

Motives and Outcomes in Family Business Succession Planning

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Succession planning is critical to family business sustenance but is often marred by tensions and postponements. Planning for leadership succession has been a key theme in family business literature. In this study, the researchers develop a typology based on incumbent's motives for succession planning. The combinations of these motives reveal four distinct succession outcomes with important implications for family businesses.

Typology of Motives

Based on their study of family business literature and case study research, the authors identify that incumbent leader's succession planning is driven by two main motives. These are - (i) **business continuity across generations** and (ii) **family harmony**. The intensity of these motives ranges from strong to weak, leading to four combinations shown in figure 1.

Figure 1. A Typology of Incumbents' Motives for Family Business Succession Planning.

Family Harmony	Strong	4. Weak continuity, strong harmony	1. Strong continuity, strong harmony
	Weak	2. Weak continuity, weak harmony	3. Strong continuity, weak harmony
		Weak	Strong
		Continuity of Family Business	

(1) **Cell 1:** In this case, the incumbent's succession planning efforts are strongly driven by both family continuity and harmony. The incumbent aims to develop a formal succession plan with clear and stable rules for family and business.

(2) **Cell 2:** In this scenario, the incumbent is not motivated to plan for succession, which is often postponed. This may be due to the - incumbent's inability to 'let-go,' *or* absence of competent/prepared successors *or* family rivalries.

(3) **Cell 3:** In this case, the incumbent is strongly motivated by family business continuity but not much by family harmony. The incumbent plans for succession in the manner that he/she deems best to ensure continuity even if it comes at the cost of family harmony.

(4) **Cell 4:** In this scenario, the incumbent is driven more by family harmony than continuity, which is often compromised. Succession may be dysfunctional to family harmony in cases where the next generation members have aspirations that are non-aligned with family business *or* growing complexities of the business may also make it a threat to family harmony. The incumbent may then opt for business liquidation and amicable division of assets.

Typology of Outcomes

Based on these combinations of motives, the authors arrived at a typology of outcomes of succession planning. They identified four distinct outcomes as shown in figure 2.

Figure 2. A Typology of Outcomes Arising from Incumbents' Motives for Family Business Succession Planning.

Family Harmony	Strong	4. Individualization	1. Institutionalization
	Weak	2. Implosion	3. Imposition
		Weak	Strong
Continuity of Family Business			

(1) **Institutionalization:** It is the ideal outcome in family business succession. It leads to professionalization, clarity of roles and responsibilities, setting up of governance institutions like family council and business board and establishment of clear procedures and codes of conduct for family members.

(2) **Implosion:** In this case, the family business implodes from within either due to lack of competent successor or lack of willingness on part of the incumbent to relinquish control or family feuds that do not permit timely and systematic succession planning due to which the family business falls apart.

(3) **Imposition:** In this outcome, the incumbent, often the traditional 'patriarch,' imposes his will over all family members in matters of succession without much regard to family harmony. The incumbents' will to control the business extends to deciding their successors, based on their perception of what will be best suited for family business continuity.

(4) **Individualization:** This outcome is explained through the sociological phenomenon of deinstitutionalization of family and rise of individualism, where individual freedom is more valued. In order to preserve cordial relations within the family, business continuity is sacrificed, especially when continuity translates to high emotional costs on family members and begins to strain family ties - like growing complexity of business or divergent aspirations of family members. Often in such cases, the incumbent finds it advantageous to sell the business and divide the proceeds among family members, thus allowing them to pursue their own paths.

Implication for Family Businesses -

Succession planning is very important for family firms. Incumbent family business leaders can use the typology presented in this research to identify the impediments they face in succession planning and can evolve an appropriate plan for effective leadership transition that ensures both family continuity and lasting harmony.

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