



Left in the dark: Family successors' requirement profiles in the family business succession process



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ARTICLE INFO

Article history:

Received 5 March 2013

Received in revised form 13 August 2014

Accepted 18 August 2014

Keywords:

Family firm

Succession

Requirement profile

Qualitative research

ABSTRACT

This article analyzes the requirements that family successors must fulfill to be considered suitable successors from three perspectives. We identify the recommended attributes and exigencies of family successors in the literature, generate a general requirement profile and compare this profile with predecessors' expectations and successors' perceptions of requirements based on data extracted from 106 interviews with 53 families. Our results for all three perspectives indicate that hard skills constitute a necessary but insufficient attribute for suitable successor candidates. Soft skills are at least as strongly appreciated as hard skills. Furthermore, because predecessors have an implicit rather than explicit understanding of family successor requirements, they often leave potential successors in the dark regarding their expectations; thus, descendants may need to guess which attributes they should contribute to the firm. We observe a systematic order of and importance ranking attached to predecessors' expected skills that closely overlap with scholarly recommendations. We thus conclude that the process of recruiting and selecting family successors is systematic and well considered.

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Introduction

Approximately one-third of all European entrepreneurs will retire from business life within 10 years (European Commission, 2006). In Germany, approximately 135,000 German family businesses will be affected by business successions from 2014 to 2018. This amounts to approximately 27,000 business successions annually (Kay & Suprinovič, 2013). Thus, broadly, family business successions are not rare events, but in individual family businesses, the succession process occurs infrequently, only every 20 to 25 years. Research on family business succession typically depicts the complexity of the rare occurrence in entrepreneurial families in which a family successor assumes the top management position in a family firm (Gersick, Lansberg, Desjardins, & Dunn, 1999). This is understood as a chronology that involves multiple stages—beginning with the pre-succession stage, proceeding to the successor's incremental early introduction into the family firm until full-time employment, continuing with the

continuous gain of authority and concluding with the incumbent's complete transfer of the executive position to the offspring (e.g., Cadieux, Lorrain, & Hugron, 2002; Cater & Justis, 2009; Churchill & Hatten, 1987; Handler, 1990; Keating & Little, 1997; Le Breton-Miller, Miller, & Steier, 2004; McGivern, 1978). In analyzing these processes, the literature focuses on the peculiarities of family firms that are likely to affect the recruitment and selection of a suitable family successor, such as shared familial values, objectives, culture, commitment and loyalty to the firm (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001; Kets de Vries, 1993; Lansberg & Astrachan, 1994), emotions (Howorth & Ali, 2001; Lansberg, 1988), family ties (Miller, Steier, & Le Breton-Miller, 2003; Pérez-González, 2006), nepotism (Kets de Vries, 1993; Pérez-González, 2006) and the limited pool of candidates (Benedsen, Nielsen, Pérez-González, & Wolfenzon, 2007; Dyer, 2006; Pérez-González, 2006). However, these contributions have only superficially addressed the question of *how* a family successor is actually recruited and selected. As Keating and Little (1997, p. 159) ascertain, “*there is a need for a better understanding of what the important factors are in choosing a family successor. We also lack a clear understanding of the process by which the potential successor is chosen.*” Thus, the aim of this study is to provide insights into the process of recruiting and selecting successors from within a family. Specifically, as discussions of the full extent of selection criteria

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have largely been limited, this paper particularly aims to identify the requirements that family successors must fulfill to be considered suitable successors. In doing so, this study focuses on successors from within the family who will assume leadership positions, who are currently in the process of doing so or who have already received a management position from their parents.

Specific selection criteria in the transition process to family successors—An under-investigated research field

Three empirical studies – namely, [Motwani, Levenburg, Schwarz, and Blankson \(2006\)](#), [Chrisman, Chua, and Sharma \(1998\)](#), and [Sharma and Rao \(2000\)](#) – could be identified that specifically investigate selection criteria in family businesses by deriving successor attributes from the literature, empirically test the individual importance of these attributes from the perspective of family firm managers and thus deliver the first valuable insights into this process. Other scholarly articles have infrequently focused on selection criteria (e.g., [Brockhaus, 2004](#)) or have only sporadically offered recommendations regarding the skills deemed necessary for family successors.

Because articles on the family succession process have largely disregarded the use of specific selection criteria, several further questions remain unanswered. For example, do the exigencies and expectations of family successors entering management positions reveal systematic patterns? Further, as both generations are in distinct stages of their lives ([Churchill & Hatten, 1987](#)), perceptions of the succession process likely differ between predecessors and successors ([Keating & Little, 1997](#); [Sharma, Chua, & Chrisman, 2000](#)). However, prior research remains unclear regarding any intergenerational differences in perceptions of required successor attributes. Moreover, peculiarities of family firms that may influence the decision in favor of a family successor, such as nepotism, emotions and ties, may lead one to assume that the process for selecting family successors is rather “unprofessional”. Family firms may also have less experience in filling managerial positions, as they tend to replace top executive positions less frequently than “average business[es]” do ([Martin & Lumpkin, 2003](#)). By aiming to answer our primary research question, what requirements family successors must fulfill to be considered suitable successors, we may also be able to provide further insights into these issues.

Insights into the selection process and specific selection criteria for family successors

This research offers important contributions to theory and the family business literature in several respects. First, whereas most prior research broadly describes the entire succession processes in family firms (e.g., [Cadieux et al., 2002](#); [Churchill & Hatten, 1987](#)), our study contributes to the understanding of how family successors in particular are actually chosen by determining and setting forth an impressive number of desired successor qualities ([Keating & Little, 1997](#)). We identified a broad spectrum of hard and soft skills that family successors should possess by (a) conducting a systematic literature review of the exigencies and recommended attributes that successors should bring to firms and (b) inductively clustering our literature and subsequently deductively clustering our interview findings (cross-generational interviews to explore predecessors’ expectations and successors’ perceptions of successor requirements) into hard and soft skills, as recent contributions demonstrate that companies prefer the best candidate in terms of hard and soft skills ([Ahsan, Ho, & Khan, 2013](#); for an overview cf. [Beeson, 2009](#)). Hard skills refer to job-related technical skills, cognitive abilities and formal, learnable expertise ([Bereiter & Scardamalia, 2006](#); [Laker & Powell, 2011](#);

[Moss & Tilly, 2001](#))—skills that are objectively measurable and demonstrable (e.g., certificates). In contrast, intangible and difficult-to-measure soft skills reflect “skills, abilities, and traits that pertain to personality, attitude, and behavior” ([Moss & Tilly, 2001, p. 44](#)), such as motivation, communication, team spirit and self-confidence. This broad range of hard and soft skills recalls the jack-of-all-trades approach in the entrepreneurship literature ([Lazear, 2005](#)), which has been examined in the context of establishing a new business ([Backes-Gellner & Moog, 2013](#); [Burer, Schleppehorst, Werner, & Moog, 2013](#)). This approach has yet to be applied in the context of succession processes. Second, through identifying several requirements that are infrequently mentioned in theory and practice or both, these attributes suggest further research potential in the context of succession processes. Third, because it remains somewhat unclear why certain family firms succeed in the next generation while others do not, our findings contribute to the discussion of whether intergenerational differences between predecessors and successors ([Keating & Little, 1997](#); [Sharma et al., 2000](#)) regarding requirements and expectations with respect to potential successors may contribute to firm survival in the next generation. We therefore believe that we deliver new insights regarding the selection aspects in the takeover process and a deeper understanding of predecessor requirements and expectations and the perspectives of potential successors. To highlight these differences and the need to change successors’ lack of clarity regarding desired attributes and exigencies – i.e., successors are left in the dark – we hope to encourage research on predecessor–successor communication through which intergenerational differences may be alleviated throughout the transition process.

To gain further insights into the specific selection criteria and the selection process, first we model the selection procedure for family successors in leadership positions. Next, we present current research findings on family succession processes and selection criteria. Thereafter, we present our qualitative methodology and analytical procedures. Then, we report and discuss our findings and possible implications. Finally, we summarize the contributions and limitations of our work and offer suggestions for future research.

The general model of a recruitment and selection process for family successors

We are interested in answering the research question of what requirements family successors must fulfill in the succession process to be considered suitable successors. With the sole exception of [Le Breton-Miller et al. \(2004\)](#), whose comparison of scholarly and anecdotal literature identifies criteria that are believed to foster successful leadership successions, the integration of selection criteria into the overall succession process in previous studies has been rudimentary. For example, [Keating and Little \(1997\)](#) only identify the following decisive selection criteria in the case of farms in New Zealand: children’s interest in and commitment to the family firm, gender (although unconsciously), health issues, overall skills and well-timed readiness. [Blumentritt, Mathews, and Marchisio \(2013\)](#) limit the sought-after attributes to successors’ takeover desire and talent. Our study, however, is devoted to the application of specific selection criteria within the process of recruiting family successors and explores criteria beyond those considered in the studies cited above.

Following [Barber \(1998, p. 5\)](#); cited by [Breugh and Starke \(2000, p. 407\)](#), who defines the recruitment process as one that “includes those practices and activities carried on by the organization with the primary purpose of identifying and attracting potential employees” for long-term employment, we disaggregate the recruitment practices and activities that are necessary to identify and attract family

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