A Typology of Motives in Family Business Succession Planning:

Institutionalisation, Implosion, Imposition and Individualisation

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Abstract

This paper examines the understanding of motives in the family business succession planning literature. It identifies two main motives on the part of incumbents for family business succession planning: family business continuity across generations and family harmony. Yet these motives are routinely conflated in the literature. This is at least partly because both motives are routinely undermined by individualistic self-interested behaviour, consistent with the model of *homo economicus*. The cross-tabulation of these motives produces a typology which suggests four distinct pathways in relation to succession planning: institutionalisation, implosion, imposition and individualisation. The two most obvious of these pathways are fully elucidated in the literature: specifically, the institutionalisation of succession planning, and family business implosion. The other two pathways are not so well understood. They include those circumstances where incumbents impose succession arrangements irrespective of family harmony, and those where family business succession planning involves liquidation of family business assets in order to divide assets between individual family members. The proposed typology highlights the repertoire of motives that inform family business succession planning, above and beyond *homo economicus*. It also suggests future lines of research, moving beyond the dichotomous pathways identified in the literature.
Introduction

Family business lies at the interstices of conventional academic disciplines. Sociologists do not usually address it because it concerns business; economists do not usually address it because it concerns family. In any case, for the better part of the twentieth century both sociologists and economists understood family businesses as an anachronism, rendered irrelevant by professional management and rational-bureaucratic organisation (Berle and Means, 1967 [1932]; Chandler, 1962; Parsons, 1952; Perrow, 1972). Since the 1970s it has become apparent that this view was mistaken. Family businesses are an enduring feature of advanced capitalist economies. In turn, there has emerged a specialist research literature in family business studies – albeit largely ignored by both sociologists and economists.

A key theme in the family business research literature is succession planning. Succession planning is pivotal to business continuity, but is often fraught with tension and postponed indefinitely. Family business specialists attempt to identify the predictors of effective succession planning, and the obstacles in its way. They have no doubts about the pivotal role of incumbents (or founders) in the process, and the obstacles presented by unmotivated incumbents. Yet the literature struggles to reconcile its economistic understanding of human motivation – in terms of individual, rational utility maximization – and the incontrovertibly cultural dimensions of family business succession planning. A pioneering article in the *Harvard Business Review* during the 1970s neatly identifies this tension:
There is something more deeply rooted in transfers of power than impersonal business interests. The human tradition of passing on heritage, possessions, and name from one generation to the next leads both parents and children to seek continuity in the family business (Barnes and Hershon, 1976: 107).

Notwithstanding its economistic foundations, the family business literature frequently identifies diverse motives in family business succession planning. Accordingly, this paper uses the literature to build a typology of motives in family business succession planning. In doing so, it follows Max Weber’s classic definition of motives as ‘the complex or subjective meaning which seems to the actor himself [sic] or to the observer an adequate ground for the conduct in question’ (Weber, 1978: 11). At the same time, it is mindful of what C. Wright Mills called the ‘vocabulary of motives’, referring to how actors justify or defend what they do in social situations. It is not easy to distinguish one from the other, especially at the level of meta-analysis. Even so, the consideration of incumbents’ motives opens up inquiry into the extra-economic dimensions of family business succession planning.

This paper

This paper takes its point of departure from a commonly cited meta-analysis of the field by Le Breton-Miller et al. (2004), based upon ‘more than 40 articles and seven books’ published between the early 1970s and early 2000s. The publications were obtained through searches of the Proquest database using the keywords family-owned-business and succession, the bibliographies of each article identified, and a scan of the HEC Montreal
university library. The authors focused on ‘the subset of data that is systematically empirical – that is based on rigorous methods and multiple subjects, and often connected to formal hypotheses and statistical methods’ (Le Breton Miller et al., 2004: 306), in order to optimise validity and reliability.

On this basis, Le Breton-Miller et al. identify the most ‘common predictors of successful succession’ (2004: 307). Specifically, they identify seven types of variables, as follows: the attributes of the incumbent, the attributes of the successor(s); the nurturing and development of successor(s); family dynamics; the design of the transition and installation process; the ground rules and first steps in the process; and the board of directors. Le Breton-Miller et al. observe ‘consensus that succession must be anticipated long in advance, and managed as a planned process’ (2004: 310). They also emphasise the pivotal role of the incumbent – often described as the ‘founder’ (for establishing the business in the first place), and sometimes as the ‘patriarch’ (for being an elderly man with the power of patronage over his kinfolk). The single most mentioned variables in the literature are the ‘motivation/willingness’ of the incumbent, and the quality of the incumbent-successor relationship (notably respect, understanding, trust and cooperation) (2004: 307).

This paper drills deeper into the 40 articles and seven books examined in this literature review. It asks how the articles and books understand the motives of incumbents in initiating a family business succession planning process. It then uses these motives to construct a typology of incumbent’s motives in relation to family business succession planning, and their effect upon the succession process.
Motives

There is a tension across the family business succession literature. On the one hand, it does not inquire closely into the motives of incumbents in initiating a succession planning process. Rather it understands the motives as self evident; specifically, the desire for business continuity across generations, and family harmony (or agreement). Lansberg expresses it neatly: ‘Succession planning means making the preparations necessary to ensure harmony of the family and the continuity of the enterprise through the next generation’ (Lansberg, 1988: 120).

On the other hand, the literature understands that the motives of incumbents cannot be assumed. There are two reasons. First, incumbents have motives that undermine business continuity. They struggle to ‘let go’ of the business because they have invested so much into it; they are reluctant to relinquish the benefits of incumbency, such as control, power and security; and they are reluctant to acknowledge their mortality. Sonnenfield and Spence, for example, observe:

Because the family identity of the chief executive in family businesses is closely tied to his identity as leader of the firm, chief executives in family businesses often feel a special sense of loss when power is transferred. They have become attached to their heroic stature as patriarchs of the family and of the firm, and to surrender one title signifies to them loss of the other. By giving up control of the firm, they feel that they are giving up their position as leader of the family, and this prospect is especially traumatic (Sonnenfeld and Spence, 1989: 365).
Second, incumbents do not necessarily have supportive relationships with their families, in particular their successors. The fact that they are ‘innovators and builders’, not teachers, means that they struggle to nurture and involve their children from the beginning (Aronoff and Ward, 1991: 27). It also means that they are ambivalent about the involvement of their children anyway. As a result, the literature describes a widespread failure of knowledge transfer and training across generations, ‘powerful feelings of rivalry and jealousy towards potential successors’ (Lansberg, 1988: 125), and a malign cycle of distrust and criticism. Handler, for example, concludes:

This study suggests that the significant improvement of a relationship where there is a low level of mutual respect and understanding between generations is rare and that it is highly dependent on the predecessor’s openness to learning. Those next-generation family members that remain involved in the family firm in anticipation of an improved relationship are typically disappointed (Handler, 1992: 298).

In practice, the literature often conflates the reluctance of incumbents to let go and the quality of their relationships with successors. This is because there is a common thread between them: that is, the individualism of the (male) incumbent, heavily attached to his own goals above and beyond familial goals. The literature is in two minds about this individualism. For the most part, it is at pains to ‘normalise’ it. This approach is consistent with *homo economicus*, the dominant model of economic behaviour in economics and business studies. For example, Fleming observes that successful family businesses are the result of incumbents’ lifetime entrepreneurship, and it is unrealistic to expect them to
surrender control of their businesses readily (Fleming, 2000: 101). Yet the literature also routinely slips into the language of dysfunction and pathology, presenting incumbents as egoistic, narcissistic, rigid, autocratic, distrustful, obsessive and in denial. This is especially true of the colourful anecdotes throughout the literature. For example:

In one company that I studied, the founder’s mistrust and rivalry with his successor reached a point where the founder spent most of his time minutely documenting every decision the successor made in order to build a convincing case for not retiring. The fact that the company was actually making a sizable profit under the successor’s leadership was not sufficient evidence of managerial competence. Instead, the founder argued that until the successor learned to take care of the details (like turning the lights off at night and using good grammar on internal memos) he would not be fit to assume management of the firm. After a painful struggle for control, the successor left the company, and the founder has since repeated the cycle with two other successor candidates (Lansberg, 1988: 125).

In short, the understanding of motives in the family business succession literature is not coherent. In particular, it teeters between an economistic understanding of motives in terms of individualistic utility maximisation, and a more sociological approach which takes into account the effects of social upbringing and collective (familial) interests. Even so, the literature speaks with one voice in its advocacy of enlightened intervention directed towards effective succession planning. In this sense, it fundamentally understands the motives for succession planning as problematic, and effective succession planning as a socio-cultural
accomplishment. Aronoff and Ward, for example, urge that owners ‘build a culture that emphasizes family first or business first but not ego first’. They elaborate:

The fundamental key to family business survival is the establishment and growth of trust. Individuals pursuing their own ends without reference to the goals of others or the system itself ultimately erode trust and destroy the glue that holds a family business together (1995: 49-50).

**Typology**

The assumed motives of incumbents in the family business literature in initiating a succession planning process lend themselves to a typology, where business continuity forms one axis and family harmony forms the other (figure 1). This forms four cells. The cell in the top right hand corner (dubbed *Institutionalisation* for reasons which will be explained shortly) combines the two main motives for family business succession planning in high degree; that is, the desire for both business continuity across generations and family harmony. The cell in the bottom left hand corner (*Implosion*) is characterised by low attachment to business continuity and family harmony. The cell in the bottom right hand corner (*Imposition*) involves high attachment to business continuity, but low attachment to family harmony. The cell in the top left hand corner (*Individualisation*) is characterised by high attachment to family harmony, but low attachment to business continuity. Each of the cells demands closer consideration.
It is revealing that the literature is rich in commentary regarding the cells where the motives of family business continuity and family harmony are both strong (framed in terms of Institutionalisation), or both weak (framed in terms of Implosion). In the case of the former, the literature understands the combination of motives as the ideal, but not the rule. Accordingly, it promotes a variety of initiatives to support them; notably, ‘third party involvement … to prevent irreparable family rifts and company stagnation’ and ‘dialogues between all the parties’, notably family owners, family managers and non-family managers (Barnes and Hershon, 1976: 105). Specifically, it advocates a suite of institutions and protocols designed to promote these initiatives. Proposed institutions include family charters, family meetings, family councils, mandatory non-family representation on boards, and formal succession plans. For example:
One possible approach is to develop a “relationship charter” that provides a framework for the accomplishment of common goals and effective teamwork within the family unit. Such a charter would include (1) identification of strengths, weaknesses, opportunities, and threats within the family unit; (2) establishment of mutual goals and objectives for relationship quality and effectiveness; (3) definition of mutual role expectations; (4) development of programs for developing and improving relationships; (5) periodic measurement of relationship performance and family member satisfaction with the relationship; and, (6) creation of accepted mechanisms for conflict mediation and resolution (Morris et al., 1997: 398-9).

Similarly, a large part of the literature addresses those circumstances where incumbents aspire to neither family business continuity nor family harmony – or, more to the point, other motives trump these aspirations. Incumbents refuse to ‘let go’. They have remote or antagonistic relations with their children. The upshot is ‘unclear succession plans, incompetent or unprepared successors, and family rivalries’ (Miller et al., 2005: 514), leading to implosion of the family business. Aronoff and Ward neatly capture the ambivalence and complexity of such circumstances. In their own words:

Entrepreneurs … can have the business smarts and strength for great success, and they may truly desire that their children carry on the business they started. Yet they often fail at family-business succession. The very sense of self that compels their success inhibits their ability to share or transfer power.
But powerful ego is not the exclusive domain of founders. Spouses, children, and others in family-business systems can assert individual agendas in ways injurious to the family and the business as a whole …

These family members focus on their own needs and goals, fostering conflict in the family and potential abuse of the business. In time, what may have been imagined as “one for all and all for one” becomes a culture of “every man for himself,” particularly as the family-business ship begins to sink (Aronoff and Ward, 1995: 49-50).

Whereas the family business succession literature includes substantial commentary regarding the cells where the motives of continuity and harmony are both strong or weak, it has much less to say about the other cells where one motive is strong and the other is weak. There are two possible reasons. The first is that the mix of strong and weak motives is uncommon. After all, the literature routinely conflates the motives of family business continuity and family harmony, not least because entrepreneurial ‘egoism’ (or individual utility maximisation) undermines both of them. The second possible reason is that the literature’s conflation of motives actually causes it to overlook those circumstances where strong and weak motives occur together.

Consider, first, the cell (framed in terms of Imposition) where incumbents are strongly motivated by family business continuity, but not family harmony. In these circumstances, it might be expected that the incumbent holds his own view of appropriate succession, which he hopes to impose irrespective of the interests and views of other family
members. This course of action defies the prevailing norm of dividing personal estates equally among children, irrespective of gender or other considerations (Wilhelm, 1996; Finch and Mason, 2000; Baker, 2010; Gilding, 2010). It is not conducive to succession planning, for the simple reason that the incumbent has no desire to engage in negotiation or dialogue. For the same reason, it is consistent with the postponement of succession planning. This pathway might be expected to produce winners and losers, and division and conflict. It might easily be submerged by researchers within the broad category of succession failure – or ‘implosion’ as it is described in this paper. This is consistent with the fact that the literature overwhelmingly recommends measures to promote family harmony through dialogue and consultation, because this is seen as the main problem.

The final cell (framed in terms of Individualisation) involves incumbents who are strongly motivated by family harmony, but not family business continuity. The fact that there is little ambition for continuity means that family business succession planning is directed towards making the business liquid and divisible, so that individual successors can realise their personal shares fairly and easily. This course of action (unlike the previous scenario) is consistent with prevailing norm of equal division of personal estates among children. The literature mentions it in passing. For example, Neubauer and Lank refer to the disappearance of family businesses due to ‘the opportunity to sell at an attractive price’, which causes ‘no automatic opprobrium’ in a ‘capitalist society’ (1998: 17). Yet the literature has no interest in addressing this pathway precisely because it results in the disappearance of the business. The lack of interest in this pathway highlights the extent to which the literature is driven by the challenge of family business continuity, over and above
family harmony. That is to say, it directs so much attention to family harmony because it is understood as a vehicle for family business continuity.

Conclusion

The typology proposed in this paper is grounded in the two main motives for family business succession planning, as identified in the family business literature; specifically, family business continuity and family harmony. Yet these motives are routinely conflated in the literature, not least because they are routinely undermined by individualistic self-interested behaviour. The cross-tabulation of these motives produces a typology which suggests four distinct pathways in relation to succession planning. The two most obvious of these pathways are fully elucidated in the literature: specifically, the institutionalisation of succession planning, and implosion of the family business. The other two pathways are not so well understood. They include those circumstances where incumbents impose succession arrangements irrespective of family harmony, and those where family business succession planning is directed towards liquidation of family business assets in order to realise individual shares. The proposed typology highlights the repertoire of motives that inform family business succession planning, above and beyond individual self-interest. It also suggests future lines of research, moving beyond the dichotomous pathways identified in the literature.
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