

# SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

## Succession in private firms as an entrepreneurial process – A review and suggestions of new research avenues \*

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# **Succession in private firms as an entrepreneurial process – A structured review and further avenues**

## **Abstract**

In considering firm succession as the acts of both entrepreneurial exit and entry, this paper adds to work that seeks to integrate entrepreneurship and family business research. We provide a comprehensive literature review of succession research over the past 35 years and identify seven thematical clusters within which succession can be understood as a distinct part of the entrepreneurial process, and three areas of particular interest for future research seeking to advance the literatures on entrepreneurship, family firms, and governance in private firms. The paper explores theoretical, conceptual, and methodological ways of integrating these findings into the research on entrepreneurship and family business.

Keywords: Succession, ownership, entrepreneurial process, family firms, exit, entry

# SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

## 1. Executive summary

Research on family business has made advances in terms of identifying a range of intricate mechanisms and practical problems related to succession in family firms; however, generalizable empirical findings about the frequency of firm successions, what determines successful succession, and the wider economic ramifications of different types of successions are scarce. Research on entrepreneurship helps to explain how and why individuals choose to start and grow their own firms, but does not explore the situation of becoming an entrepreneur as a result of inheriting or purchasing a business, which can be seen as unique entry points with distinctive theoretical implications.

In this paper we provide an extensive review of the literature on succession in privately held firms from the perspective of this succession promoting entrepreneurial entry and exit. We argue that a further integration of the family business and entrepreneurship research is required. Scholars of family business argue that succession can lead to an important infusion of entrepreneurial energy based on the potential of new owners and managers to rejuvenate their firms (Habbershon and Pistrui, 2002; Nordqvist and Melin, 2010). Scholars of entrepreneurship argue that the entrepreneurial process does not end with the creation of a new venture and that firm succession is a vital part of the entrepreneurship process (DeTienne, 2010). Since owner-manager entrepreneurs who want to exit from an entrepreneurial venture, rather than deciding (or being forced) to close down the business (Shepherd et al., 2009), can (i) sell the firm to an external party (Wennberg et al., 2010) or (ii) hand over the business to family members and/or relatives (Sharma et al., 2003b), the exit of one generation of firm owner-managers can also promote the entrepreneurial entry of another. Very little attention has been devoted to the choice to take over an existing business as opposed to starting a business from scratch.

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

We present a detailed review on the scholarly literature on ownership transition and succession in private businesses. Given the large, but heterogeneous body of literature on the various issues related to ownership transition and succession, and the recent efforts in integrate the fields of entrepreneurship and family business research (Aldrich and Cliff, 2003; Kellermanns and Eddleston, 2006), we believe that it is appropriate to review the research published so far. Our review and analysis show that 71 percent of all studies published in the last 35 years consist of either descriptive investigations of aggregated data or micro studies of firm succession based on small samples or a number of illustrative cases. While providing valuable knowledge, these studies do not lend themselves to detecting generalizeable patterns in larger populations of entrepreneurial owners/managers and their firms. We argue that more formal integration of the insights from the process perspective in entrepreneurship research (Davidsson, 2004; Reynolds and White, 1997; Eckhardt et al., 2006) could provide the tools and concepts that would allow researchers to begin to fill this gap in the literature.<sup>1</sup>

The entrepreneurial process perspective implies that succession can be related to both entrepreneurial entry and exit. Our comprehensive review of the literature identifies four levels of analysis that currently seem to be preoccupying the succession literature. These levels appear particularly important for understanding succession from an entrepreneurial perspective. Based on the research identified in these we suggest three main areas that offer particular interesting avenues for future research: First, the need for an empirical approach that takes an explicit multi-level perspective by considering the interactive roles of individual entrepreneurs, their family members, the economic environment, and potential successors and their families, in the processes of ownership transition and succession in private businesses. Second, most published research focuses on management transitions, but there are good reasons why we should examine ownership transitions. Transfers of ownership may constitute

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<sup>1</sup> See pages 9-10 in this paper for an elaboration of ‘the entrepreneurial process’, what it entails, and why we believe this perspective is appropriate for the present research.

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

the most critical part of the succession process, involving a multitude of dimensions, from financial issues and asset valuations, to emotional issues involving family members. Third, there is a need for more generalizable empirical evidence, and hypotheses that can be tested explicitly, deriving from distinct theoretical frameworks. The literature review reveals that a suitable research design and rigorous analytical techniques (techniques that are increasingly prevalent in entrepreneurship research) are lacking in most of the published research on firm succession. This is deplorable: as the family business research field matures, there is an increased necessity for research to generate empirical evidence that allows generalizations and testing of the limits and boundary conditions of different theoretical models.

We argue that research on family business can exploit recent advances in entrepreneurship research to produce more advanced studies that generate relevant knowledge for entrepreneurs, managers, and policy makers. Our review of the research suggests the need for a revamped theoretical perspective in family business research, to explore ownership transitions and succession by putting emphasis on the multi-level nature of ownership transitions that integrates the roles of individual entrepreneurs, enterprising families, and the evolution of the firms that they own.

### **2. Introduction**

Research on entrepreneurship and family business has helped to explain how and why individuals choose to start and grow their own firms. However, we know little about how and why individuals leave their firms to the care of others and what impact this has on the economic outcomes of individual entrepreneurs, enterprising families, or the economies in which they are embedded (DeTienne, 2010; Ronstadt, 1986). DeTienne (2010) argues that the entrepreneurial process does not end with new venture creation and that entrepreneurial exits are also a core part of the entrepreneurship process. Similarly, it has recently been argued that

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

succession in private firms and family businesses can be considered from an entrepreneurial process perspective (Habbershon and Pistrui, 2002; Nordqvist and Melin, 2010).

From the perspective of entrepreneurship research, owner-manager entrepreneurs that want to exit from their current venture can decide to (i) sell their firms to an external party (Wennberg et al., 2010), (ii) hand over the business to family members and/or relatives (Sharma et al., 2003b), or (iii) decide (or be forced) to close down their business (Shepherd et al., 2009). The first two options are related to both entrepreneurial exit and entrepreneurial entry. In this case, entry could involve taking over an established business, i.e. acquiring a firm from which someone else is exiting. Relatively little attention has been given to the choices of individual entrepreneurs to take over an existing business as opposed to starting from scratch (Nordqvist and Melin, 2010; Parker and Van Praag, 2006). Nonetheless, the study of intergenerational survival of established businesses entails exit as well as entry decisions.

From the perspective of family business research, the process of ownership transition and succession in private firms frequently is both lengthy and complex, and is influenced by such factors as the personal goals of the owner-manager, family structure, ability and ambitions of potential successors, and legal and financial issues (Le Breton-Miller et al., 2004). Scholars of family business tend to emphasize what determines successful ownership transition and succession involving family members and private firms, alongside the general characteristics of effective succession (Handler, 1994; Le Breton-Miller et al., 2004; Sharma, Chrisman, and Chua, 2003a). Since a majority of privately held firms in many developed countries is likely to shift ownership as the owners approach retirement, from a public policy perspective there is a need to study the conditions surrounding successful transfers of private firms to new ownership, and the implications of ownership transition and succession for wider socio-economic outcomes. Our review reveals that most of the literature on succession is

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

conceptual or relies on a small number of cases and/or surveys, based on convenience samples. We focus on ownership transition and succession in private businesses as processes of entrepreneurial entry and exit. This interest is part of a more general move towards an increased interest in integrating entrepreneurship and family business research (e.g. Aldrich and Cliff, 2003; Hoy and Sharma, 2009; Kellermanns and Eddleston, 2006; Nordqvist and Melin, 2010; Zahra et al., 2004). Given the significant body of work on ownership transitions and succession, and the tendency for entrepreneurship and family business research to become more integrated, we believe a review of the research and some suggestions for future research are appropriate.

This paper presents a comprehensive review of the scholarly literature on ownership transition and succession in private firms. It shows that 71 percent of the work published since the mid 1970s consists of descriptive investigations based on aggregated data, or micro studies of firm succession based on small samples or a small number of illustrative cases. While they provide some useful insights they do not identify patterns that can be generalized to larger populations of entrepreneurial owners/managers and their firms. We need to know more about the effects of ownership transition on long-term development in privately held firms, and how it affects economic outcomes at different levels of analysis. In our view considering succession from an entrepreneurial process perspective would be useful. From this perspective, ownership transition is viewed as involving both entrepreneurial entry and exit (Parker and Van Praag, 2006). Based on our literature review we outline a research agenda for research on ownership transition and succession from an entrepreneurship research perspective. The literature review and a formal cluster analysis identify four levels of analysis that dominate the current literature on succession. These appear to be important for understanding transition processes from an entrepreneurial perspective and allow us to identify three main areas that offer particularly interesting avenues for future research. First,

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

ownership transition involves, among other things, the goals and options of several actors (DeTienne, 2010). The individual entrepreneur, the family members, the economic environment, and the potential successors and families all, to varying degrees, may influence the transition process. We discuss how this multi-level perspective has developed in the conceptual literature. Although adopted in some qualitative studies, multi-level quantitative research is very scant. The fact that ownership transition and succession are inherently multi-dimensional means that empirical research should move to adopt a multi-level perspective.

Second, succession research focuses primarily on management transitions, while ownership transfer has received much less attention. For many small and medium sized enterprises (including family businesses) these two go hand in hand (Handler, 1994).<sup>2</sup> Yet, there are reasons to single out and examine ownership transitions more closely since transfer of ownership, which involves financial issues and asset valuation, to emotional issues such as perceived fairness among involved actors, may be the most critical part of a succession.

Third, our review shows that there is a lack of suitable analytical techniques and representative sampling methods. This is a deplorable gap: as the research field of family business matures, there is an increased need for generalizable empirical evidence that can be used to test the limits and boundary conditions of different theoretical models, and to generate insights for entrepreneurs, managers, and policy makers. Following recent advances in entrepreneurship research, we provide a revamped theoretical perspective on ownership transitions and succession in family research that emphasizes the multi-level nature of ownership transition, integrating the role of individual entrepreneurs, their families, and the evolution of the firms that they initiate.

This paper contributes to the literature in several ways. First, in showing that ownership transition and succession are acts of entrepreneurial exit of a previous owner(s) and

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<sup>2</sup> The correlation between ownership and management in empirical studies of family firms often amounts to between 0.5 to 0.7 (Block et al., 2010).

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

entry of a new owner(s) (DeTienne, 2010), we contribute to the work on entrepreneurial processes in family firms (Aldrich and Cliff, 2003; Kellermanns and Eddleston, 2006; Naldi et al., 2007; Zahra et al., 2004). Our synthesis of the literature on ownership succession points to several opportunities for a more formal integration of theoretical, conceptual and methodological insights in research on entrepreneurship and family business.

Second, we contributes to research on entrepreneurship as career dynamics (Carroll and Mosakowski, 1987) or occupational choice (Evans and Leighton, 1989) by highlighting how explanations at the individual, family, and firm levels interact to explain firm entries and exits. Specifically, We believe that ‘process models’ in the spirit of Van de Ven and Engelman (2004) and Eckhardt et al. (2006) could be applied to ownership transition and succession as selection events among firms (Carroll, 1984) and the mechanisms by which family firm founders may ‘cash in’ the fruits of their labor (DeTienne, 2010).

Third, we contribute to the research investigates how micro-level entrepreneurial processes leads to meso- and macro level economic change (Carree and Thurik, 2003; Van Praag and Versloot, 2007) by highlighting the importance of a demographic focus on individual firm founders to unearth the wider socio-economic consequences of ownership transitions and succession in privately held firms (Ireland et al., 2005; Venkataraman, 1997).

The paper is organized as follows. In Sections 3 and 4 we discuss the guiding theoretical assumptions and describe the methodology. Section 5 reviews the extant research and discusses the articles within the categories identified in the cluster analysis. Section 6 uses these insights to highlight some avenues for future research that would help to fill some of the research gaps identified by our review and analysis. We generate a set of research questions and discuss some of the methodological issues that need to be addressed to further the research in this area. Section 7 provides a brief conclusion.

# SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

### 3. Guiding theoretical assumptions

This paper is based on the conceptual pillars of entrepreneurship and family business research. Research in entrepreneurship has proposed several theories related to the firm-individual interface (Davidsson, 2004; Sarasvathy, 2004; Shane, 2003). Research in family business focuses on the complex and multi-level nature of transition and succession (Le Breton-Miller et al., 2004; Sharma et al., 2003a). Based on these conceptual foundations, entrepreneurship can be seen as a *process* in which firms, some purposefully grown into larger enterprises, are created by individuals or teams and whose founders eventually exit (DeTienne, 2010). Entrepreneurship in this context is defined as an individual pursuing an entrepreneurial opportunity, often through the creation of a new venture (Carter et al., 2003). Much theoretical work exists on entrepreneurial entry and growth, but research on exit and the possibility of re-entry, and on the difference between founders that initiate their own firms and those that take over existing firms, is limited (DeTienne, 2010). The topic of succession, a main theme in family business research, can contribute to general entrepreneurship research in that firm takeovers are a frequent but under investigated way of becoming involved in entrepreneurship, for non-family firm employees (Parker and van Praag, 2006).

The conceptual underpinnings of any research are important for dictating the methods used. A process perspective on ownership change necessitates research designs that follow individuals and firms over time. Yet, most empirical studies of entrepreneurship and family business are based on cross-sectional studies (Cornelius et al., 2006) and existing process studies often focus exclusively on a single level of analysis (Davidsson and Wiklund, 2001), which reduces the opportunities for understanding how the factors at one level of analysis (the individual, the family, the new firm) affect the entrepreneurial processes of firm creation, growth, and exit. This, in turn, reduces the possibility for research to pinpoint and discern

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

what central factors that mould the multi-level and often lengthy processes that lead to the transfer of ownership or the demise of family firms.

Hence, both methodologically and conceptually entrepreneurship and family business research have orthogonal potential. Although entrepreneurship research has developed advanced research designs and methods that allow qualitative and quantitative process studies (Eckhardt et al., 2006; Van de Ven and Engelman, 2004), a conceptual framework is required to describe this multi-level phenomenon (Davidsson and Wiklund, 2001). Family business research has focused on the multi-level aspects of transition and succession (Le Breton-Miller et al., 2004) and developed models and research on both large (Gersick, 1997) and small family firms (Sharma et al., 2003a). However, it has not adopted the generalizable sampling designs and analytical techniques of entrepreneurship research.

Thus, the lens employed to identify and review the research on ownership transition and succession is based on assumptions and conceptual considerations central to the entrepreneurship and family business literature. We use the conceptual pillars of entrepreneurship research, that is, the *firm-individual interface* and the view of entrepreneurship as a *process* with distinct phases each of which makes differential demands on the firm and its founders. From family business research we take the multilevel approach to ownership, family, and the firm, to construct a framework to guide out identification of the internal and external forces that shape the entrepreneurial process. We believe this integration will allow us to show how empirical studies of ownership transition and succession can be synthesized to identify gaps in the research, and how theories, concepts, and methods common to entrepreneurship research can contribute to family business research, and vice versa. Section 4 describes how we designed and carried out the comprehensive literature review that we draw upon to identify important new avenues of research.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

### 4. Methodology

Given the abundant and eclectic literature on succession we decided to follow a comprehensive and strictly systematic process. This should enable other researchers to follow our procedures and use our findings for their own purposes, regardless of their theoretical inclination. We used the 30 management journals listed in Debicki et al. (2009) based on reviews of the literature on entrepreneurship (MacMillan, 1993; Shane, 1997) and family business (Chrisman et al., 2008). We conducted a three phase examination of the articles published since the first issues of these 30 journals, using the publishers' electronic archive: First, we searched for the keywords *succession*, *successor*, *predecessor*, or *transition* in the keywords and abstracts of the papers, which identified 1,104 papers. We read all abstracts to exclude research focusing on CEO turnover in large publicly listed, retaining only papers examining succession in private and/or family firms. This reduced the sample to 172 papers. We read all the papers carefully, organizing a table of contents of the research design, sample characteristics, methods of sampling and analysis, and national context. We excluded papers with a practice-oriented focus such as interviews, book reviews, and teaching cases. This narrowed the sample to a final of 127 papers published in the past 35 years. Most articles were published in Family Business Review (59.8%), Journal of Small Business Management (9.4%), Entrepreneurship Theory & Practice (8.7%), Journal of Business Venturing (7.1%) and International Small Business Journal (6.3%). The majority were based on empirical research (72.3%) with an equal distribution between qualitative (52%) and quantitative oriented studies (48%). Table 1 presents the journals and number of articles in the review.

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## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

We used a formal cluster analysis to categorize published research on ownership transfer and succession according to 15 different dimensions that prior research has highlighted as salient topics of investigation. In categorizing the 127 identified papers we excluded 8 papers that were identified as pure literature reviews, leaving 119 papers in our final review. The 15 dimensions by which our cluster algorithm categorized the papers relate to:

- (i) **level of analysis** (4 dimension, see Handler & Kram, 1988; Sharma, 2004);
- (ii) **phase of succession** (4 dimensions);
- (iii) **the family- or firm- members involved** (7 dimensions, see Barach and Ganitsky, 1995; Sharma, 2004; Le Breton-Miller et al., 2004; Vera and Dean, 2005).<sup>3</sup>

The four dimensions referring to level of analysis were defined according to Handler and Kram's (1988) framework for succession research. *The individual level* focuses on the centrality of the individual in the succession process, and considers personal attributes, attitudes, perspectives, behaviors and expectations. *The group level* looks at relationships, interpersonal dynamics, influences of family members on the succession process and reactions of non-family management to the succession process. *The firm level* is related to the dimensions of governance mechanisms and temporal influences. The fourth level, *the environmental level*, considers the impact of environmental contingencies on firm structure.

The second dimension refers to four variables for the phase of the succession: *pre-succession*, *planning succession*, *managing succession* and *post-succession*. The third dimension refers to the types of agents discussed in the papers: *incumbent/founder*, *successor*, *parent*, *offspring*, *manager/stakeholder*, *shareholder*, *board of directors* (Sharma, 2004; Le Breton-Miller et al., 2004; Barach et al., 1995; Vera et al., 2005).

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<sup>3</sup> A detailed description of the cluster analysis is included in Appendix A.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

From the cluster analysis we can identify four main groups of studies, three of which are related to Handler and Kram's (1988) level of analysis: environmental level studies, *individual/ group level* studies, *firm level* studies, and a new category, *multilevel studies*. The majority of the studies analyzed fall into the individual/group cluster, which is subdivided into the four phases of succession: *pre-succession*, *planning succession*, *managing succession* and *post-succession*. The outcome is the following seven clusters of studies, and we organize the analysis of the literature review accordingly:

1. *Environmental studies*
2. *Firm-level studies*
3. *Individual/interpersonal studies, divided into:*
  - 3.1. *Pre-succession*
  - 3.2. *Planning succession*
  - 3.3. *Managing succession*
  - 3.4. *Post succession*
4. *Multilevel studies.*

### 5. Results of the literature review

This section synthesizes the findings from the literature review, the focus of current research and the dominant research questions, and discusses a selection of the most important findings in each of the seven groups identified. These findings are analyzed in the discussion section, which identifies a number of theoretical, empirical and methodological gaps. We conclude by suggesting avenues for future research. Table 2 presents the seven clusters of studies identified, and their main topics covered in the respective cluster.<sup>4</sup> At the end, we add the eight literature review papers that were not formally considered in the cluster analysis.

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#### 5.1. *Environmental level studies*

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<sup>4</sup> At the end of table 2 we list prior literature reviews not considered in the cluster analysis.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

Research at the environmental level has investigated the impact of factors external to the firm, such as financial and legal institutions and national cultures, affecting ownership transfers or succession. This cluster of studies contributes at the macro level by offering suggestions for policy in various countries. A number of studies with a financial focus considers the relationship between succession and firm performance (Ayres, 1998; Diwisch et al., 2009). The effect of various financial institutions on firm succession is a common theme in this group of studies, for example, by investigating the conditions for management buy-outs (Scholes et al., 2007; Wright et al., 1992), or how taxation and legal frameworks affect ownership transitions (Bjuggren and Sund 2002; File and Prince, 1996; McCollom, 1992). Finally, this cluster contains studies that examine how different national cultures shape attitudes to succession (Kuratko et al., 1993), tendencies to adopt succession plans (Huang, 1999), and the prevalence of successful successions (Chau, 1991).

### *5.2. Firm-level studies*

The articles in this cluster focus primarily on the relationship between the firm-level dimension and ownership transfer and/or succession. A first set of studies examines the factors that influence the firm and its family leaders during the period of ownership transfer/succession, by investigating, for example, the development and transfer of social capital (Steier, 2001), or firm- and industry-specific knowledge (Fiegener et al., 1994; Foster, 1995). A second set of articles looks at corporate governance in relation to ownership transfer (Corbetta and Montemerlo, 1999; Poza et al., 2004), the transition from founder to professional management (Berenbeim, 1990; Sonfield and Lussier, 2004), and relations with non-family managers in the succession phase (Chua et al., 2003). A third set of studies explores the reasons for firm failure during and after an ownership succession (Miller et al., 2003). In sum, this cluster of studies provides some important insights related to the build-up and transfer of social capital and intellectual assets across generations of owners, how the

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

involvement of family members affects governance mechanisms related to ownership transfer, and how family firms governance evolve from entrepreneurial to professional-management.

### *5.3. Individual/interpersonal level studies*

This cluster of articles includes almost 70 percent of the articles reviewed. It is distinguished by a central focus on individual entrepreneurs or family firm managers/CEOs as the unit of analysis in studies of ownership successions in private firms. As described in the methods section, we identified four sub-clusters in this large cluster, referring to different phases in the succession process: pre-succession, planning succession, managing succession, and post succession.

#### *5.3.1. Pre-succession*

The first sub-cluster of individual/interpersonal level studies focuses on the pre-succession phase and investigates the issues that precede planning for and managing an ownership succession, including questions related to attitudes to, and willingness of, family members to take on ownership. These studies includes investigations of attitudes to family business and the willingness to transfer ownership explore emotions, intentions (Birley, 1986; Stavrou, 1998) and opinions (Birley, 2002; Shepherd and Zacharakis, 2000) of next generation family members towards the firm. Many of these articles are based on surveys of university students who were potential successors (Birley, 1986; Shepherd and Zacharakis, 2000; Stavrou and Swiercz, 1998). An exception is Birley (2002) who surveyed the offspring of family-owners that participated in previous research projects.

In addition to the attitudes and willingness of successors, studies of the pre-planning phase investigate the resources and actions of individual former owners and successors that facilitate ownership transfers. Studies in this subsector have also attended to the role of former managers, highlighting their ability to 'let go' and leave control to their successor (Cadioux, 2007; Hoang and Gimeno, 2009). Drawing on resource based theory, Cabrera-Suárez and

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

colleagues (2001) discuss the importance of the successor's ability to acquire the key knowledge and skills of the predecessor in order to maintain and improve organizational performance. The study by Handler (1991) highlights interpersonal relationships among successors, considered critical to the progression of ownership succession. Chrisman et al. (1998) suggest that in long established family firms, successor integrity and commitment are considered imperative for pre-succession planning, while successors' birth order and gender are of less importance, despite the popularly held belief that first-born males constitute the model successor for family firms. A study that focuses specifically on succession in businesses run by women highlights the importance of the quality of communication and interpersonal trust within the family for successful ownership transfer (Cadieux et al., 2002). In sum, this subcluster of studies highlights the importance of understanding the motivations of potential successors, the alternatives to intra-family succession, and the sociological and social psychological factors that lead family firms to initiate plans for ownership succession.

### *5.3.2. Planning the Succession*

The second sub-cluster of individual/interpersonal level studies attends to issues related to planning for a succession. There is a great deal of evidence that the probability of a successful succession increases if there is a well structured succession plan in place (Sharma et al., 2001). For example, Goldberg and Wooldridge (1993) show that self-confidence and managerial autonomy are characteristics that are important for effective successors while creating the right environment for developing the successor is an important ability for a predecessor. In addition to studies examining the value of planning for ownership succession, our review of the literature identified several studies that investigate the role of interpersonal relations and the contingencies that could affect succession planning.

Several theoretical models have been published to explain how succession should be planned and managed. Longenecker and Schoen (1978) propose a theoretical framework for

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

succession that highlights the complexities of the succession process based on a seven stage process from the entry of the potential successor as a full-time employee in the organization to the transfer of the leadership position. Sharma et al. (2001) developed a conceptual model for succession planning that integrates several distinct theoretical frameworks such as management succession and stakeholder theory. The model is tested in Sharma et al. (2003a) and shows that satisfaction with the succession process in family firms is enhanced by the willingness of the former owner to step aside, the willingness of the successor to take over, the agreement among family members to maintain involvement in the business and to accept their individual roles, and an active succession planning phase. There seems to be a consensus that active planning is related to the eventual effectiveness of ownership successions. It might be that planning enhances the self-efficacy of both predecessors and successors (DeNoble et al., 2007), which is in line with the view in entrepreneurship theory that planning facilitates self-confidence and goal setting (Delmar and Shane, 2003).

Research on the relationship aspects of planning for ownership succession highlights the importance of family relations for the organization of a succession plan (Handler, 1991) and shows that family relationships might moderate other factors related to succession planning (Lansberg and Astrachan, 1994). Also relationships with non-family firm members seem to be important in planning succession. Seymour (1993) investigates the intergenerational working relationships between predecessors and potential successors in 105 US firms and finds them to be positively related to the active training of successors, but not to formal succession planning. Sharma and colleagues (2003b) investigated 118 Canadian family firm owner-managers and found that succession was overwhelmingly related to the proactivity of a trusted successor in pushing the ownership succession process.

Research on the planning aspect of succession has also attended to contingent factors involved in planning a succession. These include successor's or predecessor's gender, firm

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

size or level of professionalization, and cultural context. Harveston and colleagues (1997) examined 792 male-led and 191 female-led family firms in the US and found both similarities and differences between the genders in terms of the determinants of succession planning. Motwani and colleagues (2006) survey 368 US SMEs and found that, regardless of firm size, releasing the identity of the successor and providing him or her with training/mentoring were important planning steps. Chittoor and Das's (2007) comparative case study discusses potential differences in succession planning involving non-family and family managers in family firms. Peay and Dyer (1989) survey the relationship between psychological traits and succession planning in a sample of 79 US entrepreneurs, finding that their power orientation – a potential proxy for low levels of professionalization – may influence planning for succession. Some studies discuss the cultural context as a discriminating element in the planning process; Fahed-Sreih and Djoundourian's (2006) study of succession planning in 114 Lebanese family firms highlights the acceptance of females as potential successors, while Tatoglu et al.'s (2008) study of succession planning in 408 Turkish firms highlights that in this particular context men are predominantly considered for succession. In sum, this subcluster of studies shows that planning is strongly correlated to eventual succession success, but also that planning is contingent on the relationships within the ownership family and other more tangible factors.

### *5.3.3. Managing the succession*

The third sub-cluster of individual/interpersonal level studies focuses on the succession process as it takes place. A first set of studies in this sub-cluster considers the relations between family members during the succession phase. A second set examines the transfer process through internal and external routes. A third set, which is partially connected to the first, discusses the relation between predecessors and successors that emerges in a transitional stage, when both are exerting some influence on the firm.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

*Family Relations.* Family members' relationships are strongly associated with the actual outcome of a succession. Dunn (1999) analyzes the nature and effects of family relations in three UK family businesses during the transfer of ownership to the next generation, and highlights the importance of mitigating the anxieties of family members. Several studies look at the potential influence of CEOs' spouses (Poza and Messer, 2001) or the relations between the owner-managers' sons and daughters and their spouses (Kaslow, 1998; Swagger, 1991; Vera and Dean, 2005) on ownership successions.

*Internal and external succession.* Transferring a family firm involves consideration of two options: internal transfer to another member of the family, or transfer to an external owner. This choice is so fundamental that the survival of the firm is often contingent on the family agreeing upon and managing to execute one or other of these choices (Ambrose, 1983; Wennberg et al., 2010). While this choice has received much attention in the literature, our review indicates that empirical work is dominated by case study evidence or simple descriptive data and, furthermore, that most studies seem to focus on the management aspect of succession and not on ownership (Ambrose, 1983). The approach in De Massis, Chua and Chrisman (2008) differs in that they propose a theoretical model to investigate the factors that *prevent* intra-family succession. They suggest that lack of able successors, lack of motivation among potential successors, pre-decessors' personal attachment to the business, and conflicts between parent predecessors and their children are among the most important factors.

Among the studies that focus on succession within the family, Lambrecht (2005) investigate 10 U.S. firms and suggests that in order to agree upon and execute an internal transfer, the choice needs to be anchored in the family for a long time. Another study by Cater and Justis (2009) of six US firms suggests that the development of successful management involving family successors is related to parent-child relationships, knowledge acquisition, long-term orientation, cooperation, successor roles, and risk orientation. Handler (1992)

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

studied 32 internal successors in US family firms and found that perceptions of succession accomplishment were related to the general ability to influence the firm's overall development. Finally, Royer and colleagues (2008) analyze the motivations for internal transfer in a sample of 1,108 family firms in Australia and Tanzania and find those motivations facilitated by the existence of tacit knowledge and the existence of a 'favorable transaction atmosphere' within the family. In research that focuses on external succession, Churchill and Hatten (1997) discuss the market and non-market considerations in family as opposed to external successions. Correll (1989) describes the evolution of one US family firm, discussing the opportunities and points of decision related to selling the business. Howorth et al. (2004) analyze the alternatives of management buy-outs and buy-ins as routes to external succession in eight UK family firms. Similarly, Thomas (2002) follows two Australian family firms involved in external ownership transfer and found that the time horizons for family members seeking to realize capital and those seeking to retain control of their inheritance are very different. Finally, in a study of 67 fairly large firms in the US, Boeker and Goodstein (1993) find that the firm's financial performance influences whether the next CEO is chosen from inside or outside the firm.

*'Co-habitation' of predecessors and successors.* The managing phase of succession generally involves a period in which incumbent and successors share control of the firm. The literature review reveals that this 'co-habitation' is discussed mostly in conceptual terms and is discussed by Handler (1990) in a framework that highlights ownership succession as a mutual adjustment of roles between entrepreneur and next-generation family members. Matthews et al. (1999) propose a similar model of management succession in family firms, that includes a process where the parent/leader and child/successor evaluate both each other and themselves through a process of cognitive categorization. Similarly, Fox and colleagues (1996) highlight the system of relationship through which such successions are managed,

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

proposing a framework that adds two more dimensions to the incumbent/successor relation: those of the business and the stakeholders. Ibrahim and colleagues (2001) portray the reluctance of founders to hand over their businesses to their offspring, in a comprehensive Canadian case study. Finally, Murray (2003) follow five US firms, and highlights the often extensive periods of transition that introduce distinct problems that need to be addressed in an intermediate time horizon in order to ensure long term success. In sum, this subcluster of studies highlights the interactive and often prolonged nature of successions, although most of this work is conceptual.

### *5.3.4. Post succession*

The fourth sub-cluster of individual/interpersonal level studies focuses on the post succession phase, and especially on the impact that the succession process has on the firm. Venter and colleagues (2005) study 332 family firms in South Africa and show that the initial willingness of the successor to take over, and the relationship between the owner-manager and his or her successor, help to explain both satisfaction with the succession process and the continued profitability of the business. Our review reveals that the risk of firm failure is rarely addressed in the literature. Dyck and colleagues (2002) follow a case of failed internal succession in the US, which shows that it is difficult to isolate the reasons for failure. Our review of this topics shows that studies examining the implications of succession on firms are seldom based on generalizable samples. The work in this subclusters highlights the interactive and often prolonged nature of successions, but is mostly conceptual rather than empirical.

### *5.4. Multilevel studies*

The fifth and final cluster of studies in our review adopts a multilevel perspective. All but one of the articles in this cluster are conceptual. The only empirical study investigates succession in 1,616 US family firms, and finds that individual-level family-level and firm-level factors contribute to explaining the extensiveness of the succession planning process

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

(Davis and Harveston, 1998). The relationships are moderated by the generation in charge, but the evidence is tentative given the single-level analytical methods employed.<sup>5</sup>

Theoretical multi level studies, such as Handler and Kram (1988) and Lansberg (1988), discuss how forces at the different levels might engender resistance to succession. Handler and Kram (1988) suggest four levels are important: 1) the individual perspective viewed through a psychosocial lens; 2) the group dimension, distinguishing between family relations and family business relations; 3) the firm perspective in terms of cultural and organizational developments; and 4) the environmental level, which draws on contingency theory and organizational ecology. In a theoretical analysis of the factors that might interfere with the succession process, Lansberg (1988) outlines a multi-level stakeholder perspective, which includes family firm managers and owners, and the environment. He suggests the importance of successors establishing relationships with stakeholders by working with the predecessor, the family, and the firm managers to manage a successful succession.

The conceptual papers in the multilevel cluster focus mainly on the relations between context and the agents involved in the succession process, suggesting a potential interplay between a family firm's generational stage and the current owner-manager's characteristics, in terms of the likelihood of engaging in succession planning. This work calls for empirical tests of the models proposed, suggesting the importance of including variables from multiple levels of analysis and of correctly specifying multi-level influences in analyses of firm succession.

### **6. Discussion and suggestions for future research**

This paper identified several studies on succession in the context of private companies. These cases fall into three main areas: the topic of succession (management or ownership transition), the context in which succession takes place, and the methods and research designs

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<sup>5</sup> Multi-level is the term used in social science to describe a phenomenon that unfolds or is under the influence of different levels of analysis (i.e. individual, family, firm, region). This is different from multi-level model, which refers to a statistical model whose parameters vary on more than one level (Kozlowski and Klein, 2000).

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

employed. The latter two are related to the multi-level nature of succession. In the remaining parts of this paper we elaborate on these and other aspects identified as important for understanding succession as a process of entrepreneurial entry and exit. We use these insights to generate a number of questions that future research may utilize to fill out gaps in our knowledge of the succession topic. We believe that addressing these questions will improve our understanding of the phenomenon of firm succession from an entrepreneurial perspective and generate research directions to further the cross-fertilization of theories, concepts, and methods in entrepreneurship and family business research.

### *6.1. Succession as management and/or ownership transitions*

Our review shows that most studies focus on management succession, with only 19 percent of the published work addressing ownership transition. We find no clear distinction between management and ownership succession, although there is a need for such a differentiation – both empirically and theoretically. We identified only three papers that try to make a distinction (Churchill and Hatten, 1997; Gersick et al., 1999; Handler, 1994). The problem of succession seems generally to be discussed at the management level while the problem of ownership succession is generally viewed as a legal problem (Bjuggren and Sund, 2002; Howorth et al., 2004; McCollom, 1992). The co-existence of ownership and management succession is a topic that requires more attention in order to provide a better understanding of the complexity of the succession process from an entrepreneurial and multilevel perspective. While studies at the family level can generate insights into how family relations affect ownership succession (Dunn, 1999; Kaslow, 1998), research at the intersection between ownership and management succession that examines, for example, how the potential for entrepreneurial orientation can be maintained across successions, is scarce (Habbershon and Pistrui, 2002; Naldi et al., 2007). Further, while theory-building and exploratory research examines the role of families in the choice between internal and external

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

ownership transition, theory-testing research that investigates this imperative choice as an event of entrepreneurial entry and exit is virtually non-existent (Churchill and Hatten, 1997; DeTienne, 2010; Swagger, 1991; Vera and Dean, 2005). Our review and analysis of the literature suggests there is a gap in relation to the impact of family characteristics on the type of ownership transition and its consequences for entrepreneurial outcomes. This leads to two related questions for future research:

**RQ1.** How do family composition and structure influence the type of ownership transition?

**RQ2.** How do family composition and structure influence the entrepreneurial outcomes of ownership transitions?

### *6.2. The Entrepreneurial Context*

The entrepreneurial context can be thought of as the economic, demographic, or institutional factors that shape the phenomenon being investigated. While research on entrepreneurship highlights the importance of context for entrepreneurial behaviors (Thornton, 1999), our literature review indicates that the vast majority of the published work on firm succession pays very limited attention to context, and that most empirical work consists of single-region or single-industry studies. Most work investigates succession predominantly in Anglo-Saxon countries.<sup>6</sup> Our review identifies seven cross-country comparison studies (Berenbeim, 1990; Chau, 1991; Corbetta, 1999; Sharma and Irving., 2000; Royer et al., 2000, Stavrou, 1998; Scholes et al., 2007) which suggest that the country context is important for the evolution of ownership succession especially in relation to systems of corporate governance (Tylecote and Visintin, 2008), firm demographics (Motwani et al., 2006), and cultural-institutional factors (Chau, 1991; Kuratko et al., 1993). Most of the existing studies are heavily decontextualized in terms of industry and region of study and we find a lack of consideration about how variation in the economic, demographic, or

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<sup>6</sup> Almost 50% of empirical studies in our review concerns the U.S, while 10% focuses on Canada or the U.K.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

institutional context may shape the succession process and its implications for entrepreneurial outcomes. In this regard, succession research could benefit from the increased attention to context spreading in entrepreneurship research (Phan, 2004; Zahra, 2007). We believe that the lack of attention to context is probably attributable to lack of data and the time and resources devoted to research designs that follow individuals and firms over time, and compare effects across space, such as industries, regions, countries, or other contextual settings. Economic factors may influence firm succession, exemplified by the lack of external funding to finance transfers due to the recent global financial crisis. Demographic aspects may also influence successions, in that firms in regions with aging populations may experience more successful transition/succession processes if outsiders are considered. Institutional aspects may also have an impact on succession processes, for example in that high taxes on ownership transfers may encourage external transfers of family firms (Henrekson, 2005).<sup>7</sup> This suggests two important questions relating to how contextual factors shape the prevalence of ownership transfers and the potential variation in transfer success:

**RQ3.** What are the contextual characteristics that promote variation across regions and industries in terms of types of ownership transition?

**RQ4.** How do contextual characteristics affect the entrepreneurial outcomes of external and internal ownership transitions?

### *6.3. Effects of ownership transitions and successions on firm level outcomes*

Our review reveals that very few studies investigate the impact of family versus non-family succession on the entrepreneurial development of the firm. How the firm is affected if a family member takes over ownership compared to whether an outsider steps in, is an important aspect with regard to corporate entrepreneurship and the strategic management of family firms (Hoy and Sharma, 2009; Kellermanns and Eddleston, 2006; Zahra et al. 2004).

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<sup>7</sup> Although the role of taxes is investigated in Bjuggren and Sund (2002) and File and Prince (1996), these are within-country studies and hence exclude variations in institutional settings.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

Recent evidence suggests that firms that are taken over by outsiders often perform better than firms that remain within the family (Bennedsen et al., 2007; Cucculelli and Micucci, 2008). Indeed, new owners can bring additional resources and infuse entrepreneurial energy into an established firm (Nordqvist and Melin, 2010). However, there are several methodological challenges for research to isolate the impact of family versus outsider succession on entrepreneurial outcomes at firm level. For example, Block and colleagues (2010) argue that, due to the strong correlation between family ownership and family management in most family firms, Gaussian statistics that rely on significance testing might be inherently inappropriate research methods. Hence, there is a clear need for more knowledge on the performance effects of succession processes. Several interesting questions remain. Since it is frequently argued that family firms take a long-term view of firm development (James, 1999), this could have implications for the research designs used to investigate the performance effects of firm succession. Firm performance measured too close to the succession point means that no long term view is accounted for.

Also, it would be interesting to know what specific skills, resources, and relations (or lack thereof) make family successors less able than outsiders (Bennedsen et al., 2007). The existing research does not go beyond an insider/outsider view of succession in order to investigate what human, social, or other resources are important for successors –outsiders or insiders. Based on these arguments and the literature review, we suggest that there is a need for research on firm succession related to corporate entrepreneurship in two areas:

**RQ5.** How do different types of succession (e.g. if a family member or a non-family member takes over the ownership) influence the entrepreneurial performance of firms?

**RQ6.** What are the skills and resources that successors bring to firms that are characterized by sustained high entrepreneurial orientation?

### *6.4. The effects of ownership transitions on meso and macro level economic development*

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

A growing body of work at the intersection of economics, geography, and entrepreneurship research investigates how micro-level economic action leads to meso- and macro level economic change (Carree and Thurik, 2003; Van Praag and Versloot, 2007). This research has grown in parallel with the efforts of policy makers in several countries to stimulate entrepreneurship by encouraging the creation of new firms. Recent international studies indicate that entrepreneurship in new firms might have a crowding out effect (Van Praag and Versloot, 2007). Specifically, the stream of research by Audretsch, Fritsch and colleagues suggests that the real potential for economic development by new firms does not appear until these firms have reached a certain level of growth and maturity (Audretsch and Fritsch, 2002; Fritsch, 1997; Fritsch and Mueller, 2007). Since most new firms grow quite slowly, and failure rates among these firms are high (Davidsson et al., 2007), the potential for many private firms to close down rather than undergo a successful ownership transfer is alarming from a public policy point of view. In our review we find a complete lack of studies that address these aspects, underlining the urgent need for more research to investigate how and under what conditions firms might be transferred to new ownership rather than being closed down.

It is also possible that the aggregate turnover in firm ownership rates might be larger than is generally known. DeTienne (2010) shows that a conservative estimate of the transfer of wealth by trade among US privately held companies in the first six months of 2006, amounted to \$100 billion. Despite the obvious societal and economic ramifications of such large-scale changes among owner-manager entrepreneurs, little is known about the impact of such firm ownership transition on economic development (Mason and Harrison, 2006). Lack of research in this area means that the wider economic consequences of ownership transitions and succession in privately held firms remains unclear. While our review shows that several

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

studies address *specific mechanisms* of ownership transitions and succession in privately-held firms, little work has been done on the wider societal outcomes of these processes.

Conversely, research on economic development, in economics and geography, has spawned a long line of studies investigating the effect of firm demographics on economic outcomes (cf. Carree and Thurik, 2003; Fritsch, 1997; Fritsch and Mueller, 2008; Van Praag and Versloot, 2007), but this line of research does not examine how *the demographics of individual firm founders* affect economic development. One of the hallmarks of entrepreneurship research is the implications of entrepreneurial efforts for wider societal outcomes (Ireland et al., 2005; Venkataraman, 1997). Such efforts can be facilitated by the unique perspective of entrepreneurship research linking different levels of analysis (Autio and Acs, 2007; Davidsson and Wiklund, 2001). This suggests that research on ownership transition and succession, which integrates entrepreneurship and family business perspectives, could contribute to the orthogonal gaps in the literature on economic development in economics and geography on the one hand, and the higher-order consequences of micro-level entrepreneurial processes in entrepreneurship research on the other:

**RQ7.** What are the macro level effects on the wider economic outcomes given specific levels of successful vs. unsuccessful ownership transitions?

### *6.5. Methods and Research Designs*

The literature on succession in private firms is often seen as fragmented because it covers a wide variety of topics (Le Breton-Miller et al., 2004). As well as being diverse in terms of the topics investigated and the theoretical perspectives adopted, our review shows that the field is fragmented in terms of the empirical settings and analytical and methodological approaches. Most importantly, we recognize that there is a lack of longitudinal studies. This may seem surprising given that succession inherently is a process that unfolds over often long periods of time. In addition, few studies are based on

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

representative samples, and statistical techniques that consider the multi-level nature of the transition/succession process are rarely utilized. Since there is an abundance of theoretical studies this suggests that succession is intimately related to both individual, group (family), and firm level factors, the lack of empirical research that takes an explicit multilevel approach to succession is a notable gap in the empirical literature.

Our literature review also reveals that almost 30 percent of published studies are theoretical or conceptual papers that has never been empirically tested. This provides a strong call to link the conceptual research on firm succession to empirical research. The published empirical studies are fairly evenly distributed between quantitative and qualitative work. Many of the most significant qualitative contributions rely on case study research that considers several levels of analysis, often following transitions/succession over time. This perspective should be incorporated in quantitative analyses. The main gap in the current quantitative approach relates to sampling techniques. Typically, research has relied on convenience samples, such as specific business sectors or membership of particular associations. More than 40 percent of the quantitative studies in our review are descriptive rather than theory-testing. Hence, there is a need for more sophisticated approaches to explain the entrepreneurial aspect of succession, moving to a meso level of analysis in order to generalize assumptions and intuitions from the theoretical and qualitative literature.

As noted, our review of the accumulated body of research indicates a need for succession studies integrating perspectives from the entrepreneurship and family business literatures. Taking advantage of recent empirical and methodological advances in the field of entrepreneurship should help to develop more advanced models of transfers of ownership in family business research. Specifically, longitudinal studies would enable researchers to study firms and individuals involved prior to, during, and after a potential ownership succession, allowing for the use of panel data techniques to investigate differences across observations

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

and over time (Wennberg, 2005). This would facilitate research efforts to control statistically for some of the heterogeneity that plagues studies of entrepreneurship (Davidsson, 2007). Further, empirical links *between* individuals, families, and firms are called for but are rare in entrepreneurship (Davidsson and Wiklund, 2001) and family business research (Sharma, 2004). In this respect, multi-level research on succession has the potential to contribute to the wider fields of entrepreneurship and family business.

### *6.6. The importance of defining succession and family business*

The large body of studies on ownership succession reviewed in this paper would suggest that transitions or successions in private firms are common phenomena. Yet, we can conclude that there is a need for more knowledge about how common ownership transitions or succession are as entrepreneurial choices, compared with other types of firm entry and exit. For example, a recent study of a population of Swedish entrepreneurs found that compared to outside or inside transfers, firm liquidation is a frequent exit route (Wennberg et al., 2010). Since the majority of privately held firms in many developed nations is likely to shift ownership as their owners approach retirement, this indicates that there is an urgent need for studies investigating the conditions under which firms might be transferred to new ownership and prosper rather than being liquidated.

Following the theoretical notion that succession decisions are embedded in social relationships (Aldrich and Cliff, 2003), empirical research would benefit from a better definition of succession, for example, whether ownership is based primarily on a nuclear family and the immediate extended family, or if a broader definition is used. While the previous type of definition excludes some older family firms where ownership has become more 'diluted', we believe that such a type of definition is advantageous in that it carries strong internal validity and would allow scholars to sample firms where intergenerational transfer has not taken place. Making inferences from 'famous' examples of successful firms that have

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

existed over several generations, would lead to sample selection bias and erroneous conclusions regarding the general pattern of intergenerational transfers (Sharma et al., 2003a). A final implication of our synthesis is the potential for general entrepreneurship research to integrate succession and transfer of ownership in their models. Neither entrepreneurship research on career dynamics (Carroll and Mosakowski, 1987) nor theories of entrepreneurial entry and exit as an occupational choice (Evans and Leighton, 1989) address how explanations at the individual, family, and firm levels interact to explain firm entries and exits. These processes clearly depend on the individual entrepreneurs and their family members, the human capital and skills of individual family members, and the characteristics of the firms they own and manage. Here, the multi-level perspective often employed in family business research may be fruitful. In sum, we believe that a conservative definition of the family firm allows the possibility to bridge the orthogonal theoretical gaps in entrepreneurship theory, occupational choice theory and family business research by bringing family-level influences into entrepreneurship and occupational choice theory and focusing more on the individual owner rather than on prior work in family business research.

### **7. Conclusion**

This paper provides a review of the published research on successions in private business. We examined this body of research through a lens that combines key facets of entrepreneurship and family business theory. Our review and discussion of the literature shows that most prior research consists of either descriptive investigations based on aggregated data, or micro studies of firm succession based on small samples or a number of illustrative cases. Most articles take a somewhat normative approach focusing on the implications for practitioners, rather than the implications for research and theory. Few articles integrate insights from entrepreneurship research with the issue of ownership transition and succession, and no previous study views succession as a process of

## **SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS**

entrepreneurial entry and exit. This is a major limitation given the recent stream of entrepreneurship research that argues that the entrepreneurial process should include the events and dynamics associated with both entry and exit, including succession and transition of ownership. So far, research on succession has focused on family businesses. We suggest there is a strong need for a research approach that aims more deliberately at integrating entrepreneurship and family business research in order to better understand the predictors, processes, and implications of ownership transition and succession.

Our synthesis of the literature identifies several areas for future research with empirical, theoretical and public policy implications. Based on our review and synthesis of the literature, we would suggest the following areas as being particularly promising: First, the specific topic of ownership transition is worthy of more attention, since most attention in previous studies has been on management succession. By focusing more on the role and impact of ownership for both entrepreneurial processes and outcomes, researchers can make important contributions to entrepreneurship theory. Second, theoretical arguments related to the multi-level nature of the succession process need to be reflected in the research design employed, particularly within the stream of quantitative work. Third, the local and regional context needs to be incorporated within the study of ownership transitions and successions since our literature review indicates these processes may be contextually contingent. In sum, although the topic of ownership transition and succession in private firms has attracted significant research attention, there are opportunities to align this research to the theoretical frameworks suggested in the entrepreneurship and family business literature. We believe this would advance the research on ownership transitions and successions – theoretically, conceptually and methodologically – and generate more vibrant insights for theory, practice and for public policy.

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

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## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

**Table 1.**

List of journals and number of articles

	first selection	third selection	%
Academy of Management Journal	41	2	1.6%
Academy of Management Review	22	1	0.8%
Administrative Science Quarterly	42	0	0.0%
Business Ethics Quarterly	8	0	0.0%
California Management Review	25	0	0.0%
Corporate Governance: An International Review	23	0	0.0%
Entrepreneurship and Regional Development	11	0	0.0%
Entrepreneurship: Theory & Practice	28	11	8.7%
Family Business Review	106	76	59.8%
Harvard Business Review	144	1	0.8%
Human Relations	45	0	0.0%
International Small Business Journal	20	8	6.3%
Journal of Applied Psychology	22	0	0.0%
Journal of Business Ethics	44	0	0.0%
Journal of Business Research	27	0	0.0%
Journal of Business Venturing	37	9	7.1%
Journal of Management	13	0	0.0%
Journal of Management Studies	31	0	0.0%
Journal of Organizational Behavior	21	0	0.0%
Journal of Small Business Management	26	12	9.4%
Management Quarterly	11	1	0.8%
Long Range Planning	30	1	0.8%
Management Science	85	0	0.0%
Organization Science	30	1	0.8%
Organization Studies	39	0	0.0%
Organizational Dynamics	29	0	0.0%
Sloan Management Review	38	0	0.0%
Small Business Economics	27	4	3.1%
Strategic Management Journal	40	0	0.0%
Strategic Organization	3	0	0.0%
<b>TOTAL</b>	<b>1068</b>	<b>127</b>	

## SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

**Table 2.**  
Classification of reviewed articles

Level (no. of studies)	main topics	Significant contributions
5.1. Environmental (14)	<i>economic models</i> <i>buy-in/-out</i> <i>fiscal dimension</i>  <i>national/ethnic aspects</i>	Ayres, 1998; Diwisch et al., 2009. Scholes et al., 2007; Wright et al., 1992. Bjuggren and Sund, 2001, 2002, 2005; File and Prince, 1996; McCollom, 1992. Chau, 1991; Huang, 1999; Kuratko et al., 1993; Perricone et al., 2001; Santiago, 2000.
5.2. Firm level (15)	<i>preliminary considerations</i> <i>corporate governance</i>	Brown, 1993; Fiegenger et al., 1994; Foster, 1995; Kimhi, 1997; Rogers et al., 1996; Stavrou, 2003; Steier, 2001. Barach and Ganitsky, 1995; Berenbeim, 1990; Chua et al., 2003; Corbetta and Montemerlo, 1999; Malone, 1989; Miller et al., 2003; Poza et al., 2004; Sonfield and Lussier, 2004.
5.3. Individual/group level		
5.3.1. pre-succession (28)	<i>attitudes and willingness</i>  <i>predecessor/successor</i>  <i>national/ethnic context</i>	Birley, 1986, 2002; Cadieux et al., 2002; Dumas et al., 1995; Galiano and Vinturella, 1995; Goldberg, 1996; Mandelbaum, 1994; Shepherd and Zacharakis, 2000; Stavrou, 1998, 1999; Stavrou et al., 2005; Stavrou and Swiercz, 1998. Cabrera-Suárez, 2005; Cabrera-Suárez et al., 2001; Cadieux, 2007; Chrisman et al., 1998; Hoang and Gimeno, 2009; Lee et al., 2003; Marshall et al., 2006; Sharma and Irving, 2005. Bachkaniwala et al., 2001; Brenes et al., 2006; Bruce and Picard, 2006; Howorth and Assaraf Ali, 2001; Janjuha-Jivraj and Woods, 2002; Keating and Little, 1997; Kirby and Lee, 1996; Sharma and Srinivas Rao, 2000.
5.3.2. planning (22)	<i>general</i>  <i>relations</i>  <i>contingencies</i>	DeNoble et al., 2007; Dimsdale, 1974; Goldberg and Wooldridge, 1993; Handler, 1991; Longenecker and Schoen, 1978; Sharma et al., 2003a; Sharma et al., 2001; Westhead, 2003. Ayres, 1990; Fiegenger et al., 1996; Garcia-Alvarez et al., 2002; Lansberg and Astrachan, 1994; Seymour, 1993; Sharma et al., 2003b. Brown and Coverley, 1999; Chittoor and Das, 2007; Fahed-Sreih and Djoundourian, 2006; Harveston et al., 1997; Motwani et al., 2006; Nam and Herbert, 1999; Peay and Dyer Jr, 1989; Tatoglu et al., 2008.
5.3.3. managing (29)	<i>family relations</i>  <i>internal and external transfer</i>  <i>'co-habitation' of predecessors and successors</i>  <i>process</i>	Brun de Pontet et al., 2007; Dunn, 1999; Harvey and Evans, 1994; Kaslow, 1998; Poza and Messer, 2001; Swagger, 1991; Vera and Dean, 2005. Boeker and Goodstein, 1993; Cater and Justis, 2009; Correll, 1989; De Massis et al., 2008; Handler, 1992; Howorth et al., 2004; Lambrecht, 2005; Royer et al., 2008. Ambrose, 1983; Barnes and Hershon, 1976, 1994; Churchill and Hatten, 1997; Fox et al., 1996; Handler, 1990; Ibrahim et al., 2001; Matthews et al., 1999; Post and Robins, 1993; Sonnenfeld and Spence, 1989; Thomas, 2002. Gersick et al., 1999; McGivern, 1989; Murray, 2003.
5.3.4. post-succession (5)		Dyck et al., 2002; Harvey and Evans, 1995; Haveman, 1993; Haveman and Khaire, 2004; Venter et al., 2005.
5.4. Multilevel (6)		Clifford et al., 1991; Davis and Harveston, 1998; Handler and Kram, 1988; Lansberg, 1988; Rubenson and Gupta, 1996; Yan and Sorenson, 2006.
Reviews (8)	<i>specific reviews</i> <i>entrepreneurial perspective</i> <i>general reviews</i>	Brockhaus, 2004; Handler, 1994; Le Breton-Miller et al., 2004. Dyer and Handler, 1994; Zahra et al., 2004. Aronoff, 1998; Kesner and Sebor, 1994; Wortman, 1994.

# SUCCESSION IN PRIVATE FIRMS AS AN ENTREPRENEURIAL PROCESS

## Appendix A: Description of the cluster analysis

“Cluster analysis consists in a group of multivariate techniques whose primary purpose is to group objects based on the characteristics they possess” (Hair et al., 2010: 508)<sup>8</sup>. The primary goal of these techniques is to partition a set of objects into groups, based on the similarity of the objects for a set of specified characteristics. In our analysis, those characteristics denote 15 different dimensions of the studies identified, related to:

- i. **level of analysis** (4 dimension, see Handler & Kram, 1988; Sharma, 2004)
- ii. **phase of succession** (4 dimensions)
- iii. **the family- or firm- members involved** (7 dimensions adapted from Sharma, 2004; Le Breton-Miller et al., 2004; Barach et al., 1995; Vera et al., 2005)

We used a hierarchical cluster analysis to classify the 127 articles through 15 dummy variables. Clustering methods generally group objects by their similarity on all variables considered simultaneously (Bailey, 1975)<sup>9</sup>. Each object, in our case each paper must be in one and in only one group since cluster analysis is based on exhaustiveness and mutual exclusiveness. The cluster method chosen is the average linkage between groups considering the Jaccard similarity measure for binary data. The problem of how to cut the cluster must be solved subjectively (Bailey, 1975). There is no objective method of cutting. Following this procedure revealed the following hierarchical structure of studies:

1. *environmental studies*
- 2.1. *firm-level studies (pre-succession)*
- 2.2. *individual/interpersonal studies*
  - 2.2.1. *post-succession studies (individual/interpersonal studies)*
    - 2.2.2.1. *managing succession (individual/interpersonal studies)*
    - 2.2.2.2. *multilevel studies*
    - 2.2.2.3. *pre-succession (individual/interpersonal studies)*
    - 2.2.2.4. *planning succession (individual/interpersonal studies)*

The highest distance between the clusters regards those studies that refers to the environmental dimension (1.), looking at factors that are external to the organization. Those studies focus on several topics, some refers to economic models, others on financial considerations. The cluster analysis also reveals a second group of articles those put particular attention to the firm-level dimension (2.1.). This group of articles contains two categories of studies: those that make general considerations about the succession moving from an firm perspective and studies those present topics concerning corporate governance aspects.

The largest cluster of articles refers to those studies focusing on individual and interpersonal level (2.2.1. and 2.2.2.) – in total close to 80 percent of all studies investigated. In order to better understand and analyze the contribution of those articles, we decide to reduce the distance between these clusters. This yielded five new groups, four clearly recognize the different phases of the succession process: pre-succession (2.2.2.3.), planning succession (2.2.2.4.), managing succession (2.2.2.1), post succession (2.2.1); and a fifth one that we denote multilevel studies (2.2.2.2.). This last category has attended to relations between one or several focal agents and external contingencies involved in the succession process.

In order to simplify the presentation of our findings and make a more clear classification of the papers we decided to maintain the content that we obtain from the cluster analysis, using a more linear classification as follows:

1. *environmental studies*
2. *firm-level studies*
3. *individual/interpersonal studies*
  - 3.1 *pre-succession*
  - 3.2 *planning succession*
  - 3.3 *managing succession*
  - 3.4 *post succession*
4. *multilevel studies*

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### Appendix B: Studies analyzed

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