

Enhancing Family Business Successor's Ability and Motivation

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ABSTRACT: The worldwide phenomenon of *third generation decline* in family business could stem from diminishing entrepreneurial motivation of the successors or from im-perfect conditioning of the successors by their predecessors. Given the significance of family business to the economy, this study sought to qualitatively find out how successful family business successions were and what provided the successor with more ability, more motivation, and/or less obstacle in succeeding his/her family business from ten successors of Stock Exchange of Thailand listed family service businesses. On the first objective, despite the supportive findings, concluding that most successions were totally successful would be naive. On the second objective, having capable team together with five other factors were essential factors identi-fied. Implications were discussed.

Keywords: Family business, Succession, Enhancing ability & motivation

1. INTRODUCTION

A family business could be either a business that is run, managed, and controlled by a family or a business that is run under the policies and/or strategies set by that particular family [1]. Generally, these philosophies would be transferred systematically from one generation to the next generation in order to make certain that the family would still have the control over its company, let alone fostering its success [2]. Nonetheless, findings from research around the world have revealed that only 30 percent of family business could be transferred from the first genera-tion to the second and only 10 percent from the second to the third. What is worse is that fewer than three percent survive to the fourth generation

and beyond [3].

This worldwide phenomenon of *third generation decline*, on one hand, could be the result of gradually decreased entrepre-neurial motivation of the business success-ors from generation to generation [4]. On the other hand, it could possibly stem from imperfect, if not wretched, preparation/conditioning of the successor by his or her predecessor.

Should the latter be the case and given the importance of family businesses to the world economy as the key driver of global economic development [5], [6], [7] and the biggest source of employment [8], [9], more understanding of the success-ors' thought on what equipped them with more capabilities for taking the helm would provide to the predecessor-to-be the in-valuable insights for the succession process to come. Therefore, this study sought to find out, through in-depth interviews, how successful those family business success-ions were and what provided the successor with more ability, more motivation, and/or less obstacle in succeeding his/her family business. It limited its scope on service sector with ten interviewees.

2. LITERATURE REVIEW

Perceived success of succession has been identified in two dimensions: 1) the stakeholders' satisfaction with the success-ion process; and 2) the effectiveness of the succession or the performance of the busi-ness after the completion of the succession

process [10], [11]. For the former, stakeholders are inclusive of predecessor, successor, family members, business affiliates, etc. [12], [13], [14].

Research has pointed out that the perceived success relates to successor's willingness in taking the helm [15], [16], predecessor's trust in the successor's capability [12], [15], [17], [18], and courteousness of familial environment [11], [19], [20]. Whereas in terms of satisfaction, it relates to rewards from working with the family business [10], [17], [1] and in terms of performance, it relates to advance preparation of the successor for succession [1].

Successor's willingness in taking the helm has vital role in the successful transition of business from one generation to the next [15], [21], [22], [23], [24], [25] and is equally important to owner-manager's willingness to hand over control of the business to the successor [17], [26]. It has been measured through extents of successor's desire of, happiness from, pride of, and excitement from working with the family firm [1].

Predecessor's trust in the successor's capability implies the extents of opportunity and support given to the successor in running the family business at will [14], [27], [28]. Research has operationalized it into predecessor's trust in successor's ability to effectively work for the family, recognition of successor's sense of responsibility, acknowledgement of proposed business ideas from the successor, and bestowment of decision-making power on the successor [12], [27], [17], [18].

Courteousness of familial environment brings to light the direction and quality of relationships among relatives who, in

some fashion, have a stake in the firm and at the same time implies those between the relatives and the successor. It has been measured through the extents of how family members protect each other's interest, trust each other, have respect for each other, discuss business among each other, and appreciate each other's contribution to the firm [11], [19], [20].

Rewards from working with the family business help attracting the successor to the family business [22], [16] via the enjoyment, personal satisfaction, and financial security associated with working with the firm [1]. Rewards could take various forms. Anyhow, they could only be tangible or intangible. Tangible rewards include basic salary, fringe benefits, bonus, dividend, etc. Exemplars of the counterpart include fulfillment of personal needs, prestige of the position, etc. Research has operationalized it into need fulfillment, prestige of work, monetary benefits, and non-monetary benefits [1], [10], [17].

Preparation for succession given to the successor is the process of preparing the successor to be able to carry on the assigned business tasks in the future. Generally, the process takes long time. In some, if not most, cases, the preparation began in the successor's childhood [29], [30]. The content provided would include formal education, external work experience, internal work experience, and relationship management. Preparation has been measured through the extents of preparation given to the successor on tackling changes and competition, handling business rapport, handling rapport with employees, having relevant education, having extra knowledge, having relevant external work experience, and having work experience internally [9],

[1].

Based on the review, this study proposes 2 propositions:

P1: Most family business successions were successful; and

P2: Successor's willingness in taking the helm, predecessor's trust in the successor's capability, courteousness of familial environment, rewards from working with the family business, and advance preparation of the successor for succession were the factors that provide the successors with more ability, more motivation, and/or less obstacle in succeeding their family business.

3. METHODOLOGY

This study sought to qualitatively find out, through in-depth interviews, 1) how successful those successions were in the Stock Exchange of Thailand listed family service businesses; and 2) what provided the successors with more ability, more motivation, and/or less obstacle in succeeding their family business. Interviewed were ten successors and top in-charge executives, who must be of the second generation or more and must be of the family of the business's founder. The interviewees were eight male and two female successors, aged between 26-45 years old. Seven were of the second generation of the business founder's family while three were of the third generation. Seven held their master's degree, two held their bachelor's, and only one held his doctorate. On the average, this sample group had 10.2 years of total work experience.

Table 1

Business's Performance and Successor's

Willingness in Tasking the Helm

Performance	Better	Unchanged	Poorer
First year	4 (40.0%)	1 (10.0%)	5 (50.0%)
Second year onward	7 (70.0%)	0 (0.0%)	3 (30.0%)
Willingness	Willing	Compliable	Unwilling
Initially	4 (40.0%)	3 (30.0%)	3 (30.0%)
Presently	7 (70.0%)	3 (30.0%)	0 (0.0%)

4. FINDINGS

As for the first research question, this study found out in terms of successor's satisfaction of the succession process that of all of the 117 essential treatments identified/required by the successors, 33 (28.2%) were not received. Among these factors required but not received, capable team ranked first (69.2%; 9 counts of not received from 13 counts of identified total) and advance preparation of the successor for succession, courteous familial environment, rewards from working with the family business, and predecessor's trust in successor's capability ranked second (35%; 14/40), third (23.5%; 4/17), fourth (17.4%; 4/23), and fifth (8.3%; 2/24), respectively.

In terms of business performance after the completion of the succession process, half of the successors stated having "poorer than last year" performance in the first year of their lead while four reported having "better than last year" performance and one reported having "same as last year" performance.

Nonetheless, once asked for performance trend from first year under their lead up to now, only three of them reported having declining trend. The majority rest (70%) reported having "positive trend".

Despite the supportive findings, it would be too naive to jump into the conclusion that most successions were successful; the fact

that half of the successors had regressive performance under their first year lead forbids so. P1 is, therefore, partially true.

As for the second research question, when asked whether they were willing to head the family business in the first place, the answers from the successors varied considerably and almost equally. Three of them (30%) were unwilling, if not upset (e.g., I wanted to work independently in

Identified Factors	Total	Received	NOT Received
1 Predecessor's Trust in Successor's Capability	24	22 (91.7%)	2 (8.3%)
1.1 Trust in ability to work in this firm	7	7	0
1.2 Recognition of sense of responsibility	6	6	0
1.3 Acknowledgement of proposed business ideas	5	4	1
1.4 Bestowment of decision-making authority	6	5	1
2 Courteous of Familial Environment	17	13 (76.5%)	4 (23.5%)
2.1 Family members protect each other's interests	2	1	1
2.2 Family members trust each other	2	2	0
2.3 Family members have respect for each other	4	4	0
2.4 Family members openly & constructively communicate about business among each other	5	4	1
2.5 Family members appreciate each other's dedication to the business	4	2	2
3 Rewards from Working in the Family Business	23	19 (82.6%)	4 (17.4%)
3.1 Characteristics of work that fit my needs	7	7	0
3.2 Pay and benefits from the work	7	3	4
3.3 Non-monetary benefits from the work	3	3	0
3.4 Prestige of working in the company	6	6	0
4 Advance preparation of successor for succession	40	26 (65.0%)	14 (35.0%)
4.1 Coping with changes in business environment and fierce competition	7	6	1
4.2 Keeping rapport with external stakeholders	8	7	1

Australia; I even had my own business started; pity that I had to sell everything out against my will and come back). Another three (30%) stated that they were neither not happy nor not unhappy (e.g., "it is okay with me to be in and lead the firm for I have been here since I was born; but I was not happy nor unhappy; it is just okay"). The rest of four (40%) recalled that they were happy leading the family firm (e.g., "I was so glad that they asked me; at first, I assumed that the elders would go for one of my cousins").

Nonetheless, when asked if they were willing at the moment, those three who were unwilling in the first place stated that they were willing and happy (e.g., "as time pass by, with more experience and wider connection, leading this firm is, more or less, like being knighted"). Responses from the rest remained unchanged, anyhow.

When asked to identify those factors which help enhancing their abilities and motivation and diminishing succession obstacles. Those identified comprised of 1) advance preparation of the successor for the succession (freq.=40; 34.2%) (e.g., "I was well prepared for working with this company; I was sent to study what this company wanted to know and was ordered to work with other company in order to comprehend 'a salaryman's life'"); 2) predecessor's trust in the successor's capability (freq.=24; 20.5%) (e.g., "they, the elders, always give me compliments when I am doing good; when I disappointed myself with some mistakes in work, they always cheer me up by saying supportive words like *c'est la vie* and 'fight!, my boy'"); 3) rewards from working with the family business (freq.=23; 19.7%) (e.g., "the pay, the prestige, you name it, all are superb; it is very good to be here"); 4) courteous familial

environment (freq.=17; 14.5%) (e.g., “do you not think it is good working with siblings who grew up together, who we have trust, who we can honestly exchange business views on the dining table?”); and 5) capable team (freq.=13; 11.1%) (e.g., “you know, having a good team to back you up on everything really helps, you can put three underlines here!”).

Given the findings, apart from those factors stated in the second proposition, having capable team, with 13 counts representing 11.1% of the total counts, was one of the essential factors that could not easily be dismissed or simply ignored. P2 is, therefore, partially true.

5. DISCUSSION

On what provided the successors with more ability, more motivation, and/or less obstacle in succeeding their family business, the findings on predecessor’s trust in the successor’s capability and on courteousness of familial environment confirm with those from De Massis, Chua, and Chrisman [12]; Lam [27]; Sharma [17]; and Venter and Boshoff [18] and those from Morris, Williams, Allen, and Avila [11]; Santiago [19]; and Venter and Boshoff [20], respectively. Whereas, findings on rewards from working with the family business and on advance preparation of the successor for succession confirm with those from Handler [10]; Sharma [17]; and Venter, Boshoff, and Maas [1] and that from Venter, Boshoff, and Maas [1], respectively.

Finding on successor’s current willingness in taking the helm confirms with those from Dumas, Dupuis, Richer and St.-Cyr [15]; and Stavrou [16]. Nonetheless, that on willingness in the first place do not, for it non-directional nature. A plausible

explanation of this difference could be that as time goes by, anxieties diminished and replaced by familiarities with the work, people, and environment. Thus, willingness might be shifted toward the positive end of the unwilling-willing continuum. This brings to our attention the caveat in making interpretation of the research findings.

Finding on capable team as one of the factors is pioneering, if not the original, contribution of this research and it awaits scrutiny from academicians and concerned parties before this expansion of the body of knowledge could be confirmed.

At any rate, this research confirms the validity of successor’s willingness in taking the helm, predecessor’s trust in the successor’s capability, courteousness of familial environment, rewards from working with the family business, and advance preparation of the successor for succession as the factors that provide the successors with more ability, more motivation, and/or less obstacle in succeeding their family business. It also gives hints on the effect that different time reference could have on the findings of performance and successor’s willingness in taking the helm. For practical contribution, findings from this study would provide family business owners/controlling partners with insights on preparing their successor for the future succession. Nevertheless, application of findings should be proceeded with cautions. By its scope, this study limited its scope on specific sample, sample size, and industry. Representativeness is, therefore, compromised.

6. IMPLICATIONS

Practically, in order to provide the successors with more ability in succeeding the family business, the predecessor might

consider employing advance preparation of the successor for succession and providing the successor with a capable team. In order to provide the successor with more motivation and/or less obstacle and to enhance the successor's willingness to take the helm, the predecessor might consider making certain of having courteous familial environment, providing the successor with a capable team, showing trust in the successor's capability, and providing reasonable rewards for the successor for working with the family business. Academically, at this pioneering stage, future research might be carried out in other industry to lay groundwork for making comparative research. For long-term future, conducting quantitative research with much larger sample size spanned across industries should be considered.

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