

Determinants of Family Business Performance: Succession Issues and Experience as the Potential Mediators

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Abstract

The characteristics and importance, including the antecedents to performance, of small to medium-sized family owned firms to respective economies is widely known in business literature. While many have studied factors which determine the business performance of family-owned firms, none has investigated how succession issues (ranging from authoritarian owner, communication problem with siblings, incompetencies, motivation to succeed, differences in opinions and decision-making power) and succession experience on part of second or third generation owner (2GO/ 3GO) could affect the links to the performance of such firms. The purpose of this paper is to reaffirm various factors influencing family business performance among sixty family-owned firms situated in Northeastern of Peninsula Malaysia, and establish succession issues and experience as the potential mediators which are contributive to the business well-being. The main data source for the study was self-administered surveys of fifty-five 2GOs or 3GOs, of three major races (Malay, Chinese and Indian) in Kelantan, Malaysia. Descriptive, correlation and regression analyses were conducted to interpret findings. The research shows that management style, relationship among family members, values and beliefs and preparation of heir significantly influence family business performance in this context. Succession issues are found to have partially mediated and succession experience fully mediates the relationship among the antecedents with business performance. Both theoretical and practical implications as well as avenues for future research are discussed.

Keywords: family-owned firms, succession, business performance

Introduction

Family businesses' contribution in fuelling economic development and growth has always been reckoned and acknowledged where owners are credited for nurturing across generations entrepreneurial talent, a sense of loyalty to business success, long term strategic commitment and corporate independence (Poutziouris, 2001). Past research has shown that family firms play a significant role in emerging and developed economies in terms of GDP growth and employment (Carraher, 2005; Carraher and Carraher, 2006). Miller and Le Breton Miller (2005) reported that multidivisional enterprises such as Michelin, Armani, WalMart, Home Depot, and IKEA were founded and are still controlled by families. Such family-owned firms continue to dominate most of the world's economies, and remain as the major source of entrepreneurship amid under-researched, especially in a cross-cultural way. Malaysia is of no exception in this regard.

Significantly, research done on family business has centered around the survival rate of such business because researchers confirm that only about one third of family businesses survive the transition from founders (first generation) to the second generation of owner-management. And of those who do that, only about one third tend to survive the transition from second to third (and beyond) generation of ownership (Poutziouris, 2000; Wang et. al., 2000; Ibrahim et. al., 2001a). Hence, key of success and sustainability of family businesses lie with effective succession.

In Malaysia, the family-owned businesses which continue to thrive include Adabi, Ramly, Takaso Rubber, Olive and Hong Leong Group with annual sales recorded over USD 1 billion (Norlela, 2007). And in Kelantan, a state which is well known for entrepreneurial belt of businesses, Mydin Mohamed Holdings Berhad often tops the list of successful family enterprise. Most of the family businesses in Malaysia are actively involved in manufacturing, retailing and construction industries, i.e. 35% compared to other sectors (Azrain, 2010). Inevitably, besides business concerns and market challenges, family business faces unique challenges due to family members involvement in the business (Zumilah, 2010). Although operational and functional practices applied are generally similar to other businesses, family business challenges range from preparation level of heir, relationship among family members and partners, to succession experience. For example, besides striving for profit and business sustainability, family business calls for compassion and love for offspring, especially in the choice of a successor other than a high respect for the older family members, such prominent role has the advantage of making the family business to prosper.

A survey conducted in year 2002 by Shamsir Jasani Grant Thornton (SJGT) consulting firm and the Malaysian Institute of Management provides useful insight into the attitudes and dynamics of family businesses in Malaysia. Two hundred and twenty-five companies responded to the survey, of which 55 percent were small-scale enterprises. 35 percent were medium-scale enterprises and the remaining 10 percent were large scale enterprise. Most of the family businesses participated in this survey were still run by founders (59%) while 30 percent are run by the second generation, the majority of whom are children of the founders. Interesting findings were uncovered in the same study where 72 percent of the respondents had invested a great deal of wealth into the ventures; 62 percent feared 'losing control' and had reservations about bringing outside shareholders into the enterprise. Because conflicts are commonly found in managing the business in which majority of its board members are family members (Yong et al, 2004), only about one-third of family businesses survive the first generation to second generation (Poutziouris, 2000). In addition, only about one-third that survived from the second generation to the next. Therefore, a great challenge dedicated to entrepreneurs in a family business is the wisdom to lead through the separation between the family and the relationship between the family and the way to go in a business.

Much earlier research in the area of family business, undertaken mainly in Western countries focuses on single perspective, to explain the performance or success. For example, Chandler and Jansen focused only on the relationship between the founder's characteristics and performance of the business, while Lansberg and Joseph (1994) concentrated on the effects of family relationship and family cohesion on succession planning and successor training. Although these studies are helpful in providing a theoretical grounding, a multiple-perspective approach, looking at the key success factors, potential growth and development as well continuous succession are valuable experiences which we can emulate from small family businesses situated in a state like Kelantan.

This research argues that the explanation of family business purely in cultural terms are too convenient and simplistic. To draw a conclusive picture on the milestones and development of such business, family businesses successfully run by three major ethnic groups are thoroughly probed into. Thus, to gain better insights into the complexities of family businesses in Kelantan, this research has the following objectives: What are the key factors which determine the successful continuity of family business across generations in Kelantan? This research identifies multiple key success factors which determine family business performance by examining the management practices of these family businesses, relationship among family members, values and beliefs upheld by the family and preparation of heir. And because one of the major problems family businesses face is transfer of ownership or succession of management to the next generation, researchers find it mandatory to include succession issues and experience encountered by the successors as the mediators in the study.

Specifically, this research addresses the following objectives:

- To gain better insights into the complexities of family businesses in Kelantan in terms of its family enterprise profile, successor's profile, competencies and management styles;
- To identify the key factors which influence family businesses performance leading to successful continuity of family businesses across generations in Kelantan;
- To examine how critical succession issues and experience are in affecting the relationship among the key success factors and family businesses performance.

Literature Review

A comprehensive review on scholarly publications related to family business reveals that the most frequent researched topics include variables like in interpersonal family dynamics, succession, business performance and growth, consulting to family firms, gender and ethnicity issues, legal and fiscal issues, and estate issues (Dyer and Sánchez, 1998) . For the purpose of this study, a total of six variables which determine the success of family business were identified and the relationships webbing these variables would be examined.

What makes a family business?

A family business may range from the small neighborhood 'Mom and Pop' store to the large multinational company. A family firm is one in which at least 50% of the ownership and management falls within one family – whether related by blood or marriage (Lee-Chua, 1997). "The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman, & Sharma, 1999). Although there is some debate over the precise definition of a family business, most revolve around the kinship of family members owning and running a venture (Heck & Trent, 1999; Rogoff & Heck, 2003; Wortman, 1994). Indeed, it is the intersection between family members, the family, and the business that is believed to represent the unique set of features that explain performance differences between family and nonfamily businesses (Habbershon, Williams, & MacMillan, 2003). This intersection also represents a source of conflict within the family and within the business (Daily & Dollinger, 1993; Harvey & Evans, 1994; Kellermanns & Eddleston, 2004). Conflict within the family may arise as a result of business issues such as disagreements over growth targets, succession, product offerings, or even from seemingly mundane issues like hours of operation. Conflict within the business may also be driven by family issues such as time spent away from the home, marital differences, or inattention to important family events. In either case, the origins of these conflicts are often the direct result of the close and repeated interaction between family members, the family, and the business. For the benefit of this research, the following discussion revolves around four major determining factors and two mediating variables which have been proven to be contributive to family business success.

Management activities, style and characteristics

Dyer (1988) studied "paternalistic" management culture and style as compared to "professional" style of management. "Paternalistic" management was characterized by hierarchical relationships, top management control of power and authority, close supervision, and distrust of outsiders. "Professional" management involves the inclusion, and sometimes the predominance, of non-family managers in the firm. McConaughy and Phillips (1999) studied large publicly owned founding-family-controlled companies and concluded that (a) descendent-controlled firms were more professionally run than were founder-controlled firms; (b) first-generation family managers are entrepreneurs with the special technical or business backgrounds necessary for the creation of the business, but the descendents of the founder face different challenges, to maintain and enhance the business, and these tasks may be better performed in a more professional manner, often by non-family members. Both Dyer (1988) and McConaughy and

Phillips (1999) found an earlier basis in Schein (1983), who also suggested more professional forms of management with the inclusion of non-family managers. Besides, many family business researchers have found that management style in younger, first-generation family firms tends to be more informal and subjective. In more mature second- and third-generation family firms, management style becomes more formal and objective (Aronoff 1998; Cole and Wolken 1995; Coleman and Carsky 1999; Dyer 1988; Filbeck and Lee 2000; McConaughy and Phillips 1999; Miller, McLeod and Oh 2001; Schein 1983). Thus, it is essential in this study to examine the management culture embraced and the number of non-family members allowed in the business.

Another aspect of family business behaviour is the distribution of decision-making authority in the firm. Dyer (1988) found decision-making to be more centralized in first-generation family firms than in subsequent-generation family firms. Aronoff (1998) developed this suggestion further to determine the level of decision-making authority and the use of team management versus autocratic decision-making. Team management involves parents, children and siblings in the firm all having equality and participative involvement in important decision-making, even if one family member is still the nominal leader of the business. Aronoff furthermore reported that 42 percent of family businesses are considering co-presidents for the next generation. Thus, decision-making authority is included one of the variables under investigation. As such, the first and second hypotheses are proposed as follows:

Hypothesis 1: Management activities, style and characteristics of family business significantly influence family business performance.

Hypothesis 2: Family business characterised by paternalistic management culture, high inclusion of non-family members and centralised decision making ensure successful business performance.

Relationship Among Members, Values and Beliefs, Preparation of Heir

Previous research findings on succession transition can far be associated with being systematic and comprehensive. It is difficult for one to conclude what really is an effective transition. However, a number of important factors affecting succession transition can be summarized as follows (Morris et al, 1996).

The first factor which requires special care is concerned with personal relationships within the family and between family and non-family employees of the firm. The commonly cited issue here concerns trust and communication among family members (Barnes and Hershon, 1976; Brockaw, 1992; Kepner 1983; Williams, 1990). Dysfunctional conflicts, jealousy and sibling rivalries further worsen the relationships and affect business stability (Barnes and Hershon, 1976; Handler, 1991; Kepner, 1983; Kets de Vries, 1993; Schlossberg, 1992).

- Relationships among family and business members
 - Communication;
 - Trust;
 - Commitment;
 - Loyalty;
 - Family turmoil;
 - Sibling rivalry;
 - Jealousy/ resentment;
 - Conflict;
 - Shared values and traditions.

Secondly, family values and beliefs which bond the relationship among members tend to affect the continuity of the firms. The most powerful determination concerning values of family firms is the

dominant role of founders in the formation process of values. Personality, values and beliefs of the founder are generally essential determinants in the formation of the firm culture (Stoice and Schindehutte, 1999; Kelly et. al, 2000; Sharma, 2004) and values of the founder closely affect family and job socialization of the second generation as well (Alvarez and Lopez-Sintas, 2002). Dyer (1986) contended that some cultural configurations created and transferred by founder leaders of the firm play important role in the continuity of the firm. Alvarez and Lopez-Sintas (2001) emphasize that some values become in the first plan according to the life cycle of the firm. For example, ambition, reliability, responsibility, hardwork, honesty and growth are the entrepreneurs' values revealing mostly in the foundation of the firm. Values such as openness and ability can be concerned long-term survival and growth of the organization. Among job and family values (Ferda and Gozde, 2010) measured in this study include the following:

- Industriousness
- Inovative
- Courage
- Commitment to the firm
- Honesty
- Trust
- Patriarchal
- Educational
- Justice
- Philanthropy

Third factor which ensures positive transition experience involves the preparation level of heirs. Besides the ones listed above, level of preparation refers to the extent of which the heirs have the requisite business skills, managerial capabilities, knowledge of company operations and attitudinal predisposition to handle the running of the business (Doescher, 1993; Fenn, 1994; Hyatt, 1992; Osborne, 1991). Specific variables receiving special attention include the following:

- Preparation level of heirs
 - Formal education;
 - Training;
 - Work experience (outside firm);
 - Entry-level positions;
 - Years working within firm (and/ or industry);
 - Motivation to join firm;
 - Self-perception of preparation.

Based on the above factors, the following hypotheses were proposed:

Hypothesis 3: Better business performance can be expected when relationship among members are strong and job and family values are upheld.

Hypothesis 4: Preparation level of heir significantly influences family business performance.

Mediating Factors: Succession Issues and Experience

Succession Issues

Research indicates that strategically many critical factors are related to effective succession such as succession planning (Ibrahim et. al., 2001a; Gersick et. al., 1997; Kets de Vries, 1993), offspring grooming (Ibrahim et. al., 2001b; Danco, 1997) and many more. Although most of the second generation successors are more educated and they learn ways to adapt to dealing with competition, new technology, new market and new customers with ever changing expectations, the knowledge acquired from the

college or university might be too general and not specific enough to serve as reference in juggling dynamic changes taking place in the market. These successors might think they know how to run the business but they might not know the ways to grow it. Thus, Walter and Yuen (2003) made some observations and delineated a matrix of performance measurement which dictates how the successor can cultivate skills necessary for changes in people, processes and systems in Chinese family-owned business organization early enough to avert the decline of fortune. Table 1 lists succession issues and concerns popularly cited by second generation owners (Walter and Yuen, 2003):

Problems and concerns

An authoritarian owner in the family business
 Board of directors for family members only
 Favouring a family member over a dedicated employee
 Inadequate experience in that particular industry
 Lack of working knowledge to run the business
 Incapable of exercising the power of authority with siblings
 Inequity/ equity of rewards among family members
 Communication problem between family members
 Lack of competence and capability to run the business
 Lack of interest
 Lack of proper training
 Male is given preferential treatment to female
 Reluctance to let go of power and control
 Ability to develop talent and resource
 Father expectations on business different from son
 Father working style different from son
 Can share visions and goals with business owner
 Trust between family members
 Has a mentor in the family business
 Decision making by family members only

Therefore, expectations for future growth are formed under the influence of various factors. These include environmental factors, characteristics of people – owner-managers – and characteristics enterprise practices. Faced with numerous challenges and depending on the readiness, capabilities and competencies of the successor, not every entrepreneur is willing to expand or grow the family business.

Succession Experience

Lastly, in evaluating a given succession, it has also been suggested that one should distinguish between the “quality” of the experience and the “effectiveness” of the succession (Handler, 1990; Kets de Vries, 1993). Quality is a reflection of how the successor personally experiences the process, whereas effectiveness is related to how others judge the outcome of this transition. Research done throughout the past decades on family business succession results in the identification of a variety of factors associated to effective transitions. Researchers generally agree that business performance is a valid indicator to assess the effectiveness of business succession (Morris, et. al., 1997; Goldberg, 1996). Hence, this study finds it mandatory to investigate the role of succession issues and succession experience as the potential mediators. Significantly, respondents were invited to describe the transition experience itself:

- Succession Experience
 - Smooth;
 - Comfortable;
 - Antagonistic;
 - Complicated.

Hence, the last hypothesis is postulated as:

Hypothesis 5: Succession issues and experience encountered by the successors mediate the relationship among key success factors (management activities, style and characteristics, relationship among members, job and family values and preparation level of heir) and family business performance.

Methodology

As discussed earlier, a number of factors as supported by previous research, determine the continuity of family business and its performance. The research framework for this study could be seen in Figure 1:

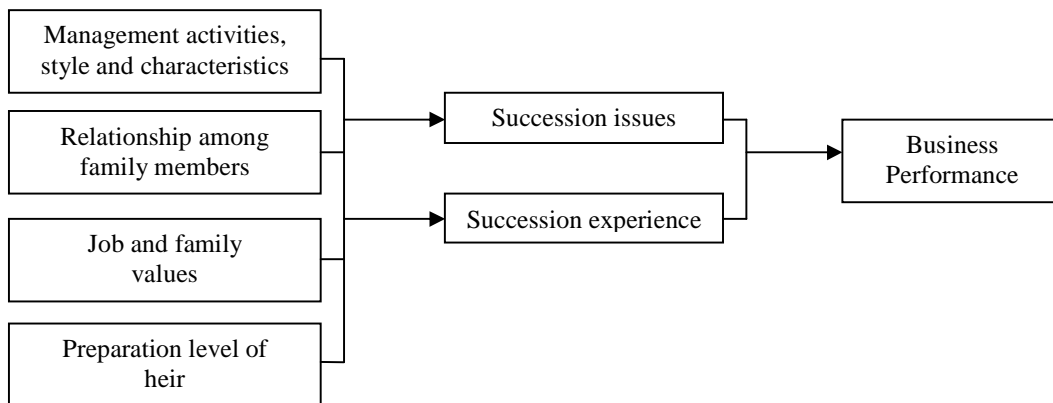


Figure 1 Research Framework

In Malaysia, there is no official statistics showing how many family-owned enterprises exist in Kelantan. Therefore, the researchers resorted to convenience and snowball sampling techniques. Sampling process in this study was divided into two phases. In the first phase, it involved two steps. Researcher first identified as many family-owned enterprises as possible operating in north-eastern corner of Peninsula Malaysia, Kelantan. Depending on the accessibility of the target respondents, researchers collected the data conveniently from the successors of family businesses situated in the following districts, namely Kota Bharu, Machang, Tanah Merah, Pasir Mas, Bachok, Tumpat, Jeli, Gua Musang, Kuala Krai, Pasir Puteh, according to the three major ethnic groups i.e. Malay (92.6%), Chinese (3.4%) and India (0.2%) based on population statistics in Kelantan (Department of Statistics Malaysia, 2010). Since it was quite a challenge to secure respondents, researchers proceeded to snowball sampling that target at referrals from initial respondents. Questionnaires were distributed to the heirs / successors of the selected companies. Questionnaires were self-administered and for the benefit of better understanding, the questions and statements were translated into dual languages. The questionnaire consisted of eight parts and measurements were adapted from Michael et.al (1996), Robert and Matthew (2004), Ferda and Gozde (2010), Walter and Yuen (2003) and David et al. al (2006) Section A contains general information about the family enterprise and this is followed by Section B which include management activities, style and characteristics, relationship with family members and partners, job and family values, preparation level of heir, succession issues and experience as well as business performance. For statistical analysis, PASW Statistics version 18 was employed. The analysis process began with descriptive statistical tests in profiling successor’s demographic details and characteristics of family enterprise. Correlation analyses were conducted to examine the relationships among constructs in the study.

Results and Findings

Characteristics of Respondent: Family Business Successor

A total of 55 family business successors participated in this study, 33 males and 22 females. Out of these 55 family enterprises, 42 firms were owned by Malay, 11 firms by Chinese and 2 by Indians. Majority of these successors (70%) were in the range of 26 – 45 years old and only 18% were between 46 – 55 years old. 50% of the respondents did not have tertiary education qualifications. Only 15 successors had Diploma certification, 11 with Bachelor Degree qualification and 1 had Master Degree. Majority of successors did not have prior knowledge or experience related to current business and nearly all of the successors (43.6%) did not have work experience prior to joining the family business; 45.5% had only 1 – 5 years of work experience prior to joining the family enterprise. And for those who with 1 – 5 years of work experience, they could not really apply knowledge or skills acquired in previous employment due to the different nature of business and industry the family enterprises were in. Majority of the successors spent 1 – 5 years working in the family enterprise before taking over and most of them (40%) started off not from entry or executive level but were given senior executive position. Among motivation factors which encouraged successors in taking over include responsibility (46%), self-achievement (38%), career opportunity (29%), personal satisfaction (23%), control desire (14%) and better lifestyle (9%). 63% of the respondents reported that they were extremely ready to take over; 8% were ready and 12% were somehow ready in taking over.

Characteristics of Family Enterprise

51% of these firms were run by sole proprietors, 35% by partnerships and only 15% by corporation. 34 family firms had less than 10 employees and the rests had between 11 – 50 employees. Hence, these family firms belong to the small and medium enterprise category. Majority of these family enterprises are in retail industry (55%) offering products such as groceries, hardware, electronic appliances, apparels, books, gold and jewellery, accessories, clothings, furniture, telecommunication and entertainment; 9% in wholesale industry; 15% in service industry; 16% in food and beverage, 4% in construction and 1% in manufacturing industry. As many as 25% of these family firms were managed hand-in-hand by first-generation owner (1GO) and second-generation owner (2GO); 11% by 2GO only; 12% hand-in-hand by 2GO and third-generation owner (3GO); 5% by 3GO and the rests 2% by forth-generation owner (4GO). The mean number of years the sample family business were in business was between 21 – 30 years. There were five family businesses which have been operating for more than 50 years. . In addition, many of these family enterprises (38%) did not include outsiders in the business. Only 10% of these family enterprises had 50:50 ratio of family members involvement over outsiders.

Management activities, style and characteristics

43 successors were chosen to take over the family business based on their competencies and capabilities and 20 successors indicated that they were chosen due to the close relationship they had with the founder or 1GO. 23 successors experienced part-time involvement by the 1GO, 18 experienced full time involvement and only 14 successors had full freedom in management control without involvement from 1GO. Management style at the early stage of transition was reported to be participative (80%) and only 20% reported paternalistic management style. And when asked about current management style, 49 successors reported participative style, 3 for paternalistic and another 3 for full autonomy given to successor without any interference. Majority concluded that factors which influenced delegation of decision making lie with capabilities and competencies shown by successor; and all successors indicated high confidence in being able to create new products or reinvent business system so as to attract more customers and offer value-added services to community. Sales volume was the indicator used by 39 successors in determining value creation, 15 successors rely on customers' demand and 1 on competition

encountered. 90% of successors indicated that the decision making embraced by the Board of Directors was participative as opposed to authoritative (11%).

Hypotheses Testing

Table 1 shows the means, standard deviations, reliability coefficient alpha and zero-order correlations among all the variables. As shown in Table 1, Cronbach coefficient alpha for all variables are recorded high, ranging from 0.515 to 0.915, except for preparation of heir. Therefore, majority of the scales meet the generally accepted reliability of 0.70 (Nunnally, 1978).

Table 1 Means, Standard Deviations, Reliability Coefficient Alpha and Correlations

	Mean	SD	1	2	3	4	5	6	7
1 Management Practices	4.259	.750	(0.515)						
2 Relationship Among Family Members	6.102	.920	.300*	(0.608)					
3 Job and Family Values	6.546	.304	0.002	-0.019	(0.901)				
4 Preparation of Heir	6.413	.457	.304	.002	-0.019	(0.223)			
5 Succession Issues	4.740	.490	.511*	.604*	-.268	-.723	(0.915)		
6 Succession Experience	5.471	.852	.352**	.721**	-.009	0.511**	(0.904)	(0.538)	
7 Business Performance	4.076	.630	.347**	.470**	0.276**	.269**	-.0434**	0.615**	(0.732)

Note: Cronbach alpha is in parentheses along the diagonal; SD = Standard Deviation
 *p < 0.05
 ** p < 0.01

All major variables reported significant influence on family business performance. The first hypothesis could be substantiated because p-value was recorded less than 0.01 indicating management practices significantly influence family business performance. However, second hypothesis could not be supported because findings show that majority of owners as well as successors participated in this study embrace participative management style as opposed to authoritative; paternalistic culture was not evident during IGO management period as well as after succession and decision making was not centralized. Majority of successors reported freedom and full autonomy in decision making and delegation of work. Third hypothesis was fully supported because both relationship among family ($r = 0.470$) and job and family values ($r = 0.276$) reported significant values.

Similarly, hypothesis 4 is fully substantiated, preparation of heir ($r = 0.269$) was found to have influenced business performance significantly. Table 1 also shows the more succession issues faced by the successors, more negative business performance can be expected ($r = -.0434$) and the better succession experience described by the successors, the better business performance can be expected ($r = 0.615$). In other words, succession issues revolving around entrepreneur's capabilities, knowledge, conflicts with members, trust and many more do impede family business growth and development.

To test the last hypothesis, mediating effects of succession issues and succession experience were examined through regression analysis. First equation model shows all determinants were significantly related to business performance; nonetheless, when succession experience was included in the second equation model, all other determinants became insignificant. This reflects that succession experience fully mediates the relationship among the key determinants and family business performance. In the third equation model, succession issues was included as the mediator and it was found that only the first factor (management style, activities and characteristics) and fourth factor (preparation of heir) remain significant. Relationship among family members and job and family values became insignificant; this implies that succession issues have partially mediated the relationship among key determinants and business performance. Hence, based on the above findings, last hypothesis could be partially substantiated.

Discussion and Conclusion

Within the sample of 55 family firms, unique characteristics of family business profile were compiled. Similarly, puzzled findings were also reported on successor’s background. Complexity of family business as depicted in previous research further justified the conduct of this study. Many researchers confirm that only about one third of family businesses survive the transition from the founders (1GO) to the 2GO. More over of those who do that, only about one third tend to survive the transition from second to third (and beyond) generation of ownership (Poutziouris, 2000; Wang et al, 2000; Ibrahim et al. 2001a). Findings from this research are consistent with the above contention because out of the 55 family firms, 25% of these family firms were managed hand-in-hand by first-generation owner (1GO) and second-generation owner (2GO); only 11% by 2GO; 12% hand-in-hand by 2GO and third-generation owner (3GO); 5% by 3GO and the rests 2% by forth-generation owner (4GO). Very few firms survived through second or third generation.

Table 2 Mediating Effects: Succession Issues and Succession Experience

	Equation 1	Equation 2	Equation 3	Equation 4
Predictors	MS	MS	MS	MS
	R	R	R	R
	JFV	JFV	JFV	JFV
Predictor	PH	PH	PH	PH
Criterion	BP	SE	SI	SE
		BP	BP	SI
				BP
Unstandardized β	$\beta a = 0.377^*$	$\beta a = 0.203$	$\beta a = 0.453^*$	$\beta a = 0.292$
	$\beta b = 0.608^{**}$	$\beta b = 0.214$	$\beta b = 0.444$	$\beta b = 0.190$
	$\beta c = 0.432^*$	$\beta c = 0.253$	$\beta c = 0.260$	$\beta c = 0.351^*$
	$\beta d = 0.232^*$	$\beta d = 0.100$	$\beta d = 0.307^*$	$\beta d = 0.180$
		$\beta e = 0.523^{**}$	$\beta e = 0.643^{**}$	$\beta e = 0.408^{**}$
				$\beta f = 0.430^*$
Model statistics	R^2	0.289	0.425	0.394
	Adj. R^2	0.237	0.371	0.338
	F	5.584	7.968	7.024
				7.681
MS = management style, activities and characteristics		BP = business performance		
R = relationship among family members		SE = succession experience		
JFV = job and family values		SI = succession issues		
PH = preparation level of heir				
* $p < 0.05$		** $p < 0.01$		*** $p < 0.001$

Barach et al (1988) contended that family businesses have characteristics that contributed directly to the next generation. In the case of Salvatore Ferragamo (1998), the business owner namely Wanda suggested that the next generation could only earn a position through education and experience. Furthermore, the Chief Executive Officer of Carlson Company concluded that 3GO in the family business should have the intellectual capital, the education and the experience to make the best decision in the business (Barach et al, 1998). Dun (1999) contended that working in a different industry might provide a broader perspective and give the child a sense of worth when he came to join the business. Nonetheless, puzzled findings from this study refuted almost all of the above.

Majority of the respondents (as high as 50%) had only primary and secondary level of education. Unlike evidents gathered from family business research conducted beyond Asia, many of these successors did

not have prior knowledge or experience related to current business and nearly all of the successors (43.6%) did not have work experience prior to joining the family business; 45.5% had only 1 – 5 years of work experience prior to joining. And for those who with 1 – 5 years of work experience, they did not get to apply knowledge or skills acquired from previous employment due to the different nature of business and industry the family enterprises were in. Inconsistent with Barach et al (1998) findings, most of these successors (40%) did not possess any intellectual capital, education and work experience when they joined the family business, amid being selected by 1GO based on competencies, as opposed to selection based on gender, rank in the family, education and relationships they had with 1GO. These successors, despite having limited education background, with insufficient and unrelated work experience started off not from entry or executive level but were given senior executive position and were managing quite well, with business performance recorded above average.

Notable findings from this study include the participative management culture embraced by 1GO even before and after the succession took place. Over 40 successors reported sharing of ideas and empowerment with 1GO and among different generation owners, and 49 of them were pleased with the autonomy given by 1GO or 2GO (in the case where successor was 3GO). However, three family firms reported “paternalistic” culture with 1GO making every single decision and very rigid system to be adhered to. Although very minimal, this findings is consistent with Dyer (1998) in which he concluded that “Paternalistic” management was characterized by hierarchical relationships, top management control of power and authority, close supervision, and distrust of outsiders. “Professional” management involves the inclusion, and sometimes the predominance, of non-family managers in the firm. There was little evidence of “professional management” found within the sample of 55 firms because many of these family enterprises (38%) did not include outsiders in the business. Only 10% of these family enterprises had 50:50 ratio of family members involvement over outsiders.

Findings from hypotheses testing show that management practices administered by family business play important role in determining business performance. McConaughy and Phillips (1999) studied large publicly owned founding-family-controlled companies and concluded that (a) descendent-controlled firms were more professionally run than were founder-controlled firms; (b) first-generation family managers are entrepreneurs with the special technical or business backgrounds necessary for the creation of the business, but the descendants of the founder face different challenges, to maintain and enhance the business, and these tasks may be better performed in a more professional manner, often by non-family members. Hence, different management activities and styles by the generation owners decide the growth or fall of the business. Similarly, findings proved that decentralized decision making was preferred as opposed to centralized in smoothing business operations. This is consistent with Aronoff (1998) which suggested team management involving parents, children and siblings in the firm all having equality and participative involvement in important decision-making, even if one family member is still the nominal leader of the business. Aronoff furthermore reported that 42 percent of family businesses are considering co-presidents for the next generation.

Outputs from the analysis also show that business problems and concerns related to GOs’ capabilities, confidence, knowledge and also external factors such as family conflicts, sibling rivalry, jealousy, continue to pose great challenge for generation owners to impede business performance and inhibit growth and development. Support for third and fourth hypothesis echoes the findings of Wilklund and Shepherd (2003) which content that not all entrepreneurs have the goal to grow, since they may expect some consequences of growth to be negative and contrary to their personal goal. Confronted by the influence of various factors mooted from environment, people, enterprise and industry, generation owners might be seen as ‘stuck in the middle’, looking for one-fix-it-all solutions. Finally, this study proves that in order to have a successful transition which leads to better business performance, strong relationship among family members, job and family values, preparation level of heir as well as positive succession experience are important ingredients. This is well reflected in Sharma et al (2001) and Morris et al (1997) which suggest that well-developed succession plan increases the likelihood of cooperation among

stakeholders in business, therefore enhancing the chance of a smooth and effective succession. Consistent with Morris et al (1997), findings conclude that transitions occur more smoothly when heirs are better prepared, fuelled by high trust and good relationships among family members and friends. Under such conducive environment, business performances of these family firms are almost guaranteed.

Amid interesting findings offered through this study, a number of limitations should be kept in mind. The dynamics of family business evolution occur over the years and generations. Thus, it is generally difficult to conclude same findings in cross-sectional studies. Social response bias tends to occur because researchers rely fully on the recall and perceptions of successors. These generation owners might view things more negatively or positively with the passing of time. In addition, just like previous research which selected family business (which had experienced at least one transition) as the unit of analysis, feedback gathered from 55 successors could not be generalizable. Thus, more evidence from representative samples of family businesses is needed to test the inferences made.

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