which needs growth, and you can only generate growth by reinvesting in the cash flow. And we've been pursuing this aim for ten years. And it appears to be going well. We have a high net present value. #00:38:23-1#

60. I: Have you written down this purpose, this rule? #00:38:27-3#

61. E: We've anchored it in the articles of association. However, we've not boxed ourselves in. So when all three brothers say - great, we now have other commercial ideas that we want to pursue outside the company in order to be more broadly positioned - we can agree on this rule at any time within the union. That's something only all three of us can do and since I have 51%, I only need one additional vote. That applies in equal measure to the selling of companies. When selling, I only need one additional vote, and the third has to go along with it. That is the most important reason for having one decision-maker. If you've got two, it's difficult. #00:39:37-8#

62. I: That is actually covered by the previous interviews. It's always all about the balancing act between having equal distribution within the family, and the security of efficient corporate governance on the other side. That appears to have worked well for you all. You had the one, but you did have the other as well, didn't you? #00:40:11-8#

63. E: Exactly, in other words, with respect to the family what is the purpose of the company for the family and B, when you involve a member of the family in the company, that you know he is capable of managing the company. That the right decisions will be made. What does it mean to be capable? There are two key points as far as I'm concerned. One, specialist knowledge and two, managerial competence. If you ask me which of the two is the most important, then I would say 75% managerial competence and 25% specialist knowledge. But because once a company grows above a certain size, you need a specialist for everything. And that's how simple I see it actually. #00:41:21-0#

64. I: You have a more professionally-oriented education behind you. Did you learn your managerial skills as you went along? #00:41:34-4#

65. E: Both. I was thrown in the deep end as far as revitalising that company was concerned. And then I studied a few other things, which we've not mentioned here. For example, I spent three years at the Chamber of Commerce in Augsburg. Management was a hot topic there. I've never studied management, but for me, management is something I'm permanently experiencing, and it is the case that I spend roughly five days a year on my personal development working very intensively with the Management Centre Vorarlberg. I no longer attend standard seminars. Instead, I target specific management topics on which I spend a relatively large amount of money. So, to keep the management on the right tracks, I will spend between five and ten thousand Euros a year. #00:42:43-9#

66. I: That's good. Reflection, development, growth. Is that a form of coaching, in other words, an individualised form of coaching? #00:43:00-1#

67. E: Correct, yes. #00:43:03-1#

68. I: Yes, OK. #00:43:14-0#

69. E: I think we have enough material. We have a few good points in there, which can be easily included in my hypothesis. OK, then thank you very much. #00:43:32-7#

END

APPENDIX II: Guideline for Problem-centered Expert Interview

Research project: Effective succession: exploring the successors view

Research method: Problem-centered expert interview

Duration: Approximately 90 minutes

Sample size: 13 interviews (including two pretests) with inaugurated successors

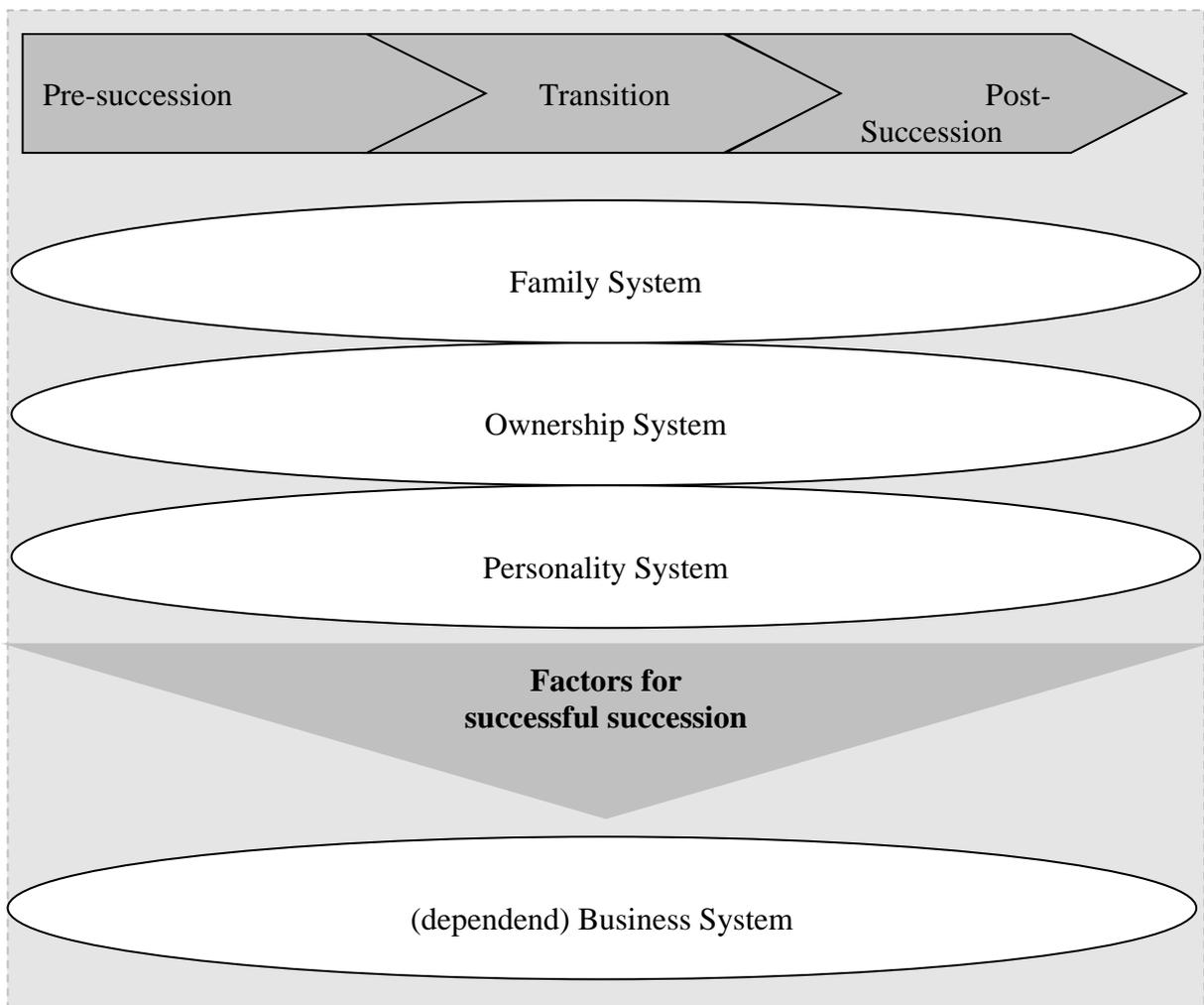
Interviewer: Markus Baur

Date: _____

Expert: _____

Company: _____

General Procedure:	Address of welcome Explain background, goals and methods of the research work Ask for allowance to digitally record the interview Point on anonymity and confidentiality Clarify general and specific questions of the interviewee Start with standardized questions (business performance) Proceed with open questions (concerned with supportive preconditions) Finish by handing over present (book)
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1. The business system – how did it improve (standardized questionnaire)

Business history and operations (customers, products and services)

- a. Relative market position compared to the competitive environment.

Questions: how did market position in relevant markets with relevant customer groups and relevant distribution channels improve? How is the position related to product substitutions?

- b. Relative Innovation Performance compared to the company's competitors.

Questions: How did the innovation rate (turnover-ratio of new products) improve? What happened to the time-to-market speed?

- c. Relative productivity compared to the company's competitors.

Questions: How did labor productivity improve (blue color labor, sales labor,

management labor)? How did the productivity of invested capital improve (added value)?

- d. Attractivity for the right people compared to the company's competitors.

Questions: How did employee attraction and rate of employee absence improve? How did the ability to recruit and retain highly skilled staff?

- e. Liquidity compared to the company's past.

Questions: How did liquidity (also cash-flow, earnings) improve compared to the company's past?

- f. Profitability compared to the company's past.

Questions: How did profitability in terms of costs of capital and total costs of money managed improve?

2. Succession – how did it work? (warm up)

Overall assessment of the succession process – positive and negative memories

Time frame of inauguration (pre-, transitional and post-succession phases)

3. The family system – what supported effective succession

The family and the support towards effective succession? (Vision, Mission, Conflicts)

Years later, what should have been done to improve succession success?

Consider pre- transitional and postsuccession phases

4. The ownership system – what supported effective succession

The specific ownership configurations over time – how did it support effective succession?

Years later, what should have been done to improve succession success? (stakeholder strategy, legal structure, ROI, diversification)

Consider pre- transitional and postsuccession phases

5. The personality system – what supported effective succession?

Your personality and its contribution to successful succession (leadership style, motivation, education, entrepreneurial orientation, experience)

What have been vital traits and characteristics that supported effective succession?

Consider pre- transitional and postsuccession phases

6. Final suggestions and memories

In the context of succession. Final suggestions (pitfalls, problems, chances) and memories

APPENDIX III: Descriptive Cases Overview

Below, a short description of each case outlines major thoughts and key experiences of the successor. Additionally, in order to investigate the effectiveness of the succession, a fact box describes six measures indicating business performance development, since the successor has taken over the responsibility. All successors (except of one) subjectively (from their perspective) assessed their succession as successful and all cases showed an overall positive development of business performance since succession. In this work, it is assumed that an effective succession leads to a solid basis for accelerated business performance. Vice versa, ineffective succession processes would have hindered the successor from developing the business, as they are confronted with many obstacles. One indicator that was found to show a negative development in almost all cases was *liquidity*. This could be due to the cash-out for buying sibling shares with the intention to concentrate shares to those who work in the company. Overall, all investigated cases appeared to outperform their competitors in their respective business field¹⁶⁸. Reckoning the individual statements about success factors against the background of outperforming businesses enhances their validity and significance. Out of the 13 interviews conducted, three interviewees were female. All interviewees were managing directors of their family businesses for at least two years.

- 13 Cases investigated (AUT, GER, SWISS)
- 11 effective, 2 ineffective cases
- 11 outperforming cases
- Dat range: May/August 2012
- Size range: 4 – 150 Mill.
- Sectors: industry
- 3 female successors
- Transcript: 54.000 words

¹⁶⁸ It has to be mentioned that the assessment of each performance indicator has been made by the successor. Although not observed during the interview, there may be a risk of exaggeration.

Case 1

Facts

Decade of foundation	1960	Generation	2 nd
Managing Director since	2007	Branche	Metal
Revenues in Mill. Euros	> 125	Employees	>500

Performance after succession¹⁶⁹

Market Position	↗	Employer brand	↗
Innovation Performance	↗	Liquidity	↘
Productivity	→	Profitability	↗

Case 1 is a rather turbulent case. The business, which is exporting to European countries, earns over 125 Million Euros and employs approximately 500 people. It describes a successor who entered his fathers' company right after finishing a technically oriented study program. The successor had a clear perception of what he wanted to achieve and – being hard minded as was his father – he left the company after three years, as he could not convince his father to hand over the business sooner. This break led to a three-year pause in communication between the two. Interestingly but maybe also luckily, both were not successful in their alternative plans (the successor was not successful with his start-up and the senior generation could not find a professional manager for three years). After the death of his mother, the two started to talk again and agreed on a scenario for succession. Although the succession was at first ineffective, the business has improved considerably after the next generation took it over completely. A major issue for ineffectiveness was a disagreement on the distribution of shares and the inability of the senior generation to let go (majorly due to a missing alternative living concept for the older generation). Today, the successor has full ownership of all shares. The senior generation still has an office in the facility, participating in business by walking through production facilities and investigating machines, processes, and peoples' work.

¹⁶⁹ For a detailed description of the assessments, see chapter 2.2.4.

Case 2

Facts

Decade of foundation	1950	Generation	3 rd
Managing Director since	2001	Branche	Metal
Revenues in Mill. Euros	> 40	Employees	180

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	→	Profitability	→

Case 2 describes the 3rd goal oriented generation, which was educated and trained optimally towards succession. The successor felt that succession was expected very early, as he was the 4th born child although the only son, Primogeniture seems to play a role in this case. As an ineffective aspect of the process of succession, the successor described problems with the intermediate CEO who was appointed to succeed the 2nd generation, as the younger generation was not yet prepared to take over the business. During this time, profitability decreased immensely. The succession was prepared for the first transition but not for the transition from the external CEO to the next family generation. The hierarchy of the entering successor and the external manager was not clearly organized. Today, the successor suggests to radically set-up clear structures from the beginning¹⁷⁰. Moreover, depending on the intensity of strategy change, the successor suggests replacing top management as well as part of medium level management staff to accelerate the implementation of business strategies. He feels that being too oriented on the employees' welfare is hindering.

¹⁷⁰ „In addition I should say that you should not only replace top management, but also middle management. You need to effect transitions in other places, too, such as in the case of a long-standing factory foreman who is stuck in his old ways. ... That was the biggest stumbling block I had." .

Case 3

Facts

Decade of foundation	1960	Generation	2 nd
Managing director since	2000	Branche	Electr
Revenues in Mill. Euros	> 20	Employees	110

Performance after succession

Market Position	➔	Employer brand	➔
Innovation Performance	➔	Liquidity	➔
Productivity	➔	Profitability	➔

Case 3 describes a situation in which the successor was initially unsure about what to do with the business and whether he is able to develop it. The successor stated that one should be absolutely sure about succession¹⁷¹. The successor received trust from the senior generation, a basic element that helped him take over the business. The succession was planned comprehensively for a specific timeframe and considered shares transfer, clear communication, and symbolic sign to internal and external stakeholders. The successor admitted that missing experience outside the company is a disadvantage. Concerning strategy change, the successor suggested that it is important to listen to the opinions of more to people rather than simply dismiss their contribution if they are not conforming to a new strategy.

¹⁷¹ I3/4: "You have to be damn sure about it."

Case 4

Facts

Decade of foundation	1930	Generation	2 nd
Managing Director since	2002	Branche	Consumer
Revenues in Mill. Euros	> 150	Employees	> 800

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	→	Profitability	→

Case 4 describes a transition facilitated by an elementary trust from the senior generation due to the previous good achievements of the next generation. The succession succeeded because the successor was not only operatively deciding alone, but also involved in proposing shareholder configuration that led to an efficient structure concerning the governance site of the business. According to the successor, it was important that only one decision-maker is involved in the business¹⁷². Furthermore, it is important for the successor to have a sense of modesty. Modesty, according to this successor, is a crucial aspect of business success. He sees succession also as a chance to distribute knowledge amongst more employees in order to reduce dependency on singular carrier of knowledge. If siblings are still involved as shareholders, it is important to clarify the vision, mission, and values of the company. Profit distribution modalities needs to be written in a shareholder agreement. The business has accelerated since the new generation has taken over and progressively improved its efficiency.

¹⁷² I4/18: "They (the siblings) are a part of the firm, but the controlling vote is mine. I am the sole decision-maker".

Case 5

Facts

Decade of foundation	1970	Generation	2 nd
Managing Director since	2002	Branche	Electr
Revenues in Mill. Euros	> 25	Employees	> 125

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	→	Profitability	→

Case 5 describes a succession where the son-in-law took over leadership after he obtained sufficient trust from the senior generation. Being engaged, getting married, and succeeding the business leadership seems to be closely depended, at least in a time-line. The successor had to redeem all shares from the owner, which were not held by his wife. Besides the fact that he was apparently able to further advance the business and the succession of leadership was effective, transfer of ownership was disadvantageously designed as management-buy-out. Both generations value each other, which he considers most important. However, he would have wished for a clearer evaluation his performance¹⁷³.

¹⁷³ I5/112: “I would have wished a little bit more. After all, I've shown quite a performance, which would have been recognised much more with 80 percent”.

Case 6

Facts

Decade of foundation	1880	Generation	5 th
Managing Director since	2010	Branche	Glas
Revenues in Mill. Euros	> 10	Employees	> 50

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	→	Profitability	→

Case 6 describes a long-standing family business founded in the 19th century. Successors are two siblings, similar to the previous generation. The successors have been involved in the business early to achieve commitment as well as educational and training goals¹⁷⁴. From the date of succession, shares have been transferred from the uncle to the next generation, again, just as it was in the previous generation. The case shows a typical family business that aims to maintain owner-managed structures. It seems that earlier experiences with succession have strengthened the process. For example, transfer of leadership was planned and executed as planned with a ceremonial event while the transfer of ownership was arranged and executed without any problems¹⁷⁵.

¹⁷⁴ I6/36: "I have been taking part in meetings where we go over the balance sheets for 12 years now".

¹⁷⁵ I6/38-41: "... because we had to redeem half (of the shares), my father and my uncle agreed to it within three meetings".

Case 7

Facts

Decade of foundation	1820	Generation	6 th (9 th)
Managing Director since	2010	Branche	Wood
Revenues in Mill. Euros	> 75	Employees	> 250

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	→	Profitability	→

Case 7 shows a further situation where a couple of previous successions in the business' history have increased knowledge of succession. The senior generation has provided a clear and short-ranged succession plan. This was important because today's successors seem to be well informed, as they otherwise would not have stepped into the business¹⁷⁶. When taking over the leadership role, the successor suggested that one have to be quite self-contented in order to obtain respect and acceptance by employees¹⁷⁷. This may be achieved through the right mixture of intelligent questioning and giving directions. Although the predecessors tried to let go, there are still some disputes when deciding on investments. As observed in other cases, the younger generation has higher expectations of good business performance than their antecessors, which can sometimes lead to „philosophical disputes^{178c}.

¹⁷⁶ I7/25-30: "That (transfer of leadership) has been planned from the beginning ... I think that planning for succession has to be done by the older generation. However, I wouldn't have started here if there had been no plan."

¹⁷⁷ I7/78: "They need to be self-confident right from the beginning because they're always seen as 'just Junior'".

¹⁷⁸ I7/68-70: "That's an irrational battle. We are much more profitable now, but profitability wasn't that important to my predecessors. ... When you continually hear 'shareholder value' throughout your studies, you just pay more attention to it".

Case 8

Facts

Decade of foundation	1940	Generation	3 rd
Managing Director since	2007	Branche	Consumer
Revenues in Mill. Euros	> 15	Employees	> 75

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	↗	Liquidity	↗
Productivity	↘	Profitability	↗

Case 8 is an example of ineffective succession. The high complexity of the case is rooted in the previous succession where ownership was not kept to one family but split to four brothers, an ownership-structure with four siblings emerged. As result of the succession process with the next generation, conflicts between cousins and their senior generation started. Although advisors prepared and facilitated the process of the succession, an inevitable separation of the families happened. Looking back, the successor is now happy to have the sole power of decision. He noticed that conflicts emerged would have emerged due to different values held by the cousins¹⁷⁹. The successor is aware of effectively managing relatives in the business, what he considers as delicate task. As a result, he suggests involving relatives in the business only on part-time basis. The successor makes decisions differently compared to the older generation *“sometimes just needs more time”* (I8/60-62). The successor stated that the positive development of this business is not based on effective succession in this case but on cuts in personnel and marketing expenses.

¹⁷⁹ I8/74-76: *“I think that it would have been more difficult had we done it as a pair. I found out later that my cousin had, to some extent, very different values. ... In the end, one person has to take the decision. It simply can't be avoided.”*

Case 9

Facts

Decade of foundation	1970	Generation	2 nd
Managing Director since	2000	Branche	Logis.
Revenues in Mill. Euros	> 35	Employees	> 125

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	↘
Productivity	→	Profitability	↘

Case 9 shows again that female successors search for support by involving a male partner (mostly a husband) to strengthen their business management. In this case, successor's husband was involved in the business early, and they even invested in the business together before the senior generation handed over the business. The case also shows how to manage the situation when siblings are working in the business. First, only the oldest successor owns shares now. Second, there is a clear understanding of the hierarchy between the siblings when it comes to working together¹⁸⁰. The successor stated that profitability and liquidity has decreased but only due to a branch-wide consolidation. This case also shows that some predecessors let go too fast. On the one hand, they know that they have to in order to keep the younger generation motivated and creative. On the other hand, they cannot withdraw from their task (or connected status) emotionally. Effective successors find ways to keep the older generation away from operative business but involve them in other tasks, e.g., taking charge of constructions and buildings.

¹⁸⁰ I9/32: „All three siblings work in the company. But that's only possible because the hierarchy is clear. And that's what is most important.”

Case 10

Facts

Decade of foundation	1980	Generation	2 nd
Managing Director since	2006	Branche	Metal
Revenues in Mill. Euros	> 20	Employees	120

Performance after succession

Market Position	➔	Employer brand	➔
Innovation Performance	-	Liquidity	➔
Productivity	➔	Profitability	➔

In case 10, a female successor had to decide at the age of 25 whether she wanted to take over the business or not. Early as it was, she still had the opportunity to grow with the business for ten years before she finally succeeded. Instantly, and as in most other cases with female successors, she involved her husband in business management. The husband was later diagnosed with a burnout syndrome and left the business. She pointed out the importance of letting the younger generation to learn by trial and error within the business. This way, especially since she had ten years to prepare, the effective succession had been possible. It is important – as she stated – for a successor to know how he/she wants to leave and that he or she truly desires to succeed the business¹⁸¹. Having worked in different departments before succession, she had a good insight into business when succeeding to the leadership role. However, she had troubles changing structures after she worked together with various personnel in the business previously¹⁸².

¹⁸¹ I9/58: *"It is a very good thing if you already know how you want to live."*

¹⁸² I9/66: *"But this is also difficult, to have grown up here, to have worked next to each employee at some point, and to have always got on well with everybody. That was a huge step for me to take, to be able to separate myself from them."*

Case 11

Facts

Decade of foundation	1960	Generation	3 rd
Managing Director since	1993	Branche	Consumer
Revenues in Mill. Euros	> 5	Employees	< 40

Performance after succession

Market Position	↘	Employer brand	→
Innovation Performance	→	Liquidity	↘
Productivity	→	Profitability	↘

Case 11 represents a family business involved in the clothing sector. Facing strong competition for some decades, the business has not progressively developed since the last succession. When compared to direct competition, the successor was not able to strengthen business' position, as the business lost market shares and liquidity and as profitability worsened. When searching for reasons, the interview revealed several potential causes that led to mediocre development. One is that the antecessor left the company without a solid capital ground (compared to other well running businesses investigated in this work). Another reason was that the successors took over leadership when they were quite young, right after finished their education and basic training. This happened because antecessor did not want to be involved in the business after his divorce. As a result, the successors show a certain lack of practical experience. The business once had over 120 employees; today, they count 40 at most. However, one suggested strategy for successful succession is modesty (as mentioned also in other cases) and to seek the advice of consultants¹⁸³.

¹⁸³ I11/158: "That is the topic of greed. That stands in the way of plenty of people. And I think that we here are not at all like that. There's a different culture that you get from the family."

Case 12

Facts

Decade of foundation	1930	Generation	3 rd
Managing Director since	1994	Branche	Printing
Revenues in Mill. Euros	> 15	Employees	> 100

Performance after succession

Market Position	→	Employer brand	→
Innovation Performance	→	Liquidity	→
Productivity	-	Profitability	→

Case 12 is another case in which the son in law of the business family succeeded as CEO. The business is active in the printing sector, and it has been successful for three generations. The successor suggested modesty¹⁸⁴ as well showing respect to the senior generation to improve succession success. Showing respect means involvement in decisions even after shares are transferred. This case also reveals the importance of utilizing the expertise of the predecessor as much as possible¹⁸⁵. In this case, the predecessor suddenly loaned 40 percent of his shares to the son in law, which appears to be unusual but shows the mutual trust between the generations.

¹⁸⁴ I12/61: "... I'm someone who is quite thrifty und who has no delusions of grandeur."

¹⁸⁵ I12/30: "... and I've always recognised that I gain a lot from him."

Case 13

Facts

Decade of foundation	1960	Generation	2 nd
Managing Director since	2008	Branche	Metal
Revenues in Mill. Euros	>10	Employees	25

Performance after succession

Market Position	→	Employer brand	↗
Innovation Performance	→	Liquidity	→
Productivity	-	Profitability	→

Case 13 reveals shows how successor's attachment to the business developed while no pressure to take over business has ever existed. The successor somehow studied the right topics and developed a career outside the business. However, by being involved with various shorter and longer internships and participating in the advisory board's meetings, the successor has never lost full contact with the business¹⁸⁶. As revealed in other interviews, the succession process was – once started – executed quite quickly. This means that there was a rather fast transfer of the leadership role¹⁸⁷ but also that there was a clear roadmap for succession that was planned and controlled; in this case, with tools provided from the project management¹⁸⁸.

¹⁸⁶ I13/20: *"The connection to the business was actually gone. And what we had was an advisory board composed of my uncle and me and that's where strategy was discussed."*

¹⁸⁷ I13/23: *"We then decided that it was better to clearly communicate with the employees right from the beginning; managing director from day one."*

¹⁸⁸ I13/80: *"What helped with my succession was that I viewed the transition as a project, which I've managed like I would any other project."*

APPENDIX V: FAMILY BUSINESS DEFINITIONS

The following table is a summary of all definitions the author found in literature. This collection of definitions is mainly based on the previous highly valued work from various authors that have been greatly influencing the academic body of family business research¹⁸⁹. The collection is structured by indicating the focus that each definition is providing. These are ownership, management and transfer focus on the one side and on the other side it is stated whether the multiple conditions are quite exclusive or inclusive and whether the definition provides a quantifiable assessment. Furthermore, the structure tries to assign each definition to a theoretical perspective (e.g. systems theory). Whenever a definition does not allow quantifying a firm's characteristic, it is actually not practical to apply to empiricism. Data collection within the framework of quite inclusive definitions consequently includes a personal and qualitative data collection approach (such as interviewing or surveying the assessment of the management board).

¹⁸⁹ These are namely: Astrachan, Klein, & Smyrnios, 2002; Beckhard & Dyer, 1983a, 1983b; Carlock & Ward, 2001; James J. Chrisman et al., 1998; Chua, Chrisman, & Sharma, 1999; K. M. File & Prince, 1996; Gersick, Davis, McCollom Hampton, & Lansberg, 1997; Gibb Dyer, 2006; W. C. Handler, 1991; Sharma, Chrisman, & Chua, 1996; Swagger, 1991; J. Ward, 1987; T. Zellweger & Fueglistaller, 2005

Yr.	Author	Definition	Family involvement						Size	Theoretical approach			Other
			Ownership	Control	Management	Generational Transfer	Multiple Conditions exclusive	Multiple conditions inclusive		Company Size	Behavioral Approach	Resource-based View	
(1964)	Donnelly	when [a business] has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family		x		x	x						
(1975)	Barry	an enterprise which, in practice, is controlled by the members of a single family		x					x				
(1976)	Barnes & Hershon	[a business in which] controlling ownership is rested in the hands of an individual or of the members of a single family	x	x				x					
(1982)	Alcorn	a profit-making concern that is either a proprietorship, a partnership, or a corporation... if part of the stock is publicly owned, the family must also operate the business	x		x			x					
(Beckhard & Dyer, 1983a)	Beckhard & Dyer	[a business in which the subsystems] include (1) the business as an entity, (2) the family as an entity, (3) the founder as an entity, and (4) such linking organizations as the board of directors			x							x	
(1983)	Davis	the interaction between two sets of organization, family and business, ...establish[es] the basic character of the family business and defines its' uniqueness										x	
(1985)	Davis & Tagiuri	a business in which two or more extended family members influence the direction of the business (quoted in Rothstein 1992)		x									
(1985)	Rosenblatt, deMik, Anderson & Johnson	any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business	x	x				x					
(1986)	Dyer	[a business] in which decisions regarding its ownership or management are influenced by a relationship to a family (or families)		x									
(1986)	Pratt & Davis	[a business] in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights	x	x	x		x						
(1986)	Stern	[a business] owned and run by the members of one or two families	x		x		x						
(1987)	Babicky	[a] small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise	x		x				x				x
(1987)	Upton & Sexton	[a business] that includes two or more relatives and has at least two generations working together in an operating capacity	x			x	x						
(1997)	Churchill & Hatten	what is usually meant by family business...is either the occurrence or the anticipation that a younger family member has or will assume control of the business from the elder		x		x							
(1987)	Ward	[a business] that will be passed on for the family's next generation to manage and control		x	x	x	x						
(1988)	Lansberg, Perrow, & Rogolsky	a business in which members of a family have legal control over ownership	x	x			x						

(1994)	Fiegenger, Brown, Prince, & File	a firm that is both family owned and managed	x		x		x							
(1994)	Lansberg & Astrachan	a company that is owned or controlled by a family and in which one or more relatives is involved with management	x	x	x		x							
(1994)	Astrachan & Kolenko	family ownership of more than 50 % of the business in private firms or more than 10 % of the stock in public companies; more than one family member works in the business or the owner anticipates passing the business to the next generation of family members or the owner identifies the firm as a family business...		x	x	x		x		x				x
(1995)	Litz	ownership and management are concentrated within a family unit, and its' members strive to achieve and/or maintain intra-organizational family based relatedness	x		x		x							x
(1996)	Shanker & Astrachan	Broad definition: requires family to have some degree of effective control of strategic direction, and the intention of keeping the business in the family. Mid-range definition: All the above + founder or descendants of the founder should run the business. Narrow definition: Multiple generations should be involved in daily operations of the business.		x		x	x			x				
(1997)	Beehr, Drexler & Faulkner	A family business is one in which the owner and at least one family member work	x		x		x							
(1997)	Schmidt	[Familienunternehmen sind Organisationen] die mit einer oder mehreren Familie(n) strukturell gekoppelt sind, wobei aus dieser strukturellen Kopplung heraus signifikant bedingte Einflüsse auf die Organisation zu beobachten sind.											x	
(1999)	Chua, Chrisman & Sharma	The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.		x	x	x				x				
(2000)	Littunen and Hyrsky	A family business is one where the controlling ownership rests in the hands of one individual or the members of a single family	x	x			x							
(2001)	Hulshoff	More than 50 % of the voting shares are owned by one single family, and more than 50 % of the management (team) are drawn from the family the holds the family.		x	x		x							
(2001)	McConaughy, Matthews & Fialko	Public corporations whose CEOs are either the founder or a member of the founder's family.			x									x
(2001)	Gomez-Mejia, Nunez-Nickel, and Gurtierrez	Determined by the relationship between the owners, the CEOs, and editor. The CEO had the last name of the owner(s) on in the case of the editor, family status was confirmed if the CEO and the editor had the same last name.	x		x		x							x
(2003)	Anderson & Reeb	Family firm criteria: (1) the family continues to have an equity ownership stake in firm; (2) family processes board seats; (3) founding CEO is still the acting CEO or descendent of CEO is acting CEO.	x	x	x		x							
(2003)	Tanewski Prajogo und Sohal	Owners decide whether or not they are a family firm and these criteria must exist: 50 % or more of ownership held by a single family; a single family group is effectively controlling and management the business	x	x	x									x
(2004)	Gallo Tapies & Cappuyens	The classification of a particular business as "family" or "nonfamily" was left to the judgment of the person answering the questionnaire.												x
(2004)	Chrisman Chua and Litz	Percentage of ownership, number of family members in management, and family successor chosen.	x		x	x	x							

(2010)	Reiter	Das Unternehmenskapital und die damit verbundene Risikotragung liegen zu einem überwiegenden Teil in Familienhand. Die Familie hat Einfluss auf die operative Tätigkeit und das Management des Familienunternehmens. Nur in Ausnahmefällen ist ein (vorübergehendes) Fremdmanagement denkbar. Das Unternehmen wird im Willen geführt ein Familienunternehmen zu sein, das vorrangig dem Wohl und der Existenzsicherung der Familie dienen soll.	x		x	x	x			x					x
(2010)	Klein	A family business is a company that is influenced by one or more families in a substantial way. Influence in a substantial way is considered if the family either owns the complete stock, or, if not, the lack of influence in ownership is balanced through corporate governance or influence through management. For a business to be a family business, some shares must be held within the family.	x	x	x					x					
(2010)	Berthold	Familienunternehmen sind gekennzeichnet durch folgenden Kriterien: (1) Familienunternehmen unterliegen dem wesentlichen und prägnanten Einfluss einer oder mehrerer Familien, (2) Typischerweise ist dies mit dem mehrheitlichen Eigentum an den Gesellschaftsanteilen bzw. den Stimmrechten des Unternehmens verbunden, (3) Familienmitglieder müssen nicht zwangsläufig im Unternehmen beschäftigt sein, die Leitung des Unternehmens kann bei einem Dritten liegen.	x	x						x					
(2011)	WIFU Wittener Institut für Familien- unternehmen	Wir sprechen von Familienunternehmen, wenn sich ein Unternehmen ganz oder teilweise im Eigentum einer oder mehrerer Familien bzw. Familienunternehmen befindet und diese aus einer unternehmerischen Verantwortung die Entwicklung des Unternehmens maßgeblich bestimmt/bestimmt. Diese Verantwortung der Unternehmerfamilie(n) wird aus einer Führungs- oder Aufsichtsfunktion bzw. aus beiden Funktionen wahrgenommen. Dabei spielen Rechtsform und Größe des Unternehmens keine Rolle. Das transgenerationale Moment ist für Familienunternehmen essentiell. Es kann streng genommen erst dann von einem Familienunternehmen gesprochen werden, wenn in der Familie geplant wird, das Unternehmen in die nächste Familiengeneration weiterzugeben	x	x	x	x	x			x	x				

Table A-1: List of structured definitions of the family business

No matter which definition(s) or definitional framework will step forward in future, it is important that researchers clearly state the definition of family firm that is based on their studies. This helps future researchers proceeding to narrow down the definitional issue and bring together on each other's findings (see also Sharma et al., 1996). Furthermore, the findings of these studies are more applicable for the praxis and provide more than universalized "street lore's".

APPENDIX VI: FAMILY BUSINESS LIFE CYCLES

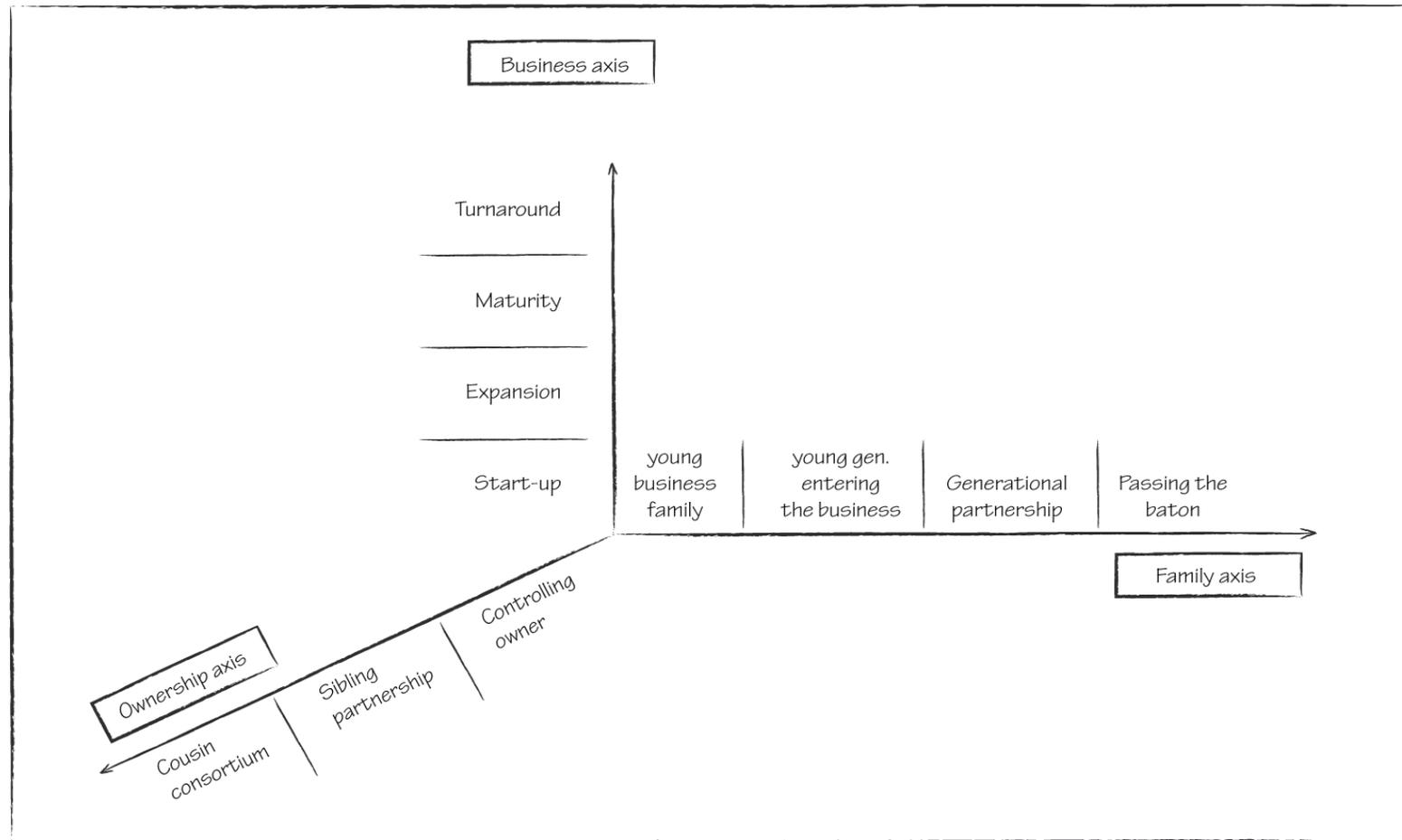


Figure A-1: The three-dimensional development model¹⁹⁰

¹⁹⁰ Gersick et al., 1997, p. 17

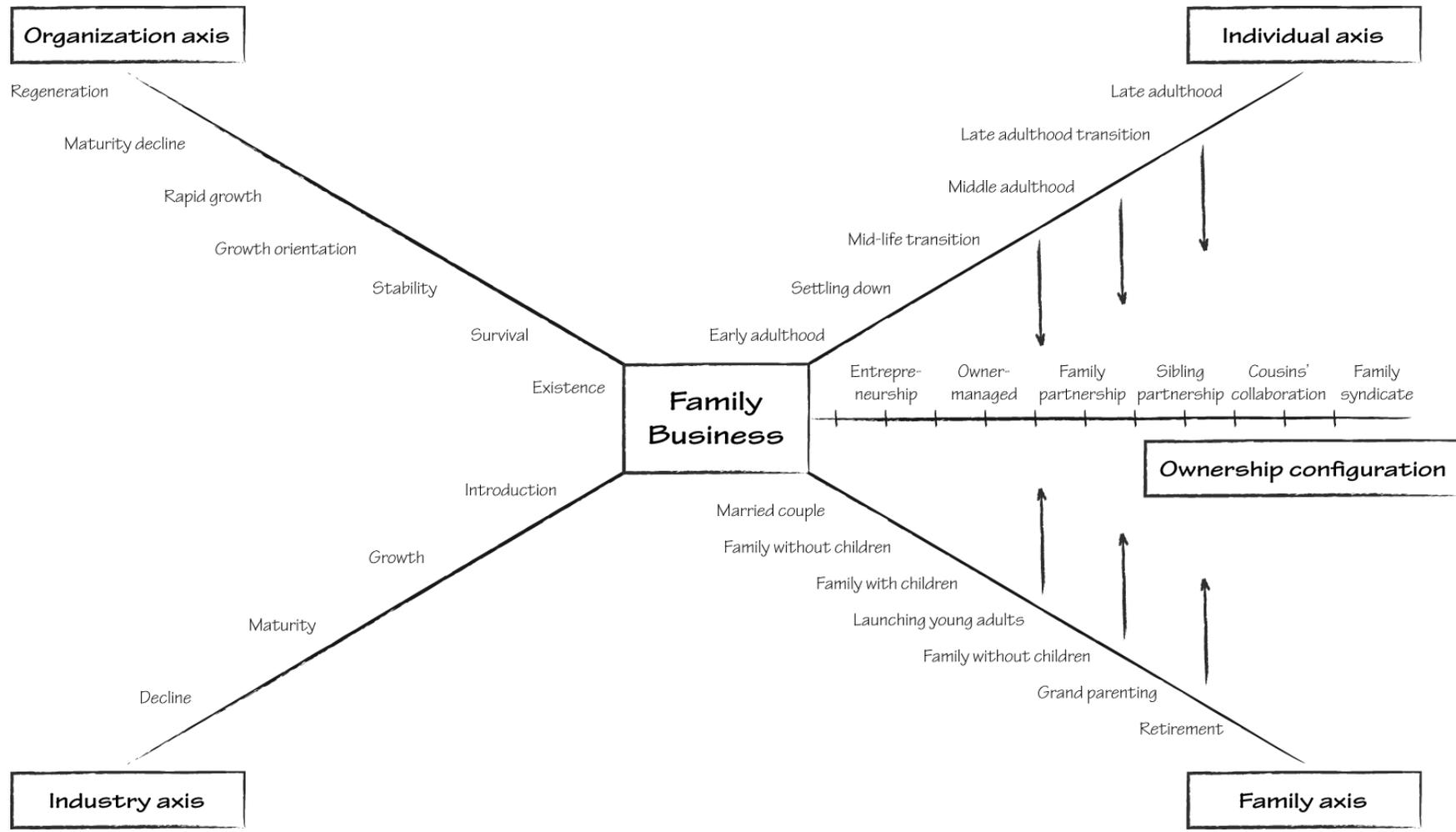


Figure A-2: Life cycle forces influencing family businesses¹⁹¹

¹⁹¹ Carlock & Ward, 2001, p. 27

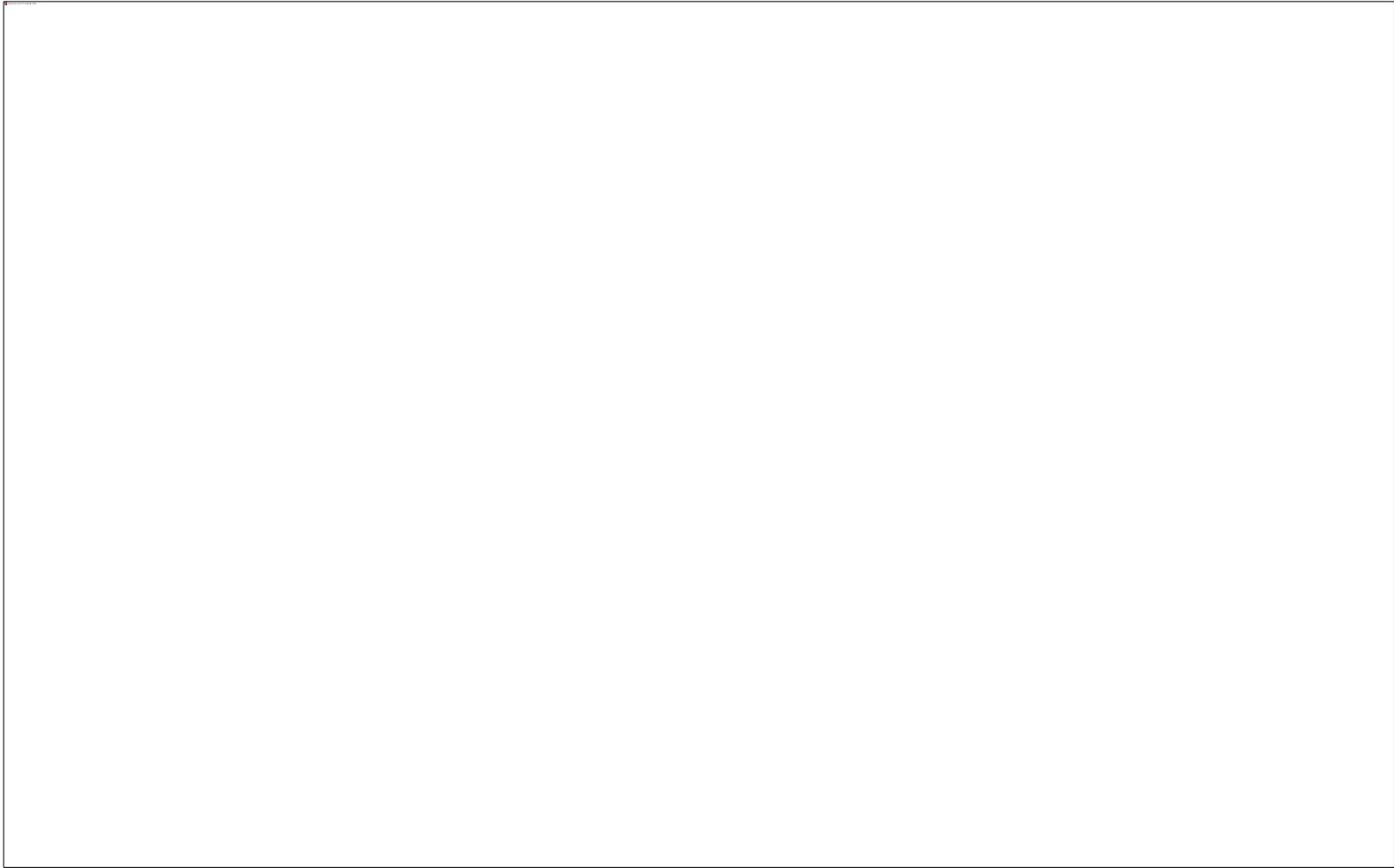


Figure A-3: Three dimensional model with four categories¹⁹²

¹⁹² Translated from May and Koeberle-Schmid, 2012

APPENDIX VII: LIST OF PROPOSITION AND EVALUATION MATRIX

Propositions Matrix		MEU	KRA	DOR	MEIST	GRA	GLASM	DEUTS	REISEN	LOG	CH	ALLS	CARI	VOBL	Total	13	Quantitative Support	Significance v8 p-value	Significance v9 p-value	
		C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	St	Support				v8 p-value
Category Personality System	Proposition A.1: Effective successors have a comprehensive educational background relevant to the business and continue to invest in personal development. Effective successors complete intensive trainings outside or/and inside the company. Inside the company, they have the freedom to learn by trial and error.		1	1	1	1	1	1	1	0	0	0	1	1	1	10	77%	90%	0,397	0,699
	Proposition A.2: Effective successors are very sure that they want to take over the responsibility based on a deep-rooted motivation and on early involvement in the family business.		0	1	1	1	1	1	1	0	1	0	1	0	1	9	69%	75%	0,037	0,108
	Proposition A.3: Effective successors demonstrate a mixture of modesty and self-confidence.		0	1	1	1	0	1	1	1	1	1	0	1	1	10	77%	82%	0,341	0,126
	Proposition A.4: Effective successors foster a good relationship with the older generation.		0	0	1	1	1	1	0	0	1	1	0	1	1	8	62%	96%	0,875	0,018
	Proposition A.5: Effective successors use the knowledge of the older generation for as long as possible. They are able to manage the loss of expertise on the part of key staff that typically leaves during a succession.		0		1	1	1	1	0	0	0	0	0	1	1	6	46%			
Category Ownership System	Proposition B.1: Effective successors prefer owner-managed structures, just as their predecessors. They are thus able to manage their business with little agency costs based on mutual trust within the family.		1	1	1	1	0	0	0	0	1	0	1	1	1	8	62%			
	Proposition B.2: Effective successors have inherited only the operative business. Non-operative assets are excluded from the business to improve the equality of asset distribution within the family and maintain family unity.		1	0	1	1	1	1	0	0	0		1	0	0	6	46%	71%	0,231	0,347
	Proposition B.3: Effective successors take over a well-positioned business. However, they have higher expectations of good business performance compared to their predecessors. This leads to better business performance, but might also lead to transgenerational conflicts (provided that the senior generation is still somehow in power).		1	1	0	1	1	0	1	0	1		0			6	46%	72%	0,698	0,608
Category Family System	Proposition C.1: Effective successors have business families that put business first. These business families defined what they want to achieve with their company.		1	1		1		0	1	0		0	0		1	5	38%			
	Proposition C.2: Effective successors acknowledge the existence of different opinions and showed that they belong to a family culture that fosters constructive debate.		0		1	1		1	0	0	1	0	0	1	1	6	46%			
	Proposition C.3: Effective successors obtain and value the trust exhibited by the family. This is also rooted in the fact that they share basic values with the older generation.		0	1	1	1	1	1		1	1	1	0	1	1	10	77%	93%	0,021	0,002
Category Management System	Proposition D.1: Effective successors prefer to be sole decision-takers in the business. They tend to avoid having siblings (or other relatives) involved in the business, especially at the strategy-relevant levels. If relatives are involved, a clear and by all members accepted hierarchy within the business must be given to reduce complexity.		1	1		1	1	1	0	1	1	1	0	1		9	69%	57%	0,127	0,751
	Proposition D.2: Effective successors change – if necessary – business structures although they are confronted with obstacles preeminent in family businesses.		1	1	1	1	0	0	1	0	1	0	0			6	46%			
	Proposition D.3: Effective successors have a clear road map for succession and - once begun – the quick transfer of the leadership role becomes crucial.		1	1	1	1	0	1	1		1	1	1	1	1	11	85%	46%	0,005	0,001
	Proposition D.4: Effective successors foster setting clear signs of the transition of leadership. Typically, setting signs involves celebrations and ceremonies.		1	1	1		0		1	0	1		1	1	1	8	62%	46%	0,012	0,001
	Proposition D.5: Effective successors have a supportive senior generation that lets go. However, effective successors consider how difficult it might be for the senior generation and seek alternative strategies to involve the senior generation after the transition has taken place.		1	1		1	1	1	1	1	0	0	0	1	1	9	69%	92%	0,865	0,738
	Proposition D.6: Effective successors strive to advance the business as an attractive workplace		1	1	1	1	0	1	0	0			1	1	0	7	54%	71%	0,003	0,007
Sum		17	65%	76%	76%	94%	53%	71%	53%	24%	65%	29%	41%	71%	71%					

APPENDIX VIII: KEY FACTORS MATRIX – EXPERT ROUND

Key factors Matrix		+=Agree 0=Neutral -=Disagree	+=Agree 0=Neutral -=Disagree	+=Agree 0=Neutral -=Disagree		
Category	Key factor before expert round	Expert 1	Expert 2	Expert 3	Comments	Key factor after expert round
Category Personality System	Ensure comprehensive and fitting educational background (and continue to invest in personal development).				E3: fully agree; E1: fully agree	Ensure comprehensive and fitting educational background (and continue to invest in personal development).
	Be sure that you really want to take over the family business – involve yourself early in the business.	+	+	0	E3: to involve the successor is positive, however, if the successor experiences the business as the reason why the father is working too much, this may negatively influence. E1: It is important to find out who of the children shows an interest in the business. Thereby, we have to consider that children can be influenced (by the father). E2: Yes, a child has to show a clear interest which is not too much manipulated by the parents.	Be sure that you really want to take over the family business – involve yourself early in the business and show interest.
	Demonstrate a mixture of modesty and self-confidence.	+	+	+	E3: Agree, but here we have to consider that this can be attributed to the specific area we are living in. Modesty in this area is perceived to be positive. Further, males and females are different. And age makes a further difference: with 55 one is different than with 25. The characteristics of being even-tempered, introverted or extroverted can independently contribute to success. E1: Competence is important. E3: goal-oriented; E1: yes, also modesty. E3: Consider that generation Y might interpret modesty negatively. E2: Leadership skills are important, in the sense of CEO "Chief Entertainment Officer": social competence is important. E3: yes, social competence is more important than professional competence.	Demonstrate a mixture of modesty and self-confidence. Work on leadership qualities including especially social competences.
	Ensure internal and external training before succession. Inside the company, you shall have the freedom to learn by trial and error.	+	+	+	E1: There is danger of losing authority. E3: there is danger to get negatively stigmatized. Actually, we take care that a successor starts immediately with high responsibilities but support as much as we can. If a successor wants to learn in the company, it is better to do this by letting him watch and observe with rather no responsibilities. E2: There is a case where a young successor has made serious miscalculations. The result was bankruptcy. Rather to let him make mistakes in low level positions. E3: There is an advantage to get to know other companies. E1: Consider also the danger of organizational blindness.	Ensure training before succession. Prefer external training. If inside the company, you shall have the freedom to learn by trial and error, but only when in low level positions.
Category Ownership System	Develop high expectations on business performance and assess if you are able make it happen.	+	+	0	E2: This is truly a goal! E2: I would expect this as the one who hands over the business E3: a successor of a family business has to assess deeply whether is able to come up to expectations - he has to have some push attitude.	Develop high expectations on business performance and assess if you are able make it happen.
	To prevent potential conflicts between siblings/relatives, reflect if you want/can to exclude non-operative assets from your heritage (for better equality of asset distribution between siblings).	+	+	+	E3: this can be delicate: property and estate if adjacent to the firm; E1: if the property can be used in future, then it shall be a necessary asset of the company. E2: e.g. you could define inalienability - to define options is technically no problem; E2: don't forget legitimate shares!; E1: an ideal case is if there are enough and divisible assets. An issue sometimes is the correct evaluation of assets.	To prevent potential conflicts between siblings/relatives, reflect if you want/can to exclude non-operative assets from your heritage (for better equality of asset distribution between siblings).
	Assess market position, assets of the business and view of the major shareholder how to develop the business.	+	+	+	E2: there might be a complex discussion with the senior generation because the views are different	Assess market position, assets of the business and view of the major shareholder how to develop the business.
Category Family System	Assess if the business family is supportive and thinks long-term oriented.	+	+	+	E1: privacy is privacy and business is business. E2: the company has to be supported by the family, but it must not necessarily to put first. E3: The family should think entrepreneurial. E2: there are two levels: hereditary titles and business success. E3: the family should be first, but the business has to run. E3: sometimes, Sunday work is necessary. E2: in case of emergency the family is first. E2: a advisory board could be of advantage to balance the needs of the two systems.	Assess if the business family is supportive and thinks long-term oriented.
	Reflect culture and complexity of the business family concerning conflicts and establish facilitating tactics for dynamic processes.	0	0	0	E3: The way how conflicts are solved is different, depending on types, sex and age. E1: preventing stalemate is important. E2: yes, no stalemates. E1: it is important to define legal forms for controversies. E2: tie-breaking votes can be of advantage. E3: this aspects in practice is considered not much. E1: is similar to marriages. Often, the senior generation shapes the frame conditions; once he is not there anymore, the troubles start.	Reflect culture and complexity of the business family concerning conflicts and establish facilitating tactics for dynamic processes.
	Ensure to obtain value and trust from the business family. Foster a good relationship with the senior generation and family members - share basic values.	+	+	+	All experts agree.	Ensure to obtain value and trust from the business family. Foster a good relationship with the senior generation and family members - share basic values.
Category Management System	If relatives/siblings are involved, arrange a clear and by all members accepted hierarchy within the business.	+	+	+	E2: Stalemates have to be avoided. From another perspective, subordination does not always work. Eventually the business can be divided, so everyone is able to make decisions. E3: Typically, 49:51 configurations are difficult. E2: Hierarchy is one thing, but it is important that decision processes are regulated clearly.	If relatives/siblings are involved, arrange a clear and by all members accepted hierarchy within the business. Decision processes must be clear.
	Establish a clear roadmap for succession – actively involve yourself years before.	0	0	-	E3: nice to have, but not a must. E1: I recommend this, but it is not necessarily a key factor	Establish a clear roadmap for succession – actively involve yourself years before.
	Set clear signs of transition of leadership (e.g. celebrations, ceremonies) and promote a dynamic transfer of the leadership role.	0	-	0	E3: this is more important for the senior generation. E1: this depends on the personality of the successor. Probably this is more important for the senior generation and the employees.	Set clear signs of transition of leadership (e.g. celebrations, ceremonies) and promote a dynamic transfer of the leadership role.
	Involve senior generation in post-transition phase – give room for defined business activities.	+	+	+	E3: Esteem E2: Backing if the successor need experience. Thereby, it has to be defined that the successor can make strategic decisions for the company. E3: In one case, the successor wanted the senior generation to visit the business only in the evening to avoid irritation in the organization. E2: It may be of advantage to being able to discuss important decisions.	Involve senior generation in post-transition phase – give room for defined business activities.

APPENDIX IX: LIST OF VARIABLES OF QUESTIONNAIRE

v1

Gender

1 - male

2 - female

v2

Your age in years

1 - 18-30

2 - 31-40

3 - 41+

v3

Year of succession

1 - 2015

2 - 2014

3 - 2013

4 - 2012

5 - 2011

6 - 2010

7 - 2009

8 - 2008

9 - 2007

10 - 2006 or earlier

v4

Number of employees in your business

1 -

2 - 9-500

3 - >500

v5

Your generation

- 1 - First generation
- 2 - Second generation
- 3 - Third generation
- 4 - Fourth generation
- 5 - Fifth generation or more

v6

Location of company

- 1 - European Union
- 2 - Americas
- 3 - Middle East
- 4 - Asia Pacific
- 5 - Other

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v7

Your succession has taken place and is basically completed:

- 1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v8

Concerning succession, you have fully reached your personal goals:

- 1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v9

The succession process (planning and execution) was effective for all (in the sense of "the goals of all family members have been reached without bigger irritations"):

- 1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v10

You had a clear roadmap for succession:

- 1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v11

Once begun, you advocated a quick transfer of the leadership role:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v12

You prefer to be sole decision-taker in the business. You tend to avoid having siblings (or other relatives) involved in the business, especially at the top management level:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v13

If relatives are/were involved, you arranged a clear and by all members accepted hierarchy within the business:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v14

You have involved the senior generation after the transition has taken place consciously by providing defined rooms or projects of business related activity:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v15

You have set clear signs of the transition of leadership (typically, "setting signs" involves celebrations or ceremonies):

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v16

You have strived to advance the business as an attractive workplace:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v17

You have obtained and valued the trust exhibited by the family:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v18

You share basic values with the business family (mainly senior generation):

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v19

You have a comprehensive educational background relevant to the business and continue to invest in personal development:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v20

You have completed intensive trainings outside or/and inside the company before succession:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v21

Inside the company, you had the freedom to learn by trial and error before succession:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v22

You demonstrate a mixture of modesty and self-confidence:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v23

You were very sure that you want to take over the responsibility:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v24

You based your sureness of succession on a deep-rooted motivation and on early involvement in the family business.

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v25

You fostered a good relationship with the senior generation:

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v26

You agree or have agreed to exclude non-operative assets from your heritage (for equality of asset distribution and in order

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v27

You have higher expectations of good business performance compared to your predecessors.

1 - fully agree 2 - agree 3 - neutral 4 - disagree 5 - fully disagree

v28

Based on your experience, rank the following systems on importance

1 - Very important 2 - important 3 - neutral 4 - less important 5 - not important

v28 – part-Question: Family

v28U2 - part-Question: Business/Management

v28U3 - part-Question: Your personality

v28U4 - part-Question: Ownership

v29

Since succession and compared to competition, your market position has...

1 - Significantly improved 2 - improved 3 - stagnated 4 - declined 5 - significantly declined

v30

Since succession and compared to competition, your innovation performance has

1 - Significantly improved 2 - improved 3 - stagnated 4 - declined 5 - significantly declined

v31

Since succession and compared to competition, your productivity has

1 - significantly improved 2 - improved 3 - stagnated 4 - declined 5 - significantly declined

v32

Since succession and compared to competition, your employer brand has

1 - significantly improved 2 - improved 3 - stagnated 4 - declined 5 - significantly declined

v33

Since succession and compared to competition, your liquidity has...

1 - significantly improved 2 - improved 3 - stagnated 4 - declined 5 - significantly declined

APPENDIX X: ABOUT THE AUTHOR

In social sciences research that is following a qualitative approach, the background of the researcher heavily influences the work's outcome. It is therefore vital to shed light on the author's social and professional background (see also limitations of research approach). The author is a family member and member of the management board of a medium sized export oriented high tech family business. With several years of senior management work experience and a master's degree in business management, the author has experienced a great challenge in developing a high tech company from organizational and human resources management perspective. The author was lecturing *Management in SME* at the University of Applied Sciences Kufstein/Austria in 2012 and is a visiting professor at the University of Applied Sciences Vorarlberg/Austria, University of Applied Sciences Fulda/Germany, and University of Latvia in Riga/Latvia. . The course "Management in SME," which focused on family business management, was held with 30 undergraduates, half of them prospective successors of family businesses. Discussing business, family, ownership, and personality issues in the context of family businesses gave extra insights into the topic from the successors view. The author was furthermore facilitating a small group of young family business managers of medium sized industrial family companies (with cumulated revenues of Euro 500 Mill.) who are exchanging individual experiences at a top level. Furthermore, the author founded and three years later sold a start-up company in the new media sector. As a family business member and the oldest out of three sons of the shareowners, the author has participated in several strategy meetings and decisions within the family business. Since 2013, the author is managing director of the family business. The author is member of FFI Family Firm Institute, FBN Family Business Network, and JWV Joung Wirtschaft Vorarlberg.

APPENDIX XI: STATISTICS – FREQUENCY SCALE

General data

Survey:	Success factors for effective succession – the successors perspective
Contacts:	78, have accessed the questionnaire
Participants responding:	65 (83%), have at least responded to one question

Question 1

Gender

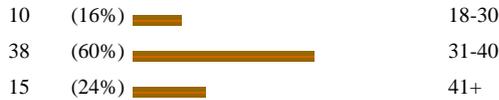
Total Subjects: 64



Question 2

Your age in years

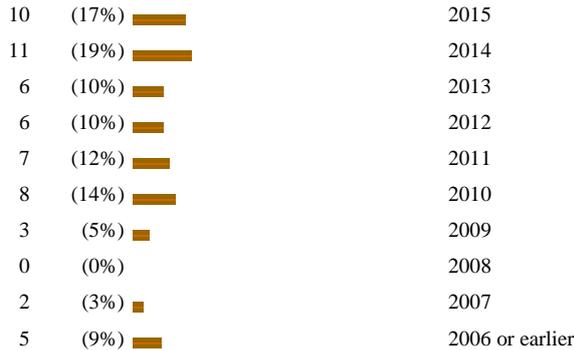
Total Subjects: 63



Question 3

Year of succession

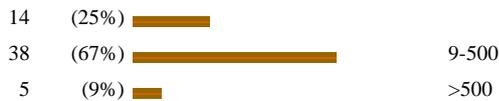
Total Subjects: 58



Question 4

Number of employees in your business

Total Subjects: 57



Question 5

Your generation

Total Subjects: 57



Question 6

Location of company

Total Subjects: 51



0	(0%)	Asia Pacific
0	(0%)	Other

Question 8

Concerning succession, you have fully reached your personal goals:

Total Subjects: 54

17	(31%)		Fully agree
25	(46%)		Agree
8	(15%)		neutral
2	(4%)		Disagree
2	(4%)		Fully Disagree

Arithmetic average: 2.01 - Median: 2 - Standard deviation: 0.971

Question 9

The succession process (planning and execution) was effective for all (in the sense of “the goals of all family members have been reached without bigger irritations”):

Total Subjects: 52

18	(35%)		Fully Agree
19	(37%)		Agree
9	(17%)		neutral
3	(6%)		Disagree
3	(6%)		Fully Disagree

Arithmetic average: 2.11 - Median: 2 - Standard deviation: 1.12

Question 25

You fostered a good relationship with the senior generation:

Total Subjects: 49

38	(78%)		Fully agree
9	(18%)		Agree
2	(4%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.26 - Median: 1 - Standard deviation: 0.525

Question 16

You have strived to advance the business as an attractive workplace:

Total Subjects: 51

36	(71%)		Fully agree
15	(29%)		Agree
0	(0%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.29 - Median: 1 - Standard deviation: 0.455

Question 17

You have obtained and valued the trust exhibited by the family:

Total Subjects: 51

36	(71%)		Fully agree
11	(22%)		Agree
3	(6%)		neutral
1	(2%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.39 - Median: 1 - Standard deviation: 0.688

Question 18

You share basic values with the business family (mainly senior generation):

Total Subjects: 51

34	(67%)		Fully agree
10	(20%)		Agree
7	(14%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.47 - Median: 1 - Standard deviation: 0.723

Question 23

You were very sure that you want to take over the responsibility:

Total Subjects: 50

34	(68%)		Fully agree
8	(16%)		Agree
7	(14%)		neutral
0	(0%)		Disagree
1	(2%)		Fully Disagree

Arithmetic average: 1.52 - Median: 1 - Standard deviation: 0.877

Question 19

You have a comprehensive educational background relevant to the business and continue to invest in personal development:

Total Subjects: 50

30	(60%)		Fully agree
15	(30%)		Agree
4	(8%)		neutral
1	(2%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.52 - Median: 1 - Standard deviation: 0.727

Question 22

You demonstrate a mixture of modesty and self-confidence:

Total Subjects: 49

26	(53%)		Fully agree
19	(39%)		Agree
4	(8%)		neutral
0	(0%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.55 - Median: 1 - Standard deviation: 0.64

Question 14

You have involved the senior generation after the transition has taken place consciously by providing defined rooms or projects of business related activity:

Total Subjects: 51

27	(53%)		Fully agree
20	(39%)		Agree
2	(4%)		neutral
2	(4%)		Disagree
0	(0%)		Fully Disagree

Arithmetic average: 1.58 - Median: 1 - Standard deviation: 0.745

Question 15

You have set clear signs of the transition of leadership (typically, “setting signs” involves celebrations or ceremonies):

Total Subjects: 50

15	(30%)		Fully agree
8	(16%)		Agree
4	(8%)		neutral
3	(6%)		Disagree
20	(40%)		Fully Disagree

Arithmetic average: 3.1 - Median: 3 - Standard deviation: 1.734

Question 10

You had a clear roadmap for succession:

Total Subjects: 52

12	(23%)		Fully agree
12	(23%)		Agree
12	(23%)		neutral
11	(21%)		Disagree
5	(10%)		Fully Disagree

Arithmetic average: 2.71 - Median: 3 - Standard deviation: 1.291

Question 12

You prefer to be sole decision-taker in the business. You tend to avoid having siblings (or other relatives) involved in the business, especially at the top management level:

Total Subjects: 52

23	(44%)		Fully agree
7	(13%)		Agree
7	(13%)		neutral
4	(8%)		Disagree
11	(21%)		Fully Disagree

Arithmetic average: 2.48 - Median: 2 - Standard deviation: 1.599

Question 20

You have completed intensive trainings outside or/and inside the company before succession:

Total Subjects: 49

18	(37%)		Fully agree
11	(22%)		Agree
8	(16%)		neutral
7	(14%)		Disagree
5	(10%)		Fully Disagree

Arithmetic average: 2.38 - Median: 2 - Standard deviation: 1.367

Question 21

Inside the company, you had the freedom to learn by trial and error before succession:

Total Subjects: 48

15	(30%)		Fully agree
16	(33%)		Agree
9	(19%)		neutral
6	(13%)		Disagree
2	(4%)		Fully Disagree

Arithmetic average: 2.25 - Median: 2 - Standard deviation: 1.145

Question 11

Once begun, you advocated a quick transfer of the leadership role:

Total Subjects: 52

22	(42%)		Fully agree
8	(15%)		Agree
13	(25%)		neutral
7	(13%)		Disagree
2	(4%)		Fully Disagree

Arithmetic average: 2.21 - Median: 2 - Standard deviation: 1.23

Question 26

You agree or have agreed to exclude non-operative assets from your heritage (for equality of asset distribution and in order to maintain family unit):

Total Subjects: 42

17	(40%)		Fully agree
13	(31%)		agree
4	(10%)		neutral
2	(5%)		Disagree
6	(15%)		Fully Disagree

Arithmetic average: 2.21 - Median: 2 - Standard deviation: 1.389

Question 7

Your succession has taken place and is basically completed:

Total Subjects: 57

33	(58%)		Fully agree
11	(19%)		Agree
12	(21%)		neutral
1	(2%)		Disagree
0	(0%)		Fully disagree

Arithmetic average: 1.66 - Median: 1 - Standard deviation: 0.865

Question 13

If relatives are/were involved, you arranged a clear and by all members accepted hierarchy within the business:

Total Subjects: 46

25	(54%)		Fully agree
13	(28%)		Agree
3	(7%)		neutral
2	(4%)		Disagree
3	(7%)		Fully Disagree

Arithmetic average: 1.8 - Median: 1 - Standard deviation: 1.153

Question 27

You have higher expectations of good business performance compared to your predecessors.

Total Subjects: 49

17	(35%)		Fully agree
18	(37%)		agree
12	(25%)		neutral
0	(0%)		Disagree
2	(4%)		Fully Disagree

Arithmetic average: 2.02 - Median: 2 - Standard deviation: 0.979

Question 24

You based your sureness of succession on a deep-rooted motivation and on early involvement in the family business:

Total Subjects: 49



Arithmetic average: 1.71 - Median: 1 - Standard deviation: 0.989

Question 28 (table question)

Based on your experience, rank the following systems on importance for succession:

	Very important	Important	Neutral	Less important	Not important	no answer	
Family	32 64% 	11 22% 	6 12% 			1 2% 	Total : 50 x: 1.47, std: 0.7
Business/Management	28 56% 	18 36% 	2 4% 	1 2% 		1 2% 	Total : 50 x: 1.51, std: 0.67
Your personality	20 40% 	22 44% 	7 14% 			1 2% 	Total : 50 x: 1.73, std: 0.69
Ownership	6 12% 	26 52% 	14 28% 	3 6% 		1 2% 	Total : 50 x: 2.29, std: 0.76

Respondents count over all rows (n): 50 - Empty cells contain the value 0. Total arithmetic mean of row's means (whole table): 1.75

Question 29

Since succession and compared to competition, your market position has...

Total Subjects: 49



Arithmetic average: 2.12 - Median: 2 - Standard deviation: 0.848

Question 30

Since succession and compared to competition, your innovation performance has

Total Subjects: 48

7	(16%)		Significantly improved
27	(56%)		Improved
13	(27%)		stagnated
1	(2%)		declined
0	(0%)		significantly declined

Arithmetic average: 2.16 - Median: 2 - Standard deviation: 0.687

Question 31

Since succession and compared to competition, your productivity has

Total Subjects: 50

8	(16%)		Significantly improved
24	(48%)		Improved
17	(34%)		stagnated
1	(2%)		declined
0	(0%)		significantly declined

Arithmetic average: 2.22 - Median: 2 - Standard deviation: 0.729

Question 32

Since succession and compared to competition, your employer brand has

Total Subjects: 50

8	(16%)		Significantly improved
25	(50%)		Improved
15	(30%)		stagnated
1	(2%)		declined
1	(2%)		significantly declined

Arithmetic average: 2.24 - Median: 2 - Standard deviation: 0.813

Question 33

Since succession and compared to competition, your liquidity has...

Total Subjects: 48

2	(4%)		Significantly improved
19	(39%)		Improved
22	(46%)		stagnated
4	(8%)		declined
1	(2%)		significantly declined

Arithmetic average: 2.64 - Median: 3 - Standard deviation: 0.777

Question 34

Since succession and compared to competition, your profitability has...

Total Subjects: 47

2	(4%)		Significantly improved
22	(47%)		Improved
22	(47%)		stagnated
0	(0%)		declined
1	(2%)		significantly declined

Arithmetic average: 2.48 - Median: 2 - Standard deviation: 0.68

APPENDIX XII: STATISTICS – CORRELATION ANALYSIS (NON-PARAMETRIC)

		Correlations																				
		v10	v11	v12	v13	v14	v15	v16	v17	v18	v19	v20	v21	v22	v23	v24	v25	v26	v27	v8	v9	
Kendall's tau_b	v10	Correlation Coefficient	1,000	.077	-.072	-.041	-.307*	-.347**	.105	.075	.109	.065	-.134	.235*	.042	.015	-.239*	-.098	.073	.064	-.334*	-.463**
		Sig. (2-tailed)		.513	.538	.726	.013	.003	.413	.549	.377	.600	.248	.043	.737	.900	.048	.432	.528	.593	.005	.000
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v11		Correlation Coefficient	.077	1,000	.311*	.330*	.088	.178	.374**	.402**	.082	.286*	-.129	.042	.255*	.095	.140	.230	.291*	.140	.202	.296*
		Sig. (2-tailed)	.513		.009	.006	.484	.138	.004	.002	.518	.024	.275	.727	.043	.451	.256	.072	.014	.250	.098	.014
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v12		Correlation Coefficient	-.072	.311*	1,000	.332*	-.032	-.004	.000	-.010	-.028	.171	-.027	-.012	.209	.102	-.079	-.057	.091	.090	.186	.038
		Sig. (2-tailed)	.538	.009		.006	.798	.970	1,000	.939	.824	.173	.819	.920	.095	.414	.518	.652	.437	.456	.127	.751
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v13		Correlation Coefficient	-.041	.330*	.332*	1,000	-.018	.080	.114	.155	.112	.064	-.186	-.029	.024	.081	.083	.148	.092	.283	.050	.008
		Sig. (2-tailed)	.726	.006	.006		.889	.508	.385	.226	.378	.612	.118	.809	.849	.519	.505	.251	.440	.021	.686	.947
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v14		Correlation Coefficient	-.307*	.088	-.032	-.018	1,000	.036	.099	.187	.051	.034	.001	.071	.356*	.098	.107	.456**	-.026	-.024	-.022	.042
		Sig. (2-tailed)	.013	.484	.798	.889		.776	.472	.190	.697	.797	.992	.569	.007	.455	.408	.001	.832	.852	.865	.738
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v15		Correlation Coefficient	.347**	.178	-.004	.080	.036	1,000	.024	.038	.173	.072	.036	.144	.082	-.163	.151	.121	.044	.168	.306*	.404**
		Sig. (2-tailed)	.003	.138	.970	.508	.776		.024	.038	.173	.072	.036	.144	.082	-.163	.151	.121	.044	.168	.306*	.404**
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v16		Correlation Coefficient	.105	.374**	.000	.114	.099	.024	1,000	.663**	.276*	.125	-.181	.274*	.124	.083	.165	.253	.325*	-.071	.394**	.354**
		Sig. (2-tailed)	.413	.004	1,000	.385	.472	.856		.000	.043	.365	.159	.035	.366	.546	.220	.070	.012	.593	.003	.007
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v17		Correlation Coefficient	.075	.402*	-.010	.155	.187	.038	.663**	1,000	.414*	.027	-.178	.198	.143	.263	.323	.393**	.275*	.126	.298	.391**
		Sig. (2-tailed)	.549	.002	.939	.226	.160	.767	.000		.002	.838	.154	.114	.284	.048	.013	.004	.028	.327	.021	.002
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v18		Correlation Coefficient	-.109	.082	-.028	.112	.051	.173	.278*	.414*	1,000	.049	-.273*	.163	-.015	-.031	.305*	.231	.060	.158	.178	.296*
		Sig. (2-tailed)	.377	.518	.824	.378	.697	.171	.043	.002		.712	.028	.191	.911	.817	.019	.085	.626	.216	.166	.020
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v19		Correlation Coefficient	.065	.286*	.171	.064	.034	.072	.125	.027	.049	1,000	.143	.166	.060	.042	-.076	.019	.183	.107	.109	.049
		Sig. (2-tailed)	.600	.024	.173	.612	.797	.570	.365	.938	.712		.251	.184	.651	.752	.558	.887	.140	.404	.397	.699
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v20		Correlation Coefficient	.134	-.129	-.027	-.186	.001	.036	-.181	-.178	-.273*	.143	1,000	.233	.210	.180	-.018	-.151	-.044	-.181	.001	.011
		Sig. (2-tailed)	.248	.275	.819	.118	.992	.763	.159	.154	.028	.251		.046	.090	.146	.884	.230	.706	.131	.993	.927
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v21		Correlation Coefficient	.235*	.042	-.012	-.029	.071	.144	.274*	.198	.163	.166	.332*	1,000	.124	.076	.488**	-.055	.127	.057	.275*	.162
		Sig. (2-tailed)	.043	.727	.920	.809	.569	.324	.035	.114	.191	.184	.046		.318	.540	.000	.666	.277	.634	.023	.175
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v22		Correlation Coefficient	.042	.255*	.209	.024	.356**	.082	.124	.143	-.015	.060	.210	.124	1,000	.228	-.132	.230	.000	.024	.122	.194
		Sig. (2-tailed)	.737	.043	.095	.849	.007	.516	.386	.284	.911	.651	.090	.318		.084	.308	.087	1,000	.851	.341	.126
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v23		Correlation Coefficient	.015	.095	.102	.081	.098	-.163	.083	.263*	-.031	.042	.180	.076	.228	1,000	.238	.145	-.016	.036	.247	.142
		Sig. (2-tailed)	.900	.451	.414	.519	.455	.195	.546	.048	.817	.752	.146	.540	.084		.065	.280	.899	.780	.053	.260
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v24		Correlation Coefficient	.239	.140	-.079	.083	.107	.151	.165	.323*	.305*	-.076	-.018	.488**	-.132	.238	1,000	.110	.177	.079	.262*	.199
		Sig. (2-tailed)	.048	.256	.518	.505	.408	.219	.320	.013	.019	.558	.884	.000	.308	.065		.403	.144	.525	.037	.108
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v25		Correlation Coefficient	-.098	.230	-.057	.148	.456**	.121	.253	.393**	.231	.019	-.151	-.055	.230	.145	.110	1,000	.089	.018	.020	.304*
		Sig. (2-tailed)	.432	.072	.652	.251	.001	.343	.070	.004	.085	.887	.230	.666	.087	.280	.403		.477	.887	.875	.018
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v26		Correlation Coefficient	.073	.291*	.091	.092	-.026	.044	.325*	.275*	.060	.183	-.044	.127	.000	-.016	.177	.089	1,000	.048	.144	.112
		Sig. (2-tailed)	.528	.014	.437	.440	.832	.709	.012	.028	.626	.140	.706	.277	1,000	.899	.144	.477		.688	.231	.347
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v27		Correlation Coefficient	.064	.140	.090	.283*	-.024	.198	-.071	.126	.158	.107	-.181	.057	.024	.036	.079	.018	.048	1,000	.048	.063
		Sig. (2-tailed)	.593	.250	.456	.021	.852	.104	.593	.327	.216	.404	.131	.634	.851	.780	.525	.887	.698		.698	.608
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v8		Correlation Coefficient	.334**	.202	.186	.050	-.022	.306*	.394**	.296*	.178	.109	.001	.275*	.122	.247	.262*	.020	.144	.048	1,000	.475**
		Sig. (2-tailed)	.005	.098	.127	.686	.865	.012	.003	.021	.166	.397	.993	.023	.341	.053	.037	.875	.231	.698		.000
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
v9		Correlation Coefficient	.463**	.296*	.038	.008	.042	.404*	.354*	.391**	.296*	.049	.011	.162	.194	.142	.199	.304*	.112	.063	.475**	1,000
		Sig. (2-tailed)	.000	.014	.751	.947	.738	.001	.007	.002	.020	.699	.927	.175	.128	.260	.108	.018	.347	.608	.000	
		N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50

*. Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Correlations

			v8	v9	v29	v30	v31	v32	v33	v34
Kendall's tau_b	v8	Correlation Coefficient	1,000	,475**	,258*	-,001	,156	,157	,096	,122
		Sig. (2-tailed)	.	,000	,038	,992	,218	,210	,444	,338
		N	50	50	50	50	50	50	50	50
	v9	Correlation Coefficient	,475**	1,000	,141	-,118	,157	,214	,145	-,131
		Sig. (2-tailed)	,000	.	,251	,339	,208	,085	,241	,299
		N	50	50	50	50	50	50	50	50
	v29	Correlation Coefficient	,258*	,141	1,000	,306*	,134	,378**	,416**	,391**
		Sig. (2-tailed)	,038	,251	.	,015	,290	,003	,001	,002
		N	50	50	50	50	50	50	50	50
	v30	Correlation Coefficient	-,001	-,118	,306*	1,000	,182	,276*	,311*	,391**
		Sig. (2-tailed)	,992	,339	,015	.	,153	,029	,014	,002
		N	50	50	50	50	50	50	50	50
	v31	Correlation Coefficient	,156	,157	,134	,182	1,000	,219	,249	,176
		Sig. (2-tailed)	,218	,208	,290	,153	.	,086	,050	,173
		N	50	50	50	50	50	50	50	50
	v32	Correlation Coefficient	,157	,214	,378**	,276*	,219	1,000	,210	,138
		Sig. (2-tailed)	,210	,085	,003	,029	,086	.	,096	,283
		N	50	50	50	50	50	50	50	50
	v33	Correlation Coefficient	,096	,145	,416**	,311*	,249	,210	1,000	,586**
		Sig. (2-tailed)	,444	,241	,001	,014	,050	,096	.	,000
		N	50	50	50	50	50	50	50	50
	v34	Correlation Coefficient	,122	-,131	,391**	,391**	,176	,138	,586**	1,000
		Sig. (2-tailed)	,338	,299	,002	,002	,173	,283	,000	.
		N	50	50	50	50	50	50	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).