

SUCCESSION PLANNING IN WOMAN-LED FAMILY FIRMS: A THEORETICAL PERSPECTIVE

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Introduction

Family businesses are defined as “businesses in which ownership and/or policymaking are dominated by members of an emotional kinship group” (Carsrud, 1994). They differ from other businesses in that ownership and/or control overlap with family membership (Lank, 1997), as all major operating decisions and plans for leadership succession are influenced by family members in management positions or on the board of directors (Handler, 1989a). Therefore, succession and succession planning are two very popular topics in the family research literature. However, the vast majority of this abundant literature deals with research topics from a “male” point of view, even though women have contributed and continue to contribute more and more in the family business world. Furthermore, the current literature deals mostly with issues from a perspective where women play the role of a potential successor or a supportive family member, but not as much from a perspective of the owner and/or the key decision maker of the family business. This paper attempts to lay the conceptual foundations for such a research direction.

Literature Review

One of the fundamental missions of a family business is to pass the business to subsequent generations (Davis, 1968), and a successful succession is the keystone to survival in family business (Cabrera-Suarez,

et al., 2001; Shepherd & Zacharakis, 2000; Davis & Harveston, 1998; Barnes, 1988). The family business literature considers succession passage as the most important topic with which a family firm has to deal with (Handler, 1999) and consequently it is one of the most deeply analyzed topics (Lambrecht & Donckel, 2006). Besides succession and succession planning issues, a respectable amount of research has zeroed in on topics regarding women and their role in family owned businesses. Table 1 presents the related literature regarding women in a family firm categorized into the four most often mentioned topics, succession, limitations and opportunities, bias, and roles and rules.

From a cursory review of the literature, it is interesting to note that:

1. there is a vast body of literature regarding succession, succession planning process as well as the related factors;
2. there is a great deal of research regarding issues that women deal with in a family owned business, but mostly as potential successors, and not as a research issue that combines the succession planning process factors and the gender of the members of a family firm and particularly that of the women incumbent owners of the firm.

**Table 1: Literature Review
on women in a family firm**

	Succession	Limitations & Opportunities	Bias	Roles & Rules
Rosenblatt, et al., 1985			Female offspring do not receive the same encouragement, opportunity and education as male offspring	
Salganicoff, 1990;			Although more women are becoming involved in family business, some traditional biases still linger	
Salganicoff, 1990		Women chose to enter the family business for helping the family, filling a position that no other family member wanted and being dissatisfied with another job.		
Jaffee, 1990; Salganicoff, 1990; Bork, 1986; Nelton, 1986		Family business offers women abundant opportunities		
Dumas, 1989	Women are rarely considered serious contenders for succession.			

Dumas, 1990; Barnes, 1988; Kepner,
1983

Women challenge one of the
“primogeniture” rules or the
transfer of leadership from father
to the first born son.

Dumas, 1989

Daughters are passed over
as potential successors
unless they are forced into
leadership through a crisis

Barnes, 1988

Daughters face more
complex challenges than
younger sons by skeptical
fathers and siblings.

Salganicoff, 1990

Gender bias can influence
the decision-making
process, including the
choice of successor.

Dumas, 1992

Gender is the most
important factor that
determines the successor.

Keating & Little, 1997

Women in FOB deal with conflicts regarding roles and loyalties; relationships with parents, other family and non-family members, as well as power and authority.

Harveston, et al., 1997

Men and women follow different predictive processes and are influenced by different factors when making succession plans.

Pyromalis, et al., 2006

No significant differences between men and women regarding succession effectiveness

Seymour, 1993

It is hard for FOB owners to acknowledge the most capable of their children since the work relationships are affected by the family relationships

Despite their contributions, not much is known about women as founders in the family-owned business and in the entrepreneurial domain (Brush, 1992). According to some other authors (Buttner, 2001; Chaganti, 1986), women are different from men in their business dealings in many ways. This paper attempts to identify whether some distinct family firm characteristics, such as, the incumbent's individual characteristics, organizational characteristics and the firm's financial resource characteristics, affect the succession process in a family firm in terms of effectiveness and satisfaction with the succession process in a different way when the incumbent is a woman than in the case of a male one.

Conceptual Framework

The conceptual framework is a synthesis of the existing literature on the subject of succession in family businesses where women are the incumbent owners. It also provides the basis on which we will formulate research propositions through three main stages, namely, the identification of the dependent variable, i.e. the successful succession and its critical success factors; the identification of the independent variables, i.e. the distinct attributes and characteristics present in a specific family firm that determine as antecedents the success of the succession process and impact its critical success factors; and finally, the development of an integrated theoretical framework for further research.

Successful Succession

According to Pyromalis and Vozikis (2009), the successful succession process entails succession effectiveness and satisfaction with succession by the rest of the family and nonfamily members. Their model focuses on

five critical success factors that can influence to a great extent the outcome of the succession process in a family firm: 1) The incumbent's propensity to step aside, 2) the successor's willingness to take over, 3) positive family relations and communication, 4) succession planning, and 5) the successor's appropriateness and preparation (Exhibit 1).

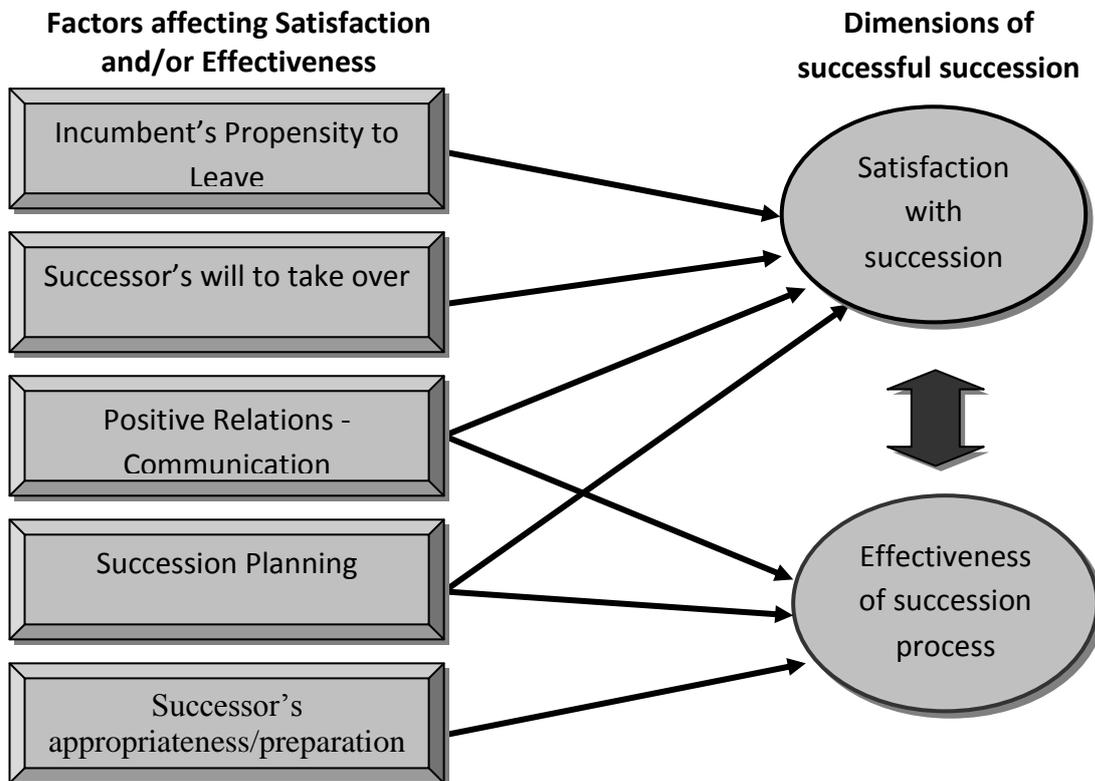
Distinct family firm attributes

Previous literature has identified a long list of characteristics and factors that affect the process of succession and specifically the five critical success factors above identified by Pyromalis and Vozikis (2009). We will focus on three main categories that relate to the individual characteristics of the owner, the organizational characteristics and the firm's financial characteristics.

Individual owner characteristics: By individual characteristics we refer to demographic and individual characteristics of the female organizational leader. The age, level of education and personal financial wealth and income of the female owner and/or head of the family firm are some of the individual characteristics that previous literature has identified as affecting the critical succession process factors. For example, the succession planning has been found to be positively related to the *age* of the owner of the family business (Lansberg, 1988). As the owner ages, his or her awareness of the need to prepare for the inevitable transition of ownership and control and his/her inclination to step aside increases, and along with it, the need for succession planning. With advancing age, the inevitability of death, and the threat of illness tends to compel the owner

to make preparation for the continuity of the family business (Harveston, Davis and Lyden, 1997).

EXHIBIT 1: CONCEPTUAL FRAMEWORK OF THE DIRECT AND INDIRECT INFLUENCES OF THE CRITICAL SUCCESS FACTORS ON THE SUCCESSION PROCESS



Regarding the *level of education*, based on previous literature, the relationship between the owner's level of education and the degree of succession planning should be expected to be positive, to the extent that planning for organizational succession and identification and preparation of the appropriate successor is effectual and heightens the current owner's disposition to reduce his/her commitment to controlling the organization and step aside. (Harveston, Davis and Lyden, 1997)

Research has also shown that financial indicators, such as *personal financial wealth and income*, are tied to entrepreneurial intentions and

behaviors (Krueger and Carsrud, 1993) and consequently provide incentives for successors to step in and make themselves available and willing to take over. Additionally, as an owner's income and financial stake and wealth increases the female owner is more motivated to formalize the succession planning process that could ensure the survival of the firm, which in turn will secure the source of wealth and income on which the owner depends (Marino and Dollinger, 1987).

Organizational characteristics: By organizational characteristics we refer to the *size* of the family firm and the degree of formalization that already exists within the organization which previous literature has indicated as affecting the critical succession process factors. As organizations become larger, they have greater opportunities to train and develop higher level managers in more complex and effective succession plans (Helmich, 1977). Additionally, larger organizations have the resources to engage the outside counsel assistance that might encourage better planning for succession (Chaganti, Chaganti and Malone, 1991). We would expect therefore to find a positive correlation between the size of an organization and its preparations for succession.

Additionally, the importance of *formalization* in raising the level of succession planning as another organizational characteristic was supported by Kets de Vries (1977) and Fredrickson (1986), who showed that one of the key factors that most negatively affect succession and overall success among family businesses is the owner's unwillingness to formalize the organization. Although there is no concrete evidence linking the degree of formalization to succession planning, prior studies suggest that increased formalization would have a positive effect on the

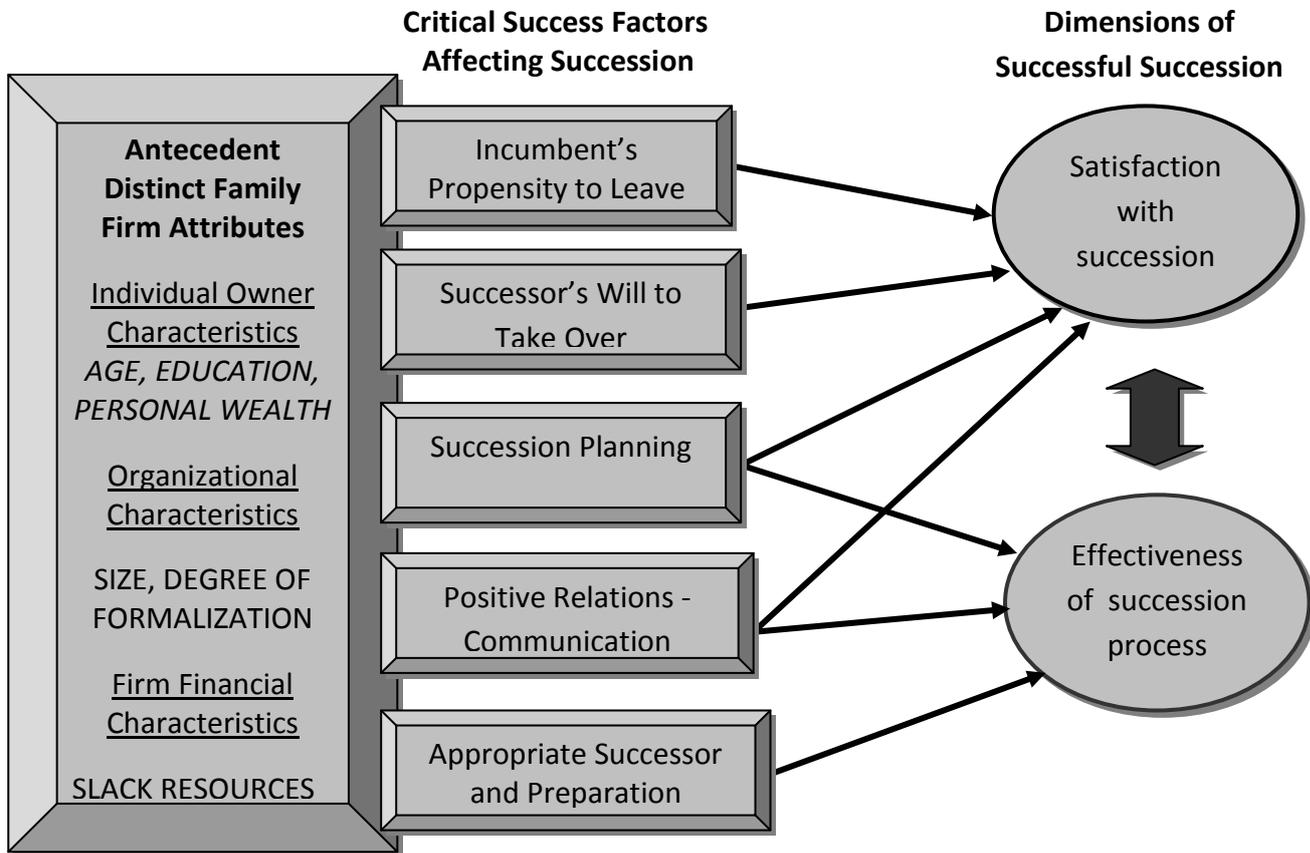
comprehensiveness of the succession planning process in family owned businesses (Harveston, Davis and Lyden, 1997). Finally a high degree of organizational formalization contributes to better communication within the business and the family and consequently provides more positive relations and organizational climate.

Firm Financial Characteristics: Family firms have difficulty in some cases to gain access to external capital, especially if there are lean retained or family funds. *Slack resources*, in the form of accessible capital either internal or external, can facilitate succession planning by allowing the firm to focus its time, energy, effort and resources on external opportunities rather than on internal conflicts usually stemmed from disputes over money (Harveston, Davis and Lyden, 1997).

As Davis and Stern (1980) observed, organizational slack provides a buffer with which to absorb the variances raised by the family issues, and the easier the access to capital, the easier for family firm owners and managers to focus the organization on the succession process and the future without distractions from conflicts within the family and/or the firm over money.

Exhibit 2 depicts the conceptual framework of the direct and indirect influences of the distinct attributes of family owned firms as outlined above, and as antecedents on the critical success factors affecting the effectiveness and the satisfaction of a successful succession process.

EXHIBIT 2: CONCEPTUAL FRAMEWORK OF THE DIRECT AND INDIRECT INFLUENCES OF DISTINCT FAMILY FEMALE OWNED FIRM ATTRIBUTES AS ANTECEDENTS ON THE CRITICAL SUCCESS FACTORS AFFECTING THE SUCCESSION PROCESS



Research Propositions

Research Hypothesis 1: *Individual characteristics (age, education, personal financial wealth and income) will have a stronger impact on the succession process within family firms led by men than those led by women.*

Research has shown that the effects of education on subsequent decision making and managerial advancement are greater for men than for women. Fagenson (1990) found that the skills acquired through training, education, and work experience appear to influence managerial promotions since these skills are better rewarded through career advancement for men than for women.

Research Hypothesis 2: *The effects of organizational characteristics (i.e., size, and degree of formalization) on the succession process will differ between male-led and female-led family firms.*

It is well documented that larger organizations require a higher degree of coordination than flexibility and policies, rules, procedures and hierarchical structures are more prevalent than in smaller sized firms. Differences between male and female owner/managers may significantly affect the way they organize their firms as their family firm becomes bigger and it gets more coordinated and formalized (Harveston, Davis and Lyden, 1997). If this is true, then these differences between male-led and female-led family businesses might also affect the relationship between the firm's structural characteristics in terms of size and degree of formalization and its succession-planning processes.

Research Hypothesis 3: *Family firm financial characteristics (i.e., access to capital, family funding) will play a greater role on the succession process within male-led than within female-led family firms.*

Organizations and in particular family owned businesses that are led by women find difficulties in getting sufficient capital from external sources in order to get funded. The result is that women are frequently forced to rely on credit cards, personal savings, and family loans to fund their firm's capital needs (Malloy, 1996). Despite the proven difficulties in getting access to external capital, previous research by the National Federation of Women Business Owners (1997) found that nearly three fourths of the women-owned businesses in existence in 1991 were still operational three years later, as compared with only two-thirds of all companies. In any case, it appears that access to capital may play less of a role in ensuring the survival and continuity of female-led organizations than those led by a male.

Expected Findings

This study offers the opportunity to evaluate the importance of gender-specific models of succession in business field. There is increasing proof that what works well for male-led firms may not necessarily work well for female-led firms. More precisely, the relationship between the effectiveness and satisfaction with the succession process and the distinct attributes and characteristics present in a specific family firm that determine as antecedents the success of the succession process and fulfill its critical success factors, are expected to be different in case of family firms whose owner is a man than in the case of firms whose owner is a woman, because men usually behave in a different way than women and this has an important impact on a family firm's operations and succession process.

We expect to find that these distinct attributes and characteristics will be impacting as antecedents the success of the succession process by influencing directly and or indirectly the succession's critical success factors, namely, the incumbent's propensity to step aside, the successor's willingness to take over, positive family relations and communication, succession planning, and the successor's appropriateness and preparation, differently. As the owner's age, education, and personal wealth and income rises, as the organization's degree of formalization increases, and as the financial resource slack of family funding and the access to capital is amplified they will be a positive impact on the critical success factors that determine successful succession in a family firm. However, we

contend that this positive impact is expected to vary according to the gender of the incumbent owner.

Specifically, as far as the *first hypothesis* is concerned on how the individual characteristics of age, education, and personal financial wealth and income will have a stronger impact on the succession process within family firms led by men than those led by women, we expect research results confirm that the age of the owner of a family business plays a more significant role in male-led organizations than it plays in female-led organizations.

The *second hypothesis*, on how the effects of organizational characteristics of size, and degree of formalization on the succession process will differ between male-led and female-led family firms we expect research findings to confirm that organizational size and a high degree of the family firm formalization will be different between the male-led and female-led family businesses. We believe that a larger organizational size and a higher degree of formalization will influence the critical success factors of the family firm's succession process more in female-led family businesses than the male-led ones.

Finally, as far as the *third hypothesis* is concerned on how a family firm's financial characteristics in terms of access to capital and family funding will play a greater role on the succession process within male-led than within female-led family firms, we expect not to find any significant differences. Given the strides that women have made in recent years, we believe that even though slack resources are extremely important and do

have an impact on the succession process their importance should not be different in male-led family businesses from female-led ones.

Suggestions for Future Research

This paper attempts to identify whether some distinct family firm characteristics, such as, the incumbent's individual characteristics, organizational characteristics and the firm's financial resource characteristics, affect the succession process in a family firm in terms of effectiveness and satisfaction with the succession process in a different way when the incumbent is a woman than in the case of a male owner. These distinct attributes and characteristics present in a specific family firm will determine as antecedents the success of the succession process and fulfill its critical success factors differently. Gender plays a vital role in succession planning, as Pyromalis et al. (2006) suggest, men and women possess different skills that lead to different strategic competencies, all of which are very valuable to any business organization. Specifically, it seems that women outperform men on the relational issues, while men outperform women on performance issues. By not taking into consideration the owner's gender, we underestimate the complexity of the succession process.

Additional empirical research could be undertaken so we could better understand the connection between a family firm's succession process and gender differences of other key stakeholders of the family owned business, like close relatives, spouses, the owner's children as potential successors, the significance of their participating role in the firm,

etc. Furthermore, besides the gender of the owner future research could investigate additional variables such as their ethnicity, culture, or religion.

Theoretical and Practical Implications

The aforementioned expected findings of this paper have both theoretical and practical implications. From a theoretical point of view, this paper will make a significant contribution to the current family business literature on women owners and succession, and provides a good groundwork for further research. From a practical point of view, the findings of this research can be beneficial for family firm owner incumbents, men as well as women, for other family members positioning themselves as likely successors, other family and non-family stakeholders of the family firm, including professional consultants who work in the field of family business. Since what works well for male-led firms may not necessarily work well or the same way for female-led firms, this information can be useful during the succession process in order to implement specific succession models that could increase the prospects of a successful succession in terms of both succession effectiveness as well as satisfaction with the succession process among family and non-family members and external family business stakeholders.

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