

UNIVERSITY OF DERBY

DETERMINING THE FACTORS WHICH
POSITIVELY AFFECT THE INTRA-
FAMILY CHIEF EXECUTIVE OFFICER
SUCCESSION OF UK SMALL AND
MEDIUM-SIZED COMPANIES

Richard Jones

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Glossary

SME	Small and Medium-Sized Enterprises
F-PEC	Family Influence through Power, Experience and Culture
OP	Operating Profit
CEO	Chief Executive Officer
MD	Managing Director
RBV	Resourced-Based View
Family business	A business that describes itself as a family business (Section 2.2 on page 26)
CEO	The highest-ranking person in a company
Succession	<i>“The passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a ‘professional manager’”.</i> (Beckhard and Burke 1983 cited in Handler 1994, p.3)
EU SME Definition	Employees <250, Turnover ≤ €50m or Balance sheet ≤ €43m
FFI	Family Firm Institute
Intra-family	Within the family
FAME	Financial Analysis Made Easy

Preface

I declare that this thesis has been composed by myself and that it has not been submitted, in whole or in part, in any previous application for a degree. Except where stated otherwise by reference or acknowledgement, the work presented is entirely my own. The research has been ethically approved by the University of Derby.

Richard Jones 2019

Abstract

A change in Chief Executive Officer (CEO) is a critical event in the life of any business. For family businesses the stakes can be higher, as failure may lead to the dual issues of business collapse and significant family harm. Intra-family business CEO succession is the transfer of leadership to a different member of the family and is a strategic direction family businesses take, even if sacrificing performance across generations to secure long-term control benefits.

The research aims to determine the factors which positively affect the intra-family CEO succession of UK Small and Medium companies as gaps were identified in the research of businesses that had been through a succession across a range of areas. This research uses a deductive research design to test the existing theory and combines theoretical conceptualisations developed within the literature review with the aim of providing new theory and insight into the issues.

Quantitative data was collected from primary and secondary sources from 230 UK Small and Medium Enterprises (SMEs) which identified as family businesses and had been through a succession. The questionnaires were completed by company directors and the questions consisted of measures relating to the succession event, processes and outcomes. The data collected was tested empirically using process tracing and regression analysis.

Findings show that disagreements relating to the initial planning made an intra-family CEO more likely as did a discussion of passing control to a professional manager. It was found that a family business with higher proportions of senior management, higher levels of generational involvement and higher levels of experience led to an increasingly likely succession to an intra-family CEO. This finding took an additional step in the understanding of elements of the Family Influence on Power, Experience and Culture model. The thesis also found, empirically, that satisfaction with the succession process increased with the presence of advisors and that there was a positive relationship between director stability and profit and a negative relationship with management stability and profit. The findings indicated that a degree of externality in the succession contributes to a positive intra-family CEO succession outcome.

Acknowledgements

I have found that the road to complete a Doctoral thesis provides a means to reflect on the life that has gone by in parallel. Forever punctuating the memories of individual ups and downs will be the thoughts of research, conferences, data collection, analysis and writing up.

Fortunately, I have never been alone on this journey. I would never have made it otherwise.

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It was with great sadness that my mother, Dawn Jones, passed away during this process. Your unconditional love and support are missed every day, but there is no doubt my memories of you pushed me on.

To my family: Dad, Helen, Thaththie, Ammie, Paul, Anusha, Maya and Daniel thanks for your words of encouragement, love, support and hospitality.

Finally, to my wife Michelle and son Dylan. Patience, sacrifice, good humour and unwavering commitment and support. I am so lucky.

I promise we can go for longer walks, take a break and build some Lego now.

Chapter 1 Introduction and Aims

1.1 Background and Research Context

The researcher is a Chartered Management Accountant, Finance Director, Chairman of SMEs, and a Fellow of the Institute of Directors with over 20 years of senior commercial experience. The researcher has witnessed the impact of poor succession planning and a lack of focus on profitability in family businesses during their career.

The experience led the researcher to want to develop a deeper understanding of the business and succession dominions to help family businesses and the wider society. The researcher wanted to provide theoretical and practical knowledge, and a broader understanding to benefit future businesses in their planning. The researcher initially embarked on a Masters course and found that research methods had a transformative effect on their working methods. The researcher was keen to be a link between academic research and good practice in the workplace.

As a Finance Director of SMEs, the researcher witnessed family businesses that went through succession, suffering from post-succession transfer events that had a significantly negative impact on the business stakeholders and its capacity to survive.

The businesses had been successful for many years providing economic, technical and commercial benefits to society and then entered a phase of uncertainty, conflict and decline. The researcher was determined to learn more about the succession event and provide to the family business environment findings to assist them and the wider community through their process of CEO change.

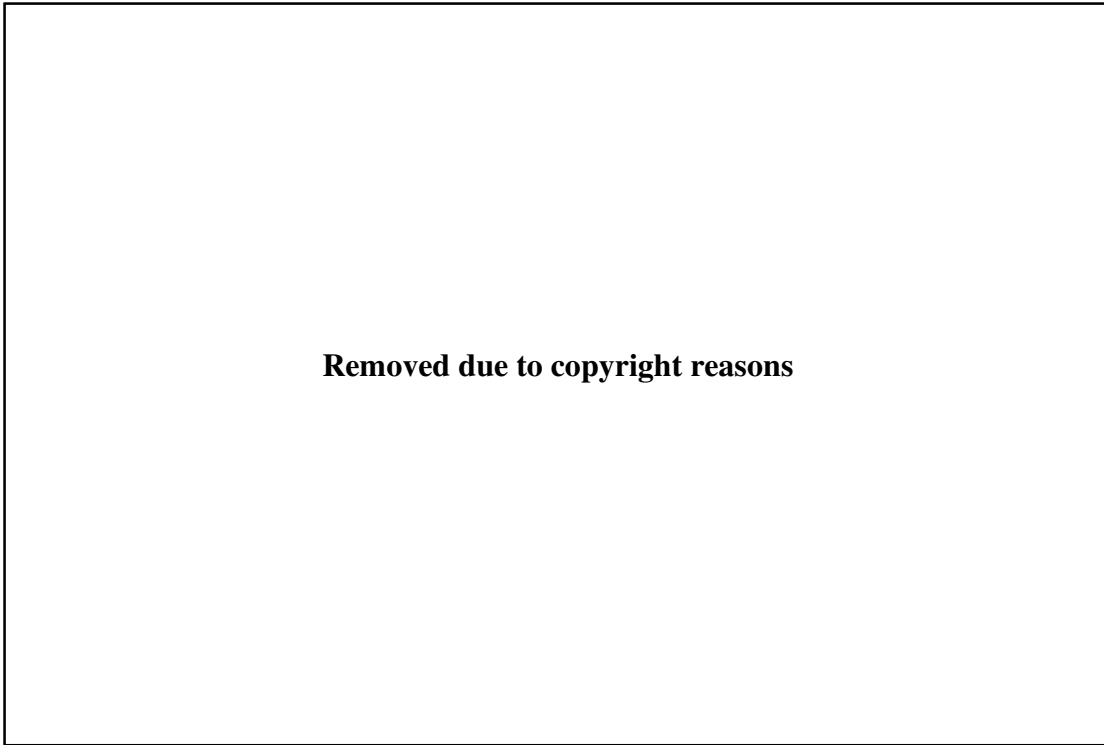
The research is based on a positivist philosophy. As a Chartered Management Accountant, the researcher is used to observing objective data and understanding the world based on a reality that exists independently. The researcher holds an epistemological position that the world is founded on valid truths and that knowledge is developed through deductive reasoning. It is their position that the world can be understood by developing theories based on the accumulation and analysis of data (Cohen, Manion & Morrison, 2017).

The researcher understood that this research could only be completed based on the building blocks of a clear understanding of their view of the world and that the aim of seeking truth (subject to the limitations of statistical inference, and the summarising of raw data) required appropriate methods to substantiate an answer to the research question. The data collection was via survey.

The process and consequences of changing CEO is a significant event for any company. If successful it can turn around a failing firm (Dimopoulos & Wagner, 2016), but it can also be the moment when the firm is most vulnerable to a take-over (Jenter & Lewellen, 2015). A change in CEO can be the start of a change in organisational approach (Fiordelisi & Ricci, 2014) but in other instances can lead to the retention of old strategies and methods (Elosge, Oesterle, Stein & Hattula, 2018). Leadership change in the SME sector is sometimes associated with a shift from an entrepreneurial modality to a more structured, formal and complex strategy and structure-based organisation (Miller, Breton-Miller & Scholnick, 2008; Osnes, 2014). This vulnerability of the SMEs, at the point of transition, can be due to their relative size, lack of internal capacity and the destabilising effect of change rather than a focus on the core business. In the UK many SMEs are also family run firms (IFB Research Foundation, 2016), and this creates additional challenges and complexities.

On the one hand, if a family wishes to retain control of the management of the firm, this implies a limited number of potential candidates (Sirmon & Hitt, 2003). On the other hand, retention of senior management within the family may ease issues such as knowledge retention, knowledge transfer and corporate continuity (Debicki, Matherne, Kellermanns & Chrisman, 2009). In effect, there is a need for research into how family SMEs manage an intra-family transition between CEOs while remaining a viable business.

The family-owned firm remains the dominant global business structure (López de Silanes, La Porta & Shleifer, 1999). In the UK, family businesses accounted for 87% of all private sector firms in 2014 (IFB Research Foundation, 2016). The proportion of family firms in the UK is roughly equivalent to other countries in North-Western Europe as seen below in Figure 1-1.



*Figure 1-1 Family firms across Europe as a proportion of all firms
(European Family Business 2013)*

Figure 1-2 below shows the percentage of family businesses in the private sector across the world. In the United States, approximately 80 to 90% of businesses operating in the private sector are family-owned. In China and Japan, the numbers are 85% and 90% respectively.



*Figure 1-2 Percentage of family businesses in the private sector globally
(FFI 2014)*

It is not just the number of family businesses that are high, most countries' employment and commercial production also originate from family businesses (Astrachan, 2003). With £1.4 trillion in revenues, approximately 35% of all private company income earned in 2016 originated with family businesses (Oxford Economics, 2018).

Research conducted for the UK Government indicated there was a reduced rate of transfer through the generations with 77% of family firms in the SME sector owned by the first generation, 10% by the second generation, 3% to a third and less than 1% to a fourth (Capital Economics, 2008). This should not be confused with seeing family-owned firms as short-lived, a survey for the UK Department for Business, Innovation and Skills found that approximately 40% of all family-owned SMEs were still trading more than 20 years after they were first established (BIS, 2012) as compared to 17% of all UK SMEs (Office for National Statistics, 2017).

There are many successful family firms that last for generations (JCB, Arcadia, Clarks and Laing O'Rourke) and research is unclear as to why these successes occur. Miller and Breton-Miller (2006) determined from an extensive qualitative study that longevity was partly due to the specific performance of individual members of the management team and if family members remain involved in the business.

Intra-family succession is a unique feature of the family firm (the intent to keep ownership and control within a defined kinship group) and a stage where intra-family dynamics (such as parent-child disputes or other conflicts) can adversely affect the future of the firm and the family. There is compelling evidence that it is during the succession that intra-family dynamics are most influential on the organisation, and researching in this phase is how the family firm can be best understood (Chrisman, Chua & Sharma, 2005; Molly, Laveren & Deloof, 2010; Sharma, 2004).

The majority of family businesses want intra-family CEO succession, for many, it is not even a question (Astrachan, Klein & Smyrniotis, 2002; Miller, Steier & Le Breton-Miller, 2003). The additional importance (aside from the wider economic benefits) of family succession success is two-fold. Firstly, the implications of succession are significant for a wide range of business stakeholders such as employees, customers, financiers and suppliers (Morris, Williams, Allen & Avila, 1997). Secondly, a failed succession impacts not just the firm but can lead to devastating consequences for families (break up due to strains of the business, loss of home, change of schools, etc.) leading to intra-family dynamic issues (Alayo, Iturralde, Maseda & Arzubiaga, 2016).

An additional rationale for the study is that family businesses are prepared to sacrifice performance, and potentially the entire business, by placing lower quality successors in leadership roles and waiting for a more able successor to emerge from within the family, trading “*business performance and family goals*” (Chirico, Ireland & Sirmon, 2011; Lee, 2006; Miller & Breton-Miller, 2006; Revilla, Pérez-Luño & Nieto, 2016, p. 369; Sharma, 2004; Sirmon & Hitt, 2003). Sharma (2004) argued that family firms would, in the interests of the future generations continue with lower quality family leaders. The hope being that future family members will benefit from an intragenerational conduit, prioritising emotional stability and preserving control and financial security until a more able family CEO emerges.

For an extended period, management literature had been critical of the family business sphere citing the lack of professional involvement (Carney, 2005), nepotism, and their subsequent willingness to accept poor performance from family members (Schulze, Lubatkin, Dino & Buchholtz, 2001). Often management research tended to miss the potential consequences of a failed family succession:

"...the vast majority of business school research either ignores or at best, glosses over the role of the family in owning or managing business enterprises" (Litz, 1997, p. 55).

Other concerns with the family business structure include Chandler’s (1994) postulation that retaining ownership in the family is a self-induced limiting factor to long-term growth. Schulze and Gedajlovic (2010, p. 193) concluded that the family firm was a “*permanently failing institution*”. Similar views have been shared by many researchers (Delgado-García, De La Fuente-Sabaté & De Quevedo-Puente, 2010; Morgan, 1997; Weick, 2000).

However, there is a more profound complexity involved in understanding the importance and capacity of family firms. An alternative view is that family firms have a distinct culture and style with an emphasis on a long-term planning cycle bringing its own set of advantages (Anderson & Reeb, 2003; McConaughy & Phillips, 1999). Family firms are considered to enjoy other successful attributes such as loyalty, higher levels of hard work, a positive working environment and the capacity for expert knowledge retention (Sirmon & Hitt, 2003).

Studies consistently suggest that family firms remain efficient and often outperform non-family run enterprises (De Massis, Chua & Chrisman, 2008; Wagner, Block, Miller, Schwens & Xi, 2015). It has been posited that family businesses tend to possess higher levels of intangible assets like trust and unity, these variables induce superior business performance (Habbershon & Williams, 1999; Huybrechts, Voordeckers, Lybaert & Vandemaele, 2011). Chrisman, Chua and Steier (2011) highlighted family business longevity through succession and their ability to survive adverse financial conditions as critical advantages.

There is evidence that family firms outperform their peers due to the advantages that accrue to family control such as a tendency to claim lower salaries and consequentially sustain a higher return on investment (Debicki et al., 2009). Anderson and Reeb (2003) in a seminal study of the performance of family firms found substantial evidence for the first time that a family firm performed better than non-family firms and that this exhibited further improvement with additional successions.

This suggests the experience of the business and succession may be essential factors in the succession process. Although Anderson and Reeb's research (2003) examined publicly listed organisations in the United States, the study provided specific insights into the performance of family CEOs that can be tested in the UK, namely that there is a positive correlation with intra-family CEO succession and experience, which will be explored in this study.

To explore this in detail means defining what is meant by a family firm and examining the different stages of a succession process that leads to an intra-family CEO event. There is a wide range of research into the family firm environment (Debicki et al., 2009; Litz, Pearson & Litchfield, 2011). Debicki et al. (2009) supported the importance of examining the evolution of the firm over time, taking into account the different ways that succession events may take place (Colli, 2012; Dawson & Hjorth, 2012; Litz et al., 2011; Sharma, 2004) this research will examine across the succession event within respondents' companies.

This research shows that there is an interesting paradox concerning the persistence of family-controlled firms as the dominant global business structure vis-à-vis a dominant, almost exclusive focus of management and business research on characterising the family business form of management structure as an anachronism that lacks the critical drivers of non-family

business performance (Chandler, 1994; López de Silanes et al., 1999; Schulze & Gedajlovic, 2010).

The analysis above provides relevant contextual information ahead of the literature review. The family business has unique components and behaviours that contribute to its economic importance. However, it is important to note that despite varying perspectives on family businesses, the fact that they will seek to fulfil an intra-family CEO succession is of critical importance to their survival as they are often prepared to risk continuation (and the subsequent wider contributions) by following this route.

The succession event is also a particularly good point to research as there are multiple objective events to coordinate with a methodological approach. Succession is a period where the essence of a family firm (succession, unique resources, control) is heightened. As stated earlier, with the dominance of the family firm structure across the private sector, globally, it is unsurprising that leadership succession is a hugely significant event for family firms who are frequently unable to deal with the complexities (Molly et al. 2010).

The level of employment and contribution to Gross Domestic Product (GDP) across the globe, coupled with the willingness to sacrifice short-term positions for the benefit of the family and the family firm leads to the importance of the subject matter and demonstrates that family businesses provide to society and provide to the economy.

This thesis contributes to the field of family business succession by determining the factors which positively affect intra-family CEO succession in UK SMEs. The study examines businesses that have been through succession and the approaches they took, exploring the effect this process had on the succession outcome. Measures are taken over the succession event and information is collected that relate to several years.

To develop and enhance the existing knowledge within the intra-family CEO sphere, the research develops a conceptual framework across five areas established within the literature review: the effect of experience and power on the succession outcomes, the impact of successor preparations (experience, education and social capital), intra-family dynamics (agreement with changes, consideration of a professional CEO, tacit knowledge), succession planning (use of

advisors, selection criteria, timing, consideration of divestment) and post-succession outcomes (CEO remaining, changes in board and management, profit stability).

Each of these sections contains gaps in knowledge. Whereas the extant literature often explores the elements which aid or thwart positive outcomes of succession, this research contributes by developing the knowledge of outcomes of family firms that have been through a succession using empirical analysis. The overall gap is particularly acute in the research field into elements that influence intra-family CEO succession and satisfaction with the succession and subsequent outcomes.

The thesis continues with the research aims and objectives based on the overall gap in knowledge, identified through examining the field of family business literature through the theoretical lenses of agency theory and the resource-based view (RBV).

1.2 Research Aim and Objectives

Research questions can arise when the theory is found to be a poor guide to observed events, and equally, it is only by being focused on practical problems that theory can develop (Starkey, Hatchuel & Tempest, 2009). The focus of research remains on the differences between family and non-family businesses (Westhead & Howorth, 2006), and there have been frequent calls to focus on differences within family businesses rather than focus on the differences between family and non-family firms (Chua, Chrisman, Steier & Rau, 2012; Evert, Martin, McLeod & Payne, 2016). There continues to be a lack of research which examines the ways family businesses progress through successions and the factors that indicate a positive outcome from those different routes. A positive outcome is the focus of this thesis as intra-family succession is a path upon which many will embark even when potentially putting the business at risk (Sharma, 2004).

This has led to the development of the central aim:

This study aims to determine the factors which positively affect the intra-family CEO succession of UK Small and Medium companies. Positive meaning:

1. That there is an intra-family CEO succession.
2. That the succession is perceived as satisfactory as determined by family business directors.
3. The operating profit is at least stable before and after the succession event.

The research objectives are to:

1. Investigate and reflect upon the Resource-Based View and Agency theories to develop understanding of the field of the family business.
2. Develop a conceptual framework in order to establish the current knowledge base and identify current gaps in knowledge that will achieve the aim of determining the factors which positively affect the intra-family CEO succession.
3. Clearly define and delineate the research boundaries in order to determine an appropriate sample for investigation and locate the research.
4. Determine appropriate statistical and analytical approaches that will test for and identify possible underlying relationships of the items contained within the conceptual framework developed in objective 2.

1.3 Conceptual Framework

The conceptual framework provides a method of summarising critical concepts into a model and a basis for designing and interpreting the study. The conceptual framework is used to plot the approaches to succession and group the pertinent issues within the existing literature. The components of the conceptual framework are tested through statistical methods to ascertain the factors which positively affect the intra-family CEO succession.

Part of the complexity in family business research lies in the fact that it is not a single sphere of research. The participants of a family firm (owners, managers and family) are each constrained in their relationships, and these psychological and commercial relationships combine in unique ways (Payne, 2018; Sharma, 2012; Yu, Lumpkin, Sorenson & Brigham, 2012) that are not often seen in non-family firms.

It is for that purpose, and as a general aid to clarity that the research will develop a conceptual framework within clearly defined boundaries such as within the UK and small and medium entities (boundaries explicitly detailed in methodology section 3.4 on page 91). The purpose is to convey the new knowledge and theory development in a way that is often missed in family business research (Payne, 2018) so that it can be used to recognise, forecast and direct actions.

The framework is demonstrated graphically as this approach has been shown to be an effective way of communicating ideas and will be used to make the link between theory to the practice of developing analysis and producing new knowledge (Payne, 2018; Payne, Pearson & Carr, 2017).

This chapter has described the background and research context before presenting the aims and objectives and has started the development of the conceptual framework. The chapter that follows will develop the conceptual framework through an exploration of the extant literature.

Chapter 2 Review of Literature

2.1 Chapter Introduction

The purpose of this chapter is to provide a contextual understanding of family business and its research paradigm so that the aim of determining the factors which positively affect an intra-family CEO succession could be addressed. In carrying out the literature review, analysis has been undertaken to encompass a number of family firm literature meta-reviews that have taken place to cover the issues of performance and intra-family transfer (Debicki et al. 2009; Litz et al. 2011; Schulze & Gedajlovic 2010; Sharma 2004) and succession (Daspit, Holt, Chrisman & Long, 2016; De Massis et al., 2008; Zellweger, Nason, Nordqvist & Brush, 2013). This chapter will also develop the conceptual framework, an objective in the pathway to achieving the research aim.

The literature search extended into specialist and broader management journals selected by analysing peer-reviewed articles with high citation scores and relevant keywords including family firm, family business, family enterprise, family, familiness, intra-family, intra-family transition, transfer, succession, succession planning, and transgenerational. Using repositories including EBSCOhost and the Publish or Perish citation instrument analysis of the themes has been developed into Table 2-2 on page 79 shown at the end of the literature review.

2.2 Family and Family Business Definitions

Before proceeding to examine the theoretical lenses utilised in achieving the aim, it will be necessary to examine the definitions used in this research.

There are two parts to the challenge of defining a family business: identifying what is meant by a 'family' and determining what is meant by 'family business'. To build a working definition the research will examine the definitional groundwork of these terms.

The definition of 'family' has been theorised for many decades, and its nature changes geographically and temporally. The Oxford English Dictionary highlights the complexity with

definitions ranging from “...*the body of persons who live in one house or under one head, including parents, children, servants...*” through to “[a] *race; a people or group of peoples assumed to be descended from common stock*” and, “*a brotherhood or group of individuals or nations bound together by political or religious ties*” (Simpson & Weiner, 1989, p. 707). Murdock (1949), a preeminent author on social theory since his seminal work entitled *Social Structure*, was cited in Gittins (1985) defined a family as “*a social group characterised by common residence, economic cooperation, and reproduction...*” (Murdock 1949 cited in Gittins 1985, p.60). In the context of this study, economic cooperation is, of course, a family business.

However, these narrow definitions are too restrictive when including relatives by marriage, or businesses set up by individuals from non-related family groups such as two friends with family involvement on either or both sides. Once a succession takes place, the complexity increases as cousins become involved, leading to greater subjectivity in identifying the family unit. Again, this can be a question of cultures. The family is often fundamentally seen as a more comprehensive group including cousins, in-laws and others with looser ties. This suggests that the concept of family is amorphous and complex and bounded by individual perspective.

Steinmetz and Sussman (2013, pp. Xli, 126) stated that “*The family will continue to be the primary unit of all social structures worldwide...*” moreover, they (2013, p. 126) provided the wide family definition of “...*a group of two or more individuals*”.

The definition of the family business has been a matter of ongoing discussion among family business researchers for several decades. Highlighting this lack of clarity and research complexity Chua, Chrisman and Sharma (1999, p. 109) identified 21 definitions of the term family firm in use in the literature (examples are shown in Table 2-1 below). Other studies fail to incorporate any definition of the term family business within their methodological approach such as Craig and Moores (2006) who just stated that the research was performed on family businesses. The difficulty in reaching an accepted definition of the family firm led to the development of ‘hybrid’ measures based on quantifiable indicators such as levels of financial control, family holding senior managerial positions, family vision, run for family interests, intention to transfer across the business generations and self-classification (Chua et al., 1999; Green, 2007; Westhead & Cowling, 1998).

Table 2-1 Examples of definitions used for family business

(adapted from Chua et al., 1999)

Definition	Author
<i>“...an organisation whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board”.</i>	(Handler, 1989, p. 252)
<i>“...owned and run by the members of one or two families”.</i>	(Stern, 1986, p. xxi)
<i>“...a business in which members of a family have legal control over ownership”.</i>	(Lansberg, 1988, p. 2)

A simplistic definition of a family business is one where closely related individuals own all the shares and constitute most of the senior staff. The purest example of this is the sole-trader model which can be considered a family firm but is rarely included in either the literature or published statistics relating to family businesses (IFF Research, 2011). However, this definition raises the possibility that any given firm may be jointly owned within a family group but run by professional managers and executives (Fiegener, 2009) suggesting that the presence of family managers in senior roles may not be a precondition for a ‘family firm’.

Consequently, it has been argued that a valid definition has to take account of the idea that the apparent components that constitute a family firm (such as ownership) may be a somewhat insufficient way to define a family firm (Chrisman et al., 2005). The author suggests that concentrating on formal criteria might miss some of the range of forms that constitute a ‘family firm’. Sharma (2004, p. 3) suggested that this can be resolved by using a definition that accounts for ‘...the important role of family in determining the vision and control mechanisms used in a firm, and [the] creation of unique resources and capabilities’ but went on to state that there is no hard and fast rule to distinguish between family and non-family firms.

Astrachan et al. (2002, p. 45) argued that, fundamentally, the definition used should be considered by “*content, purpose and form*”. The continuing academic argument around definitional context was advanced by Fiegener (2009) who proposed a method which distinguished between family ownership and operational control. The method captured

situations where there are either outside ownership and continued family operational control, or family ownership with professional operational control. The work postulated a scalar of family influence rather than direct involvement (Chrisman, Kellermanns, Chan & Liano, 2010). An issue with this approach is that it requires an understanding of “dominant” control held within a family group (holding substantial capital and providing staff in senior management roles). These measures are difficult to quantify and led to a lack of consensus by researchers or the businesses themselves.

Astrachan et al. (2002) had already noted that family business researchers faced a challenge regarding the definition of a family firm and proposed that specific attributes of companies be measured on a continuous, rather than dichotomous scale. This led to the Family Power Experience and Culture Scale (F-PEC) being developed, avoiding artificial splits between family and non-family firms (Debicki et al., 2009). It is a theoretical lens that has been used in this (and other (Rau, Astrachan & Smyrnios, 2018)) research to measure aspects of the ‘familiness’ of a family firm as an objective measure along a continuum to show the impact that owners and executives have on the business.

Westhead (1998, p. 48) stated that “*Policymakers and practitioners concerned with encouraging the survival and development of family firms must...carefully consider...their target group*” the definition of “[a] perception of being a family business” achieves this aim. Chua et al. (1999) stated that self-defining as a family business could lead to very similar businesses classifying as non-family and family, but Klein, Astrachan and Smyrnios (2005) believed this could be mitigated with a clear framework that was clear in what it was measuring.

The risks associated with a broader form of definition achieved through self-classification include replicability (Klein et al., 2005) as the perspective is based on the respondent rather than objective criteria. This is mitigated in this thesis by studying businesses that have been through a family succession whereby control and ownership have transferred to a different generation achieved through data collection in the survey model and where current generations remain involved with the firm.

Finally, there is no universally accepted definition of succession or family business succession. This research adopts the definition proposed by Beckhard and Burke (1983, p. 3) cited in

(Handler, 1994) “*The passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a ‘professional manager’*” and used in research papers as recently as Meneses, Coutinho and Carlos Pinho (2014).

In conclusion, given the unstructured definitional capacity of the term family, a self-classification approach is taken to the facets of family and family business. If the participants consider themselves family and a family business, or not then that will be accepted. Self-classification has been used in previous studies (Carsrud, 1994; Ram & Holliday, 1993; Sonfield & Lussier, 2004; Westhead & Cowling, 1998; Zacher, Schmitt & Gielnik, 2012) and using a self-classification does not form arbitrary limits on who could be included based on scales and dimensions of ownership and involvement that are sometimes vague. The critical perspective for this research is that of the ‘family business’ itself and if they see the research as applicable and relevant.

The thesis will now move on to discuss the family business theories used in addressing the research aim.

2.3 Family Business Theory

This section resolves the thesis’ first objective and contributes by providing an account of the management theories used to develop the conceptual framework and understanding of the field of family business.

One of the main obstacles in developing family business theory is understanding how family businesses’ unique elements formulate into succession planning and the selection of an intra-family CEO. In researching the succession of an intra-family CEO, the key influences must be considered. Essentially the CEO is chosen by one or several individuals, or a process that has developed within the organisation. To understand how the family business makes the decisions requires an understanding of where this power lies and how it originates and appreciating the uniqueness of the family business structure that leads to the decisions of succession being made.

Essentially the CEO will be chosen by one or several individuals who have the power and authority to make leadership and succession related decisions. The individuals will be in those positions for a variety of reasons, but how are these individuals chosen and by which criteria are the decisions made is important in achieving the aim of determining the factors which positively affect the intra-family CEO succession. To answer the question requires an understanding of the people, resources and concerns within the family business sphere.

The distinctiveness of family business has been explained by their access to unique resources and the differences in how they are typically managed through the concepts of agency theory (Jensen & Meckling, 1979; Mitnick, 1975) and the Resource-based View of the Firm (RBV) (Barney, 1991). The following section examines the dynamics of family firms from the perspective of the research areas which addresses these aspects of uniqueness and management.

The theories are frequently used to contextualise family firm behaviours and have been adopted widely in terms of the decision-making in the family business, central to this thesis.

Agency theory and RBV are used extensively to enable specific issues of family businesses to be analysed into the broader context of organisational behaviour (Le Breton-Miller & Miller, 2018; Madison, Holt, Kellermanns & Ranft, 2016; Odom, Chang, Chrisman, Sharma & Steier, 2019; Xi, Kraus, Filser & Kellermanns, 2015; Zahra, 2016) and each will be taken in turn below.

2.3.1 Agency theory

The way in which an organisation is managed, and important decisions of leadership are made is central to the aim of this thesis.

Agency theory is the concept that in businesses, managers will not look after the organisational assets under their control to the same extent that owners do (Jensen & Meckling, 1979). Jensen (1979) defined an agency relationship as one where a principal engages an agent to carry out activities, including at least in part a delegation of authority in place of the principal (owner). Jensen (1979) continued by stating that if each party (the agent and principal) are seeking to

maximise their returns, then it can be assumed the agent will not always select the optimal path for the principal.

The cost of implementing checks and financial motivations to manage out those less than optimal pathways implies an additional cost to the owner of the business which is called a “*residual loss*” (Jensen & Meckling, 1979, p. 308). This indicates a reason why family businesses may want to maintain family power and control in the organisation with the belief that it mitigates residual loss as agents and principals are one and the same (family members).

The conflict of interest in the overall motivation and the lack of goal congruence (shared aims) is an important area, as it provides a theoretical basis for understanding the reasoning of family businesses in selecting a professional or intra-family CEO and a lens to determine the factors which will affect the succession.

A considerable amount of literature has been published on the positive effects of reduced residual loss in family businesses (Chrisman, Chua & Sharma, 2003; Madison, Kellermanns & Munyon, 2017). However, the concept has been challenged, and it has been argued that family ownership does lead to agency costs (Debicki et al., 2009). In one study, it was shown that residual loss was caused by families taking advantage of their position and acting parasitically on the organisation (Gómez-Mejía, Núñez-Nickel & Gutierrez, 2001). In the context of this research, the factors that relate to an intra-family CEO succession will need to incorporate the consideration of externality and if the consideration of other options (professional CEO, exit, advisors) play a part in the success of the succession and will be discussed within the main body of the literature review.

The conflation of goals, according to research by Debicki et al. (2009), leads to reduced dividend claims (or other sources of value extraction such as salary and benefits), as the owners seek to gain from the retention of capital in the firm over the longer-term. Therefore, there may be less external oversight of pay and rewards needed as these are minimised in favour of longer-term aspirations shared across the family. Social, in-family pressures reduce income extraction (Peng & Jiang, 2010). The perspective of intra-family dynamics and how conflict is managed, or decisions communicated throughout a succession process are factors which may impact the success of succession and will be considered throughout the literature review.

Schulze et al. (2001) published research using data sourced by the now-closed, Arthur Anderson consulting group, to demonstrate why the familiness of a business does not eliminate agency costs. Schulze et al. (2001) postulated that altruistic factors were the primary reason for the residual loss, where families make decisions based on moral rather than commercial values (Karra, Tracey & Phillips, 2006). In the context of CEO succession, Karra et al. (2006) demonstrated that the altruistic culture led to a homogeneity (with reduced agency costs) between family members and their goals in the early stages of the business. However, as the business becomes more experienced the altruistic factors can lead to increased agency costs manifested in bad strategic choices such as narrow selection pools for key roles; evidently critical in the evaluation of a successor. This aspect of agency theory highlights an important aspect of agency theory, the role of the experience level within the succession, which will be examined further in section 2.4.1.2.

There is clear supporting evidence that family businesses do endure agency costs, with many engaging in corporate governance activities such as councils, boards and non-executives to implement checks and balances into the system (Anderson & Reeb, 2004). A key example of checks and balances in which the decision of who will become a successor within the business is made is whether the power to decide is held more centrally by the family or if there is wider ownership that may be an influencing factor on the decision to select an intra-family CEO. This aspect of power will be developed in section 2.4.1.1 starting on page 41.

It is not evident within the extant research if a degree of externality (governance, checks and balances) to reduce residual loss affects the succession process. As discussed in the introduction, where succession issues arise provides a rich area for examination and a theoretical lens for the empirical validation of the factors which affect the intra-family CEO succession.

It has been argued in this section that agency theory has a role in understanding and appreciating the impact on family business thinking. Agency theory perspectives will be applied contextually across the literature review to understand the dynamics of power, experience and intra-family dynamics in the firm. Further examples of this application are in the discussions of an external CEO taking over the leadership post-succession in section 2.9.3

below and regarding the use of advisors (agency cost and professionalisation) covered in section 2.9.2.

The next section considers the unique resources within the family firm, which lead to their desire to maintain a family CEO so as not to dilute those resources fundamental to the business.

2.3.2 Resource-based view

Businesses have access to resources and how they are used are central to their competitive advantage and subsequent performance (Barney, 1991). The differences between family and non-family businesses have been analysed using the RBV model as it provides a useful account of how the unique resources created by family involvement can impact the strategic performance and choices made (Sirmon & Hitt, 2003).

RBV has its roots in behavioural models of management behaviour (March, Simon & Guetzkow, 1993) and represents businesses as a combination of assets and liabilities used to understand the nature of firms. RBV has since been developed by many authors including Wernerfelt (1984), Grant (1999) and Barney (1991, 2007; 2011). The foundations of RBV are based on the competitive advantage derived from the resources it controls.

RBV is a descriptive, theoretical framework useful for grounding the discussion of organisational behaviour in relation to an existing set of resources possessed by the firm (or the ease by which a firm can gain additional resources). In the case of family business, there are unique resources and attributes that contribute to the capacity to gain a competitive advantage which is both tangible and intangible (Habbershon & Williams, 1999). In selecting a CEO, the intangible resource aspects of the family business (such as their long-term perspective), are central to the decision-making process.

The first discussion and analysis of RBV and the family business was in research by Habbershon et al. (1999). Habbershon et al. (1999) provided an explanation of intra-family CEO succession motivations by arguing that the family firm's unique resources were best maintained through continuing family leadership.

The RBV of the firm is perhaps more abstract than agency theory as the nature of the impact of specific tangible and intangible assets that are held can be complex to determine. RBV states that sustainable competitive advantage comes from collections of physical resources (machinery, buildings, stocks), intellectual resources (staff, patents) and intangibles (culture) (Sirmon & Hitt, 2003). Elements of agency theory (such as a long-term orientation and goal congruence leading to the reduced agency cost of private profit extraction) can also be explained through the lens of RBV. An example of this positive resource of the family business from which competitive advantage can be gained is the long-term focus on value creation. Crucially from which the basis of a decision is made, such as whether to appoint an intra-family CEO as the successor or not.

There are other examples of agency theory related resources such as intra-family dynamics (being the family interactions that affect decisions and actions (Chua et al., 1999)) that are unique and non-transferable resources which provide a route to understanding the selection of an intra-family CEO (Debicki et al., 2009; Sirmon & Hitt, 2003) and which will be articulated later in the literature review sections on power (section 2.4.1.1), experience (section 2.4.1.2), and intra-family dynamics (section 2.8).

Sirmon et al. (2003) demonstrated the unique resources of the family business that provides a base for longevity and competitive advantage including human capital, social capital and patient capital. Each viewed as resources that the family business uses, and that play an important role in understanding the reasons for carrying out successions, determining selection and the subsequent outcome.

Human capital is the knowledge and skills held by individuals, in family firms. Sirmon et al. (2003) demonstrated that the family firm has higher levels of commitment to business goals, have more cordial and productive relationships and unique tacit knowledge than non-family businesses. The human capital is a unique collection of resources which can be broken down into different factors potentially relevant to a family firm going through a succession process. The factors will be examined in the thesis and include the preparation of the successor and whether the human capital is nurtured through the experiential and educational preparation of a successor in section 2.7.1. In the context of intra-family CEO succession, the relevance of tacit knowledge transfer will be examined in section 2.7.2 below.

The unique resources in family businesses can have negative as well as positive aspects. For example, a family business may have difficulties attracting professional (non-family) managers into the business due to concerns of culture and nepotism (Carney, 2005). A study was carried out that showed a reticence in professional managers joining a family business because the professionals anticipated poor performance management, and the family accepting substandard family member performance (Miller et al., 2008).

This cultural aspect could potentially be mitigated using selection criteria (2.9.3) or external support by advisors (2.9.2) so the organisation is seen to be open to alternatives. Overall, the negative aspects related to human capital may hinder a positive outcome from the succession, if the only potential CEOs are from the family. As the firm is the source of family wealth an unwillingness to bring in outsiders or divest parts of the ownership and control can lead to reduced growth opportunities, at the same time as over-paying family members when compared to non-family members of the same firm (Watson, Storey, Wyncarczyk, Keasey & Short, 1994). Whether the business considers other options than family members will be examined later in the literature review (2.9.4).

The culture and crossover of family with business can also lead to a stifling and negative family culture (Chrisman et al., 2005; Habbershon & Williams, 1999). The aspects of conflict and intra-family dynamic impact on the succession will be examined in sections 2.8.

According to Habbershon, Williams and MacMillan (2003) the unique social system of the family enterprise results in a unique manifestation of resources. Social capital is the glue that binds people together and makes them focus on the goals of the organisation (Cohen & Prusak, 2001). The distinct aspects of social capital in the family business is described in section 2.7.3 on page 52 towards the goal of determining the factors which positively affect an intra-family CEO succession.

Patience capital relates to the longer-term perspectives of a family business when compared to non-family businesses. Danes, Stafford, Haynes and Amarapurkar (2009) showed that this could be due to family members willingness to provide free labour or loans on favourable terms. The longer-term perspective can lead to increased innovation and more creative strategies (Kang, 2000). The family firm's attitude to risk and the long-term view is seen as a

critical advantage of being a family firm according to the literature on dynamic capabilities and the RBV of the firm (McKelvie & Davidsson, 2009). However, there remains a negative side as the desire to retain capital, for the family benefit, can hinder investment in the business leading to stagnation (Schulze & Gedajlovic, 2010) and reticence in diversification strategies. The strategic choices and decisions by the successor CEO may be related to the cultural aspects of risk and reticence and will be examined as part of the section on post-succession outcomes in section 2.10.3.

2.3.3 Summary

Agency theory and RBV have highlighted areas critical to the understanding of the family firm's context such as power, experience, tacit knowledge, familiness, types of capital and family dynamics. Agency theory provides a basic understanding of why family firms want to maintain leadership of the family, by helping the family maintain control and security with less residual cost and the RBV provides a lens to analyse the unique resources and how they play a role in the perception of success in the succession process. The theories provide a basis for exploring the reasons for succession regarding the conflict between family ownership and professional management (agency theory) rather than continued family management and the benefits of family involvement (RBV) regarding the unique resources.

The aspects highlighted throughout this section will be used within the development of the conceptual framework from the literature review to determine the factors which positively affect an intra-family CEO succession.

So far, chapter 2 has focused on definitions and theory. The following sections will develop this to identify the factors which may have an impact on the intra-family CEO succession.

2.4 Family Power and Succession Experience

In the previous section, the unique resources of family business and the agency theory were discussed, and it was postulated that each had a perspective on the roles of power and experience within family businesses.

When selecting the next CEO for a business, the decision will be made by individuals based on a process. The RBV theory highlighted the unique resources of the family business, which can include intangible elements such as the culture and the way things are done and decided (Habbershon & Williams, 1999). Having more family members on the board, in senior management or general employment positions provides a differentiated resource and capability set by the RBV (Habbershon & Williams, 1999; Peteraf, 1993). However, there is a lack of empirical evidence which demonstrates if those unique resources (influence and power) materialise in a way which positively impacts the successor coming from within the family business. This research will address that question.

Key elements in the decision-making within family businesses include the experience (of previous successions) of the family business and the family power within the organisation. Determining if more power and more experience lead to positive intra-family CEO successions are important in achieving the aim.

As the levels of power and experience within an organisation may lead to a positive outcome of the succession, elements of the F-PEC scale were considered because it provides a scale to measure the impact of those factors.

The F-PEC scale was developed by Astrachan et al. (2002) (see Figure 2-1) to help define family businesses. It is composed of three sub-scales which are the power of the family, the experience within the family, and the cultural impact of the family.

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*Figure 2-1 The complete Family Power Experience Culture (F-PEC) scale
(Astrachan et al. 2002, p. 52)*

As this research is seeking to understand the factors which positively affect the intra-family CEO succession, it is useful to be able to assess the varying degrees of key elements of the family business on the succession.

The F-PEC model contains weighting calculations to consider the various levels of influence that a family can have dependent on volumes of shareholdings or numbers of positions on the board, for example. The weighting provides a proportionality to assess and consider the methods, effects and types of control within family businesses. Astrachan et al. (2002) stated that it was developed for practical purposes and for “...*objectivity and standardisation*” (Astrachan et al., 2002, p. 47).

The scale delivers a gradation of familiness, a degree of overall control and works through an assessment of the measures of power, experience and culture either individually or in combination and as “...*either dependent, independent, moderating, or mediating variables*” (Astrachan et al., 2002, p. 47) (a mediating variable is a variable which can be used to explain why other variables happen). The scale is useful in this research because it provides individual calculations for power and experience so that the levels of each could be assessed against the outcomes of each firm to determine if power and experience are positive factors.

F-PEC has been extensively tested since its inception in 2002 by the original team and independent academics (Klein et al., 2005; Rutherford, Kuratko & Holt, 2008; Rutherford et al., 2008). Despite initial criticism for its oversimplicity, its external validity has been confirmed and used to assess the smallest to the largest of organisations (Rau et al., 2018).

Validation of the F-PEC scale conducted by Klein et al. (2005) demonstrated that F-PEC was reliable across a range of business types. The model was further validated by Holt, Rutherford and Kuratko (2010) who determined the items within the F-PEC model were “...*reliable and interpretable*” (2010, p. 5) by examining the scale’s effectiveness on a sample of 821 US firms’ succession events.

Astrachan in developing the scale stated that:

“...a definition should be modular, and its operationalisation should lead to reliable and valid results (Astrachan et al., 2002, p. 46)”.

The scale’s modularity enabled this research to consider aspects of the F-PEC as separately identifiable for investigation. The research can, for example, use self-defining family businesses and yet retain control over the variables studied within the methodological approach and determined in the development of a conceptual framework. So, in the case of power and experience, the use of the validated F-PEC instrument can test those self-selected businesses’ outcomes against the varying degree of power and experience they hold.

The model was originally developed for definitional purposes but using those scales to measure elements of the businesses can provide information on how important the aspects of power and experience are in the intra-family CEO succession process. The model also includes the culture subscale which is further decomposed into two sub-elements: overlap between family and organisational values and commitment of family members to the cause, vision and goals of the family business. The aspect of culture is not relevant to this research and also contains overlaps with the power and experience sub-scales (Cliff & Jennings, 2005).

The F-PEC scale has proven flexible enough to be used in a variety of countries and captures the critical issues around family influence, direct ownership, direct involvement as well as what

constitutes family kinship (Rutherford et al., 2008) and attains aspects of convergent validity, whereby theoretically related measures are shown to be related (Holt et al., 2010). The F-PEC scale went from a “*promising framework*” (2003, p. 11) to a seminal theory (Payne, 2018).

The next two sections will describe the relevant sub-scales of F-PEC for the purposes of this study, starting with family power and continuing with experience.

2.4.1.1 Family power

The F-PEC scale was developed by Astrachan et al. (2002) and measures the level of the power and influence within a family firm to enable researchers to measure ‘familiness’ as an objective measure for generalisability purposes.

The research considers where and how decisions are formally made to determine the role of family power in selecting the CEO successor. As the factor of ‘power’ may affect a positive intra-family CEO succession, the F-PEC scale provides for factors of ‘power’ by calculating a power subscale (Figure 2-1 on page 39) based on the degree of power held by family members (percentage of family members in governance) and the number of family members in senior management positions. This measure reflects the authority the family has on decision-making and the decision-making environment (Holt et al., 2010) and its capacity to determine company laws and allocate resources (Klein et al., 2005).

The influence held by the family is an important area in determining the choice of successor and the fundamental principle measured by this aspect of the F-PEC is of families contributing to important decisions in the business (Rau et al., 2018). The power manifests through votes, management selection and indirect influence of the business (Rau et al., 2018). As discussed in the section relating to agency theory (2.3.1), the governance and structure of the Board ergo the power of the family is an important aspect to examine in determining the intra-family CEO succession.

It has been argued that authority comes through the collection of family and business characteristics (real or implied) (Deephouse, 1999). The power subscale of the F-PEC measures the effect of this collective power through board control and executive authority. The demonstration of power in family businesses is through groups such as the board and senior

management teams (Rau et al., 2018) and especially when focused on who should lead in order to sustain the business. Wilson, Wright and Scholes (2013) showed this exertion of power was a fundamental reason for the longevity of family firms compared to non-family firms. The power of an organisation focussing on the direct involvement of the family in the strategic influence of the firm (Carr, De Massis & Pearson, 2018).

The power dimension of the F-PEC is frequently used in research (Carr et al., 2018; Madison et al., 2017) and remains one of the most cited resources in family business research and therefore in this research the power dimension will be empirically tested in order to ascertain if family power positively impacts the intra-family CEO succession within the UK. What follows next is an account of the experience subscale.

2.4.1.2 Family experience

The second relevant subscale of the F-PEC is family experience. The experience subscale examines the impact of experiencing previous family successions (Holt et al., 2010) and for the purpose of this research that impact will be used to measure the likelihood of positive intra-family CEO succession.

It has been argued that individuals in the family, capitalise on the deep ties in the company across familial generations to influence important business decisions (Rau et al., 2018) and that this influencing effect has been shown to be more active in post first-generation businesses (Astrachan et al., 2002; Klein et al., 2005). Astrachan et al. (2002) claim that this is potentially due to the immediacy of the entrepreneurial visionary and the initial cultural setting of the organisation still being embedded.

Daspit et al. (2016) showed that the influence of the family is developed over the generations and that the experience of previous successions and of being in the family firm influences the next generation. It has been argued that this may be in the form of the transfer of tacit knowledge, explored in 2.7.2 below (Jaskiewicz, Uhlenbruck, Balkin & Reay, 2013).

The experience subscale includes the number of times a company has gone through succession and its subsequent capacity to assert control over succession related decisions (Bennedsen,

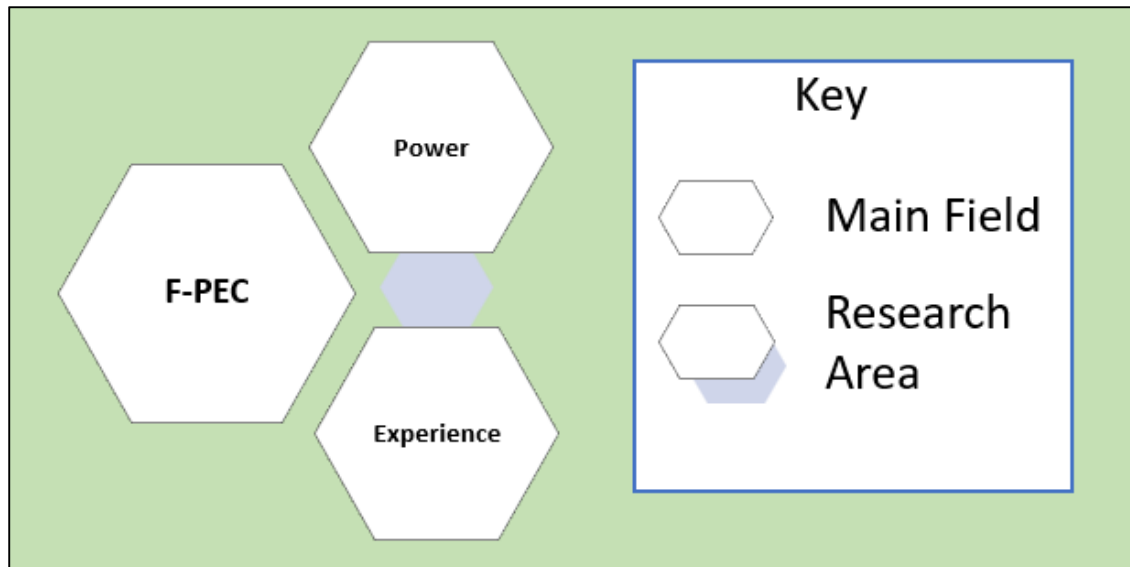
Nielsen, Pérez-González & Wolfenzon, 2007). Tatoglu, Kula and Glaister (2008) reported that the succession process is directly related to the depth of experience from employees and family involvement (across business generations) which is in place (Tatoglu et al., 2008). It has been postulated that the experience of succession in the family business relates to the decision-making processes, gained from long-term involvement of a consistent type within the organisation (Carr et al., 2018).

The nature of the impact of experience on a successful intra-family CEO succession remains unclear (Payne, 2018). This indicates a need to understand whether the previous experience of succession contributes to the influence a family has over future succession and whether experience gained led to expectations that will lead to an intra-family CEO taking over.

Despite the extensive use of the F-PEC scale, the experience subscale (Figure 2-1 on page 39) appears to remain untested empirically, and no attention has been given to this important aspect (Rau et al., 2018). This research considers the experience a potentially important aspect of intra-family choice in terms of CEO succession, and it is surprising that no previous study could be found that has investigated the impact of experience in this way. This will be addressed in this thesis by examining the effect of experience, through empirical testing, on the intra-family CEO succession (Rau et al., 2018).

The importance of power and experience in the long-term has been considered and will be tested empirically using the power and experience sub-scales of the F-PEC. A change of CEO is an element of long-term strategy and therefore in the context of developing a theoretical model of the factors which might positively impact on the successful intra-family CEO succession, the aspects of power and experience need to be considered.

Section 2.4 has examined the sphere of power and experience in the family business, and Component 2-1 demonstrates the factors in the conceptual framework. The factors will be empirically tested to show if they positively affect the intra-family CEO succession. Power and experience form the first two components of the conceptual framework (final version Figure 2-3 on page 78), in subsequent sections more components will be added to the model.



Component 2-1 Conceptual framework - power and experience

2.5 Perceptions of Success in Family Business

The purpose of this study is to determine the factors which positively affect the intra-family CEO succession. It is, therefore, necessary to consider the concept of success and what might be perceived as a positive contribution.

In addition to the succession itself, it is important to ask how we comprehend “positively affects” the succession in a way that develops existing theory and answers the central aim of this thesis. Sharma (2004) called for studies to examine the concept of success within the family firm. This study develops a perspective of success based on the holistic, central outcome of intra-family CEO succession.

Perceptions of “success”, and “positively affecting” can be viewed from several different aspects and it is the approach of this research to examine the issues determined in the literature review from a subjective (satisfaction with the process) and objective basis (did the succession happen). Determining the factors which positively affect the succession of an intra-family CEO will need to take into account a range of those subjective and objective measures to be developed in the remainder of the literature below.

It is generally recognised that businesses do not solely focus on financial goals (Zellweger et al., 2013) and this is seen particularly in family firms where there is often a priority for non-financial goals (Carney, 2005; Gómez-Mejía, Makri & Kintana, 2010; Zellweger & Astrachan, 2008), which leads to complexity when trying to measure success.

There is considerable evidence that intra-family succession ‘fails’ due to the difficulties faced in managing the succession process and agreeing about the process (Bracci & Vagnoni, 2011; Jaskiewicz, Heinrichs, Rau & Reay, 2016) and so the perceptions of those involved in the succession event are an important facet in succession research.

There is a lack of consensus in defining a successful succession, whether it be satisfied with the process, if the process was a positive experience (Stempler 1988 cited in Santiago 2000; Handler 1989) or if the consideration of post-succession reflections and profitability impacts (Venter, Boshoff & Maas, 2005) all of which will be examined in this research.

Studies have developed the importance of family succession participants perspectives, with measures of satisfaction being used to examine success (Cabrera-Suárez, De Saa-Perez & García-Almeida, 2001; Claver, Rienda & Quer, 2008; Danes et al., 2009; Suárez & Santana, 2010; Venter et al., 2005). The importance of multiple variables being used, to assess objective data and subjective viewpoints is well inured (Breton-Miller, Miller & Steier, 2004; Pyromalis & Vozikis, 2009; Sharma, Chrisman & Chua, 2003) but there remains a lack of focus on how the process can be improved from those perspectives (Yu et al., 2012). This thesis aims to close this gap, firstly by understanding the factors and secondly by using empirical methods to determine which have a positive impact.

Núñez-Cacho and Grande (2012) stated that using a combination of measures is important in assessing the succession experience, including measures of economic performance and perceptions of performance. This research continues the academic journey of Núñez-Cacho et al. (2012) and older studies (Handler, 1989; Morris et al., 1997) which called for the development of measures that examine stakeholders perceptions of the process.

Molly et al. (2010) highlighted that several research studies show a decline in entrepreneurial orientation with successive transitions among family firms. While first-generation family firms

are growth-oriented, successive generations tend to emphasise stability and family orientation. Thus, a strong family orientation may result in less willingness to grow and less risk-taking and muted strategic choices. Considering the effect of this on the perspectives of the succession provide new insights into intra-family succession developed throughout this chapter.

2.6 Non-Intra-family CEO Succession

So far, the research has focused on the assumption of intra-family CEO succession. This section will examine a perspective of externality in selecting a professional CEO as successor.

There is an opposing view to intra-family transfer that the business should be professionalised following the founder stepping down, and attract the best people for the position whether they are family members or not (Brenes, Madrigal & Molina-Navarro, 2006). This may be a preference for non-family stakeholders and shareholders (Ansari, Goergen & Mira, 2014) who are keen to protect their investment and are concerned with agency theory perspectives working against them, whereby the goals of the family will not be aligned to their goals. It has been argued that non-family CEOs tend to be selected when there is a specific need such as a lack of family alternatives (willing or able) or a particular issue within the business requires express skills (Blumentritt, Mathews & Marchisio, 2013).

Other researchers have asserted that not being seen to consider external CEO options leads to lower quality in other roles as people do not want to work for automatic leaders (Bennedsen et al., 2007; Cucculelli & Micucci, 2008). There is evidence, from a study of second-generation public companies in the US, that the agency costs (as discussed in 2.3 above on page 31) from intra-family successors are value-destructive even if there are governance controls (Villalonga & Amit, 2006). It is an element that will be examined empirically, the effect of considering an external CEO for succession.

According to Schulze et al. (2001), non-family members have an inherent disadvantage in achieving the CEO position due to the head start (and culture) received by potential family successors. Bocatto, Gispert and Rialp (2010, p. 516) in a study of Spanish firms listed on the Spanish Stock Exchange concluded that the knowledge transfer between the generations provided the “*vital advantage*” to win the CEO role rather than the actual knowledge and

training required. The study was limited due to it being entirely based on secondary data and with no attempt made to verify “*advantages*”, Bocatto et al. (2010) also attested that there are no agency costs in family businesses, reverting to an old argument ignoring more recent findings around the potential of agency costs existing in family businesses. The research did highlight an interesting concept, the effects of groundwork in knowledge and preparation on the succession of an intra-family CEO.

A further reason for a family seeking an intra-family CEO lies in the belief that an intra-family CEO will ensure the preservation of non-financial measures and their culture rather than purely commercial and strategic goals (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson & Moyano-Fuentes, 2007; Zellweger, Kellermanns, Chrisman & Chua, 2012). This is of great importance to family businesses and is part of the custodian aspect of their commitment to intra-family leadership (Mussolino & Calabrò, 2014) and their willingness to sacrifice short, and even relatively long, success to protect their perspectives.

If the incumbent CEO believes external quality is needed, then they will look outside of the family (Blumentritt et al., 2013). This runs tangentially to earlier research where Sharma (2004) stated that the family business often makes a sacrifice and that they will wait for a satisfactory successor across a generation if necessary. However, Basco and Calabrò (2017) stated that as the number of family members working for the firm increases, then an intra-family CEO is more likely as the incumbent aims to preserve the socioemotional wealth (not solely financial performance measures (Berrone, Cruz & Gómez-Mejía, 2012; Gómez-Mejía et al., 2010)) and is more inclined to select a successor from within the family. These are factors cutting across the theories of agency and RBV which will be examined in the thesis analysis.

2.7 Successor Preparation

This section aims to understand the existing literature relating to succession preparation, adding to the conceptual framework by providing appropriate foundations for empirical examination.

Traditionally, it has been argued that intra-family CEO succession was determined on impulse and bias rather than any professional capability assessment (Breton-Miller et al., 2004). Early research was led by Handler (1990) into the theme of succession from the perspectives of the

potential successor which postulated the level of preparedness as having a significant bearing on the performance of the next generation (Goldberg, 1996; Morris et al., 1997).

In terms of successor preparation, the next section will now examine the education and experiential preparation of the successor.

2.7.1 The educational and experiential preparation of the successor

Evidence has also shown that family members that are moving towards potential succession have less understanding of their capabilities than professional managers, they also have less focus on goals, talents and a general interest in a career (Eckrich & Loughead, 1996). A lack of educational preparation of an intra-family CEO has been shown to reduce performance in a post-succession business (Pérez-González, 2006). Whereas the skills and capabilities of a successor have been shown to improve the succession effectiveness (Breton-Miller et al., 2004).

Educational preparation relates to the academic and commercial training received by the potential successor. Sardeshmukh and Corbett (2011) examined 119 family business successors to determine if their perception of opportunity was affected by their previous interaction with the business or through their education, and found that a balance of education and life within the business firm were positively correlated with the belief that they could be the successor.

Preparing the successor was seen to be an essential step in understanding and laying the foundations of the opportunity from the business and individual's perspective, not just from a capacity and capability perspective should the succession happen. What the research has not shown, is if this preparation of the successor subsequently impacted the intra-family CEO succession itself.

Venter et al. (2005) examined the factors which related to the successor in a South African study of successors in the family business. The dependent variable was "perceived success" and "perceived profitability", the study was limited by its reliance on subjective measures for the entire research project. The study resulted in a significant proportion of responses from one

particular industry (the farming community) which may limit the representativeness of the research. The use of organisations employing less than ten individuals (although a feature of the industry) can cause issues in assessing family businesses as micro firms tend to lack the complexity and governance structures needed for this type of research (Gray & Mabey, 2005).

The study by Venter et al. (2005) was considered relevant to this research because it provided evidence that successors must have training and experience before succeeding. Venter et al. (2005) built on research by Morris et al. (1997) that post-succession performance is affected by the education of successors and Aronoff (1998) that increasing professionalism is vital (particularly when in niche industries) (Royer, Simons, Boyd & Rafferty, 2008). Cabrera-Suárez (2005) found that previous academic training and business experience do not play a significant role in the successful intra-family CEO transition of family firm control, yet it remains important for successors to gain knowledge about the sector and gain academic training.

There is evidence in the literature that educational preparation is an integral part of a successor's preparation, determining if it positively affects the intra-family CEO outcome would provide additional support to its importance in this field.

Basco and Calabrò (2017) studied 732 Spanish family firms and found that incumbent CEOs are less likely to appoint the successor from within the family if greater emphasis is placed on managerial competencies (combinations of experience and education) as compared to coming from the family.

In a study of Canadian family firms, Ibrahim, Soufani, Poutziouris and Lam (2004) interviewed the CEOs of 42 SMEs and discovered that the desired attributes of a successor include a willingness to assume the leadership role, managerial competencies, and a capacity to lead. However, it cannot be inferred that academic training is a prerequisite for attaining the managerial competencies or leadership capability and willingness to be a successor. Additionally, Sardeshmukh et al. (2011) showed that working within the family business and in other sectors and firms improves the authority a person can contribute and demonstrate.

Experience and networking within other work environments builds the capacity and available toolbox of the successor to solve the multitude of issues faced within the workplace (Payne, 2018). It has also been shown that early involvement in the family business helps a transition as the successor embeds and makes themselves aware of the culture, values and operational methods (Breton-Miller et al., 2004; Pyromalis & Vozikis, 2009). This is an important facet of the intra-family CEO succession perspective, Neubauer (2003) in a discussion paper asserted that the primary concern of the incumbent is a successor's narrow experience. The research was added to by Venter et al. (2005) in an empirical study that found working in other firms resulted in better family firm performance (again, in terms of the respondent perspectives) overall.

There is no clear answer in the arguments that educational or managerial preparedness leads to a positive intra-family CEO succession outcome. The extant research highlights examples of improved performance when the wider experience is gained, but also that the experience of the organisation is paramount regarding the selection of an intra-family CEO. Thus far, several studies have stated that educational preparedness is essential in the success of succession, but there is a lack of studies which investigated the effects on the choice of successor. This is another thread that will be incorporated into this research's empirical work.

2.7.2 The tacit knowledge accumulated by the successor

As was mentioned in a previous section (beginning with 2.3 on page 31) on agency theory and RBV, tacit knowledge within the family business is a valuable resource. Tacit knowledge has been defined by Polanyi (1966, p. 4) as "*knowing more than we can tell*". Polanyi (1966) provided the example of a human's ability to recognise one face among millions without being able to describe the face sufficiently for someone else to recognise that face to explain tacit knowledge.

Within family business and succession, tacit knowledge has been defined as "*...situation specific knowledge that is gained through experience and actions* (Chrisman et al., 2003, p. 23)". It has been used to explain some of the complexity within intra-family CEO transfers, Cabrera-Suárez et al. (2001) argued that it is an essential element of successor preparation and is related to the firm's ongoing and sustainable competitive advantage. Within this research, it

will be used to inform the questionnaire design to understand the impact of tacit knowledge on the succession.

Explicit knowledge is grounded within a positivist philosophy, believing that the world can be understood from a logical, precise and quantifiable approach (Hislop, Bosua & Helms, 2018). It is acknowledged that it is possible for businesses to transfer explicit knowledge in many ways and educational and experiential preparation could be seen as methods of explicit knowledge transfer, explored in the previous section. Tacit knowledge transfer is more complex to communicate objectively and unambiguously as it is subjective and based on personal instincts (Nonaka, Toyama & Konno, 2000). The transfer of tacit knowledge, specifically within the context of family firms has been described as an underlying reason for improved competitive advantage and central to the enduring value that can be achieved through the experience of successive successions and employing individuals from within the family (Jaskiewicz et al., 2013).

The success of knowledge transfer is dependent on the receivers ability to take in and understand the information (Szulanski, 2000) and has been defined by Zahra and George (2002, p. 186) as the ability to:

“...acquire, assimilate, transform, and exploit knowledge”.

Rau et al. (2018) posited that tacit knowledge transferred to the next generation increases the influence a family has on the business. One example of tacit knowledge is how family firms manage external contacts and knowledge (Zahra, 2010) and how they retain knowledge by transferring it across different managerial generations is key to the succession process (Debicki et al., 2009). It has been suggested by various authors including Lorenzo and Núñez-Cacho (2013) and Graves and Thomas (2008) that knowledge transfer in family-owned firms is passive, primarily due to lack of adequate knowledge management policies. In many cases, knowledge is only shared among family members, with non-family members being ignored (Graves & Thomas, 2008; Lorenzo & Núñez-Cacho, 2013).

The transfer of tacit knowledge and post-succession knowledge retention is a significant potential stimulus to post-succession performance, with gaps in the knowledge relating to its

impact on businesses having an intra-family CEO succession. The effect of tacit knowledge transfer on the successor being an intra-family CEO or a professional will be examined as part of the understanding of which factors positively affect the intra-family CEO succession.

This chapter will continue by exploring social capital accumulation.

2.7.3 The social capital accumulated by the successor

In analysing the RBV theory, the importance of the family to build connections and create a culture that generates a positive outcome for the business was developed. It was also considered in the agency theory analysis that goal congruence was a positive aspect in the reduction of residual loss found within family businesses.

The ability of a CEO to make connections and maintain culture is often an important commercial factor in business success, this aspect may contribute to the successful intra-family transfer of a CEO. In this section, the concept of social capital is postulated as a potential factor in the succession preparation of family business as shown in Table 2-2 on page 79. It is an element which cuts across both the agency and RBV theoretical perspectives of the family business.

Social capital has been described as a fundamental building block of an organisation's culture (Cohen & Prusak, 2001) and defined as:

"...the stock of active connections among people: the trust, mutual understanding and shared values and behaviours that bind the members of human networks and communities and make cooperative action possible" (Cohen & Prusak, 2001, p. 4).

Arregle, Hitt, Sirmon and Very (2007) describes social capital as the resources which have been accumulated through relationships, a resource which is higher in family firms than non-family firms due to the contributions by the firm, its non-family employees and the family. Moreover, Arregle et al. (2007, p. 76) argued that family firms provide an *"ideal environment"* for the development of social capital due to their relative stability, interdependence, strong family ties, and increased interactivity among members.

Social capital becomes the drive that makes people, and groups, consider beyond their own goals, drawing together for mutual advantage. Social capital can bring benefits to organisations including improved knowledge transfer (including tacit), reduced agency costs (due to increased trust and cooperation), longer-term involvement with the organisation by employees and increased coherence and sense of belonging (Cohen & Prusak, 2001).

It has been argued that the leadership of organisations, to reduce “*parochial interest*” need to actively prioritise the embeddedness of social capital (Dierkes, Antal, Child & Nonaka, 2003, p. 275). How a successor is selected within the social capital environment of an organisation, or as preparation for the transference of leadership is important in gaining an understanding of the succession to an intra-family CEO. If the successor is embedded in the network, does this increase the chances of an intra-family CEO succession remains an unanswered question addressed in this research.

Another aspect of social capital which highlights its importance in a succession process was demonstrated by Jaskiewicz (2017, p. 3) who found that families who frequently participate in “*pluralistic communication*” create an expectancy for intra-family CEO succession. Jaskiewicz (2017) used family communication patterns theory (FCPT) to demonstrate the impact on succession. This theory, developed by Ritchie and Fitzpatrick (1994; 1990) described how family members connect, impacts decisions and is described via two aspects: conversation and conformity. Conversation relates to the openness and freedom of ideas exchange and freedom to show emotions (Koerner & Fitzpatrick, 1997) such as warmth (Barbato, Graham & Perse, 2003). The important aspect is where a conversation is seen by the family as a fulfilling act in itself (Avtgis, 1999). Conformity, within FCPT theory, relates to the expectation of compliance and that communication is used to control (Koerner & Fitzpatrick, 1997).

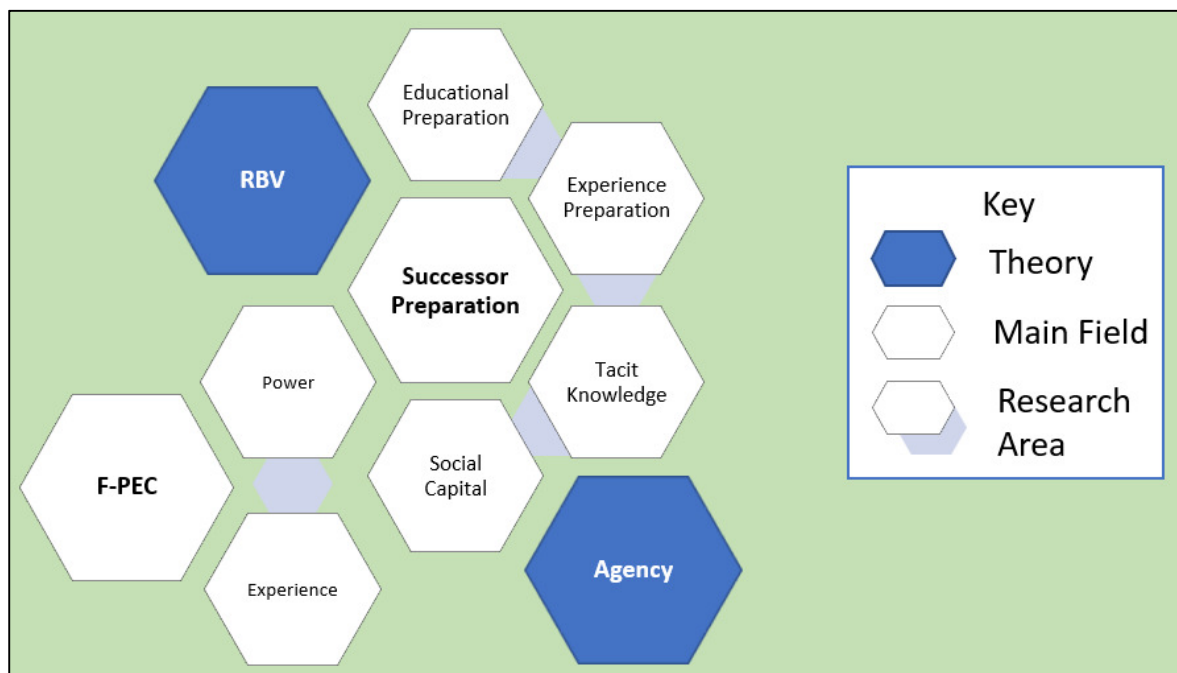
Previous studies have linked the ability to use social capital during an intra-family transfer as important for exploiting innate knowledge (Debicki et al., 2009). As Arregle et al. (2007) suggested, family firms can leverage social capital to facilitate a smooth flow of information and the creation and accumulation of knowledge through their trusted networks.

It is certainly not the case that accumulation of social capital occurs in all family businesses, Arregle et al. (2007) stated that certain preconditions are required for social capital based

competitive advantage including a supportive organisational culture (Chirico & Nordqvist, 2010) and high levels of trust (Zellweger, Eddleston & Kellermanns, 2010) otherwise it is likely that a narrow-minded, short-term focus will embed into the culture. There are additional risks as well as benefits within the family business of social capital, as a family breakdown (such as divorce) can have a secondary negative impact on the social capital as new “rules” are formed and different goals (self-interest, protection) become prevalent. These issues can often occur during (or are caused by) successions (Zahra, 2010).

This section has examined social capital and presented the importance of this area, in terms of successor preparation, and whether it is a factor in the positive outcome of an intra-family succession process.

There is evidence that the ability for a positive intra-family CEO succession to take place is related to the ability of the succession process to pass on the knowledge, develop social capital and tacit awareness (Cabrera-Suárez, 2005; Lee, Lim & Lim, 2003; Steier, 2001). These areas require empirical testing. The components of successor preparation are shown in Component 2-2 and will form part of the overall conceptual framework. The blue hexagons represent the theoretical lenses. The factors will be empirically tested to show if they positively affect the intra-family CEO succession. The subject of intra-family dynamics develops in section 2.8.



Component 2-2 Conceptual framework – the addition of successor preparation

2.8 Intra-family Dynamics

This research has discussed, in the previous section on social capital, the importance of communication in the family. The findings of Jaskiewicz (2017) were highlighted that an expectation of intra-family succession could be generated through a culture of open conversation.

This section is focused on the discussions with the family, the intra-family dynamics. The importance of communication has been demonstrated but in the context of determining the factors which positively affect the intra-family CEO succession the specifics of communication need to be considered such as the involvement of the family stakeholders in the succession planning and their perceptions of readiness of the incumbent and successor.

This section aims to understand the existing literature concerning family discussions and involvement with the process. Did conversations take place relating to the succession and were they factors which affected the succession, adding to the conceptual framework by providing foundations for empirical examination.

2.8.1 Conflict

A common theme in the literature relates to the discussions between family members, and this research uses the term intra-family dynamics to describe those discussions. CEO succession is a significant challenge with Handler and Kram (1988, p. 361) citing Peter Davis of the Wharton School of Business “...*succession in a family business is probably the most complex management challenge anybody faces*”. As this research aims to determine the factors that positively affect intra-family CEO succession, the perspectives of communication and conflict are important to educe.

The concept of conflict has been defined as the “...*simultaneous occurrence of two or more sets of pressures such that compliance with one would make more difficult compliance with the other*” (Kahn, Wolfe, Quinn, Snoek & Rosenthal, 1964, p. 19). In a family firm with a myriad of stakeholders and competing objectives, this is an appropriate definition. The extant literature highlights positive and negative aspects of conflict in a work and family setting and that in

some cases conflict can be an essential aspect for organisational success and a lack of conflict can lead to stagnation (Rahim, 2017).

Frank (2011) used systems theory (the theory of the totality that comes from the sum of a system's parts (Luhmann, 1995)) to analogise family conflict with a reproductive living biological system believing that an initial conflict can develop into a structural, permanent and repeated communication norm. How businesses manage, differences in opinions and decision-making within the succession process is an important factor in determining the outcomes of the succession process.

Fundamentally, the existence of a conflict does not preclude the capacity for the 'system' to achieve consensus and act. It is reasonable to expect a level of disagreement (Bahr & Pendergast, 2006). The question, for this thesis, is how different approaches to sharing information, considering options and making decisions affected the navigation of the succession process.

2.8.1.1 *Succession conflict*

Two related theoretical constructs offer insight as to the conditions under which there is a likelihood of conflict. One is social identity theory (Stets & Burke, 2000) and the second is Hirschman's theory of how the individual behaves when faced with unacceptable circumstances (1970) which maintaining relevance with over 5,000 citations between 2014 and 2018 alone. These two theories will be examined and contextualised to the family business and succession sphere below.

Social identity theory essentially argues that conflict happens when perceptions of fairness are called into question (Capozza & Brown 2000) which often occurs during succession phases partly due to nepotism questions being raised regarding successor choice (Liu, Eubanks & Chater, 2015; Suess-Reyes & Fuetsch, 2016; Taylor & Norris, 2000). Perceptions of fairness are also important in considering the issues of balance between what is needed for the firm and the family (Chrisman et al., 2005).

The existence of genuinely held differences between the various groups involved in a succession (previous generation, successor group, factions that want professionalisation, employees, etc.) is likely to cause conflict and in turn, run the risk that the various groups will entrench their positions, emphasising their differences (Tajfel & Turner, 1979). Equally, groups are porous, so in a family, siblings may form one group, but the siblings are likely to see themselves as part of the wider family group and as part of groups entirely outside the family structure (Stets & Burke, 2000).

Capturing the involvement of family stakeholders in the succession planning and implementation process will assist in understanding the impacts of no involvement versus involvement overall. It has been postulated that a way to reduce conflict is to enable “...*equal status contact in the cooperative pursuit of a superordinate goal*” (Brown 2003, p.683), in the aspect of a succession this could be achieved through communication and active participation in the planning process. Eliciting whether family members agreed during the various stages of the succession, or if changes were made to the plans would assist in answering the question of participation and outcome.

Conflicts can easily arise (Laursen, Coy & Collins, 1998), but within most family cases, they are mediated by the social capital, such as a fundamental desire to retain the family unit (Shapka & Keating, 2005). In the succession process, issues can surface regarding a dispute about the family member not being ready to ‘take over’, or from a desire of the family member to be allowed to run the family firm in a manner they see fit (Dawson & Hjorth, 2012). A systematic understanding of how the perceptions around the timing of the transfer and whether the business waited for readiness of the incumbent and successor will address the impact on the intra-family CEO succession.

It is important to note at the point of succession, the merging of the various family roles (parent, children, relations) and of various business roles (CEO, share distribution, management posts) leads to a risk that family tensions will become in-firm tensions (Molly et al., 2010). Debicki et al. (2009) suggested that suspicion of other family members motivations increases during a sale or transfer.

Clear damage is a possibility during the succession process and whether the opportunity to disagree with plans or involvement in decision-making arose will be an informative aspect in the development of the theoretical model of the factors which impact the intra-family CEO succession.

The literature (Alderson, 2015; Debicki et al., 2009; Frank et al., 2011; Villalonga, Amit, Trujillo & Guzmán, 2015) tends to point to common themes regarding the complexity of intra-family succession which can cause conflict, including the dual role of family members and company owners, the risks of intra-family conflict and the relatively weak governance arrangements that can occur when the family are shareholders and managers.

Hirschman (1970) showed that when individuals are faced with a serious issue (such as worsening performance or in the case of this thesis, a succession) then participants will either opt to leave, vocalise (stay and complain) or be loyal (stay and carry on in either a positive or passive form). The selection of whether to leave, voice or show loyalty depends on the social capital aspect of the strength of attachment between the participant and the firm (Capozza & Brown 2000).

This problem of stay or leave is exacerbated when the parties have deep-rooted, complex ties with the issues and people involved (Hirschman, 1970) clearly the case in family businesses. In a non-family business, exit by individuals would be an option whereas, with family disputes, there are additional psychological, financial and emotional ties which influence the decision to stay and see through the transition more likely (Miller et al., 2008).

If there is insufficient attachment, then the likely outcome, with conflict, is to exit or remain loyal. In cases of attachment, in the case of family members, the likely option is to vocalise, by raising concerns and offering solutions (Cook, 2002). The conceptual framework and research will examine if disagreements occurred at the planning and determination of successor stages and whether an intra-family CEO succession is affected by other family members exiting during the succession.

In summary, the above sections provided perspectives and important factors which may positively affect intra-family CEO succession. Examining the level of agreement and

involvement at different stages and if changes were made during the succession process may indicate the likelihood of an intra-family CEO becoming the successor or present the factors that create satisfaction with the process.

2.8.2 Incumbent preparedness

This review of the literature has previously examined the preparation of the successor (section 2.7 on page 47 whereas this section explores incumbent readiness.

There is evidence that a predecessor's willingness to relinquish their role, is positively correlated to an intra-family CEO succession (Dumas, Dupuis, Richer & St. -Cyr, 1995; Sharma, 2004; Sharma, Chrisman & Chua, 1997). Furthermore, it has been shown that this willingness is correlated with continued profitability (Venter et al., 2005). Goldberg and Wooldridge (1993) stated that the failure of succession occurs in part due to the reluctance of the incumbent believing the successor is ready, and so retains control (of the human capital aspects) (Daspit et al., 2016).

This study will examine the aspects of willingness and preparation of both the new CEO and predecessor. The selection of the new CEO is central to this thesis and is seen as one of the two principal objectives of succession: selection and preparation (Michel & Kammerlander, 2015).

Daspit (2016) stated that it was important to reduce the reliance of the business on the incumbent, which is a complicated process. The CEO is the primary executive in an organisation, and their span of control and influence will be extensive and deep across many stakeholders. In a case study by Dyer Jr (1992, p. 172) a participant stated that succession:

“...is a kind of seppuku...you are ripping yourself apart from your power, your significance, your leadership...”.

It is not surprising that this can cause a lack of motivation to move on, partly due to the fear of accepting one's mortality (De Vries, 1988; Handler & Kram, 1988) or their need for significance (Dyer Jr & Handler, 1994). An unmotivated incumbent has been found to be a significant impediment to a successful succession (Gilding, Gregory & Cosson, 2015), and

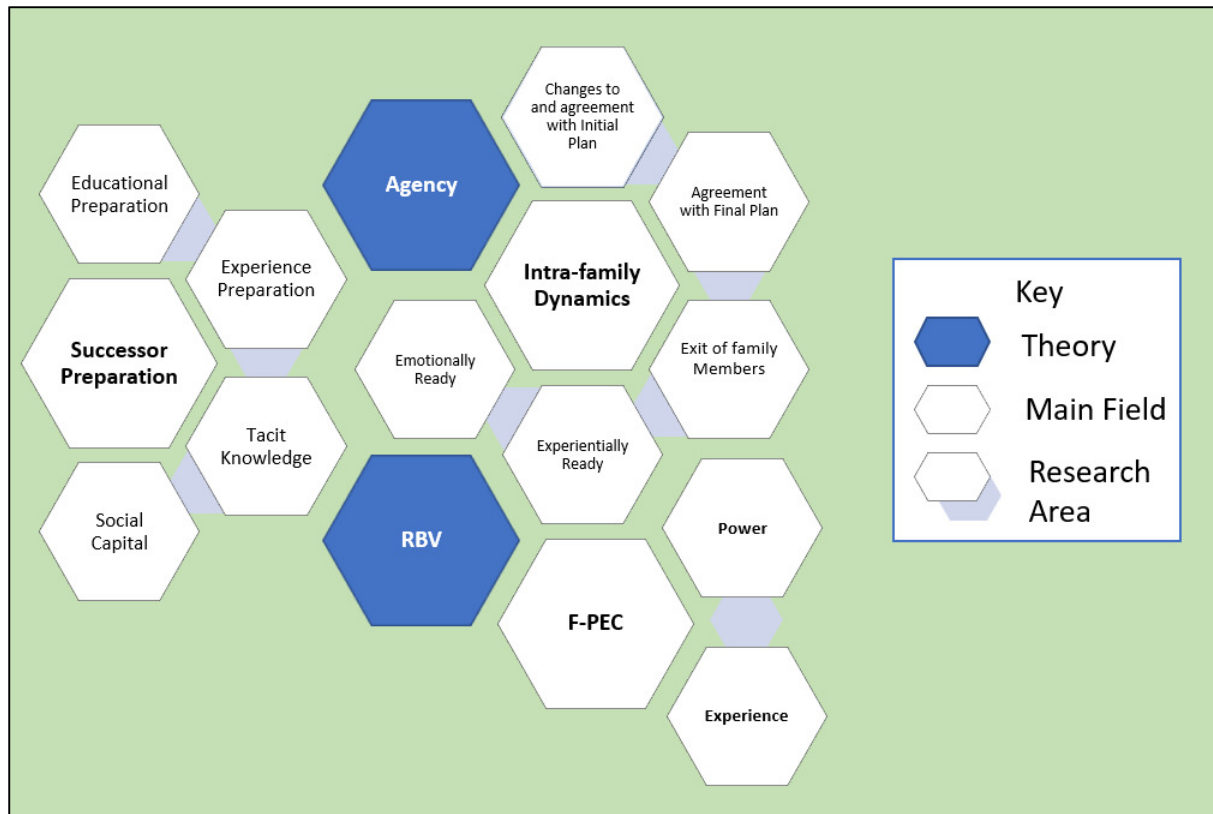
conflict can increase due to this resistance to move on (Devins & Jones, 2015; McConaughy & Phillips, 1999).

In the literature, several studies including research by Astrachan et al. (2003) and Erikson, Sørheim and Reitan (2003) found that where families support former CEOs (financially and non-financially) to find meaning away from the business, there is a higher degree of succession success.

Aldrich and Cliff (2003, p. 590) concluded that the “*inextricable intertwining*” of family and business mean elements of the family need to assist the old CEO with new ventures and mobilise them away from their roles, enabling the new CEO to take over. This mobilisation plays a significant role as the incumbent generally holds power in the process, and their readiness is essential (Breton-Miller et al., 2004; Daspit et al., 2016; Davis & Harveston, 1998; De Massis et al., 2008; De Massis, Sieger, Chua & Vismara, 2016; Handler & Kram, 1988).

The impact of incumbent readiness to leave their role can be tested by examining if the organisation waited until the parties were emotionally or experientially ready. This research aims to determine if the issues of the parties being emotionally or experientially ready is a factor which positively effects an intra-family CEO succession. How the family and business manage a succession process and the dual issues of preparedness (successor and incumbent) and whether they are factors which positively affect the intra-family CEO succession will be addressed in this study.

Section 2.8 has examined the aspects relating to the family discussions that form this section’s contribution to the conceptual framework (Component 2-3 below) of factors that will be empirically tested in order to determine those that have a positive impact on the intra-family CEO succession. The next section explores the planning aspects within the literature.



Component 2-3 Conceptual framework – the addition of intra-family dynamics

2.9 Succession Planning

This part of the thesis discusses the factors of succession planning which emerged from the engagement with the literature.

The elements of any plan can be highly specific to an industry or organisation, and it is not the objective to define the elements of succession plans, but to determine the outcomes if planning existed and how plans were communicated. In fact, research has shown by Alayo (2016) that despite planning being important for business survivability, only a small proportion of family firms develop formal succession plans. A critical aspect of this research is the perspective of success, and as discussed in section 2.5 multiple variables are being used to assess subjective viewpoints of the succession process (Breton-Miller et al., 2004; Pyromalis & Vozikis, 2009; Sharma et al., 2003). The relative importance placed on the process of succession is developed in this section.

2.9.1 Succession planning timing

There are several views on the categorisation of the succession process, and these devolve into a series of events, for example, Miller et al. (2004) suggested a four-step process of initiation (which establishes the rules of the succession process including selection protocols and an overarching vision for the succession), successor preparation, selection (moving on from the initial process of who will be the CEO and other changes) and post-succession (handover of control, involvement of bridge managers). There are other variants which are 3, 4 or 5 step processes (Davis & Harveston, 1998; Morris et al., 1997; Murray, 2003; Poza, Alfred & Maheshwari, 1997; Sharma et al., 2003; Sharma, Chrisman, Pablo & Chua, 2001) that fundamentally incorporate pre, during and post-succession elements of the succession. Successions are complex, seldom one-off events but contain lots of events and interactions over an extended period (Brun de Pontet, Wrosch & Gagne, 2007; Ibrahim, Soufani & Lam, 2001; Lansberg, 1988).

In order to assess the factors which positively affect the intra-family CEO succession, it is important to capture the process by which the family approached the issue of succession planning. Studies suggest that a longer lead into the succession helps allow for a structured handover and diffuses tension (Basco & Pérez Rodríguez, 2009; Molly et al., 2010, p. 201; Payne, 2018). There is significant evidence that intra-family CEO transfers suffer from delaying plans for succession and that businesses begin the process too late (De Massis et al., 2008; Payne, 2018).

The window of time for planning by different stakeholders are essentially facets of communication. There is evidence that not communicating the plans leads to an unsatisfactory succession process with complex issues arising such as ambiguity within the organisation (Michael-Tsabari & Weiss, 2015). There is evidence that the lack of communication around the succession leads to incumbent and successor disagreements where none otherwise existed (Blumentritt et al., 2013) and communication issues can be the sole source of succession failure (De Massis et al., 2008).

In relation to the family dynamics and satisfaction with a succession process, planning is important not just to deliver a strategic outcome (Pyromalis & Vozikis, 2009) but also a

perception can be formed that stakeholders are not being involved in the decision-making process (Capozza & Brown, 2000; Fiegenger, 2009; Schönflug, 2001). This concept of judging the relative emphasis on family or firm in the planning will assist in the assessment of whether the actions delivered a positive outcome (Basco & Pérez Rodríguez, 2009; Fiegenger, 2009).

The importance of when planning started, the communication and timing of plans have been demonstrated as important in the context of developing a model to demonstrate the factors which might positively impact the intra-family CEO succession.

2.9.2 Use of advisors for the succession process

The use of advisors has been explained in agency theory as a residual loss incurred by a family business in an agency and principal relationship. As discussed in section 2.3 on page 30, agency theory has been used to understand family businesses and its theoretical advantages and limitations. However, it has been shown that the use of advisors helps family business members during the process of integrated change management wherein psychological and emotional issues are involved (Strike, 2012) by assisting them to view issues objectively (Adendorff, Boshoff & Radloff, 2005). The advisors can provide a basis of trust and competence of an external professional, helpful in a business process (Sundaramurthy, 2008).

The degree of externality that companies utilise during the succession process is a factor which may be relevant in achieving a successful intra-family CEO succession. There is a lack of analysis into the implication of advisor use, but the discussion around practical applications has been demonstrated in Figure 2-2 below, which Hilburt-Davis and Dyer (2003) adapted from work by Tagiuri and Davis (1982).

Tagiuri and Davis (1982) postulated the fundamental interactions between family, business and ownership that exists within the family firm and using this Hilburt-Davis and Dyer (2003) provided a list of related advisors for each section.

Content removed due to copyright reasons.

*Figure 2-2 Advisors for family business successions
(Adapted by Hilburt-Davis and Dyer 2003 from Tagiuri and Davis 1982)*

Initially, advisors typically focused on tax planning issues within the succession process (Morris, Williams & Nel, 1996). This was due to a considerable impact on future generations of significant tax burdens (due to inheritance tax laws that the business will need to fund, leading to reduced working capital) (De Massis et al., 2008; Molly et al., 2010).

Tax considerations remain important (Devins & Jones, 2015). It has been argued that although the importance remains, not enough emphasis is focused on other aspects of the succession timeline such as mobilisation of the exiting CEO, successor selection and development of the organisation post-succession (Morris et al., 1996).

Advisors can act in a multitude of additional areas including governance, training and development and by engaging with family members across the scope of family and business. Advisors can help identify goals whether financial and non-financial and provide other interventions to assist the succession process (Handler & Kram, 1988; Molly et al., 2010; Strike, 2012; Vago, 2004).

Farrington, Venter and Boshoff (2010) found that the involvement of non-family members in the business workflow results in enhanced financial performance as external expertise

improves quality outcomes and provides better discussions on strategy-making, in turn improving the chances of survival. Sorenson (2000) found efficient family firms proactively seek external expertise from experienced professionals.

Advisors can often find themselves in unique positions where they can help the family members identify and enable discussion around their desired outcomes (Strike, 2012; Vago, 2004). Sharma, Chrisman and Chua (2003) assert that a panel of advisors can assist in the management of the succession planning process and assist in overcoming mental barriers to transition, initiate elements of the process, take control of aspects and ensure completion.

As discussed in the context of intra-family dynamics in section 2.8.2 on page 59, there can be difficulties with founders and CEOs in family businesses letting go (Devins & Jones, 2015). External consultants can provide managerial and technical advice (such as accounting structures and successor preparation strategies) but can also provide psychological and coaching support and intervention with the founder to help them overcome those difficulties (Härtel, Bozer & Levin, 2010; Hilburt-Davis & Dyer, 2003; Michel & Kammerlander, 2015).

There are clear insights required into the use of advisors within the succession process and how they affect the perceptions of success (De Massis et al., 2008; Molly et al., 2010). Breton-Miller et al., (2004, p. 315) found that an appropriate choice of advisor can lead to a reduction in '*dysfunctional family biases*'. Where experts are brought in to carry out specific tasks due to specialist expertise not found within the family.

Several authors have pointed out the lack of empirical research into the use of advisors (Reay, Pearson & Dyer, 2013; Strike, 2012) and approximately 62% of all citations on the topic of family firm advisors were in one special edition of the Family Business Review in 2013. There has been a deficit in the quality of research into advisors and the succession process, with arguments made that the use of advisors tending to be based on anecdotal evidence (Strike, 2012).

This research will help fill the gap by examining the use of advisors in the succession process and determining if advisor use is a factor which positively affects the outcome. In summary, this section contributes to the framework by adding the use of advisors for empirical testing.

2.9.3 Discussion of the selection criteria for a successor

This section will continue the examination of the planning process of the succession and in particular the degrees of externality involved. How alternatives to intra-family CEOs are chosen is considered, and this section will consider the use of selection criteria when deciding on successors.

Using the RBV as a lens, an organisation succeeds based on the skills and attributes within the organisation (Barney, 1991). The use of selection criteria is an established practice in recruitment and is important in assessing the ability to select appropriately (Bach & Edwards, 2012).

According to research by De Massis et al. (2008), the risks of taking on an intra-family CEO, as opposed to an external professional CEO can be mitigated by using rational and objective parameters. The choice of successor selection without assessing those considerations can lead to increased and damaging conflict wherein stakeholders perceive the process to be biased and unfair (De Massis et al., 2008).

The importance of considering selection criteria in deciding a CEO successor was postulated by Chrisman, Chua and Sharma (1998) wherein a wide-ranging cross-cultural research study into family businesses found that integrity and commitment were more critical attributes of a successor than purely industry-related skills.

The findings were tested in research by Sharma and Rao (2000) when the successor attributes of 43 Indian firms were compared with findings of the same methodological study of Canadian firms by Chrisman et al. (1998). Despite the cultural differences of the regions, the findings were equally compelling as to the importance of integrity and commitment as attributes of a successor.

The studies above measured selection criteria (what elements are important for new CEO to have) across a range of areas, but there is a gap in the existing knowledge as to the impact of using selection criteria and their impact on the selection of a successor. This research will

develop the questionnaire to assess the importance of assessing the requirements of a new CEO in determining a positive outcome from the CEO succession.

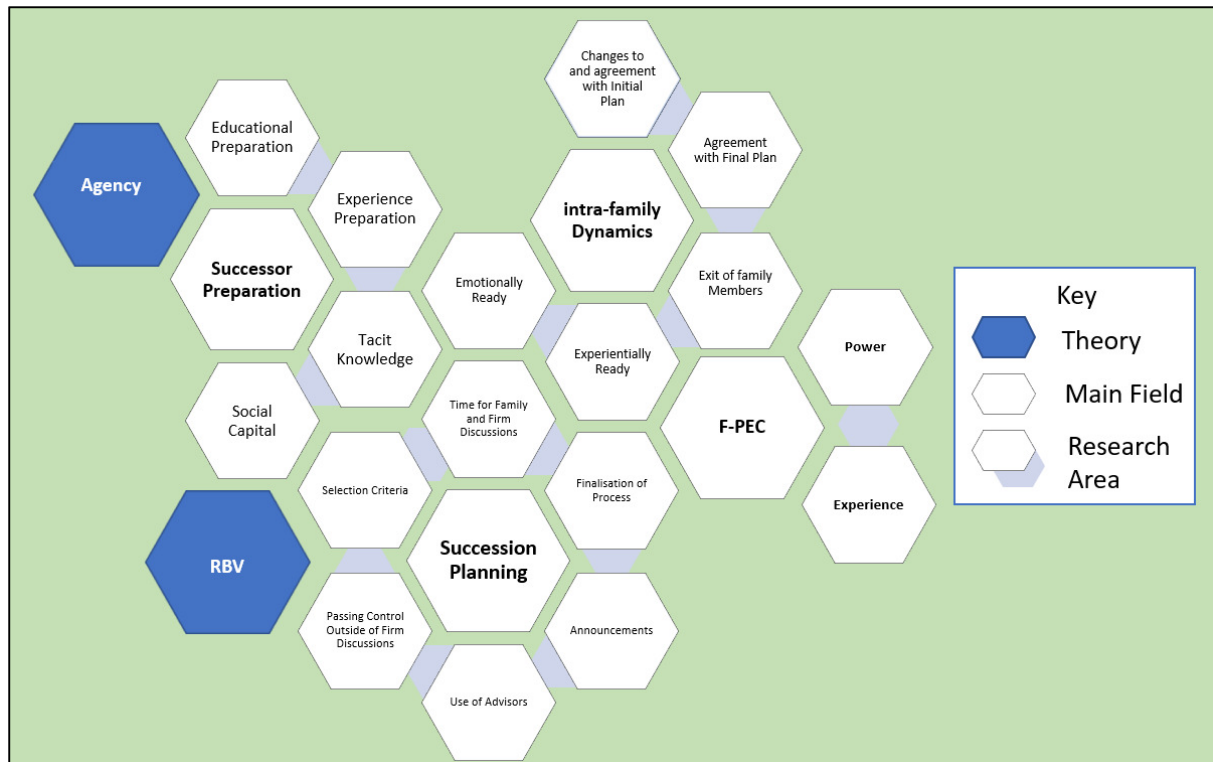
This section has reviewed the role of selection criteria in choosing a successor. The research continues the planning section with the consideration of passing control outside of the firm.

2.9.4 Discussion of passing the control outside the firm

When considering the plans for the future of the organisation, an option clearly exists to exit. Howorth, Westhead and Wright (2004) concluded that management buyouts and buy-ins (when internal or external management teams raise funding to purchase a controlling stake in the business) are valid alternative options to intragenerational succession, but did not consider what the impact of considering this route has on a succession process.

Debicki et al.'s (2009) research called for the inclusion of the exit perspective in succession planning so that stakeholders are free to consider selling or closing the business rather than proceeding with intra-family CEO succession. This perspective will be empirically tested and built into the conceptual framework to address the lack of evidence of whether considering divestment during the succession planning increases the likelihood of intra-family CEO succession and whether it is a factor that positively affects that outcome.

This section contributed by developing a synthesised understanding of existing literature relating to the sphere of succession planning including the timing, the use of advisors, consideration of control passing outside of the family, and the use of selection criteria. These factors are added to the conceptual framework (below in Component 2-4) and provide foundations for empirical examination in order to determine if they positively affect the intra-family CEO succession.



Component 2-4 Conceptual framework – the addition of succession planning

2.10 Post-succession Outcomes

This section considers the extant literature regarding post-succession issues, developing further the conceptual framework to provide an appropriate theoretical foundation for empirical examination.

The study seeks to determine the factors which positively affect the intra-family CEO succession of UK SME companies and in so doing it is important to consider the events and configuration of the post-succession organisation as well as the events which lead into or occur during the succession.

The post-succession section considers those aspects of succession which affect the satisfaction with the entire process and the impact of pre-succession decisions on post-succession outcomes.

2.10.1 Leadership and management changes

In order to meet the aims of this research, the perspectives of internal stakeholders of the succession are being sought in order to answer the central question of which factors positively affect the intra-family CEO succession. The event that is being researched is that of CEO succession, and it has previously been discussed that this is a central and critical issue in any business, but with particular impacts on family businesses.

A change in CEO is fundamentally about leadership. Leadership is a term that has been the cause for much debate in academia for thousands of years (Wilson, 2016) and has many definitions (Yukl, 2010). The Chartered Management Institute (CMI, 2011, p. 1) suggested that leadership:

“...is the capacity to establish direction, to influence and align others towards a common aim, to motivate and commit others to action, and to encourage them to feel responsible for their performance” whereas management is about *“day-to-day running of a function and getting the right people in the right place, with a focus on implementation”*.

There is extensive discourse in defining management, and whether management and leadership are distinct or if there are overlaps (Yukl, 2010). Kotter (2007) postulated that management relates to complexity in the business and involves planning, budgeting, organising and problem-solving. Leadership is about change and setting a pathway, motivating and appealing to human values and emotions (Kotter, 2007).

When there is a succession, or another major event in an organisation, leadership alone is rarely sufficient to achieve buy-in to a strategy from the organisation’s stakeholders that will lead to the successful implementation of that change (Yukl, 2010). The succession brings significant and wide-reaching issues to the family business including the differences in leadership approaches of the new and old CEO; management changes (regarding actual personnel and styles); and changes in board configuration (Brockhaus, 2004; Handler, 1994; Michel & Kammerlander, 2015; Sorenson, 2000).

The impact of those who are responsible for the day-to-day management of the organisation across the succession phases was highlighted by Bennedsen et al. (2007) as a potential concern (related to agency in that there is a change of principal and agent and the establishment of goal congruence). Bennedsen et al. (2007) found that succession can be negatively impacted by retaining pre-existing management as they continue to act in favour of the former CEO.

These issues can be viewed from the agency and RBV perspective discussed in 2.3 on page 30 as the business is seeking to retain its competitive advantage through retention of skills and attributes (RBV) and retain an advantage through its reduced residual loss (agency theory) by maintaining management and leadership within the organisation.

It is emphasised in the family business literature that the succession planning process is tense and incredibly important, and due to the complexity and emotions involved changes and delays are inevitable (Hoy & Sharma, 2009). It has been suggested that conflict issues within the family and business systems can be more intense and costly in the post-succession era when compared to pre-succession and so planned changes may not take place and uncertainty around the leadership and management of the organisation can increase (Villalonga & Amit, 2006).

When changes are defined within the planning stages, how they flow into the post-succession reality may impact the overall outcome. Issues such as increasing numbers of inactive dependents (as the family grows and people retire) on the business can lead to additional change and conflict (Davis & Harveston, 1999). There may be increased dividend calls to support the growing family members (Molly et al., 2010) which may contribute to post-succession issues (Paul, 1996). Part of this complexity may be because it is frequently expected for stakeholders in family business, particularly family members, to take roles across a range of functions (managerial, leadership and operational) (Tagiuri & Davis, 1996).

The impact of changes to the plans are not clear (Gilding et al., 2015), and this study will seek to understand the perceptions of success when changes to the management and board roles occur by adding those factors to the framework which is empirically tested.

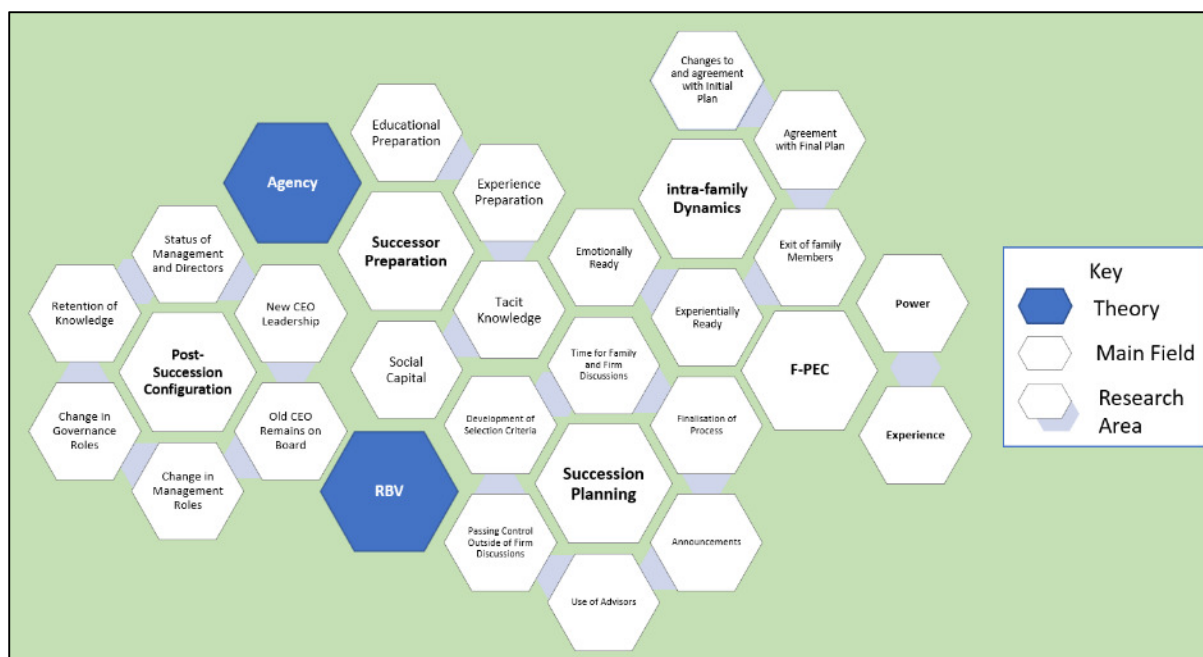
Along with the general leadership and management of the organisation, the question of the new status of the exiting CEO needs to be addressed. McConaughy et al. (1999) in their study of

publicly traded firms found that as family firm leaders typically have longer tenures as leaders of family firms than CEOs of non-family firms. The tenure length leads to a significant impact after succession than would be felt in non-family firms, leading to a CEO 'shadow'. McConaughy et al. (1999) showed this shadow was adverse after the first succession, but neutral for subsequent successions.

However, Villalonga et al. (2006) argued that rather than a negative shadow that must be overcome, the value in a family business is heightened when the former CEO retains involvement and that "*firm value is destroyed*" when there are no agency controls to mitigate (Villalonga & Amit, 2006, p. 415).

The impact of a former CEO remaining on the board can have multiple effects according to the extant literature. The former CEO leaves artefacts within the culture, ethos, financial and non-financial performance, and external relationships of the family firm (Collins & Porras, 1994; Schein, 1983). These artefacts potentially lead to conflict between the successor and predecessor (Cabrera-Suárez et al., 2001). However, access to the tacit information will be retained for the use of the company.

There is evidently debate as to whether or not the intra-family CEO succession is positively impacted if the previous CEO remains in the family business. There is a gap in the existing knowledge as to whether the CEO (leaving or staying) or management and board changes positively affect an intra-family CEO succession. These aspects will be tested empirically to assist in the theory-building of succession in family businesses. Section 2.10 has developed the importance of the post-succession firm configuration. Emphasising the issues around the CEO remaining and the overarching corporate governance aspects of management, directors and knowledge are incorporated into the conceptual framework as shown in Component 2-5 below.



Component 2-5 Conceptual framework – the addition of post-succession firm configuration

2.10.2 Strategic direction

Strategy has been defined as:

“the direction an organisation takes with the aim of achieving future business success” (CMI, 2014).

The study aims to determine factors which positively affect the intra-family CEO succession of UK SME companies and in so doing it is essential to consider the events after the succession and how they impacted satisfaction with the process.

This section helps achieve the aim by analysing the existing literature relating to strategy selection after the succession, adding to the conceptual framework by providing appropriate foundations for empirical examination.

Studies have found that a change in the leadership of the business can lead to shifting away to a more corporate and less entrepreneurial style (Fiegener, 2009; Molly et al., 2010). In a related vein, succession often brings a period of shift into new products or markets (Gómez-Mejía et al., 2010). These strategic shifts are fundamental to the business, Kor, Mahoney and Michael

argued (2007) they are more important than the succession itself. Strategic direction and planning become an important area to understand in relation to the succession process (Devins & Jones, 2015).

Rih and Guedira (2014) assert that the prevailing view in entrepreneurship research and entrepreneurial approaches are focused on personality traits and the exploitation of opportunity. However, Kor et al. (2007) argue that entrepreneurship skill emerges not from a particular character type or business opportunity, but from tacit knowledge acquired of a firm or industry also discussed. This is relevant as the transfer of tacit knowledge is a factor within the framework that will be tested empirically.

Jaskiewicz (2017) posited following a qualitative study (a detailed social analysis) of 21 family firms that there was a lack of evidence that demonstrated the capacity for previous generations to pass on their entrepreneurial capacities which includes entering new markets, products and strategies (Schumpeter, 2017). Jaskiewicz (2017, p. 9) stated that an “*entrepreneurial legacy*” exists in family businesses that promote “*strategic activities*” linking with the aspect of tacit knowledge discussed in 2.7.2 on page 50.

Ansoff (1957) stated expansion strategies were possible through a market or product development, penetration or diversification. The decision, post-succession, of whether to adopt a strategy and if so which type are often the source of intra-family conflict (Gómez-Mejía et al., 2010) and therefore relevant to a study such as this as the selection of new strategies will potentially have an impact on the perceptions of success. This is partly because of complexity increases at high-risk phases within the organisation’s life cycle such as during expansion decisions, changes in product focus and at the point of succession (Handler and Kram, 1985).

Whether changes in diversification strategies (expansion, product, market) have a relationship to the intra-family CEO event needs to be understood. In an important study, Sharma et al. (1997) presented a three-stage model to describes how the goals and objectives of a family firm change over time. The first stage involves goals and objectives set by the founder; the second stage is to secure intra-family succession; and, the third stage is to focus on continued ownership by the family (Sharma et al., 1997). The concept of strategy selection appears in the family firm literature as a tension between first-generation ownership (typically

entrepreneurial) and the second generation (running a mature, established company) that is looking for different ways to grow and expand through via the market, product or strategy diversification (Delgado-García et al., 2010).

The extant literature remains unenlightening about the different directions taken by professional or intra-family CEOs, and this research will go some way to providing insight into the decisions of a post-succession business. It is unclear from the extant research if changes in diversification strategies (expansion, product, market) have a relationship to the positive outcome of a succession event. By drawing upon these strands, the study will aim to determine if there is any relationship between the selection of strategy and whether the successor came from within the family.

2.10.3 Profit stability

Although businesses do not always rely on profitability as a primary aim and as discussed earlier family businesses often place longevity and survivability as a higher priority, there is an argument that profit and profit stability across a succession can be used as a measure to show that a positive outcome has been achieved.

It has been suggested that family firms have an additional focus on non-financial goals. Spence and Rutherford (2001) used explorative qualitative methods to develop a theory of four types of family firm focus: profit maximisation, survival, self-interest, and social benefits. Spence et al. (2001) argued that the reasons for family businesses being in an enterprise are more complex than merely profit maximisation. Whereas earlier literature focused on profit maximisation (Chrisman et al., 2003; Westhead & Cowling, 1998), over the last fifteen years there has been extensive research into the non-economic goals of family business (Kotlar & De Massis, 2013).

While it is acknowledged that there are many goals within family firms (Astrachan & Zellweger, 2008; Chua et al., 1999) and that family businesses seek *socio-economic wealth* (a term that incorporates all fiscal and non-fiscal benefits) (Gómez-Mejía et al., 2007). Amit and Villalonga (as cited in Melin, Nordqvist & Sharma, 2013) stated that it is dangerous only to view family business performance in this way, collecting all elements of performance together can mask the decision-making or perspectives on each. Profitability is considered by many to

be the most-important aim (Greve, 2008). Even with a wide range of alternative goals, the foundations of profit are the enablers of alternative goals and not recognising the importance of profit can lead to an organisation's failure (Chrisman & Patel, 2012; Kotlar, Fang, De Massis & Frattini, 2014).

Profit measures are an important focus for businesses and an indicator of comparative performance and stability. A lack of stability in profitability within the organisation has been shown to lead to increased risk-taking (Chrisman & Patel, 2012; Gómez-Mejía et al., 2010; Kotlar & De Massis, 2013). This is not necessarily an impediment to a positive intra-family CEO succession, but the fact that it has an underlying impact on strategic choices is an important factor as firm survival is the fundamental and most basic goal for the family firm, dependent on profitability as the outcome from risks taken (Chua, Chrisman, De Massis & Wang, 2018).

Measuring profit is complicated in family businesses as operational decisions are made that may compromise performance. Minority views on strategy (such as diversification into an unrelated and untested business area that is favoured by members of the family) from family members may be considered in order to maintain family unity, thus affecting the comparable accuracy of conventional indicators derived from financial and accounting reporting without contextual understanding (Colli, 2012).

Amit and Villalonga (as cited in Melin et al., 2013, chap. 9) stated that measuring the profit can be difficult due to the privacy and lack of disclosure. There is a tendency to reduce dividend payments and returns on investment (Colli, 2012) in favour of less-commercial goals affecting profit. Pelham and Wilson (1995) showed that new strategies, market orientation and new product launches might not have a substantial impact on the profitability of a firm. Moreover, as confirmed by Hansen and Wernerfelt (1989), organisational performance is affected by the choice of company-level factors such as size, structure and firm history.

These difficulties with comparison are exacerbated when different generations focus on different aspects of a firm's performance (Kor et al., 2007). A family firm's relationship with profit is complicated, as Dreux (1997) stated there are strong reasons to minimise profit to reduce taxation (Daily & Dollinger, 1992; Dreux & Goodman, 1997) while McConaughy

(1999) cited the benefits of the capital and research and development left by the previous generation can be harvested by successive leaders to improve future profits for the business. So, it is important that the investigation incorporates a short time period in examining the effects of the succession.

Astrachan (2002) offered that there is no evidence of a profit impact across succession events, despite the factors such as accumulation of knowledge, access to capital, and costs of transition. This was further evidenced in extensive studies by Molly et al. (2010) and Cucculelli et al. (2008) where the authors demonstrated within their study that post-succession performance worsened, only mitigated by the employment of a non-family successor. These are examples of the lack of cohesion within this field of research into the impact of a professional or family successor.

As Chrisman (2005, p. 557) stated empirical examination of simple economic and financial goals are essential and remain the “*dominant goal...or critical constant*”. He cited Makadok’s (2003) findings that companies that maintain a break-even or better position can survive indeterminately, whereas those with losses can survive only briefly.

Much of the existing research uses cross-sectional data (researching a snapshot in time). There are gaps in the literature which examine the pre and post-succession elements and which factors positively affect profit stability across time periods (Bennedsen et al., 2007; Blanco-Mazagatos, de Quevedo-Puente & Castrillo, 2007; Molly et al., 2010). Alayo (2016) called for measurements from two different moments to illuminate the succession process and to see the impact of changes which would assist in addressing the gap in knowledge that exists around the succession event (Gómez-Mejía et al., 2007). This study will address the gap by examining the profit before and after the succession to assess stability in the tax year before and the tax year after.

There is empirical evidence that the complexity of taking over leadership by an intra-family CEO is compounded by personal investments typically made during the transition, leading to increased strains on profitability and increased risk aversion (Shepherd & Zacharakis, 2000), heightening the importance of a short-term perspective measure.

In effect, the measure of profit captures sustainability (have they survived) and offers a method to judge family firms over time (Colli, 2012). Venter et al., (2005) highlighted the lack of evidence relating to profitability after a succession and stated that profit is a measure which can be used to assess performance over periods or events. The reasoning for assessing the performance (in terms of profit stability) over a short time frame is that it provides an objective measure for which to view the positive effects of succession on an individual organisation's profitability across the succession period.

There have been several studies into post-succession profit as detailed above, but its use as a measure of success has been relatively weak. For example, Venter (2005) used stakeholder perspectives as a profit measure, rather than actual data or a comparison between periods. Venter (2005) used this method because it was difficult to attain comprehensive data due to privacy concerns and tax disclosure issues. This thesis will address the secondary data issue in sections on the FAME database (3.5.1 on page 94), and general secondary data issues (3.6.4 on page 118) which details the data is sourced from data filed by the SMEs.

The motivation of this particular research study is to examine the factors that positively impact the intra-family CEO succession. How the profit pre- and post-succession is affected is an integral part of the conceptual framework as it demonstrates the capacity of the business to, at least, maintain financial stability and survivability a key goal of family businesses (Suárez & Santana, 2010).

This section has discussed the importance of post-succession outcomes on assessing the factors which positively affect an intra-family CEO succession. How profit stability is maintained is an aspect which will require empirical validation and form part of the conceptual framework. The diversification strategy and how a change in leadership impacts the succession will also form part of the post-succession outcome and achievement of the aims of the thesis.

Sections 2.10.2 and 2.10.3 have examined the aspects relating to the post-succession outcomes that form this section's contribution to the conceptual framework (Figure 2-3 below) of factors that will be empirically tested in order to determine those that have a positive impact on the intra-family CEO succession.

2.11 Conceptual Framework

Consolidating the elements of the literature review result in the conceptual framework shown in Figure 2-3 below provides a foundation for empirical testing to determine the factors which positively affect the intra-family CEO succession. The blue hexagons represent the theories of agency and RBV that have been used to structure the literature analysis. The white hexagons are the theoretical headings to be pursued in the empirical work grouped around the main topic in bold.

The second objective laid out in section 1.2 on page 23 was to develop a conceptual framework from the literature review to assist in completing the aim of determining the factors which positively affect the intra-family CEO succession of UK SME companies. The research defines positively as the perception of satisfaction with the process stages, the stability of operating profit pre- and post-succession and the CEO role being taken by a family member.

The conceptual framework is the result of engagement with and interrogation of the literature on intra-family CEO succession across the processes which take place before, during and after the succession. The conceptual framework was developed to guide the thesis towards its primary aim and used to develop the research methodology and is presented below in Figure 2-3.

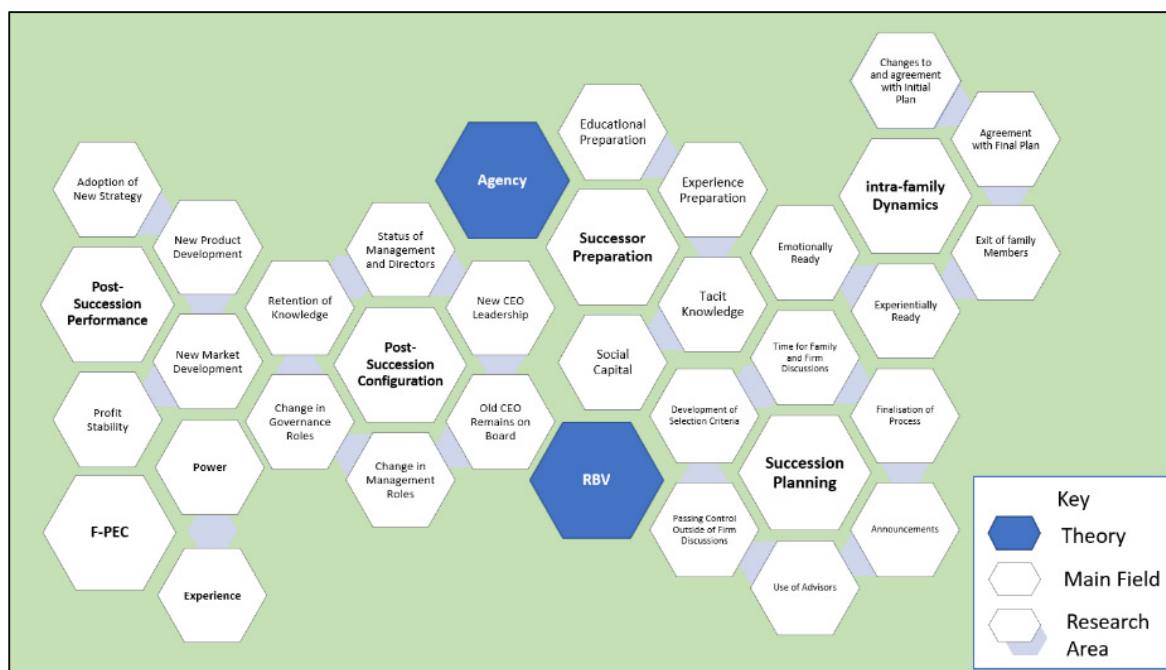


Figure 2-3 Conceptual framework of succession in family firms

The framework in Figure 2-3 shows the topic areas which must be researched within the empirical work. Understanding how, and if, they interact will expand the understanding of the succession process and increase knowledge on the complex issue of succession, satisfying the aim of determining the factors which positively affect intra-family CEO succession.

To summarise the findings from the literature review, Table 2-2 identifies the subjects which emerged from the literature as relevant for research in order to meet the research aim. Within those key subjects, sub-themes were identified and gaps (column 5) identified in the literature. It is these elements which will be addressed in the data gathering process, and the next chapter will explain this. The final column shows the theoretical framework that was applicable to the emergent sub-themes.

Table 2-2 Key authors and emergent literature themes

Subjects Identified and Conceptual Framework Link	Emergent Sub-themes	Key and Selected Related Authors Identified	Publication Years	Identified Gap	Theoretical Framework
F-PEC No. of papers 134 No. of citations 21,202	Power Experience	(Astrachan et al., 2002) (Klein et al., 2005) (Cliff & Jennings, 2005) (Rutherford et al., 2008) (Holt et al., 2010) (Evert et al., 2016) (Debicki et al., 2009) (Rau et al., 2018) (Jaskiewicz et al., 2016) (Daspit et al., 2016)	2002 – 2018	Effect of power on succession outcome. Experience aspect remains untested empirically.	Agency RBV

Subjects Identified and Conceptual Framework Link	Emergent Sub-themes	Key and Selected Related Authors Identified	Publication Years	Identified Gap	Theoretical Framework
Successor Preparation No. of papers 147 No. of citations 4,192	Educational Experiential Tacit knowledge Social capital	(Breton-Miller et al., 2004) (Venter et al., 2005) (Chrisman et al., 2003) (Basco & Pérez Rodríguez, 2009) (Fiegner, 2009) (Sardeshmukh & Corbett, 2011)	1992 – 2018	Effect of experiential preparation on successor choice. Effect of educational preparation on successor choice. Social capital impact on successor choice.	Agency RBV
Intra-family dynamics No. of papers 657 No. of citations >100,000	Disagreement at planning stages Emotional and Experiential readiness Tacit transfer Passing control outside Selection criteria	(Szulanski, 1995) (Villalonga & Amit, 2006) (Gersick, 2015) (Schulze et al., 2001) (Sirmon & Hitt, 2003) (Sharma, 2004) (Aronoff, Astrachan & Ward, 2016) (Capozza & Brown, 2000) (Fiegner, 2009) (Heck & Trent, 1999) (Schöpflug, 2001)	1975 – 2018	Impact on the succession of considering an external CEO. Effect of tacit knowledge transfer on the succession. Impact of disagreement at various stages of the process.	Agency RBV

Subjects Identified and Conceptual Framework Link	Emergent Sub-themes	Key and Selected Related Authors Identified	Publication Years	Identified Gap	Theoretical Framework
<p>Succession Planning</p> <p>No. of papers 437</p> <p>No. of citations 72,642</p>	<p>The time window for planning activities</p> <p>Use of advisors</p> <p>External control</p> <p>Selection Criteria</p>	<p>(Gersick, Gersick, Davis, Hampton & Lansberg, 1997)</p> <p>(Habbershon & Williams, 1999)</p> <p>(Sharma, 2004)</p> <p>(Sharma et al., 1997)</p> <p>(Daspit et al., 2016)</p> <p>(Molly et al., 2010)</p> <p>(Strike, 2012)</p> <p>(Hilburt-Davis & Dyer, 2003)</p> <p>(Reay et al., 2013)</p> <p>(Richomme-Huet & d'Andria, 2010)</p> <p>(Donckels, 1995)</p> <p>(Howorth et al., 2004)</p> <p>(Lansberg, 1988)</p> <p>(De Massis et al., 2008)</p> <p>(Brun de Pontet et al., 2007)</p> <p>(Sharma & Rao, 2000)</p>	<p>1961 - 2017</p>	<p>Lack of empirical evidence regarding the use of advisors during the succession process.</p> <p>Effect of use of selection criteria on succession process.</p> <p>The timing of various stages of the succession planning.</p> <p>Divestment consideration at succession phase.</p>	<p>Agency RBV</p>

Subjects Identified and Conceptual Framework Link	Emergent Sub-themes	Key and Selected Related Authors Identified	Publication Years	Identified Gap	Theoretical Framework
Post-Succession Outcomes No. of papers 403 No. of citations 18,216	Leadership and management changes Strategic direction Outcomes	(Bennedsen et al., 2007) (Pérez-González, 2006) (Breton-Miller et al., 2004) (Miller et al., 2003) (Bizri, 2016) (Villalonga & Amit, 2006) (Molly et al., 2010) (Collins & Porras, 1994) (Colli, 2012) (Kor et al., 2007) (Pardo-del-Val, 2009) (Gilding et al., 2015) (Hoy & Sharma, 2009) (Morris et al., 1997)	1978 - 2018	CEO remaining post-succession impacts. Changes in board and management roles after the succession impacts. Profit stability pre- and post-succession.	Agency RBV

2.12 Summary

This chapter has provided an examination of the family business research landscape. The landscape is broad and complex. Whereas much of the earlier research was spent comparing family to non-family businesses and on the issue of an appropriate definition, this research is focused on issues of homogeneity and has adopted a self-definitional approach to the family business sphere. The risks of self-definition are mitigated by the study examining firms that have already been through succession and where family members remain involved.

The two theories of agency and RBV have been investigated and reflected upon (as defined in objective one) and used to determine the factors which may positively affect the intra-family CEO succession. This has led to the completion of the second objective (the conceptual framework). The theories have provided lenses through which to view the possible factors which positively impact an intra-family CEO succession. The two theories relate to differences that family businesses have, or purport to have, to non-family businesses whether it be a reduced residual loss and increased goal congruence (due to the principal and agent being 'the same' (agency theory)) and the unique factors of the family firm (RBV). Those differences to non-family firms provide the landscape of homogeneity in which to view the internal mechanisms of family firms and decipher the factors which positively affect an intra-family succession outcome.

The literature review has developed the conceptual framework into several different areas:

- Successor preparation.
- Intra-family dynamics (family discussions).
- Succession planning.
- Post-succession configuration.
- Post-succession performance.

Each area contained theoretical gaps which have been highlighted in Table 2-2 (column 5) that will be explored beginning with the question of research design in the next chapter.

The importance of family businesses has been highlighted, and the fact that they are often willing to sacrifice performance in their goal of achieving succession ensures this topic will remain an important field to study. There is a theme of externality and of looking inwards throughout the literature. The impacts of how the business communicates its planning and how the successor preparation has been considered is the subject of debate within the succession field. In terms of externality, the themes of advisor use, professionalising the CEO role and the potential family exit from the family business on the intra-family succession were visited and gaps identified on their impact on the succession.

There is conflicting evidence in family research, with authors arguing the case for a professional CEO succession rather than intra-family CEO. Many family businesses will seek intra-family CEO transition despite the potential issues that can arise. The background to the

family business literature has emphasised the importance, and suitability of family business succession research, and in response, this study is designed to address the lack of focus on determining, empirically, those factors which positively affect the intra-family CEO succession.

The succession of a CEO is a phase where intra-family issues can be expected to affect organisational decisions and a critical point in the longer-term success or failure of the business. This chapter identified critical theoretical lenses (agency and RBV) on which to base the conceptual framework and subsequent empirical research.

Succession in family firms maintains its continuing significance, including of intra-family CEO succession as a research topic (Sund, Melin & Haag, 2015). The succession success can be measured regarding the overall satisfaction by the relevant stakeholders' aims and objectives and the continued viability of the firm (Alayo et al., 2016; Cabrera-Suárez et al., 2001; Suárez & Santana, 2010; Venter et al., 2005). It is critical to ensure that diverse measures, like those developed in the conceptual framework, are empirically tested and that they consist of objective (intra-family CEO) and subjective measures (satisfaction) in order to fully understand the factors which positively affect the intra-family CEO succession (Alayo et al., 2016; Breton-Miller et al., 2004; Kesner & Sebor, 1994; Pyromalis & Vozikis, 2009; Sharma et al., 2003).

In completing the second primary objective (the development of a conceptual framework) presented in Figure 2-3 above (assisted by the emergent themes shown on Table 2-2 on page 79) the research now moves to the question of research design. In order to complete the third objective, the thesis will define the research boundaries and determine an appropriate sample for investigation. The thesis will continue by determining the statistical and analytical methods to test for and identify underlying relationships of the items contained within the conceptual framework (Figure 2-3). This will complete the fourth objective and guide the thesis to achieve its overall aim.

Chapter 3 Research Design Considerations

3.1 Chapter Introduction

The purpose of this chapter is to develop the methodological and research design considerations required to achieve the aim of the study. The chapter will begin with the crucial aspect of the researcher's ontological and epistemological views so that the remaining chapter is clearly grounded in an understanding of the originator's perspective.

The chapter continues with an exploration of the ethical position and protection of the participants, who will also be clearly defined at this stage, along with the geographical and other boundaries of the research. Chapter 3 will conclude with sections on the specifics of the data collection techniques and the selected analytical approach.

3.2 Philosophy of the Research

It is important that the underlying ontological and epistemological views of the researcher are clarified before moving to the research design and interpretation of the findings. The philosophy adopted creates an expectation of how the research will be conducted, and importantly creates a viewpoint for the reader by which the research can be judged (Easterby-Smith, Thorpe, Jackson & Lowe, 2008). Traditionally, this has been framed as a debate between positivist and a range of theories that can be called interpretivist.

Practitioner and educational researchers have expressed positivist and interpretivist views which demonstrate the contradictory perspectives held on social realities and behaviours (Cohen et al., 2017). The positivist view of reality is one of objective detachment and certainty that truth exists separate to the observer (Holton, 1993). Throughout the research process the researcher attempted to be impartial and engage with academics, advisors or family business participants as an observer rather than a participator. This was not always possible throughout the process as the researcher's experiential background and active engagement with conceptualisation at conferences and gatherings led to reflection, participation and observation. This engagement led to changes within the field of family business research as ideas explored became part of the extant literature.

This study, examined the factors leading to positive intra-family CEO succession, aimed at achieving a precision based on observing the interaction of independent and dependent variables, or “*causally acting elements*” (Cohen et al., 2017, p. 8). The researcher is a Chartered Management Accountant who fundamentally believes that the use of statistics, data and quantitative techniques based on an appropriately sized sample is a valid way of developing theory.

Positivist approaches capture a wide range of research designs and interpretation frameworks ranging from experimentation in a controlled laboratory to the quasi-experimentation common in management science. At the core of positivism, is an argument and assumption, that it is possible to reflect reality in a theoretical model (Lipton, 2004) and that a test of the validity of a theory is if it corresponds to nature (de Jong & Bem, 2005). A vital issue in this is that a theory only has value if it can be tested, so it becomes an explanation subject to further refinement, revision and possible refutation (Popper, 1994). This promotes scientific theory and explanation of observed events above the assumptions and anecdotal nature of common sense and everyday knowledge (Craver, 2002). Formulating the appropriate enquiry becomes the crucial step in determining the answers (Sharma, 2004) and is the fundamental outcome of this chapter built on the literature review.

At the extreme, positivism lies behind the concept of Behaviourism in Psychology developed in the 1940s and 1950s (Mills, 2000) that drew on the argument that if something could not be directly observed then it had no scientific validity, if it cannot be measured then it is not real (Easterby-Smith, Snell & Gherardi, 1998; Easterby-Smith et al., 2008).

To some positivist researchers (Craver, 2002) the process of science is of rebutting existing knowledge. In the case of this research, the sphere of succession is acknowledged to be a complex environment of interrelated elements which creates a challenge for assessing causality and relationship. Through that contemplation and broader study, the researcher reflected on the meaning of theory and accepted:

“...the real source of theories is conjecture, and the real source of our knowledge is conjecture alternating with criticism. We create theories by rearranging,

combining, altering and adding to existing ideas with the intention of improving them” (Deutsch, 2011, p. 32).

An interpretivist seeks to understand the world through subjective interpretation, implying that there are many different ways to conceptualise a ‘meaning’ of the investigated (Schwandt, 1994) seeking ‘why’ rather than ‘what’. The ‘meaning’ being defined between all participants of the research, with no separate existence beyond those participants only many realities each with their own contextual relevance (Cohen et al., 2017).

Interpretivist research is often difficult to reproduce as it relies on the researcher’s subjective view of what is critical to study. The researcher becomes personally entangled in the process, meaning contextual insight is needed to understand the researcher’s approach (for example during an open interview, the direction of the questions taken) (Bryman & Bell, 2007). A positivist approach, however, follows an approach that is fundamentally replicable. The same problem analysed by different researchers will produce comparable conclusions (Bryman & Bell, 2007).

In the inductive methodology, the researcher’s qualitative approach has issues of generalisability. As the number of participants is usually relatively small with a specific emphasis, taking the findings and applying to a larger population becomes problematic. There is usually no way of knowing if the sample is characteristic of other non-participants (Bryman & Bell, 2007). This is a fundamental difference between inductive and deductive research. The aim of inductive research is to “*generalise to theory rather than to populations*”, providing powerful theoretical insights as opposed to the statistical basis of deductive research (Bryman & Bell, 2007, p. 424).

This research is deducing ‘what’, using the theories of agency and RBV to achieve the research aim through the use of empirical evidence. Using theoretical conceptualisations developed from the literature review to examine an existing phenomenon, of intra-family CEO succession, achieving the research aim will provide a new awareness of the issue. Therefore, the research design will follow a deductive or quantitative research design. This will inform and direct the process of data collection (Bryman & Bell, 2007).

3.2.1 Mode 1 and mode 2 research

A further debate, common in the management research community is the relative importance of rigour of research and the need to develop findings of relevance to the practitioner community (Wright, Paroutis & Blettner, 2013). This debate is often now labelled as the trade-off between mode 1, and mode 2 knowledge creation (MacLean, MacIntosh & Grant, 2002). At its most straightforward the distinction is that mode 1 stresses rigour in research and locates its approach firmly in the broader social science tradition of knowledge-production while mode 2 seeks a blend of rigour and relevance (Gray, Iles & Watson, 2011). More specifically, mode 2 will include in the intended audience both academics and practitioners and can be seen as an attempt directly to influence management practice (Mohrman, Gibson & Mohrman Jr, 2001).

As mode 2 research is often cross-disciplinary and is not born of purely university-based “*knowledge-production*” there can be concerns with rigour produced this way (Bryman & Bell, 2007, p. 8). Indeed there are secondary sources within this research and the family business sphere as a whole that emphasise mode 2 at the expense of rigour and where the cases are selected with no logic or theoretical underpinnings leading to anecdotal evidence at best (Gordon & Nicholson, 2008, 2010).

This has affected research into the family firm in several ways. Studying ‘them’ as an abstract form to understand how ‘they’ operate and ‘their’ advantages and disadvantages is mode 1 while this mode 2 study has a goal of providing research of value to those running or advising, family firms. In the case of this research, it has led to a focus on mode 2 with the goal of producing findings that can be of use when planning intra-family changes regarding the ownership and control of family firms. Hodgkinson (2009) argues that there is no fundamental problem with mode 2 research in that, as long as it is well designed and conducted, there is no concern over relevance and rigour (Hodgkinson & Rousseau, 2009). This research is a product of academic rigour and practitioner understanding and as stated by Tranfield and Starkey (1998) mode 2 research is meant to co-exist as a research paradigm rather than compete or replace mode 1 research. In consequence, while emphasising mode 2, this research addresses concerns raised by Kieser and Leiner (2009) by ensuring the research is built on a robust conceptual framework developed in chapter 2 and testing theory rather than purely solving questions from observation (Kieser & Leiner, 2009). There are also the perspectives that practitioner-based doctorates are channels for new types of knowledge and methods of

“*knowledge-production*” that involve the bridging of “*professional and academic knowledge*” (Drake & Heath, 2010) termed mode 3 research.

The rigour of the research will be ensured by defining concepts (family business, succession, SME) for the critical terms and following logical, statistical methods in a systematic way with precision, as stated by Hodgkinson (2011, p. 364) “...*will allow us to bring rigour to bear on the analysis of problems...*”.

The mode 1 and mode 2 debates are primarily about the relative importance of rigour and relevance in management research. This leads to the consideration of how one can generalise from a particular piece of research and move from observation of a particular study to theory-building (King, Keohane & Verba, 2004) so that the findings can be of practical benefit to practitioners.

Generalisability is based on the probability that the sample observed is representative of UK SME family businesses that have been through a succession, statistical analysis is performed to test the variables developed.

Given the number of areas (from succession planning, through successor preparation to use of advisors) in which intra-family CEO succession can be affected, as shown in the conceptual framework in Figure 2-3, confidence can be gained that measuring several factors can lead to the analysis of potential relationships (Easterby-Smith, Thorpe & Jackson, 2015) in determining which lead to a positive outcome and which do not. Crucially, the framework presented a series of predictor variables (such as preparation of the successor, planning of the succession, use of advisors) which may have impacted the dependent variables (intra-family CEO succession satisfaction of the respondents, and profit stability across the transition).

Primarily, the research involves real-world companies so there is no scope for a conventional experimental model and equally it cannot rely on a comparison between two equal samples. The complexity of these issues is common in the wider field of management research where classic experimentalism is rarely feasible (Aken, 2005; Easterby-Smith et al., 2008). The objective requires data to be collected in a real-world context and secondly, there is a need to provide practitioner relevance (MacLean et al., 2002; Mohrman et al., 2001). Practitioner

relevance, in this case, will be for family businesses (leaders, successors, and family members) and their advisors.

The chapter continues with the research ethics, development of the survey data collection tool, which permits the use of a relatively large sample, ensuring the provision of internal reliability, appropriate questions and scales for data gathering (Bradburn, Sudman & Wansink, 2004) and sample suitability are addressed (Debicki et al., 2009; Litz et al., 2011).

In summary, the paradigm is positivist and the approach is deductive, the survey method used to fulfil the research aim using the existing theories of agency and RBV around family business succession. The next sections will discuss the purpose, questions and design of the instrument.

3.3 Research Ethics

Ethical approval was obtained from the University of Derby. The Ethics Committee approved the procedures of this study and the approval document is shown in Appendix A. The email invitation for participants is included in Appendix B and shown on page 207. The respondents were provided details of their involvement and that they would be able to withdraw at any point before entering data into the survey at which point it would be infeasible due to the nature of the analysis. Their confidentiality was highlighted, and they were informed how the data would be used and their responses anonymised. The participants were sent an email in advance of the survey so that they had time to consider and reconsider their involvement. After the survey was completed there was not any debriefing however, they were asked if they would like to receive an executive briefing, 59% of respondents said they would like a briefing.

Assurances of confidentiality were included on the participation sheets detailing the boundaries of identifiable information, and no identifiable data was divulged beyond the researcher. The identity of the business and the respondent is confidential and only known to the researcher. Any published works will be anonymised, and as a Fellow of the Chartered Institute of Management Accountants, the researcher has professional responsibilities of integrity, objectivity, competence, due care, confidentiality and professional behaviour (CIMA, 2018) along with the University of Derby's guidelines.

The General Data Protection Regulation (GDPR) was introduced in 2018 to replace the previous Data Protection Directive. GDPR introduces requirements on organisations that handle personal data of EU residents. GDPR contains clauses that enable researchers to ‘opt out’ of measures. However, the personal data used in this project has been obtained using the consent of the respondent, and no ‘opt out’ actions have been taken (Maldoff, 2018). The data held has now been anonymised, and by the regulations, the respondents were provided with the researcher’s identity, contact details, and the purpose of the data. The data will be erased once the Doctoral process has been completed and research papers completed. Data was not collected with pre-ticked statements and “*clear affirmative action*” was required on the part of the participants (GDPREU 2018, Article 4).

In accordance with legislation, the thesis used fair dealing rights “*for the purpose of criticism or review*” in its use of figures with third-party copyright. Each figure used incorporates an acknowledgement for works that have been included (made available to the public) in accordance with UK Law (Copyright, Designs and Patents Act, 1988).

3.4 Research Boundaries

The purpose of this section is to explain the boundaries of this research that assisted in the development of the conceptual framework. There is considerable research that compares family businesses with non-family businesses; this research is not engaged in that discussion. It is interested in the performance of family businesses, focused on one element, namely succession by a family member.

The extant empirical research typically does not differentiate between general intra-family transfer and a transfer to direct descendants. Research switches unencumbered from intra-family, to specifically sons and daughters when considering successes, failures and issues within the field (De Massis et al., 2008). This research focuses on non-specific intra-family transfer rather than parent to child, viewing the business as being in a multi-generational state from a leadership perspective.

The transference of ownership can be affected by the governance and protection of investor rights within the countries in which the organisations are based, corporate cultures and different

legal and economic norms may affect the findings reported. This research is located within UK SMEs so that the legal and cultural differences can be minimised and existing theories tested within that geographical boundary.

There is a debate concerning who management research is for (Alvesson & Sandberg, 2012; Easterby-Smith et al., 2008; MacLean et al., 2002). The purpose of this research is that it should be rigorous and seek to cover topics that are original, and relevant to the advancement of practitioners and managers with practical significance to advisors and family business stakeholders.

The participants of the succession process will be able to use the findings in their succession planning, and the determination of the factors which positively affect the intra-family CEO succession could be used as part of the planning process by related parties such as advisors.

3.5 Research Participants

The pages that follow describe the design and implementation of the sample. The focus was to determine the factors which positively impact the intra-family CEO transition. Crucially all participants are organisations that have been through succession by self-classification. The selected approach of this research, grounded in the positivist epistemology, is a data and survey research design to study the cross-generational transition effectively using data points from before, during and after the succession process. However, this raises specific issues. One fundamental choice is how to create a sampling frame, and a complication is whether it is possible to create a random sample, thus allowing for statistical analysis to generalise from the findings.

The importance of the sample frame is evident and a common problem across social science research (Easterby-Smith et al., 2008; Gerring, 2007; King et al., 2004). What matters is that the sample does not select upon the dependent variable of intra-family CEO. In this case, the investigation attempts to draw an appropriate sample from businesses that have completed a succession with and without intra-family CEOs; the key is not to include only ‘successful’ firms in the sample (Gerring, 2007).

The sample needs to be typical of the broader population and large enough that the inevitable non-returns and partial responses are not enough to leave the findings statistically flawed. A standard approach in the literature is to send out a questionnaire to a group of firms that operate in a sector where it is known that there are large numbers of family firms (Dunn, 2004). A significant problem with this approach is that it can impact the generalisability of research bounded by an industry specificity.

Molly et al. (2010) relied on clues such as shared names between directors and managers, common addresses for directors and managers and shared addresses between private and company premises to determine if a company was likely to be a family business. As the research was aiming to capture family businesses that had been through a succession process and had resulted in a variety of CEO outcomes, Molly et al. (2010) was adapted to capture a broader potential population sample, FAME was used to select firms (see section 3.5.1 on page 94).

Analysis was conducted using business statistical information (Rhodes, 2017), business population information (BIS, 2012) and family business statistics (IFB Research Foundation, 2016) to calculate the potential population size of family businesses who are in their second or later generation.

Table 3-1 Total UK SME family businesses 2nd generation or later

Description/Effect	Value	Source
Small and Medium Companies	245,000	House of Commons, Business Statistics (Rhodes, 2017)
Reduced to 70% for family companies based on FFI Definition	171,500	Business Population Estimates (BIS, 2012, p. 5) <i>(approximation check – BIS estimates this level at 106,500)</i> (FFI, 2014)
Second Generation + between 10% and 40%	17,150 to 68,600	(IFB Research Foundation, 2016)

This provides a total range of second+ generation SME family business in the UK of between 17,150 and 68,600. A third-party database called FAME was used to develop a sample within the population. Its function, context and background are discussed in the next section.

3.5.1 FAME context and background

Bureau Van Dijk Electronic Publishing is a commercial enterprise that curates and develops data specialising in business information. It is owned by Moody’s Investor Service one of the largest credit rating firms in the world. Organisations use and trust it for credit risk and acquisitions, and researchers use it across a wide range of management science.

The FAME database is the most commonly used business information database by UK academics (Bureau Van Dijk, 2018) and provides information on the UK and Irish companies drawing together data in the public domain which includes financial returns, company information and stock reports, news reports and industry research reports. It is updated on a daily basis and covers around 2.8 million active and 4.2 million inactive companies (Bureau Van Dijk, 2014) containing information relevant to the research shown in Table 3-2 below.

Information accessible on the FAME Database
Detailed UK company reports
Information on all UK companies
Corporate structures
Original filed documents
Directors and managers
Employee numbers

*Table 3-2 FAME data descriptors
(adapted from Bureau Van Dijk, 2018)*

The information also covers background details such as name, industrial sector, names of auditors, employee numbers, contact information, established date and company type. Other financial information is drawn from published accounts to provide an overview of profit and loss, balance sheet, cash flow and key ratios. Information about corporate structure, including direct and indirect shareholders, can also be accessed.

Bureau Van Dijk 2014 claim that it is a near complete database of the British corporate sector and allows interrogation of many criteria (Bureau Van Dijk, 2014). The FAME system is designed to allow sorting by size, type, the spread of ownership, age and so on in complex or straightforward Boolean search strings. FAME is, however, limited in scope as it does only deal with companies, directors and contacts. As the research is grounded in the small and medium enterprise field and relate specifically to incorporated entities (companies), this limitation is acceptable.

As cited above, FAME is often used as the source database for academic studies into the UK business sector. Some examples are shown in Appendix C.

The research used a series of Boolean search strings similar to Chang (2011) where two criteria were used – geographical location and size. This is a simple search relying on an ‘and’ statement; located in ‘X’ ‘and’ size between ‘A’ and ‘B’. Since the chain relies on a sequence of ‘and’ commands the sample is all firms that meet all criteria. If the goal were only to identify firms in Wales or Scotland for comparison purposes, then the search routine would be in ‘X’ or ‘Y’ and size between ‘A’ and ‘B’. The ‘or’ means that firms that satisfy either condition would be selected. In practice, a range of fields can be used and combined. The FAME interface is shown below in Figure 3-1.

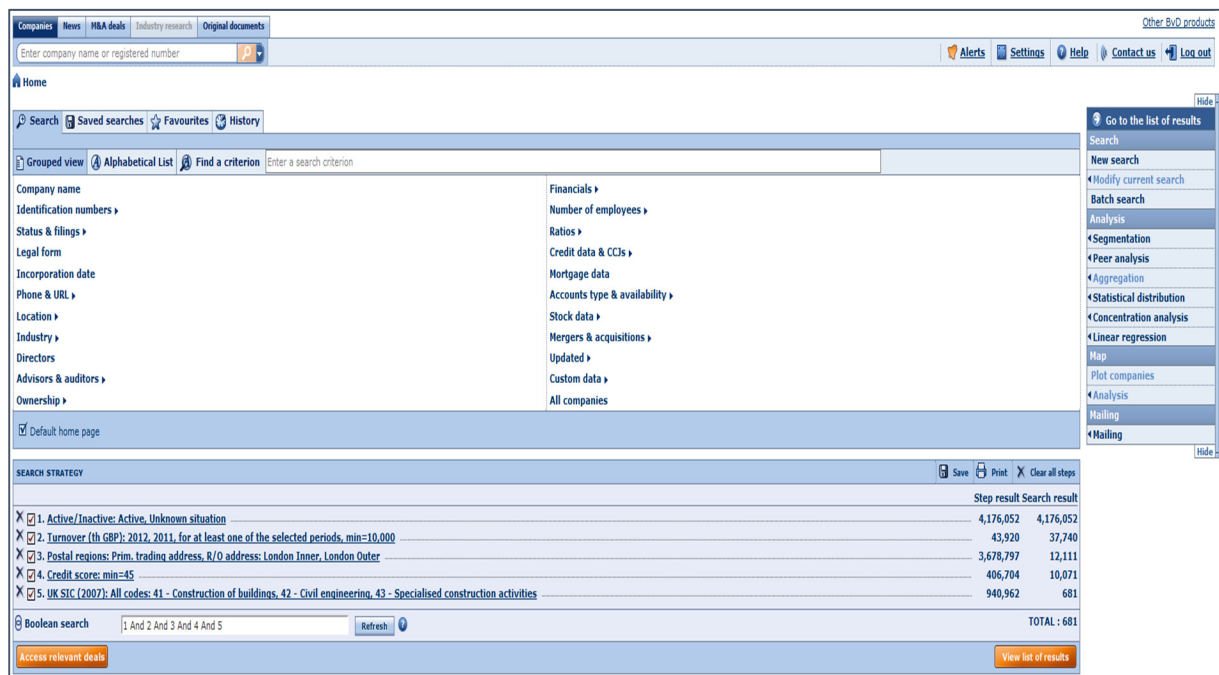


Figure 3-1 FAME interface (accessed 13/06/2019)

3.5.2 Population and sample

The number of available criteria is extensive, varied and highly complex algorithms can be developed in a search strategy. Different fields and parameters can be selected, and the search can be as simple or complex as desired. As an example, is the issue of selecting a sampling frame for family firms. Molly et al. (2010) used four criteria. The criteria were (a) whether two or more directors had the same name; (b) whether the firm had the same name as one of the directors; (c) whether more than one of the directors living at the same address; or, (d) whether one or more of the directors worked at the office location.

Various conditions were used to develop the survey population. As the research is directed towards SMEs, the search index was developed to extract only those businesses that qualified using EU criteria.

Only active limited companies were included in the sample and to reduce the population to more likely include family businesses, companies were selected that had directors who were also shareholders (Molly et al., 2010). The sample was further limited to companies that had been incorporated since 1982 to capture the likelihood of at least one succession having taken place. The average tenure of a family CEO is 15 to 25 years rather than a non-family firm of three to four years (Miller & Breton-Miller, 2006). Micro businesses were excluded by ensuring a lower limit on the employee numbers selected. Finally, the population excluded companies that did not have a website to enable the sending of the web survey. This may have skewed the data to exclude companies in certain niche sectors or who have less technological needs.

This produced a final sample of 8,540, with the breakdown route shown in Table 3-4 below. It is feasible to issue a web-based survey (discussed in section 3.6.1) to as many of the 8,540 firms identified that had email addresses for directors contained within the database. As the total potential sample is imprecise, the intention was to use the size of the selection to offset some of the problems that result from an imperfect sampling frame (King, Keohane & Verba, 1994; King et al., 2004).

Table 3-3 FAME database search results

Index	Search	Number	Reason
1	Companies with directors who are also Shareholders	2,670,260	To capture family business (Molly et al., 2010)
2	SME Asset level	365,540	Researched sector
3	SME Employee level	448,721	Researched sector
4	SME Turnover level	208,490	Researched sector
5	Active Companies	3,489,279	Interest is in active businesses
6	Incorporated 31/12/1981	527,791	To maximise the chance of succession having taken place
7	Companies with a website	985,324	To enable access via a web survey

A Boolean search was entered into the search function of FAME, that combined the factors of an SME (1 And 5 And 6 And 7 And 3 And (2 Or 4)) to produce a population list of 8,500 companies.

The results of the data search were extracted to Excel whereby the data was cleansed, prepared and verified before importing into the Survey Monkey software. This process included verifying a suitable email address was available for a senior executive of the company.

The initial sample of 8,540 companies included 407 emails that could not be corrected leading to 8,093 being issued. Of those emails sent 1,700 were opened, and 514 completed the survey. Of the surveys completed 419 self-reported as a family firm and 230 had been through a

succession process whereby control and ownership transfers had taken place to a different member of the family.

Table 3-4 Survey returns

Companies Contacted	8,540
Incorrect Emails	407
Adjusted Contacted	8,093
Opened the Survey	1,700
Completed the Survey	514
Family Businesses	419
Have been through a succession	230

Equally, given there is no clear definition of a family firm it is inevitable that many non-family firms will be targeted in the first instance. One important outcome was that the respondents had similar characteristics to all firms in the population. The firms were compared, and no significant differences were found about size, location or age and so there is no concern regarding response rate bias in the data gathered (Kothari, 2004).

Even so, whether the sample is chosen as a random sample from a known population or by purposive and snowball sampling, the problem of non-response rates is a significant issue. Non-response can take two forms, either partial completion of the questionnaire or non-completion of the entire questionnaire. In a postal survey it is impossible to ensure that someone completes all the questions, but with an online method (which was used) then it was possible to view information responses along the answer pathways. However, this then leads to the risk of someone opting not to complete the questionnaire rather than answer a question.

Survey bias can include the fact that the interviewer is not present to assist in the completion of the questionnaire. The respondent has nobody to prompt for additional information (Bryman & Bell, 2007). The fact that the interviewer is not present to assist, also means there is consistency in the way the questions are presented (Bryman & Bell, 2007).

The non-responding firms were drawn from a robust and complete database incorporating wide-ranging factors and so the respondents had similar characteristics to all firms in the

population, the firms were compared and no significant differences were found in relation to size, location or age and so there is no overall concern regarding non-response bias in the data gathered (Kothari 2004). Non-response can also be considered a response due to confusion and privacy, but to minimise that impact the questions were pretested to ensure the questions were as clear as possible.

3.6 Data Collection, Techniques and Instruments

3.6.1 The survey instrument

Questionnaires are often used (within empirical research) to obtain data (from a random sample) upon which analysis is completed to allow generalisation to the wider population the sample was drawn from (Bryman & Bell, 2007). Questionnaires have specific advantages and disadvantages (May, 2011). A significant advantage for using questionnaires (the respondents being UK family firms that have managed a generational transfer) is the ability to contact many potential respondents with relatively low levels of resources used (financial, time or physical). The questionnaire was structured to ensure comparable data. It was considered that structured responses would make it easier to collect the data for subsequent analysis, especially as a web-based software application was used called Survey Monkey. Survey Monkey is a well-established research tool and well known by academics and the wider public (Sherry, Thomas & Chui, 2010). Bell (2014, p. 157) states:

“Survey Monkey is the most popular and versatile online questionnaire and survey tool, with over 1½ million surveys completed online each day in 2014 and over 16 million users worldwide”.

Survey monkey collates the data into a format suitable for analysis by statistical software systems such as Stata. Survey Monkey has developed an attractive and intuitive user interface for completing the online survey so that participants will be encouraged to complete the survey. Behind the user interface lies a structured “*variable by case data grid*” (De Vaus & de Vaus, 2013, p. 3) to ensure relatively sophisticated statistical analysis can be completed. An issue with Survey Monkey is that it can be challenging to balance the questionnaire design at the same times as constructing the questions (Bell, 2014) and so Excel was used initially before moving to Survey Monkey.

The difficulties of web-based surveys can be split into two groups. First, and foremost are the response rates needed to ensure the collected responses remain representative of the starting sample. Barclay (2002) asserts that when it comes to survey-based research, non-response is a significant potential source of bias (Barclay et al., 2002). The survey questionnaires must be filled and returned by many respondents to construct meaningful and valid findings. Achieving responses will be discussed in the next section, maximisation of response rate is a crucial dimension of any survey design. Further, research shows that the relevance of the study topic is a strong predictor of the intention to participate (Dillman, 2011).

Moreover, as Baruch and Holtom (2008) report, usage of reminders for organisational research surveys can further depress the survey response rate (not the case for individual responses). Secondly, and this is covered in more detail in the next section, it is critical that both the respondent and the researcher understand the questions and the supplied answers in a uniform way. Unlike in an interview, there is no scope to probe or provide additional information (Bhattacharjee, 2012) to ensure there is a shared understanding of question or response, therefore, expert (family business and organisational research) and lay (directors and senior managers of companies) advice was taken in order to ensure the questions were asked in a suitable way.

Questionnaires are a practical approach as they can be used to gather standardised data in a manner that is not intrusive for the respondent. A questionnaire may be placed to one side to complete later, and be forgotten, or passed from the desired recipient to someone else to complete (Saunders, Lewis & Thornhill, 2009). However, the researcher was aware that some control over the complete process was foregone. However, it was possible to mitigate this by tracking the completion using survey analytical tools regarding time and if the survey was forwarded to somebody else. No surveys were forwarded. The researcher encouraged the respondent to complete where necessary with generalised reminders sent (Baruch & Holtom, 2008). It is considered in the case of this research that due to the sensitivity of the questions the issue of questionnaires being forwarded was somewhat mitigated by emailing the director of the company directly.

Surveys have played a considerable role in the development of family business research. However, a disadvantage is that they require the non-contemporaneous collection of data,

which can lead to cognitive biases in recall and interpretation of past events (Golden, 1992; Romano, Tanewski & Smyrnios, 2001). This can be mitigated with the use of factual data collected from an independent, external location such as Companies House and the FAME database as the data collected is contemporaneous. The use of data such as this was used to determine profit, filing data and employee numbers.

In turn, it is essential that any research design meet the expectations of rigour and relevance. Easterby-Smith's (2008) claim is that reliability is crucial as it is a means to ensure that a repeat study would find similar findings (assuming all other things remain equal) and is more likely with data collection tools such as questionnaires (Saunders et al., 2009).

Web surveys, used in this research, work by sending an invitation to a potential participant. The invitation was a hyperlink to a website which contained a logic controlled questionnaire (with skip logic built into the questions, so that only relevant questions are put forward to the respondent) (Bryman & Bell, 2007). Other information was provided in the invitation such as ethics, instructions and timeframes see Appendix B on page 207 for a copy of the invitation.

The web survey developed used a professional aesthetic and was designed to be easy to complete given basic computer skills as compared to offline questionnaires. The logic (achieved in spreadsheet development) used in the questionnaire enabled the filtering of respondents that did not meet the study's objectives such as not having completed a succession. An additional advantage is that the participants were able to return to the questionnaire and complete within their own time (Bryman & Bell, 2007).

Table 3-5 below highlights the advantages and disadvantages of the survey instrument. The disadvantages of this research were mitigated in several ways.

Table 3-5 Relevant disadvantages and advantages of web surveys

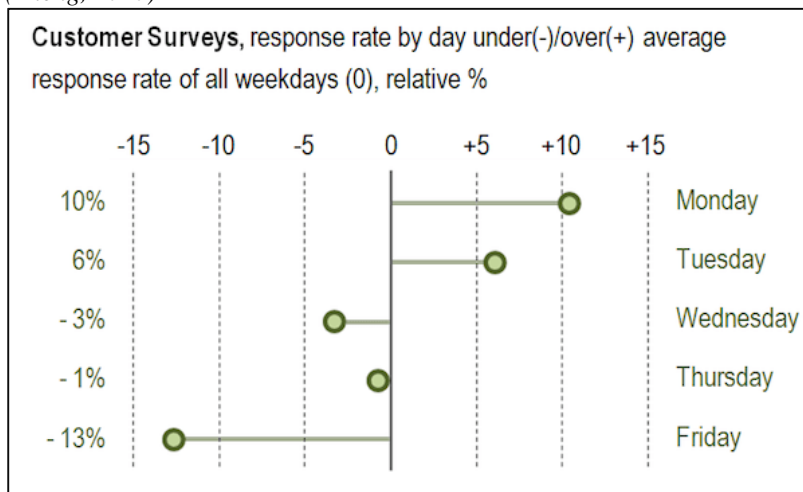
Advantages	Disadvantages
Low Cost	Low Response Rate
Faster Response	Restricted to Online Population
Attractive Format	Requires Motivation

Advantages	Disadvantages
Fewer Unanswered Questions	Confidentiality Issues

(Adapted from Bryman & Bell, 2007 citing Alan, 1998; Cobanoglu, Warde & Moreo, 2001; Ray & Lee, 1999; Schaefer & Dillman, 1998 and Sheehan & Hoy, 1999)

To avoid low response rates the research used a number of strategies. These strategies included a personalised email sent by name to their primary email account. The email highlighted the importance of the survey and the field of research. An advance email was sent as shown in Appendix B on page 207 requesting permission. The emails were sent at optimal times for responses, research determined by a Survey Monkey study stated Monday as being optimal as shown in Figure 3-2. Confidentiality was explicitly assured (De Vaus & de Vaus, 2013; Zheng, 2010) and reminders used.

Figure 3-2 Survey monkey optimal day for distribution of online surveys (Zheng, 2010)



The online restriction was accepted as a fundamental aspect of the research which also limited the sample search to businesses with a published website. Confidentiality issues were addressed directly, by providing assurances of how the data would be treated and how they could remove themselves from the study (See Appendix B on page 207). Confidentiality is critical with research participants and is heightened in family business research as the information can have impacts on business competitiveness and family dynamics (Davis, 1983; Xi et al., 2015).

The responses were in a format that enabled download and extracts into the statistical package being used, Stata. Stata is a useful tool for academic study. It is acknowledged that there are

sizeable issues to be dealt with in translating from primary data sources to the survey instrument to a form suitable for statistical analysis (Baum & Christopher, 2006). Stata offers a relatively straightforward approach to analysis and research across a range of sample and data types; it contains programmatical and advanced user interfaces and Table 3-6 below highlights some of its most useful features.

Table 3-6 Stata features

You can quickly learn the Stata commands, even if you do not know the syntax
You can use Stata's do-file editors to save time developing your analysis
A simple command performs all computations for all the desired observations
Stata has many statistical features that make it uniquely powerful
You can avoid problems by keeping Stata up to date
Stata's user community provides a wealth of useful additions to Stata

Table data adapted from An introduction to modern econometrics using Stata (Baum & Christopher, 2006, pp. 2-4)

Stata has developed into a capable programme that is considered an excellent choice for statistical analysis in the social sciences, Stata through the use of do-files enables repetitive functions once the correct syntax has been determined (Treiman, 2014). The drawbacks are mainly the time needed to invest in understanding the program, due to the complexity involved and the cost of purchasing a licence. Overall it was deemed that Stata would be selected for the survey analysis as there are many books and tutorials available to increase knowledge and competence in its use (Longest, 2014).

3.6.2 Questionnaire design

A significant advantage of questionnaires is that a range of question styles can be adopted. These can be separated into two main categories of open where the respondent is invited to answer in their own words or closed whereby the respondent is given a range of options and asked to respond using one of them. Closed questions can be split into a simple yes/no response or from a selection to indicate their opinion, recollection or attitude to a statement using Likert scales.

The questionnaire limited the use of open questions such as ‘if you answered no, please indicate why’. In this case, there is a known bias towards answering the option that requires the least work (Wilson, McClean & Initiative, 1994).

For this study, closed questions were used to provide data to test the components of the conceptual framework shown in Figure 2-3 and were divided into three broad categories of:

1. Yes/No (or similar binary response);
2. Selection from a provided list (either with or without the ability to select more than one response);
3. Attitudinal scales designed to elicit attitudes and beliefs.

Yes/No responses were preferred as they are the purest form of question and response and can be useful to divide the questionnaire into sections and to guide the respondent. Logic pathways were developed so that ‘if No, please go to question...’ was automatically done. This was useful when reducing the responding parties to the focused sample required, such as ‘do you consider your firm to be a family run firm’.

In theory, when the question is clear, the response is unambiguous. However, there are risks of simplifying the question so that the respondent feels there is more subtlety to their response that can be captured in such a discrete formulation. Additional comment boxes were included on several questions to resolve that concern.

The second style of questions used was presenting the respondent with a list of options. These were closed and so, often end with ‘none of the above’ as an option (Bradburn et al., 2004).

It was decided that the best method to test attitudes around areas such as the satisfaction of the process would be to use a Likert scale (Kothari, 2004). Likert scales differed from the list style of questions by posing questions based on beliefs or attitudes and asking the respondent to indicate the extent of their agreement using a scale, running from disagreement to agreement. Five options were offered with a mid-point of neither agree nor disagree (Sudman & Bradburn, 1982).

Since the researcher could not guide the respondent or provide additional information, the design process was careful to reduce ambiguity about the question or range of possible responses. These potential issues were addressed by conducting a pilot and expert assessment of the designed instrument utilising the skills of two preeminent authors in the field shown in section 3.6.5 below.

On an early draft, it was considered too complicated for a respondent to calculate exact proportions held by different cohort types (family business and non-family business) so the questions were set to limit the mathematical problem-solving required by the respondents. A long-studied phenomenon called common method bias occurs within responses to a questionnaire when specific factors such as “*social or professional consequences*” are not taken into account, whereby the respondent provides “*socially acceptable*” answers rather than their real answer (MacKenzie & Podsakoff, 2012, p. 552). These effects were mitigated by communicating anonymity, having separate sections and clear instructions built throughout the questionnaire (Holt et al., 2010; MacKenzie & Podsakoff, 2012). The separate sections were general business-related questions, governance questions, succession planning, succession arrangements, family discussions, post-succession developments, closing. These sections align with the conceptual framework and are expanded on in the next section on question development.

3.6.3 Question development

As discussed in the literature review, the objective of this research endeavour is using the conceptual framework components to determine the factors which positively impact intra-family CEO succession.

Five primary themes have been identified within the literature to collect relevant and useful data: power and experience within the family business system in section 2.4, Successor Preparation in section 2.7, Intra-family Dynamics in 2.8 Succession Planning in 2.9, and, Intra-family Dynamics in section 2.10.

This section continues by describing the context and sections of the survey and how they relate to the existing theoretical and empirical literature. It is organised into five themes which are

slightly different from the primary themes within the conceptual framework; this was for collection ease. To assist understanding of the translation from conceptual framework to data collection the primary themes have been included in brackets below:

- A. Descriptive questions (Power and Experience)
- B. Succession Planning (Successor Planning)
- C. Succession Arrangements (Succession Planning / Post-Succession Configuration)
- D. Discussion with the Family (Intra-family dynamics)
- E. Post-event developments (Post-Succession Configuration / Post-Succession Firm Performance)

3.6.3.1 Descriptive questions

The questionnaire has a series of questions which ask the respondent to describe their firm regarding the mode and importance of family control which relates to the discussion in the literature review as to the various ways in which a family might be seen to retain control over a firm. Since the broader sample of firms is drawn from publicly available data, additional data regarding turnover and ownership were sourced from the FAME database (see section 3.5.1 on page 94 for explanation) (Bureau Van Dijk, 2014).

Table 3-7 Survey questionnaire section A

Code	Part A: Describe Your Business	Response Options
A1	Would you describe your business as a family business?	Yes
		No
A2	Do non-family members own shares in the business?	Yes
		No
A3	What percentage of the business shares are held by non-family members?	Less than 50%
		50% or higher
A4	How many people are on your board?	
A5	How many board members are family members?	
A6	How many senior managers do the business employ?	

Code	Part A: Describe Your Business	Response Options
A7	How many senior managers are family members?	
A8	How many family members are employed by the business?	
A9	How many generations of the family are employed by the firm?	1
		2
		3
		≥4
A10	Has the business been through a succession process; whereby control and ownership transfers to a different generation of the family?	Yes
		No
		Comment
A11	Is there an intention to carry out a succession process; whereby control and ownership transfers to a different generation of the family?	Yes
		No
		Comment

The first question is critical for the research's use of belief as a determinant of the company being a family firm. This also allows consideration of the different ways a family can own a firm such as ownership of capital and the extent that family members fill senior positions (Debicki et al., 2009; Litz et al., 2011; Sharma, 2004). The questions provide information relating to the theoretical frameworks that describe family businesses as discussed earlier, such as the RBV of the firm (Chrisman et al., 2005; Lockett, Thompson & Morgenstern, 2009) or agency theory (Anderson & Reeb, 2004; Debicki et al., 2009; Donaldson & Davis, 1991; Jensen & Meckling, 1979). Although there are significant differences between the resource and agency based views they both allow for analysis that acknowledges that family ownership can yield advantages and difficulties for a firm. How the Board is constituted is important in order to understand if the power and influence impacts successor choice. As discussed in the agency perspective section on power (2.4.1.1) examining whether corporate activities to mitigate residual loss, or higher levels of family control impact successor choice or post-succession outcomes are important.

The above approach will be used, as a framework, to set out the logic and references for the development logic of each question:

Table 3-8 Survey questionnaire reasoning section A

Code	Logic	References
A1	<p>Does the respondent believe they are a family firm?</p> <p>The question follows existing research that argues the family nature of a family-run firm can be based on a wide range of factors including self-perception and intention.</p>	(Astrachan et al., 2002; Chua et al., 1999; Dawson & Hjorth, 2012)
A2/A3	<p>One means of defining the family business is the concentration of capital, at its extreme a firm could be family-owned but run by hired professional managers. This aspect relates to the agency theory perspective: does the power of the family or governance affect successor choice or post-succession outcomes. The question informs the power index calculation as shown in section 4.2.</p>	(Astrachan et al., 2002; Fiegenger, 2009; Holt et al., 2010; Klein et al., 2005; Rau et al., 2018; Rutherford et al., 2008)
A4/A5	<p>This identifies the second aspect of familiness; control, by actively keeping the board within the family. The question informs the experience index calculation.</p>	(Astrachan et al., 2002; Daspit et al., 2016; Debicki et al., 2009; Holt et al., 2010; Jaskiewicz et al., 2016; Klein et al., 2005; Rau et al., 2018)

Code	Logic	References
A6/A7/A8	This has been added as a control measure to allow A4/A5 to be placed in the context of overall firm size and complexity and to show if employment is provided for family members. This concept is captured in Astrachan et al. 's (2002) F-PEC scale as ' <i>number of contributing family members</i> '. The question informs the experience index calculation.	
A9/A10/A11	An important set of questions as Heck and Trent (1999) argue that it is the intent to transfer ownership across generations that is the crucial difference between a family firm and other business forms. In the context of this research, the sample has been chosen so that all the firms will have managed at least one such transfer.	(Debicki et al., 2009; Donckels, 1995; Heck & Trent, 1999; Howorth et al., 2004; Richomme-Huet & d'Andria, 2010)

Overall this section allows for a self-assessment which the participants were asked to state if they are a 'family firm' or not. In combination with the quantitative data, it allows analysis of the various ways in which the family aspect can lead to advantages and disadvantages (Sharma, 2004) for the firm. The questions will allow for the development of the power index and experience constructs explained in sections 2.4 and 2.4.1.2.

3.6.3.2 Succession planning

The logic flow of the online survey instrument will ensure that the questions will only show if the earlier question around successions has been appropriately answered.

Table 3-9 Survey questionnaire section B

Code	Part B: Succession Related	Response Options
B1	Thinking back to the succession when did you start to discuss the process within the family?	≥ four years before
		Three years before
		Two years before
		One year before
		The same year
B2	When did you discuss the succession within the firm?	The same time as within the family
		Earlier than within the family
		Later than within the family
B3	When did you agree on how the succession would be handled?	≥ four years before
		Three years before
		Two years before
		One year before
		The same year
B4	When did you first announce the planned arrangements to the majority of people who work in the firm?	≥ four years before
		Three years before
		Two years before
		One year before
		The same year
B5	Were advisors used in the preparation of the succession?	Minimally
		Extensively
B6	Was the option of ownership passing outside of the family discussed?	Not at all
		Considered and rejected at an early-stage
		Considered and rejected at a late stage
B7	Were selection criteria developed?	Yes
		No

Code	Part B: Succession Related	Response Options
B8	Please rank the example selection criteria?	Integrity
		Commitment
		Competence

Here the goal was to capture the process by which the family approached the issue of succession planning. One important theme embedded in these questions is the extent that the family acted with the interests of the family, or of the firm, as their priority (Basco & Pérez Rodríguez, 2009; Chrisman et al., 2005). This captures the theory advanced by Chrisman et al. (2005) and Sharma (2004) that a family run business gains a complex mix of positive and negative features from the family aspect of the relationship. Therefore, the question set is designed to approach this relationship from different angles utilising the aspects highlighted within the section on the family business applied theories of agency and RBV in section 2.3. The degree of externality is an important element to consider in relation to agency theory and how the use of advisors impacts the succession process as was discussed in section 2.9.2.

Furthermore, this section deals with aspects of how decisions were communicated and the impact of this on the overall succession. This was detailed in the section relating to agency theory (2.3.1) as related to the social, in-family pressures to act in certain ways.

The use of selection criteria, as seen through the RBV lens, was seen as an aspect of externality that may mitigate the negative aspects of family business such as the difficulty attracting professional managers as developed in section 2.3.2.

Table 3-10 Survey questionnaire reasoning section B

Code	Logic	Reference
B1	Studies suggest that a longer time span helps to diffuse intra-family tensions and to allow for a structured, and phased handover.	(Brun de Pontet et al., 2007; De Massis et al., 2008; Lansberg, 1988; Molly et al., 2010; Payne et al., 2017)
B2	The intent is to use the data to judge the relative emphasis on family or firm in the succession planning. Aspects of the agency	(Basco & Pérez Rodríguez, 2009; Chrisman et al., 2005; Fiegner, 2009; Karra et al.,

Code	Logic	Reference
	lens and residual loss from altruistic factors (2.3.1) and social aspects of decision-making as detailed in RBV (2.3.2).	2006; Sharma, 2004; Sirmon & Hitt, 2003)
B3	Is related to the literature on family dynamics that states conflict may arise if there is a perception of being excluded from the decision-making process and might lead to conflict if there is a perception of being excluded from the decision-making.	(Capozza & Brown, 2000; Fiegenger, 2009; Schönflug, 2001; Tajfel & Turner, 1979)
B4	This is a balancing question designed to understand the relative importance of communication with the firm as opposed to intra-family discussion.	(Basco & Pérez Rodríguez, 2009; Chrisman et al., 2005; Fiegenger, 2009; Sharma, 2004)
B5	Seeks to explore the use of external advisors.	(Barach & Ganitsky, 1995; Molly et al., 2010; Reay et al., 2013; Strike, 2012)
B6	Is designed to understand if the option of non-family transition was considered. Research consistently suggests that relatively few family firms make the transition from one generation to the next.	(Capital Economics, 2008; Debicki et al., 2009; Donckels, 1995; Howorth et al., 2004; Richomme-Huet & d'Andria, 2010)
B7	As the requirements of the firm will change over its lifecycle careful consideration of requirements may assist.	(Hoy & Sharma, 2009)
B8	Chrisman et al. (1998) argue that integrity and commitment are more important than competence to ensure business and family matters remain priorities.	(Bach & Edwards, 2012; Barney, 1991; Chrisman et al., 1998; De Massis et al., 2008; Hoy & Sharma, 2009; Sharma & Rao, 2000)

Overall the questions in section B are designed to understand the scope of decision-making regarding cross-generational succession and the extent that this saw a balance between the immediate interests of the family and of the firm and the use of external advisors.

3.6.3.3 Succession arrangements

Table 3-11 Survey questionnaire section C

Code	Part C: Succession Arrangements	Response Options
C1	Following the succession was there a change in the CEO?	Yes
		No
C2	Did the new CEO previously work in the family firm?	Yes
		No
C3	Was the successor CEO a family member?	Yes
		No
C4	Did the old CEO continue to serve on the board?	Yes
		No
C5	If the old CEO remained, are there plans to step down?	Yes
		No
C6	Did the succession involve a change in management roles?	Yes
		No
C7	Did the succession involve a change in governance roles?	Yes
		No
C8	Were the knowledge and skills of the previous CEO retained?	Yes
		No
C9	How was the new arrangement announced within the family?	Free Text/It Wasn't
C10	How was the new arrangement announced within the firm?	Free Text/It Wasn't
C11	How was the new arrangement announced to shareholders?	Free Text/It Wasn't
C12	Did the successor undergo educational preparation prior to the succession?	Yes/No
C13	Did the successor undergo general management training prior to the succession?	Yes
		No
C14	Did the successor prepare by cultivating tacit knowledge?	Yes
		No

Code	Part C: Succession Arrangements	Response Options
C15	Did the successor prepare by cultivating social capital?	Yes
		No
C16	Were meaningful differences between the firm requirements and candidate readiness identified?	Yes
		No
C17	Were bridge managers installed to assist at any time around or during the succession?	Yes/No

Part C is closely related to the issue of planning but seeks to address the research that suggests it is the retention of knowledge within the firm that is one of the fundamental advantages of the family firm (Sirmon & Hitt, 2003). This section can be split into an exploration of how the transition was managed, in particular, whether or not the old CEO was retained in a different role and whether or not this enabled them to retain the knowledge and skills within the firm structure (Debicki et al., 2009). The focus on governance arrangements also reflects the literature that suggests it is the role of the board in a family firm to ensure a sufficient balance between firm needs and family needs (Bammens, Voordeckers & Van Gils, 2011).

Table 3-12 Survey questionnaire reasoning section C

Code	Logic	References
C1/C2/C3	Is designed to capture the situation that the family member who took over had been working outside the family firm or that the CEO position was unchanged. The C3 question will be used as the dependent variable.	
C4/C6/C7	Retention of the innate knowledge, skills and contacts of the firm is seen as a significant issue for the family firm.	(Zahra, 2010)
C5	Designed to see if the old CEO is planning to step down, the mobilisation of the founder is seen as a critical driver of succession success. This is important as it offers long-term clarity around the new	(Colli, 2012; Collins & Porras, 1994; Devins & Jones, 2015; Molly et al., 2010; Schein, 1983; Villalonga & Amit, 2006)

Code	Logic	References
	roles while retaining the advantages of knowledge transfer.	
C8	Is designed to force an evaluation of the arrangements.	(Kor et al., 2007)
C9/C10/C11	Repeats and triangulates the focus of section B, but more in the context of governance arrangements rather than the actual transition process.	
C12 to C17	Identify the evaluation of potential candidates and implantation of assistive support. Family firms may have issues due to the altruistic nature of the organisations.	(Breton-Miller et al., 2004) (Schulze, Lubatkin & Dino, 2003) (Cabrera-Suárez et al., 2001) (Pearson, Carr & Shaw, 2008)

3.6.3.4 Discussions with the family

Table 3-13 Survey questionnaire section D

Code	Part D: Discussions with the Family	Response Options
D1	Did any family members disagree with the initial succession plans?	All Agreed
		Most Agreed
		Even Split
		Most Disagreed
		All Disagreed
D2	Were any change made to the initial plans?	Yes
		No
D3	Did any family members disagree with the final succession plans?	All Agreed
		Most Agreed
		Even Split
		Most Disagreed

Code	Part D: Discussions with the Family	Response Options
		All Disagreed
D4	Did any family members leave the firm at around the same time?	Yes
		No
D5	Would you say the interests in the family or the firm were paramount during the succession?	Only the needs of the firm were important
		A balance between the two
		Only the needs of the family were important
D6	Did the succession wait until the designated successor was experientially ready to take over?	Yes
		No
D7	Did the succession wait until the original owner was emotionally ready to let go?	Yes
		No

Part D is focused on the measures of satisfaction by asking questions about intra-family dynamics and by looking at the decision processes and in particular for indications of dissent with either the process or outcome (Colli, 2012; Gordon & Nicholson, 2008). The question (D5) returns to the issue of the balance between family and firm in the decision process (Chrisman et al., 2005).

The primary distinction in the questions set is trying to elicit if there is any difference in attitudes to the process, how the decision was made, or the outcome. This distinction is drawn in some of the definitive decision-making literature (Beach, 1990; Kerstholt & Raaijmakers, 1997; Lichtenstein & Slovic, 2006).

The section was included as it is such a clear theme in the literature, the various ways in which a family structure can be damaged by decision-making.

Table 3-14 Survey questionnaire reasoning section D

Code	Logic	References
D1 to D5	Are designed to capture the involvement of family stakeholders in the succession planning and implementation process. Achieving judicious distribution is complicated due to the involvement of sharing and sacrifice rather than solely contributory performance.	(Colli, 2012; Pardo-del-Val, 2009) (Van der Heyden, Blondel & Carlock, 2005)
D6/D7	Are designed to capture the perception around the timing of the transfer and that the former CEO remaining in place can lead to conflict.	(Dyck et al., 2002) (Davis & Harveston, 1999; Villalonga & Amit, 2006)

3.6.3.5 Post-event developments

Table 3-15 Survey questionnaire section E

Code	Part E: Post-event development	Response Options
E1	When did the succession take place?	
E2	Are the management arrangements still as agreed during the transfer?	Yes
		No
E3	Are the directors still as agreed during the transfer?	Yes
		No
E4	Is there anything you would have done differently in the planning?	Yes
		No
E5	Is there anything you would have done differently in the implementing?	Yes
		No
E6	Is there anything you would have done differently in the post-succession phase?	Yes
		No
E7	Since the succession has the firm adopted a new overall strategy?	Yes
		No

Code	Part E: Post-event development	Response Options
E8	Since the succession has the firm adopted markedly different products?	Yes
		No
E9	Since the succession has the firm entered a new market?	Yes
		No
E10	Were strategic and financial goals set in the lead up to the succession?	Yes
		No

The goal in section E is to explore opinions as to the success of the process of intra-family transfer. Questions E2 to E6 are designed to explore if the arrangements put in place were maintained. E7 to E9 are drawn from the literature that suggests a generational shift is also marked by a shift of emphasis away from an entrepreneurial style (Fiegenger, 2009; Molly et al., 2010) or into new products and markets (Gómez-Mejía et al., 2010). In effect, the transfer is as much about strategic direction as it is about a change of senior personnel (Kor et al., 2007).

Table 3-16 Survey questionnaire reasoning section E

Code	Logic	References
E1-9	Aims to elucidate the clarification of post-succession rules and the influence of and by exiting members and the formation of other coalitions.	(Fiegenger, 2009; Molly et al., 2010; Morris et al., 1997)
E10	Due to the timeframes involved, clear strategic goals may impact the overall success and outcomes.	(Delgado-García et al., 2010; Kor et al., 2007)
E general	Changes to the plans are unavoidable.	(Hoy & Sharma, 2009)
E general	Impacts of changes.	(Gilding et al., 2015)

3.6.4 Secondary data

There is a need for information relating to the business that cannot easily be achieved through a questionnaire. These items are a matter of fact, regarding a change in ownership, or profit within comparative periods and these measures and dates were collected from the FAME

database which collates original documentation relating to share transfers, as well as legal documents as shown in section 3.5.1 on page 94.

As the profit (OP) calculation is seeking to determine the initial impact of the succession rather than the longer-term perspective as discussed in 2.10.3, the calculation of operating profit is based on the difference in OP in the year of succession and the year immediately after the succession event as a fraction of the former to demonstrate stability, growth or decline.

3.6.5 Pilot

There was a pre-test of the survey on a convenience sample of six directors and senior executives of businesses in the UK. The questionnaire took approximately 20-25 minutes to complete. The responses of the pre-test were not used in the final data analysis.

A pilot was also carried out where two leading global academics accepted to assist with the development of the survey instrument. The questionnaire was also sent to non-academics for their interpretation of the wording. The academics are responsible for several of the most cited articles and books in family business research with over 40,000 citations between them.

The purpose of the pilot was to ensure the questionnaire consisted of appropriately closed questions and could maximise engagement with easily understood questions (Bryman & Bell, 2007).

The suggestions received incorporated helpful advice such as triangulation from other sources (such as other documents, e.g. annual returns of shareholdings) and that the core purpose of sections was made clear. There were theoretical suggestions such as intention for subsequent succession and training to be included.

Practical assistance was provided generously, such as using a construct file, tracking the areas that were being built into the conceptual framework, to consider variables which were indicated to be factors that would positively affect the intra-family CEO succession in the extant literature.

3.7 Analytic Approach

The selected form of data collection is a sample-based survey. Statistical analysis uses regression tools to analyse the linkage between outcomes. This will inform the research with respect to determining if the identified factors positively affect the intra-family CEO succession.

Regression approaches alone can understate the linkages when these are indirect and may miss critical dynamics in particular segments of the sample due to the many confusing and complicated causal factors that the research design, no matter how well developed, cannot eliminate (Gerring, 2007). It was decided that as the research aims to understand the factors which positively affect the succession of an intra-family CEO, an additional research tool that could assist was process tracing which involves breaking the sample down into critical features. In turn, variables can be linked to these characteristics and a chain of links and influences built up. Such an approach allows the capture of considerable variation within the sample that a regression model can miss (Gerring, 2007).

The literature resulted in a conceptual framework being developed (Figure 2-3 on page 78) and as the element “post-succession firm configuration” contained the underlying variables that were ordinal or dichotomous (new CEO, old CEO remains on the board, change in management roles, etc.), summative logic to arrive at a single measure was not appropriate. As has been outlined, the characteristic of a new CEO coming from the family would dictate the status of the firm regarding whether it had completed an intra-family CEO transition or not. If the new CEO did not come from outside of the family, i.e. there was an intra-family CEO then the firm was deemed to be a family business with an intra-family succession having taken place.

Therefore, it becomes apparent that the “post-succession firm configuration” outcome variable was binary, with one indicating that the family still leads the firm, and 0 indicating that the firm has passed CEO to an outsider. As Ott and Longnecker (2010) state, when the response or outcome variable is binary, its distribution assumes a single value: $p = \Pr(Y=1)$. The objective of the research is to associate the outcome variable with a linear combination of predictor or explanatory variables which will enable the research to state the linkages between the outcome and whether the constructs contributed probabilistically to that outcome.

Some criticisms of a regression approach stress that it tends to miss essential clusters of relationships for example where for a small part of the sample a different relationship between the dependent and independent variables holds and tends to be linear in its assumption of causality (George & Bennett, 2005; Mahoney & Goertz, 2006). The latter means it misses interim steps; or, the difference between factors that must be present but do not have a direct effect, and causal conditions. This would mean that any further potential insight from linked findings, as developed below, are missed without further analysis.

One approach to resolve this is shown in Figure 3-3 below and was used by De Massis et al. (2008) and involved the process tracing technique for causal analysis. The research by De Massis et al. (2008) is an attempt to understand not just what factors may lead to a non-family succession but also what factors will lead to a particular reason for that decision, ranging from no suitable candidate to no acceptance of a family candidate (De Massis et al., 2008).



Figure 3-3 Process tracing model
Source: (De Massis et al. 2008, p.186)

Process tracing is proposed as the solution as it allows the creation of a theoretical structure that differentiates between necessary conditions and causal conditions. Necessary conditions are essential but do not cause the observed event; this allows the construction of multiple layers of causes and effects. As an approach, it incorporates some of the advantages of the narrative

style, but in a quantitative framework (Dawson & Hjorth, 2012) the components and outcome will be described in section 3.7.1 below.

It is worth noting that process tracing is more popular in the social sciences than in management research particularly within political studies (Brady & Collier, 2010; Geddes, 2003; George & Bennett, 2005) where the goal is often to theorise from a small number of available observations or where available information is only partially complete or obtainable. There are also instances where process tracing has been used in the field of family business research (De Massis et al., 2008). Process tracing is a form of analysis that generates causality related insights when the research evidence connecting X and Y is not transparent (Beach & Pedersen, 2013). Further, Beach and Pedersen (2013, p.2) assert that the process tracing method empowers the researcher to:

“...make strong within-case inferences about the causal-process whereby outcomes are produced, enabling us to update the degree of confidence we hold in the validity of a theorised causal mechanism”.

3.7.1 Use of Process Tracing

It was considered that the initial quantitative measures used to determine the factors which positively affected the intra-family CEO succession would be usefully supplemented and extended with a process tracing analysis.

The conceptual framework construct headings were succession planning, preparation of the successor, intra-family dynamics, post-succession firm configuration and post-succession firm performance.

As discussed, some form of regression analysis is the norm not just in family business research but management research in general. The key to a process tracing analysis is that "*alternative paths through which the outcome could have occurred*" (George & Bennett, 2005, p. 207) are explored through a rigorously logical structure to the hypothesised links, and makes use of all the potential intervening steps.

One advantage is that process tracing retains data rejected by conventional regression and correlation testing techniques (George & Bennett, 2005). For example, even though successor preparation may not be important in assessing the post-succession performance of the firm, successor preparation may be essential for the succession process. If the succession process is essential for variation in the performance, then the importance of successor preparation may have been missed through those conventional techniques. It is these linkages which are assessed, providing a more robust analysis of the set of universal hypotheses developed from the conceptual framework.

This can occur where a given variable is found to be statistically insignificant on its own but can often be important in a small number of cases, or as a precondition, and thus likely to be identified as autocorrelation in a regression approach. It also helps identify factors that are essential but not causal, i.e. the outcome will not happen if they are absent, but equally, they can be present in circumstances where a different outcome occurs (Beach & Pedersen, 2013; Bennett, 2010; Collier, 2011; Mahoney, 2012).

Collier et al. (2004) defined causal-process observations as temporal evidence that can assist or invalidate hypotheses to describe and explain linkages between those observations and the resultant case outcome (Collier et al., 2004).

The process tracing methodology investigates beyond establishing correlations between “*independent variable (x) and outcome (y)*” (Beach & Pedersen, 2013, p. 1) and seeks to establish that a primary event took place and that a secondary event took place following the primary and was due to the primary (Mahoney, 2012). Collier (2011) describes process tracing as a fundamental tool of analysis in qualitative research the usage of which entails:

“[a] *systematic examination of diagnostic evidence selected and analysed in light of research questions and hypotheses posed by the investigator*” (Collier, 2011, p. 823).

The causal inference part of this method makes use of tests that are depicted in the figure below:

Content removed due to copyright reasons.

Figure 3-4 Process tracing tests for causal inference

Collier (2011, p. 825)

Working on fundamental logic principles, passing a “hoop test”, as shown in Figure 3-4 above, is required but not a sufficient condition for a proposed hypothesis to be valid. Failing the “hoop test” rejects the hypothesis; passing does not confirm or validate. Using this test checks whether all the necessary conditions are present in the case and failing of the “hoop test” rejects the hypothesis. The “smoking gun test” is a sufficient but not necessary condition to verify the validity of a given hypothesis. Thus, passing a “smoking gun test” indicates the presence of a hypothesised event or process, but failing this test will not eliminate the possibility of the existence of the outcome. In essence, the test is used to detect all the conditions that are sufficient for the outcome to happen, and if these conditions are present, then the outcome can be assumed to be present (Bennett, 2010; Collier, 2011; Mahoney, 2012).

Gerring (2007, p. 184) stated that the advantage of process testing is that it can:

“(1) clarify the argument, with all its attendant twists and turns (preferably with the aid of a visual diagram or formal model) and (2) verify each stage of this model, along with an estimate of relative uncertainty for each stage and for the model as a whole”.

Process tracing is used to explore if a “*narrative explanation of a causal path*” to an event can be developed (Porta & Keating, 2008, p. 235), avoiding the simplification of solely producing a regression model while remaining a positive deductive approach. The tool adds the ability to identify the critical stages and elements that are linked (George & Bennett, 2005) to whether there was satisfaction with the process; an intra-family member became leader post-succession; or if profit was enhanced.

Process tracing does have particular problems in its application as there is a need for clarity in how variables have been coded and assigned to categories (George & Bennett, 2005). This is a problem in regression also; a lack of clarity in how information has been coded and described is common across the social sciences. In effect, therefore terms such as ‘success’ but also ‘profit’, ‘intra-family CEO’ are all critical analytic terms that have been set out explicitly in the list of abbreviations. Creating an appropriate set of such concepts is an essential aspect of process tracing (Mahoney & Goertz, 2006).

Both regression and process tracing can be based on the data gathered in the survey. They are just different means to move from raw data towards theory-building and understanding causal relationships.

Process tracing allows a variety of tools to be used in the data gathering phase, case studies or surveys are equally valid; and joins with the regression approach in using a narrative form to explain what was found and how it relates to, and develops, existing theories. It is the step of moving from raw data to an initial analysis that is different (Beach & Pedersen, 2013; Bennett, 2010; Mahoney, 2012).

Analysis using process tracing can be broken down into several stages. It is conventional to start by creating categories (Geddes, 2003; Mahoney & Goertz, 2006). These can be simple, such as, separating the firms by size to create some bands and then labelling these as small, medium and large.

Categories can be more complex, for example, the data on the number of family members in both management and ownership roles can be combined to create a modular concept of power, as demonstrated earlier in section 2.4 of the literature review, to identify the density of family

ownership (Astrachan et al., 2002). So, a firm that has less family control may share roles with outsiders, whereas one with more family control may see fewer outsiders in senior management or ownership positions, a figure will be calculated for each participant. In the case of this study, the process tracing method will be used to answer the questions of causal inferences about the causes behind the outcome of the firm performance.

The logic here is that rather than with a regression approach, the sample is broken down into meaningful categories (such as the combined experience and power). Therefore, a model can be hypothesised about the relationships between the dependent variables and tested not just for all instances but important sub-sections of the sample. Such an analysis starts to distinguish between causal factors and essential (but non-causal) preconditions.

Process tracing is a valuable tool for moving from raw data to hypothesis testing and theory-building. Regression and related approaches are perhaps the default approach, and there is an advantage regarding applying a well understood analytic technique using widely accepted protocols. However, with the type of data in the questionnaire instrument designed in 3.6.2 Questionnaire design, it may be that some fundamental assumptions behind the statistics require further exploration. There will also be problems in ensuring that the dependent and independent variables are genuinely independent and that other issues such as autocorrelation (a variable that provides information about other values of the same variable is autocorrelated, for example, yesterday's weather provides information about tomorrow's weather) are hard to avoid.

Beach and Pedersen (2013, p.3) propose that three variants of process tracing should be recognised – “*theory-testing, theory-building, and explaining-outcome*” (Beach & Pedersen, 2013) for different uses. The three variants differ along several dimensions such as the focus on theory or a case; nature of inferences being made, the process of analysing the causal mechanisms, and how they can be nested under mixed method research designs. The theory-testing variant of process tracing utilises the extant literature to deduce a theory, and to collect and examine empirical evidence to demonstrate that all components of the theorised causal mechanisms were present as is grounded in the positivist epistemology. Also, it allows the researcher to draw within-case inferences with regards to the presence and adequate functioning of the causal mechanism. However, it should be noted that no inferences can be

made about whether the theorised mechanism was the only instrument that caused the outcome to happen. The theory-building variant aims to produce a theoretical explanation by using empirical evidence, which can then be extended and generalised for other cases too. This variant is generally used when there is perfect knowledge about the correlation between X and Y, or in cases where Y is known, but X is unknown, for example, the known factor of profit growth following events within a succession pathway. Explaining-outcome is where the specific test relates to one case, for example, to explain an outcome that occurred in one particular circumstance (Gerring, 2007).

Process tracing uses four empirical tests (see Figure 3-4 above) to ascertain the plausibility of alternative explanations in the case of theory-testing (Bennett & Checkel, 2014; Collier, 2011; Waldner, 2015). The four empirical tests are described below, tests to establish the likelihood of alternate explanations:

- *Hoop Test*: This test is utilised to eliminate one or more alternative mechanisms, but it does not provide support or confirmatory evidence for hypotheses that are not eliminated. Thus, the hoop test provides the necessary (but not sufficient) conditions of accepting a hypothesis. The hypothesis must pass through the “hoop” to remain in contention, but a successful clearance of this test does not guarantee the acceptance of the hypothesis.
- *Smoking Gun Test*: This test provides strong support for a hypothesis, but a failure to pass this test does not lead to the elimination of the hypothesis. Thus, these tests provide sufficient but not necessary conditions.
- *Straw in the Wind*: This test either provides support to a hypothesis or raises doubt about the same. Such tests are not decisive by themselves, and they provide neither sufficient nor necessary conditions for the acceptance or rejection of a hypothesis.
- *Double Decisive Tests*: These tests provide conclusive evidence in favour of a hypothesis and lead to a rejection of other explanations. Thus, such tests provide both the necessary and sufficient conditions for accepting or rejecting a hypothesis. It must be noted that a singular double decisive test can settle the draw in favour of a specific

explanation, while some straw in the wind tests can remain indeterminate. However, in real-life research scenarios, such kind of double decisive evidence is hard to find and therefore, a combination of the hoop and smoking gun tests are utilised to attain the same analytical objective.

Specific to this research study, the “effect” or the outcome of interest defined in the literature review is the post-succession performance (in this case profit stability, diversification options and knowledge retention) of the firm after the event of an intra-family succession or transfer of leadership in the firm. Several observed variables are grouped under three different factors, also identified as part of the literature review within the conceptual framework shown in Figure 2-3 on page 78: succession process, preparation of successor, and intra-family dynamics.

The goal of applying the process tracing method is to explore and confirm which of these factors cause a change in the performance of the firm post-succession. It should be noted that the following two logic-based explanatory hypotheses can be formed:

- Either of these factors and underlying observed variables can independently cause the performance of the firm to vary.
- The factors can combine in different ways to have an impact on the performance of the firm.

The following Figure 3-5 depicts the comprehensive set of competing hypotheses that can potentially explain the variation in firm performance, and each is listed below:

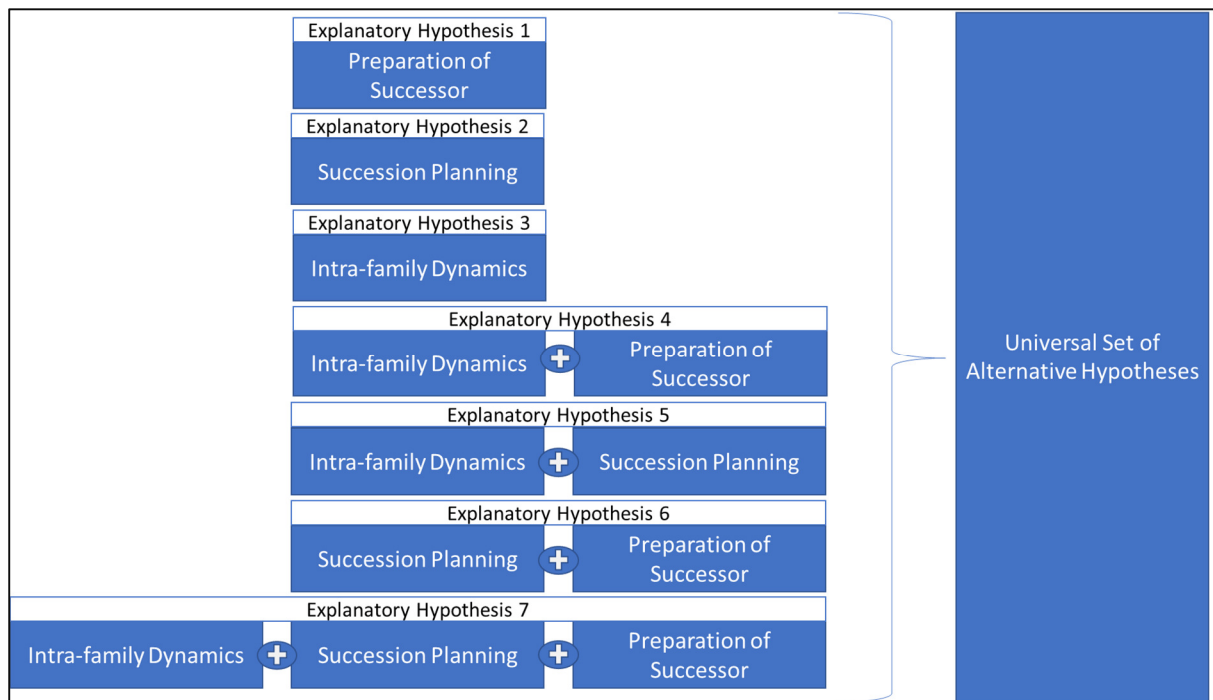


Figure 3-5 Set of competing hypotheses

- **Explanatory Hypothesis 1:** Preparation of Successor is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: This hypothesis can be overturned if evidence is found with regards to the correlation between the other two factors with the outcome variable of firm performance. In that case, since these factors occur before (temporal precedence) the outcome, they will be deemed as likely causal factors. In case no correlation is found, the hypothesis will pass the hoop test if a correlation can be established between the preparation of the successor and the firm's performance.

Smoking Gun Test: If the hypothesis passes the hoop test, then the next step is to assess the importance of this factor about the firm's performance, across all firms. It is proposed that a composite score is calculated based on the values of the underlying, ordinal, independently observed variables. Table 3-17 below gives an example summary of all the possible values with four independent nominal variables:

Table 3-17 Possible response independent variables

Observed Variable	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5
Variable 1	1	1	1	1	0
Variable 2	1	1	1	0	0
Variable 3	1	1	0	0	0
Variable 4	1	0	0	0	0
Score	4	3	2	1	0

Next, it becomes apparent that the total composite score can vary between 0 and n for n variables. After that, the composite score can be treated as a ranked or ordinal variable, and the nature of the association between the level of firm performance and a firm's rank derived by using the procedure mentioned above will be tested. If it is discovered that the two variables are not independent of each other, then it provides substantial evidence that the factor of preparation of successor is a cause of variation in a firm's performance after the succession event.

- **Explanatory Hypothesis 2:** Succession Planning is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: This hypothesis can be overturned if evidence is found with regards to the correlation between the other two factors with the outcome variable of firm performance. In that case, since these factors have temporal precedence over the outcome, they will also be deemed as likely causal factors. In case no correlation is found, the hypothesis will pass the hoop test if a correlation can be established between the preparation of the successor and the firm's performance.

Smoking Gun Test: If the hypothesis passes the hoop test, then the next step is to assess the importance of this factor about the firm's performance, across all firms. It is proposed that a composite score is calculated based on the values of the underlying, ordinal, independently observed variables. However, for this factor, the variables are mixed as some are categorical (time window) while others are nominal (Yes or No). Therefore, it is proposed that the categorical variables be converted into dichotomous variables by applying some specific criteria. For example, in the case of the time window for discussions within the family, two categories can be derived: less than two years and more than two years. The code for more than

two years can be assigned as one while the code for less than two years can be assigned as 0. The rest of the procedure will be as used for hypothesis 1.

- **Explanatory Hypothesis 3:** Intra-family Dynamics is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: This hypothesis can be overturned if evidence is found with regards to the correlation between the other two factors with the outcome variable of firm performance. In that case, since these factors have temporal precedence over the outcome, they will also be deemed as likely causal factors. In case no correlation is found, the hypothesis will pass the hoop test if a correlation can be established between the preparation of the successor and the firm's performance.

Smoking Gun Test: If the hypothesis passes the hoop test, then the next step is to assess the importance of this factor about the firm's performance, across all firms. It is proposed that a composite score is calculated based on the values of the underlying, ordinal, independently observed variables. The rest of the procedure will be exactly like the one used for hypothesis 1.

- **Explanatory Hypothesis 4:** Intra-family Dynamics and Preparation of Successor are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: This hypothesis can be overturned if evidence is found with regards to the correlation of the other factor with the outcome variable of firm performance. In that case, since this factor has temporal precedence over the outcome, it will also be deemed as a likely causal factor. In case no correlation is found, the hypothesis will pass the hoop test if a correlation can be established between the preparation of successor, intra-family dynamics and firm's performance.

Smoking Gun Test: If the hypothesis passes the hoop test, then the next step is to assess the importance of these factor about the firm's performance, across all firms to determine if it can

be ascertained whether both factors are independent of the outcome variable or not using the results achieved earlier.

- **Explanatory Hypothesis 5:** Intra-family Dynamics and Succession Planning are the only necessary and sufficient factors that cause variation in the performance of the firm.
- **Explanatory Hypothesis 6:** Succession Planning and Preparation of Successor are the only necessary and sufficient factors that cause variation in the performance of the firm.

A test of hypotheses 5 and 6 will follow the same procedure as the one outlined for hypothesis 4.

- **Explanatory Hypothesis 7:** Intra-family Dynamics, Succession Planning and Preparation of Successor, are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: This hypothesis can be overturned if evidence is found with regards to the absence of correlation of any one of the factors with the outcome variable of firm performance.

Smoking Gun Test: Using the results obtained earlier, if it can be established that all three factors are not independent of the outcome variable, then the hypothesis will pass this test.

3.7.2 Logistic regression analysis and multinomial regression

While extant literature on regression analysis indicates that simple linear regression is a useful and valid technique for analysing continuous variables as far as the output is concerned, it is mathematically and logically not applicable in situations where the output variable is binary or categorical.

To overcome this problem, simple logistic regression analysis was carried out for binary response variables. Hilbe (2016) stated that the technique of logistic regression is capable of modelling relationships when the variables involved are binary or dichotomous, linear regression analysis is not considered to be appropriate in this situation. It was also decided to

employ the multinomial regression technique for categorical variables. In this approach, the natural log of the odds ratio is related to the independent variables with the help of a linear model, and the independent variables can be either continuous, binary or categorical. Due care was taken to insert binary and categorical variables as factor variables, and dummy variables were created for the latter type. Moreover, it was observed that multiple logistic regression allows for an analysis of more than one explanatory variable and therefore, it was found to be compatible with the purpose of this research where the conceptual framework contains more than twenty tested variables, see Figure 2-3, whose values were collected through a survey-based questionnaire.

This analysis makes use of multiple logistic regression analysis techniques. Previous research studies in the family business have used multiple logistic regression when exploring the relationship between family influence and family firm activities (Jorissen, Laveren, Martens & Reheul, 2005; Rutherford et al., 2008; Westhead & Cowling, 1998; Westhead & Howorth, 2006). For example, Rutherford, Kuratko and Holt (2008) used the multiple regression techniques to show that multiple dimensions of familiness (power, experience and culture) contribute to the variances of several performance variables.

3.7.3 Research specifications

3.7.3.1 Variables and dummy coding

Concerning the study of relationships between the latent variables “Preparation of Successor” and “post-succession firm configuration”, the logistic regression requires dummy coding of multi-category background variables to derive meaningful interpretations of the regression coefficients. It should be noted that the observed variables belonging to the construct “Preparation of Successor” are binary. Therefore, their values can be directly fed into the regression model as either 1 or 0. For example, the variable “EduPrep” assumes only two values – 1 if the anointed successor took part in an educational programme (any programme), and 0 otherwise. Similarly, the variable “BusPrep” variable can assume the value of 1 if the successor was formally trained in business, and the value of 0 otherwise. These variables originate from the questionnaire, as do the responses.

Concerning the study of the relationship between the latent variables “Succession Planning” and “post-succession firm configuration”, the technique of dummy coding will be utilised to enable analysis by converting into binary measures where necessary. The observed variable “Time Window for Family Discussion” (TimeFM) has four dummy variables created to convert to binary measures: TimeFM-Same, TimeFM-1, TimeFM-2, and TimeFM-3, Table 3-18 demonstrates that each variable can only have one of the values:

Table 3-18 Time window for discussion

Time Window	TimeFM-Same	TimeFM-1	TimeFM-2	TimeFM-3
Same Year	1	0	0	0
1 Year Prior	0	1	0	0
2 Year Prior	0	0	1	0
3 Year Prior	0	0	0	1
More than 4 Year Prior	0	0	0	0

Similar logic will be applied for creating dummy variables for other underlying multi-category variables. With regards to the variable “intra-family dynamics”, all the underlying observed variables are binary, and hence they can be directly inputted into the regression model as shown in Table 3-19.

Table 3-19 Intra-family dynamics binary variables

Observed Variable
Disagreement with initial plans
Changes made to initial plans
Disagreement with final plans
Family or firm more important
The exit of a family member considered
Wait until experiential readiness of successor
Wait until emotional readiness of incumbent

Concerning the test of association (if there is a relationship between profit stability and the intra-family CEO succession) for the profit stability of the firm after the succession event. Dependent variables have been identified in the literature: profit stability and diversification strategies (product, market) in section 2.10. It is apparent that the revenue and profit growth

variables are continuous. Hence multiple regression analysis will be undertaken for these two. The new product and new market development variables are binary, and so logistics regression analysis will be used. It is important to note that separate regressions will be undertaken for the different elements developed earlier such as preparation of successor, succession planning, and intra-family dynamics. The following table provides a summary of the various tests:

Table 3-20 Test summary and collection method

Dependent Variable	Preparation of Successor	Succession Planning	Intra-family Dynamics	Methodology	Collection Method
Profit Stability	Impact of the successor's preparation on profit stability.	Impact of succession planning on profit stability.	Impact of intra-family dynamics on profit stability.	Multiple Regression	Other documents
New Product Development	Impact of the successor's preparation on new product development.	Impact of succession planning on new product development.	Impact of intra-family dynamics on new product development.	Logistic Regression	Survey
New Market Development	Impact of the successor's preparation on new market development.	Impact of succession planning on new market development.	Impact of intra-family dynamics on new market development.	Logistic Regression	Survey

3.7.3.2 Data categories

The principal outcome variable is that of a new CEO coming from the family, indicative of successful intra-family CEO succession defined as 'it happened'. It is a binary variable, and the respondents were asked to provide a 'Yes' or 'No' answer to the question of the CEO post-

succession belonging to the family or not. The underlying observed variables, such as ownership proportion and proportion of family members in senior position and other jobs, derived the power index and experience index and so were treated as continuous variables.

All other independent variables were either binary or categorical. For example, variables such as successor education, management training, tacit knowledge and social capital were binary as questionnaire items had only 'Yes' or 'No' as options for the answer. Whereas, variables such as family agreement over succession plans were categorical: disagreed, disagreed slightly, neutral, agreed slightly or agreed.

For the second half of the analysis wherein financial and market performance of the firm was explored, the outcome or dependent variable was treated as continuous because operating profit growth is a ratio of the profit change and profit in the year of succession. However, the independent variables were either binary or categorical.

3.7.3.3 Power index and intra-family CEO transition

At the outset, companies that self-reported themselves as family firms were selected for subsequent analysis. Also, out of this subset of companies, only those firms were chosen for analysis that had undergone a succession process, whereby control and ownership transferred to a different generation of the family see Table 3-4 on page 98. This was seen as a necessary step as the research aims to test the relationship between intra-family transitions and underlying factors that may potentially contribute to the success of this process. Therefore, a firm that had not experienced an intragenerational transition was outside the scope of analysis.

As described in the literature review, Astrachan et al. (2002) developed the F-PEC scale to enable researchers to measure the 'familiness' as an objective measure along a continuum. The other components include the power of the family, family member experience and the cultural impact (Astrachan et al., 2002).

The power subscale consists of factors or variables such as percentage share owned by the family in the firm and proportion of the board's members that come from the family. It is proposed that family members can exert control over a firm if they have significant ownership

in the enterprise, or if they can strongly influence firm governance/management behaviour. Thus, the F-PEC power subscale considers:

“[the] percentage of family members on each board level as well as the percentage of members who are named through family members on the management and governance boards” (Astrachan et al., 2002, p. 48).

The power subscale is one of three elements that make up the F-PEC familiness scale the other two being experience and culture.

By using this framework, the respondents in this study were asked to specify whether the non-family members owned less than or more than 50% of the shares in the firm. Subsequently, a decision was taken that if the non-family members held less than 50% of ownership in the company, then it will be assumed that the family must have 60% ownership in the company and vice versa. Importantly, for a significant number of firms, it was reported that non-family members did not hold any shares, and in such cases, 100% ownership was assigned to the family members. Next, the respondents were asked about the total number of board seats and the number of seats held by the family members. Based on this input, the proportion of the seats held by family members were calculated.

3.7.3.4 Experience index and intra-family CEO transition

As mentioned earlier in section 2.4.1.2, the F-PEC model specified by Astrachan et al. (2002) also contains factors that are related to the experience of family members that are utilised by the firm which exerts a bearing on the ‘familiness’ of the company. They include the proportion of senior managers that are family members, the number of generations active in the management of the business and the percentage of the family members employed by the company as important factors that constitute this subscale, and which have been included in this research.

For this study, the respondents were asked to report the total number of senior managers employed by the firm and the number of executives who belonged to the family (see the questionnaire as developed in section 3.6.3 above).

From this data, the proportional representation of the family in senior management roles was calculated. Similarly, the proportion of employees who are family members was calculated using data that was accessible from the FAME database representing employee numbers. The experience index was constructed by adding this calculated measure to the log of the number of generations active in the management of the firm as devised by Astrachan et al. (2002). This is by the observations made by Astrachan et al. (2002) about the value of the experience that has a component of the exponential function showing Figure 3-6 below.



*Figure 3-6 Value of experience
(Astrachan, 2002)*

It is interesting to note that the logarithmic continuum is used based upon an argument that gains accrued due to experience are highest during the transition from the first to the second generation, and subsequent value additions from ownership transitions decrease logarithmically (Astrachan et al., 2002, p. 49). In terms of implementation of this rule, the log value of the value of experience measure was calculated to be 0 if only the first generation were active (log of 1 is 0) and for a firm having its 3rd generation active, the value of this measure was calculated to be $\log(3) = 0.477$. Mostly, the cumulative experience value reached during the third-generation transition is 47.7% of the total possible contribution that is expected to reach the saturation value when the 10th generation takes over. All the businesses in this research's sample are at least second generation, and so the measure will be greater than zero.

3.8 Chapter Summary

The aim of this chapter was to demonstrate the researcher's ontological and epistemological perspective and develop a detailed research approach to achieving the aim of the thesis.

The researcher adopted a positivist paradigm, utilising the scientific method, whereby it is considered that there is an objective reality, observable and measurable through quantitative analysis.

The conceptual framework was then used to develop questions, by utilising the theoretical lenses of Agency and RBV as gateways to a consolidated understanding, that would enable the collection of data in a method suitable for the selected analytical approaches of process tracing, logistic regression analysis and multinomial regression to be carried out. The strategic approach to interacting with the research participants was developed (including the ethical protections of ensuring anonymity and communication approaches) to ensure that the data gathered was able to answer the research question in a robust and appropriate way.

The chapter then developed the survey instrument, moving into questionnaire design, and the reasoning behind the question development. The researcher used a pilot and pretested the questionnaire to ensure reliability and validity. The chapter concluded with an in-depth exploration of the statistical methods employed.

The next chapter presents the findings based on the research design considerations developed in this chapter.

Chapter 4 Findings

4.1 Chapter Introduction

The previous chapter outlined the approach, methodology and methods used to address the research aim of determining the factors that positively affect the intra-family succession. It built from the conceptual framework a justified deductive approach using a survey instrument constructed in 3.3 above on page 90 and analysed the results.

This section provides a brief overview of the next steps. The conceptual framework developed in the literature review took into consideration various components derived from the literature review and the theoretical lenses of agency and RBV. They included a measure of power held by family members, contributions made by the family members regarding experience, preparation of the successor regarding education and training, intra-family dynamics regarding an agreement with succession plans at different stages, and management of the succession process.

It was demonstrated in the literature that these variables were constituents of the conceptual framework conceived to be factors which positively impact the intra-family CEO succession, it was proposed that multiple logistic regression analysis was undertaken to explore the predictive power of these variables. The first section of this chapter explores the role of family authority and experience regarding the response variable of a new CEO coming from within the family.

The section first provides an explanation of the power, experience and familiness indices using an adjusted F-PEC scale prescribed as part of the standard literature. The first stage in the analysis was to take these in isolation and test whether they were predictive of intra-family CEO succession. Process tracing was utilised to attempt an identification of linkages that regression approaches alone can understate.

The response rate (as shown in Table 3-4 on page 98) is in line with other studies addressing directors in SMEs (Geletkanycz, 1997; Molly et al., 2010; Pearce & Zahra, 1991).

4.2 Power Index Findings

A 'power index' measures the percentage of family members in governance and combines it with members in senior management positions. It was calculated by adding the proportion of shares and the proportion of board membership maintained by the family members. The following section provides an illustrative example of the calculations to arrive at a power index score coded as A0003 which relates to the third firm in the respondent schedules.

The firm was selected for analysis as it described itself as a family business (0 for 'No' and 1 for 'Yes') as shown in the questionnaire excerpt in Figure 4-1 below and the business has been through a succession process as shown in Figure 4-2 below; whereby control and ownership was transferred to a different generation of the family.

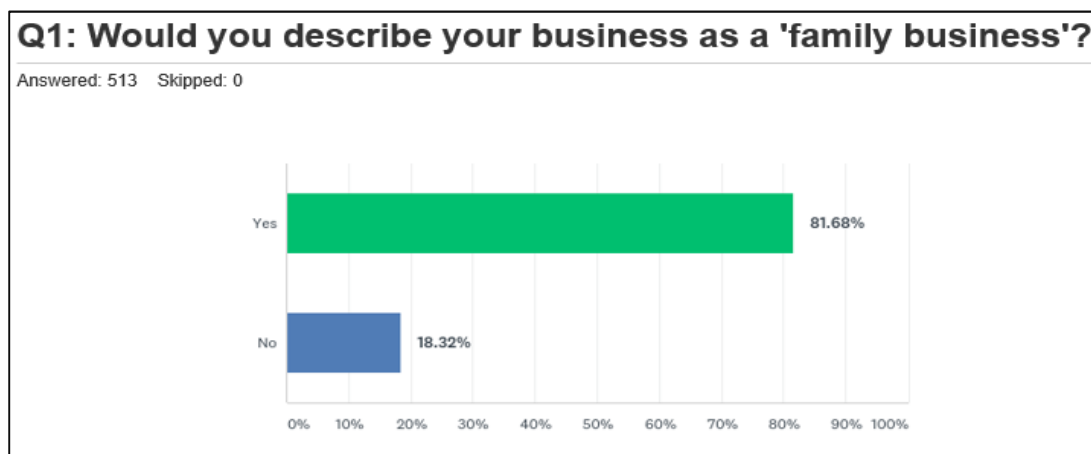


Figure 4-1 Family business

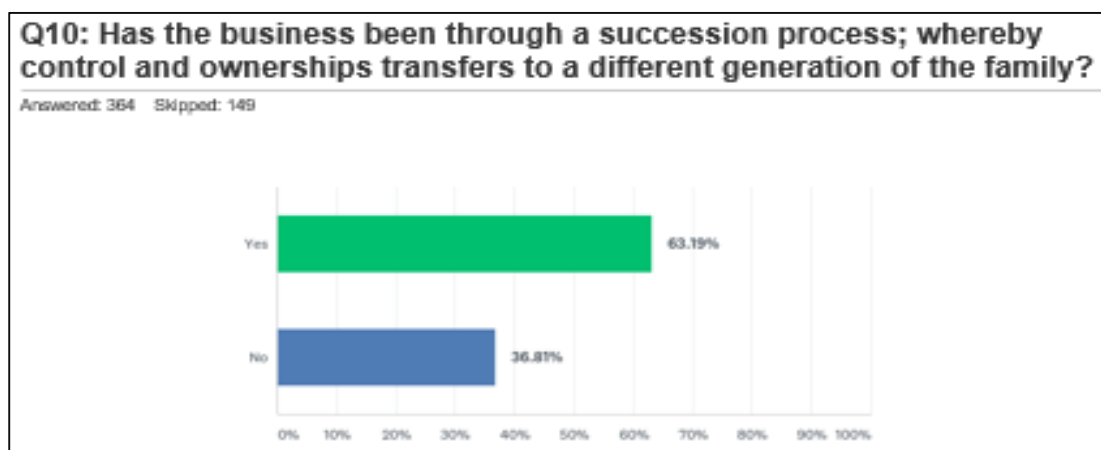


Figure 4-2 Succession completed

The next data field described the family firm in respect of the percentage of shares held by the non-family members, the cell value of 0 indicated 0% shares while 1 indicated less than 50% shares and a value of 2 indicated more than 50% shares. In the case of A0003, the cell value was found to be 0, and therefore the proportion of shares held by family members was taken to be 100% (1 for the formula). After that, the next two data fields captured information about the total number of board seats and the number of board seats held by family members. A0003 data revealed that out of five seats, two were held by the family members. Thus, the proportionate representation of the family was calculated as below:

$$\text{Proportionate Board Share of Family Members} = 2 \div 5 = 0.4.$$

Using Astrachan (2002), a power index was derived (shown in Figure 4-3) in the next column (column 7) by combining the board share (column 6) and ownership share (column 3) to demonstrate the overall power that the family has in that particular organisation. Ownership and board positions not held by the family would mean a degree of externality within the business.

$$\text{Power Index} = \text{Proportionate Ownership Share} + \text{Proportionate Board Share} = 1 + 0.4 \rightarrow 1.4$$

Figure 4-3 below further illustrates the process by showing the calculations for three firms having different ownership and board share characteristics:

Firm Code	Percentage of the business shares held by non-family members	Proportionate share of family members	People on the Board	Family Board members	Proportionate Board Share	Power Index
A0007	0%	100%/100% → 1	2	2	2/2 → 1	1+1 → 2
A0017	40%	60%/100% → 0.6	3	2	2/3 → 0.67	.6 + .67 → 1.27
A0354	60%	40%/100% → .4	5	5	5/5 → 1	.4 + 1 → 1.4

Figure 4-3 Power index calculation example

There are three example calculated power index scores shown in Figure 4-3. A0007 has a board and business ownership which is entirely family-based, a power index of 2 is the highest possible score. The scale will reduce as the combination of ownership, and board structure

diminishes, yet still retain a family business definition due to the self-determination of the respondent.

For clarity, the measure to show successful intra-family CEO transfer was defined as whether the new CEO came from the family or externally (the measure of success being an intra-family CEO succession). A binary variable of 1 was denominated if the transition had occurred. If the CEO came from outside the family, it became evident that the intra-family CEO controlling transition did not happen and therefore, the variable was assigned the value of 0. The 0 data was retained and used as the basis of calculation as the firm maintained the perception of being a family business.

Logistic regression was executed on collected data to understand if the power measure related to the intra-family CEO succession outcome, and the following equation was used:

$$\text{Log (IGSuccess / (1- IGSuccess))} = \alpha + \beta * \text{Power}_{Index} + \varepsilon$$

Wherein:

IGSuccess = Binary dependent variable depicting whether successful intra-family succession took place or not.

α = Intercept

β = Coefficient of slope of the Independent Variable

ε = Error Term

Table 4-1 depicts the summary results of the regression analysis for all respondents which is presented here for ease of analysis. The full Stata outputs are contained on page 209 in the Statistical Table Outputs (Appendix D).

Explanatory Variable	Estimated Coefficient
Power_Index	1.167785

Table 4-1 Power index regression

Based on the outputs of Table 4-1, the regression equation is constructed as follows:

$$\text{Log (IGSuccess / (1 - IGSuccess))} = 0.3644516 + 1.167785 * \text{Power}_{\text{Index}}$$

However, the coefficients were not found to be statistically significant, i.e. below 0.05 for either the intercept or the variable: power index (p-values of 0.805 and 0.197, respectively). Additionally, the pseudo-R-square value of 0.0241 indicates that the regression model describes only 2.41% of the variance.

- Interestingly, it can be inferred that power index alone cannot be used to predict intra-family CEO transition. In other words, a more significant proportion of ownership and board seats held by the family members does not seem to indicate an increased likelihood of the new CEO coming from the family firm.

Next, the relationship between experience index and intra-family CEO succession is taken up for analysis. Experience is the number of times the business has been through a succession previously.

4.3 Experience Index Findings

The following regression equation was formulated using the same approach:

$$\text{Log (IGSuccess / (1 - IGSuccess))} = \alpha + \beta * \text{Experience_Index} + \varepsilon$$

IGSuccess = Binary dependent variable depicting whether an intra-family CEO succession took place or not based on the Stata output found in Appendix D below.

Based on Table D-2 shown in the appendices, the regression equation is constructed as follows:

$$\text{Log (IGSuccess/1- IGSuccess)} = 0.6804199 + 3.264915 * \text{Experience_Index}$$

Importantly, the coefficient of experience index is statistically significant with a p-value of 0.005. Also, the pseudo R-square value of 0.1646 indicates that the model explains a 16.46% variance of the dependent variable. In a chi-squared test, the goodness of fit attempts to

determine if the sample data is consistent with the relationship of the experience index with intra-family CEO succession. This is done by comparing the distribution to the chi-squared distribution, $\text{Prob} > \chi^2 = 0.0009$ indicates that the model fits the data well, in this case, the probability of obtaining the χ^2 figure given the null hypothesis is true is 0.09%. Table D-3 summarises the regression analysis outcome regarding an odds ratio of 26.1778 for experience index is statistically significant at a p-value of 0.005, and therefore higher levels of experience index raise the odds of the CEO coming from the family.

- Strikingly, it is shown that the experience element (senior managers that are family members, number of successions the business has been through and family members employed) of the F-PEC seems to increase the probability of the new CEO coming from within the family.

This is an interesting finding which shows the more experience, the higher the chances of intra-family CEO succession in a family firm.

Next, as described by Astrachan et al. (2002) and discussed in section 2.4 the power index and experience index are combined in a modular approach to explore if a precombination (presented as a familiness index) predicts an intra-family CEO transition.

4.4 Familiness Index: Power and Experience Findings

As discussed in the literature review in section 2.4 above the F-PEC scale was developed for clarity and generalisation (Astrachan et al., 2002). Using Astrachan's (2002) test of whether the combination of the two subscale components resulted in a more reliable model, the power index and experience index variables were combined to form a 'familiness index'. The following regression equation was formulated:

$$\text{Log}(\text{IGSuccess}/(1 - \text{IGSuccess})) = \alpha + \beta * \text{Familiness_Index} + \varepsilon$$

IGSuccess = Binary dependent variable depicting whether an intra-family CEO succession took place or not.

The updated regression equation can be written from the results shown in Table D-4 in Appendix D as:

$$\text{Log (IGSuccess/1- IGSuccess)} = -0.9196123 + 1.484788 * \text{Familianness_Index}$$

The coefficient of the familiness index is statistically significant with a p-value of 0.010 and the Prob > chi2 = 0.0063 measure indicates the goodness of fit. However, the pseudo R-square value is 0.1117 in this case. Appendix D below summarises the regression analysis outcome regarding odds ratio.

- The odds ratio of 4.414031 is statistically significant at a p-value of 0.010, and therefore higher levels of the modular familiness index raise the odds of the CEO coming from the family.

It is important to note, however, that the odds ratio for familiness is less than the individual ratio for the experience index which would mean the impacts of the identified measures are not synergistic in their combined effect, in fact, the opposite. Another critical point to note is that while the power index is not found to be statistically significant as a regressor, such that a more substantial proportion of ownership and board members does not lead to the CEO coming from the family, when combined with the experience index to form the familiness index, the combined measure is statistically significant.

Therefore, suspicion is raised about the presence of multicollinearity, Farrar and Glauber (1967, p. 67) describe multicollinearity as an interdependency problem that is both a “*facet and symptom of poor experimental design* (Farrar & Glauber, 1967)”. Graham (2003) states that the technique of multiple regression analysis is often subject to problems arising due to the complexity of data, the variables which are being used to explain the outcome, if autonomous, will constitute the total effect with no synergistic impact. If it appears that the sum of the individual elements is not the same as the total effect, the independent variables may be affected by each other. Moreover, the problem of multicollinearity is:

“...difficult to analyse because their effects on the response can be due to either true synergistic relationships among the variables or spurious correlations”
(Graham, p.2809).

To address the problem of collinearity, Dormann, Elith, Bacher, Buchmann, Carl, Carré, Marquéz, Gruber, Lafourcade and Leitão (2013) suggest multiple methods of detection that include pairwise correlation coefficient, condition index (“square root of the ratio of each eigenvalue to the smallest eigenvalue of X”), and the Variance Inflation Factors (VIF) (Dormann et al., 2013, p. 11). The purpose of the tests is to inform the researcher of how correlated the variables are and if multicollinearity is an issue. O’Brien (2007) confirms that VIF and tolerance are the most widely used measures of the degree of collinearity of the explanatory variable with other independent variables in the regression model (O’Brien, 2007). The methods compare the variances with all of the variables, and then with just one, if the variance is higher with more variables then that is a sign there is multicollinearity; the variables are affecting each other. Moreover, Hair (1995) and Neter (1996) determined the presence of multicollinearity within the range of VIF values of 4-10, with values higher than 10 indicating excessive multicollinearity that must trigger further investigation of the impacted variables (Hair Jr et al., 1995; Neter et al., 1996). Similarly, other indicators of excessive multicollinearity are large values of condition index which calculates the sensitivity to changes of the measures, small values of tolerance which is where the variables are rotated to take the place of the dependent to test for shared effects of independent variables, and small eigenvalues (close to zero variance sums) (Graham, 2003).

A collinearity test was run on independent variables power index, experience index, and familiness index and the results shown in the appendices in Table D-6 below were obtained. The mean value of VIF is 1.20 which is considerably below the range of 4-10 and therefore, in this study it can be stated that the variables experience index and power index are not correlated. Moreover, the Pearson’s correlation coefficient is 0.4073 an indicator of positive but not strong correlation (Booth, Niccolucci & Schuster, 1994). Also, the condition number (which is a measure of sensitivity, assessing the output changes for small changes in the inputs and the change in output error that is by error in the input) is 12.6358, which is well below the suggested range of >30 (Belsley, 1991; Douglass, Clader, Christy, Michaels & Belsley, 2003; Johnston, 1984) again implying the experience and power indexes are not correlated.

However, the situation changes dramatically when the same regression diagnostics are run for power index, experience index and familiness index; showing a very high mean VIF and condition number indicating multicollinearity above the range suggested (Belsley, 1991; Belsley, Kuh & Welsch, 1980; Douglass et al., 2003; Hair Jr et al., 1995; Johnston, 1984). The literature on the problem of multicollinearity suggests that this occurs when one of the independent variables is calculated from other variables in the regression equation (Graham, 2003; Neter et al., 1996). As described earlier, the familiness index is calculated as a linear summation of power and experience index. So, to overcome this concern, it is only appropriate to include the experience index in the regression equation. The power index is dropped as it is not a statistically significant predictor of intra-family CEO transfer in a family firm and the familiness index is dropped as its insertion leads to the problem of multicollinearity.

- The results of this study found that experience is a factor which seems to increase the likelihood of intra-family CEO succession.

4.5 Cross-tabulation Tables and Chi-squared Test for Goodness of Fit

The next section explores the influence of successor preparation factors such as educational background, general management training, and social capital/tacit knowledge acquired by the successor before the event of succession. As discussed in section 2.7.1, previous research studies have indicated that the skills, performance and experience of a successor are positively correlated with effective succession (Breton-Miller et al., 2004) though it has not measured whether these are associated with progression by another family member. Moreover, the training and development of the successor help in the accumulation of knowledge, development of capabilities and enhancement of credibility and legitimacy of the successor. However, the following analysis adapts these approaches and explores the impact of these variables regarding the increased or decreased likelihood of the new CEO being a family member.

Using the observed variables for analysis that was part of the successor preparation element it was postulated that the educational preparation of the successor before succession was relevant to a new CEO coming from within the family firms. The contingency table depicts the outcome of the chi-squared test shown in the appendices in Table D-7 below.

The p-value of 0.645 indicates that the relationship is not statistically significant. Accordingly, it cannot be said that educational preparation before the succession event led to the appointment of a family member as a CEO of the firm. This is an interesting finding as the contingency table indicates that for approximately 52% of the firms in the sample, the successor came from within the family but had no educational preparation. Similarly, out of 10 family firms that witnessed a succession and had an outsider as a CEO, only half reported that the successor underwent educational preparation.

- The results of this study did not find that educational preparation is a factor which indicates an increased likelihood of intra-family CEO succession.

The next area of the conceptual framework was that general management training of the successor was related to the event of the successor, as the new CEO, coming from the family. Contingency Table D-8 below depicts the outcome of a chi-squared test.

The relationship was found not to be statistically significant as the p-value of 0.741 is higher than 0.05. Once again 54% reported that the successor did not undergo general management training.

- The results of this study did not find that general management training preparation is a factor which indicates an increased likelihood of intra-family CEO succession.

In Table D-9 and Table D-10 below the outcomes of chi-squared tests performed on the variables of social capital and accumulation of tacit knowledge on the choice of a successor are depicted. In both cases, the p-values are higher than 0.05.

- It cannot be stated that accumulation of social capital or tacit knowledge on the part of the successor, before the event, are factors which indicate an increased likelihood of intra-family CEO succession.

Next, observed variables related to the construct of intra-family dynamics were presented for chi-square analysis through contingency tables. First, it was developed in the conceptual

framework that disagreements among the family members at the initial stage of succession planning had a relationship with successor choice being either a family member or an outsider. Table D-11 on page 212 depicts the outcome of this analysis, a p-value of 0.089 indicates that this relationship is not statistically significant. However, the cell values indicate that when all or most of the family members disagreed with the initial plan, then a family member was chosen as the next CEO c93% of the time. Moreover, six firms from the sample reported that family members were initially evenly split and in all these cases, a family member was chosen as the successor. On the other hand, fourteen firms reported that all the members agreed to the initial plan and a family member was chosen as the new CEO in about 71% of these firms. Similarly, 100% of the firms where most of the family members agreed decided to select a family member as the successor.

- Thus, whether there was agreement at the early stages or not, did not seem to indicate an impact on the decision to appoint a family member as the new CEO. The study does not find initial disagreement had a relationship with successor choices.

Table D-12 to Table D-17 depicts the outcome of the chi-square tests performed on the variables change of succession plan, disagreement at the final stages, the exit of at least one family member, perceived prioritisation of family and firm interests during succession discussions, the experiential readiness of the successor, and emotional readiness of the incumbent. In all of the cases, the p-value is higher than 0.05.

- None of the findings relating to Table D-12 to Table D-17 are statistically significant. In other words, the choice of an intra-family CEO successor does not seem to be related to the broad thematic-areas of change including interim changes in the plan, disagreements, exits of family members, state of experiential readiness of the successor or the emotional readiness of the departing CEO.

Finally, observed variables related to the theoretical construct of succession planning were examined. First, it was developed in the conceptual framework that the choice of the successor is related to the time-lag between the start of the succession discussions within the family and the actual succession event. Table D-18 below presents the outcome as not statistically significant as the p-value is 0.803. Noticeably, 99% of the firms starting the discussion in the

year of succession chose a family member as the new CEO, 100% of the firms starting the discussion 4 years prior did the same and 89% of the firms initiating the process 3 years before proved to be no different in terms of successor's choice.

Other factors such as time-lag for succession discussion within the firm, time-lag for succession decision, time-lag for successor announcement, and use of advisors were found to be unrelated to successor choice. However, as Table D-19 on page 214 indicates, a discussion on passing control to an outsider was related to the response variable with a p-value of 0.006.

- It is interesting to note then, that a discussion of passing control to an outsider is a factor which seems to indicate an increased likelihood of intra-family CEO succession. Perhaps unsurprisingly, as a rejection of the proposal to pass control to an outsider at an early or late stage would not automatically result in the appointment of a family member as the new CEO, yet the discussion is still relevant.

4.6 Preparation of Successor

The four predictor variables discussed in section 2.7 used for assessing the preparation level of the successor that is considered to potentially have a causal impact on the probability of the new CEO coming from the family are:

- a. The educational preparation of the successor.
- b. The general management training that the successor underwent.
- c. The tacit knowledge accumulated by the successor.
- d. The social capital accumulated by the successor.

Since both the response and predictor variables were binary, a logistic regression technique was utilised, and the values of variables were fed into the data table directly. The outcomes of this analysis are shown in Table D-20 below. It becomes clear that no variable is statistically significant as all the p-values are higher than 0.05. There is a statistical inference that no coefficients are statistically different from 0, and for other variables the null hypothesis $H_0: \beta = 0$ cannot be rejected. Thus, it can be inferred that the predictive power of the successor preparation variables, as explained by the different coefficients, is not supported by the tests of

statistical significance. The model of successor preparation does not fit the data very well, and moreover, it cannot be stated that the coefficients are significantly different from 0.

- The current study shows that educational preparation, general management training, social capital and tacit knowledge are not factors that positively impact the intra-family CEO succession.

The next section uses the logistic regression technique to explore whether the intra-family dynamics have an impact on the outcome variable.

4.7 Intra-family Dynamics

Since the response and predictor variables for this section within the conceptual framework, established in the Intra-family Dynamics section of the literature review on page 55, were mostly binary, a logistic regression technique was utilised. The values of the variables were fed into the data table directly. For the categorical variables, (family members' disagreement initially, disagreement finally and the relative importance of family and firm interests) dummy variables were created. The outcomes of this analysis are summarised in Table D-21 below in the appendices.

The initial disagreement between family members is the only variable that has a statistically significant coefficient (different than 0) of 4.0004 for the option where all members disagreed.

- On the question of intra-family dynamics, this study found that an interesting factor which indicates an increased likelihood of intra-family CEO succession is when all family members disagree about the succession plan initially. This could relate to the management of intra-family disputes and relative power in the family or maybe it just stimulated discussion, highlighted as important in the literature review (section 2.7.3 on page 52).

Table D-22 below on page 216 summarises the regression analysis outcome in terms of the odds ratio for intra-family dynamics, the results demonstrate that with an odds ratio of 55.94

for all family members disagreeing and a statistical significance of p-value 0.011 there is clear evidence that the family disagreeing on the initial succession plan is a factor which positively affects the intra-family CEO succession.

In this regard, as discussed in section 2.8.1, Handler and Kram (1988) cite the high failure rate of succession in family firms in the United States and explain this phenomenon by arguing that family business succession is very challenging. Individually, psychological factors play an important role as a leader entrepreneur is intrinsically involved with the firm, and problems arise due to a combination of personal, emotional, financial and developmental characteristics.

- The findings show that firms who do not have much disagreement during the initial stage appear to have an increased likelihood of picking an outsider as the next CEO more often than firms that disagree. This is an important area for future research; research questions could focus on the types of conflict and consensus at various stages of the succession process.

4.8 Succession Planning

As the responses and predictor variables developed in the Succession Planning section in 2.9 above were binary (timing for discussions, process finalisation, announcements made, use of advisors, passing control outside and selection criteria), a logistic regression technique was utilised, and the variable values were fed into the data table directly. For the categorical variables, dummy variables were created. The outcomes of this analysis are summarised in Table D-23 below.

- None of the estimated odds ratios is statistically significant with p-values over 0.05. Therefore, the conceptual framework elements related to succession planning playing a decisive role in an intra-family CEO succession can be rejected.

4.9 Final Regression Model

Based on the regression analysis presented above, a final logistic regression model was tested that considered the CEO coming from the family firm as the dependent variable, and experience and early-stage family disagreement as the independent variables. The results are summarised in Table D-24 on page 217.

- Only the experience index was found to impact the odds ratio (17.44219) in a statistically significant way (p-value of 0.022 is less than 0.05), and the Prob > chi2 = 0.0050 value indicates that the model predicts the dependent variable in a statistically significant way. The pseudo R-square value of 0.1779 indicates that the model explains 17.79% of the variance and that the other measure is invariant to the outcome.

4.10 Post-Succession Outcomes

4.10.1 Profit stability after the Transition

For this section of the research, the independent variable was operating profit (OP), as discussed in the methodology section on secondary data in paragraph 3.6.4, stability in profit was calculated by expressing the difference in OP in the year of succession and the year immediately after the succession event as the fraction of the former. The rationale for using this metric was to test whether the predictor variables related to post-succession configuration led to a positive change in the OP. The dependent variables were selected to be the new CEO coming from within the family and other post-succession factors:

- Management arrangements still as agreed during the transfer.
- Directors still as agreed during the transfer.
- The knowledge and skills of the previous CEO retained.

A linear regression analysis was undertaken, and the results are summarised in Table D-25 below.

- There are two variables whose coefficients are statistically significant; management arrangements and directors' arrangements (arrangements being their plans post-succession), as they have p-values less than 0.05. However, it can be inferred, but not confirmed, that those management arrangements staying the same have a negative relationship (as the coefficient is negative) with profit change as a fraction of base year profit. Directors' arrangements have a positive relationship (as the coefficient is positive) with the same.

This finding is interesting as it shows an increased likelihood that retaining the incumbent management team after the succession process deteriorates the financial stability of the firm, whereas the continuation of incumbent board members indicates an increased likelihood of improved financial performance.

Additional analysis was undertaken to test whether post-succession financial performance indicated a stabilising effect on respondent satisfaction, the summary of which is shown in Table D-32 on page 219 .

- The regression table presented indicates that none of the variables has coefficients that are statistically significant. Thus, no inference can be drawn about the relationship between post-succession financial performance and satisfaction with the succession.

4.10.2 New strategy post-succession and family CEO

The predictor variable used for assessing the post-succession performance regarding a new strategy adopted was whether the new CEO came from the family or outside. The logistic regression results are summarised in Table D-26 on page 218.

The Prob > chi2 = 0.538 value indicates that the model does not describe the data in a statistically significant way and the coefficient of the predictor variable is not statistically significant with a p-value of 0.5216. Thus, it can be inferred that the adoption of a new strategy and whether the CEO came from the family are independent of each other which could mean that the origination of the CEO does not imply a new strategy or continuation will be adopted.

4.10.3 New product post-succession and family CEO

The predictor variable used for assessing the post-succession performance regarding new product launches was whether the new CEO came from the family or outside. The logistic regression results are summarised in Table D-27 below.

Once again, Prob > chi2 = 0.5145 value indicates that the model does not describe the data in a statistically significant way and the coefficient of the predictor variable is not statistically significant with a p-value of 0.524. Thus, it can be inferred that the launch of new products and whether the CEO came from the family are independent of each other.

4.10.4 New market expansion post-succession and family CEO

The predictor variable used for assessing the post-succession performance regarding new market expansion was whether the new CEO came from the family or outside. The logistic regression results are summarised in Table D-28 below.

In this case, Prob > chi2 = 0.2113 value indicates that the model does not describe the data in a statistically significant way and the coefficient of the predictor variable is not statistically significant with a p-value of 0.217. Thus, it can be inferred that new market expansion and whether the CEO came from the family are independent of each other.

- The most compelling and significant aspect of these findings is that it discovers that intra-family CEO transition does not appear to indicate an increased likelihood of new product innovation or new market expansion. An explanation may be the fact that the continuation of the management structure ensures that growth plans, or the lack thereof, are not disrupted or influenced by the attributes of the new CEO. In other words, the new CEO coming from within the family or from outside is unlikely to change the growth strategy of the firm within the short-term.

4.10.5 Familiness and satisfaction with the succession

An observed variable measured the satisfaction level with the succession planning process: “Is there anything you would have done differently in the planning?” The logistic regression results using the adapted familiness index as a predictor variable are summarised in Table D-29 below,

and it can be seen that the familiness index variable has no relation with increasing the odds of respondents being satisfied with the succession planning process.

The satisfaction level with the succession implementation process was measured by an observed variable: Is there anything you would have done differently in the implementation? The logistic regression results using the familiness index as a predictor variable are summarised in Table D-30 below. Thus, the familiness index variable has no relation to increasing the odds of respondents being satisfied with the succession implementation process.

An observed variable measured the satisfaction level with the post-succession phase from the respondents: Is there anything you would have done differently in the post-succession phase? The logistic regression results using the familiness index as a predictor variable are summarised below in Table D-31 below.

- Thus, the familiness index variable has no relation to increasing the odds of respondents being satisfied with the post-succession phase.

4.10.6 Preparation of successor and satisfaction with the succession

An observed variable measured the satisfaction level with the succession planning process: “Is there anything you would have done differently in the planning?” The logistic regression results using successor preparation variables as predictors are summarised below in Table D-33 below. Thus, the group of successor preparation variables have no relation to increasing the odds of respondents being satisfied with the succession planning process.

An observed variable measured the satisfaction level with the succession implementation process: “Is there anything you would have done differently in the implementation?” The logistic regression results using successor preparation variables as predictors are summarised in Table D-34 below. Here, the accumulation of tacit knowledge is statistically significant (p-value 0.020), but overall the model does not fit the data in a statistically significant manner (Prob > chi2 = 0.0921).

An observed variable measured the satisfaction level with the post-succession phase: “Is there anything you would have done differently in the post-succession phase?” The logistic regression results using successor preparation variables as predictors are summarised below. Thus, successor preparation variables have no relation to increasing the odds of respondents being satisfied with the post-succession phase.

4.10.7 Succession planning and satisfaction with the Succession

An observed variable measured the satisfaction level with the succession planning process: “Is there anything you would have done differently in the succession planning process?” The logistic regression results using succession planning variables as predictors are summarised below in Table D-36 below.

- A significant finding is that the odds of satisfaction with the succession planning process were positively correlated with the discussion of the selection and ranking of criteria. Overall, the model described 36.85% variances.

An observed variable measured the satisfaction level with the post-succession phase: “Is there anything you would have done differently in post-succession phases?” The logistic regression results using succession planning variables as predictors are summarised below in Table D-37 on page 222.

In this case, none of the predictor variables increased the odds of satisfaction with the post-succession phase.

4.10.8 Family dynamics and satisfaction with the succession

An observed variable measured the satisfaction level with the succession planning process: “Is there anything you would have done differently in the succession planning process?” The logistic regression results using family dynamics variables as predictors are summarised in Table D-38 below. None of the family dynamics variables impacted the odds of satisfaction with the succession planning process.

The satisfaction level with the succession implementation process was measured by an observed variable: Is there anything you would have done differently in succession implementation process? The logistic regression results using family dynamics variables as predictors are summarised below in Table D-39: none of the family dynamics variables impacted the odds of satisfaction with the succession implementation process.

The satisfaction level with the post-succession phase was measured by an observed variable: Is there anything you would have done differently in the post-succession phase? The logistic regression results using family dynamics variables as predictors are summarised below in Table D-40. While for those firms where only the interests of the company were paramount, the odds of satisfaction with the post-succession phase positively correlated (indicated an increased likelihood of improvement), the overall model does not describe the data in a statistically significant way.

4.10.9 Overall satisfaction with the succession

Finally, the overall satisfaction with the succession process related to the following rules:

- a) Satisfaction with each of succession planning, succession implementation and post-succession phase was ranked as High.
- b) Satisfaction with a combination of any two variables from succession planning, succession implementation and post-succession phase was ranked as Medium.
- c) Satisfaction with only one or zero variable out of succession planning, succession implementation and post-succession phase was ranked as Low.

A multinomial logistic regression analysis was performed on the dependent variable overall satisfaction, and independent variable familiness index and the results are summarised in Table D-41 on page 224. The overall satisfaction does not have a significant relationship with the familiness index.

A multinomial logistic regression analysis was performed on the dependent variable overall satisfaction, and independent variables of preparation of successor and the results are

summarised in Table D-42 below. The overall satisfaction does not have a significant relationship with the preparation of successor variables.

A multinomial logistic regression analysis was performed on the dependent variable overall satisfaction and independent variables of succession planning, and the results are summarised below in Table D-43 on page 226.

- Here there are clear and interesting findings in which advisor usage improved the odds of attaining the highest levels of overall satisfaction; the model described 27% of the variance in a statistically significant manner. This could be seen to indicate that some external involvement or dilution of overall family control and influence can assist the satisfaction of the succession process.

A multinomial logistic regression analysis was performed on the dependent variable overall satisfaction and independent variables of family dynamics, and the results are summarised below in Table D-44 below. Although the model describes the data in a statistically significant way, none of the odds ratios was found to be statistically significant. Thus, it could be indicated that family dynamics had no role in impacting the odds of overall satisfaction.

4.11 Process Tracing

In the context of this research study, process tracing was proposed as a method in 3.7.1 above to draw causal inferences about the causes behind the outcome of the firm performance. Thus, multiple hypotheses were formulated to test whether variables such as successor preparation, succession management and intra-family dynamics, along with their combinations, had causal influences on the performance of the firm. The following covers the testing and analysis part of the process tracing method; the hypotheses were developed in the methodology section 3.7.1 above.

Explanatory Hypothesis 1: Preparation of Successor is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: The regression analysis in section 4.10.1 above indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the firm. Moreover, the linear regression summarised on page 227 indicates that there is not a significant correlation between preparation of successor and profit change variable. Thus, this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 2: Succession Planning is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: The regression analysis in section 4.10.1 above indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the firm. Moreover, the linear regression on Table D-46 below indicates that there is no significant correlation between the succession planning variables and profit change. Thus, this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 3: Intra-family Dynamics is the only necessary and sufficient factor that causes variation in the performance of the firm.

Hoop Test: The regression analysis in section 4.10.1 above indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the firm. Moreover, the regression test showing in Table D-47 below indicates that the family dynamics variables are not significantly correlated with profit change. Thus, this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 4: Intra-family Dynamics and Preparation of Successor are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: The regression analysis indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the company. Moreover, the absence of correlation of any one of the factors with the outcome variable of firm performance implies this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 5: Intra-family Dynamics and Succession Planning are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: The regression analysis indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the company. Moreover, the absence of correlation of any one of the factors with the outcome variable of firm performance implies this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 6: Succession Planning and Preparation of Successor are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: The regression analysis indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the company. Moreover, the absence of correlation of any one of the factors with the outcome variable of firm performance implies this hypothesis does not pass the hoop test and can be rejected.

Explanatory Hypothesis 7: Intra-family Dynamics, Succession Planning and Preparation of Successor are the only necessary and sufficient factors that cause variation in the performance of the firm.

Hoop Test: The regression analysis indicated that management arrangements and directors' arrangements were found to be correlated with the financial performance of the company. Moreover, the absence of correlation of any one of the factors with the outcome variable of firm performance implies this hypothesis does not pass the hoop test and can be rejected.

4.12 Chapter Summary

This Chapter has sought to answer the questions and summarise the data, used as effectively as possible, framed by the aims and objectives to determine the factors which indicate an increased likelihood in positively affecting the intra-family CEO succession as demonstrated in the conceptual framework.

Chapter 3 discussed the Research Design Consideration and covered some of the fundamental statistical techniques used for analysing the collected data. The critical outcome variables of interest were whether the new CEO came from the family and an investigation into post-succession outcomes. Regarding data preparation, firms were selected that described themselves as family companies and that had undergone a succession experience. This was done as the research aim was to analyse only within family firms and regarding succession events.

Finally, it was observed that the process tracing technique would assist confidence in the assumptions made about the statistical results. Specific a priori hypotheses were formulated that used succession planning, successor preparation, and family dynamic related variables, and their combinations, to causally predict the changes in the performance of family firms, post-succession.

The key findings were:

- That a family business which has been through previous successions, more family member employees and a higher proportion of senior family managers are more likely to complete an intra-family CEO succession.
- Initial disagreement with the plans makes an intra-family CEO succession more likely, and a lack of disagreement leads to an external CEO.
- The discussion of passing the leadership to an external CEO increases the chances of intra-family CEO succession.
- Strategic, product and market changes are not related to, in the short-term, by changes in the CEO – whether by an intra-family or professional CEO.
- A relationship was shown between OP decreases and when the management roles are the same as agreed during the transfer.
- A relationship was shown between OP increases and when directors are the same as agreed during the transfer.
- A relationship was shown between using a selection and ranking process for the choice of successor and satisfaction increases with the planning process.
- A relationship was shown between the use of advisors and increases to the overall satisfaction with the succession.

Chapter 5 General Discussion and Conclusions

5.1 Chapter Introduction

The concluding chapter of this dissertation is divided into several sections. The first section will revisit the impact of the theoretical lenses in achieving the aims of this study. The second will discuss the findings and highlight the research outcomes with an emphasis on the original aim. The third will demonstrate an update to the conceptual framework and focus on the contribution to knowledge. The chapter will close with an acknowledgement of the study's limitations and suggestions for further research.

Within the appendix, there are sections which examine the personal reflections of the researcher (Appendix E), practical implications of the study (Appendix F) and a dissemination strategy (Appendix G).

5.2 Theoretical Lenses

The concepts of Agency theory and RBV are central to this study. They provided lenses through which to view the family business succession landscape and the theories are a pathway to studying heterogeneity, developing research that looks at the differences within family businesses, and how those differences impact their strategies and strategic choices.

The concept of agency theory in family business research is well established and provides a lens by which to understand the organisational structure. Fundamentally, do family businesses provide increased goal congruence between managers and owners leading to reduced governance requirements or does the complexity of succession and intra-family relationships increase residual losses (those losses which occur due to the differing goals of management and ownership)?

The RBV, on the other hand, within family business research is concerned with the uniqueness of resources (intangible and tangible) which either enables superior performance by family businesses (through their social, patient, financial and human capital) or creates a backdrop of

conflict, nepotism, a stifling culture or a reduced capacity to invest or raise finance. Similar to agency theory, it also relates to the externalisation of the company and its capacity, or desire, to attract or appear closed off.

Together the lenses of agency and RBV provided a powerful basis for the development of factors which could positively affect the intra-family CEO succession into a conceptual framework used to answer the study's key question and resolve its central aim.

The next sections will discuss the findings and provide an updated version of the conceptual framework, demonstrating the factors which were shown to positively affect the intra-family CEO succession.

5.3 Discussion of Findings

The thesis aim was to determine the factors which positively affect the intra-family CEO succession. The topic was chosen due to the importance of family businesses to the UK economy and the researcher's prior involvement working with troubled family businesses due primarily to poor succession planning and a lack of insight around how to achieve a successful intra-family CEO succession. The theories of agency and the RBV provided the lenses to drive the development of a conceptual framework and in order to explain distinctiveness and to analyse specific issues of organisational behaviour.

The research was developed by first gaining an understanding of the critical components of the family business sphere, before enquiring in a more focused fashion into the specifics of intra-family succession. The first objective was to engage with the extant literature and develop a conceptual framework shown in Figure 2-3 on page 78.

The research was bounded by the geographic location of the United Kingdom and companies that fitted the small and medium definition. The research was deductive and sought to test and add to the theory of succession in family businesses using a survey instrument and statistical analysis.

The second objective was to determine and apply appropriate data collection and analysis approaches. This was achieved through a sample-based survey, and regression tools were used to analyse the linkage between outcomes and the respondents' satisfaction, strategic direction, profit stability, intra-family CEO transition and how the intragenerational transfer process was managed.

This informed the research with respect to determining if the identified factors within the conceptual framework positively affected the intra-family CEO succession.

5.3.1 Intra-family CEO succession

The regression analysis conducted with the experience index and the new CEO coming from the family firm, indicated that when the firm is constituted of a higher proportion of senior managers that are family members, increased numbers of family generations active in the management of the business, and family members employed by the company, then the odds of the new CEO coming from the family itself significantly improve. This added to the agency theory related argument made by Basco et al. (2017) that increasing numbers of family members working in the family business increases the likelihood of an intra-family CEO. This is a significant finding as, despite the increasing usage of F-PEC scale, the experience sub-group remains untested empirically (Rau et al., 2018), the Experience index is part of the modular aspect of the overall firms familiness as viewed in the F-PEC model and discussed in 2.4 on page 37 (Astrachan et al., 2002).

As discussed in the section on family business theory concepts and the RBV, the family business has unique sets of resources at its disposal (Habbershon & Williams, 1999). The question is whether the family adds its advantages that exerts influence on the successor in a way that increases the chances of a family member taking over the leadership of the firm as a combination of experience and capabilities which allows the family to assert greater control over succession related decisions (Bennedsen et al., 2007) as discussed in section 2.4 starting on page 37.

Tacit knowledge, within family businesses, has been identified as a source of competitive advantage within the RBV framework with Rau et al. (2018) arguing that a family's inherent

capacity to transfer tacit knowledge increased their overall influence on the company. The finding in relation to the importance of tacit knowledge transfer was surprising, in that there was no correlation between a positive outcome from succession and tacit knowledge accumulation by the successor. Jaskiewicz (2013) argued that the influence gained from the experience of the family might have been due to the transfer of tacit knowledge, explored in 2.7.2 above.

As considered in the literature sections on power and experience in 2.4 and 2.4.1.2 above Tatoglu et al. (2008) found that the views of the predecessor are influential in determining the successor. If the former CEO held favourable views on the future of the firm and the support that the successor is likely to secure from crucial employees and previous generations before then, Intra-family CEO succession is more likely (Tatoglu et al., 2008). Within the agency theory of the family firm, it was argued that the goal congruence of family firm members was assisted by altruistic early-stage perspectives of the participants therefore eliminating agency costs, but that over time this altruistic factor increased residual loss as decisions became moral rather than commercial (Karra et al., 2006; Schulze et al., 2001).

This study showed that the F-PEC power index is not a predictor of the CEO coming from within the family; so rather than the concentration of family at board and ownership level being concentrated in the family, it is the weighting of the family involvement in the management which increases the likelihood of the successor being from the family.

The capacity of family business to transfer knowledge passively was developed in the section discussing the RBV of family firms with Lorenzo et al. (2013) and Graves et al. (2008). The research sought to test whether explicit transfer was a positive factor for the intra-family CEO succession. The finding in relation to educational and experiential preparation of the successor is in alignment with the results discussed in 2.7.1 obtained by Cabrera-Suárez (2005) who finds that the factors of previous academic training and business experience do not play a significant role in the successful intra-family CEO transition of family firm control. However, Cabrera-Suárez (2005) stated that firms do emphasise that it is important for successors to gain knowledge about the sector and gain academic training.

It was also shown that an important factor for intra-family CEO succession was when there is disagreement with the initial plans for the succession, leading to a positive aspect of conflict within the intra-family dynamics. Intra-family dynamics is a particular aspect of the RBV of family business examined in section 2.8. Prior research had pointed to the perceived adverse outcomes from conflict (Frank et al., 2011), but this thesis adds to the argument and literature discussed in 2.8.1 that conflict (task and process) can be beneficial (Frank et al., 2011; Jehn, 1995, 1997).

5.3.2 Satisfaction with the succession process

The Agency theoretical lens of the family business highlighted the consideration of externalisation during the succession process. The next significant finding of this research is that the use of advisors significantly improved the odds of overall satisfaction being derived from the succession planning, implementation and post-succession phase. The importance of advisors within the extant literature was discussed in section 2.9.2 above. Advisors can help the family business members during the process of integrated change management wherein emotional repercussions of change are understood (Strike, 2012). Choices made with regards to the future of the firm and connections between family members can be revisited and evaluated.

It is important to note that advisors may encourage the process of disagreement in the earlier stages, which was seen to be positively correlated if the advisors are brought in at the correct time and with the appropriate scoping agreements in place. This aspect of the utilisation of external skills to oversee and advise on the development of the process is related to agency theory in that the motivations and wishes of the participants are unclear and assisted by the expertise brought in to manage that process of disagreement.

This research strengthens the argument that by engaging with family members, advisors can help the members identify their intrinsic and extrinsic needs, and advisory boards can strongly influence the succession planning process as they can help the family members overcome the psychological obstacles and initiate the planning process towards helping the business achieve sustainability. As discussed in 2.8.2 founder's resistance to handing over the control to a new

CEO, both from the family or outside, due to fears and insecurities related to the future of the firm can be assisted by external consultants providing managerial, technical and emotional.

However, as detailed in 2.9.2, Morris, Williams and Nel (1996) noted that while family firms pay attention to the tax planning issues during the succession planning process, not enough time is devoted to the actual succession planning process that involves using the services of external advisors to help with the entire succession planning process. Morris subsequently went further by stating that owners should appreciate that tax planning is not a synonym for succession planning (Morris et al., 1997). As a Chartered Management Accountant, this aspect is not lost on the researcher who witnessed family businesses fail in their objectives due to an overconcentration on this taxation related aspect leading to unpractical and unworkable structures and dividend policies being implemented during the succession stage. However, it remains vitally important as the complexity, and resulting tax burden can lead to a drain on resources and cause significant impacts on the subsequent generation (De Massis et al., 2008; Molly et al., 2010).

In light of the observations presented above, this research study makes a significant contribution to this field of study as it confirms through empirical evidence that the presence of advisors is clearly correlated with the overall satisfaction level with the succession process. While previous studies relied on theoretical conjectures or anecdotal evidence, as detailed in the section on advisors in 2.9.2, this research provides a key finding with practical and theoretical implications. It would be advantageous for more work to be carried out in this area to determine the best approaches for advisor use. New research could target the selection protocols for advisors, which types and when the involvement should happen to affect the intra-family CEO succession positively. Another related issue is the type of advisors to be called at different stages of the succession process and the kind of role and extent of authority to be assigned so as to manage the residual loss effect described in agency theory. However, a qualitative research study might be required to address these questions that go deeper beyond the mere use of advisors.

In this context, external involvement has a positive outcome for the intra-family CEO succession, in section 2.9.2 many areas were detailed that could involve external support. Hilburt et al. (2003) suggested the overlaps of family and business enable many areas that could

benefit including tax, psychology and business advisory services. In relation to other findings in this research, stimulating argument by qualified advisors at different stages or developing selection criteria could also be areas where advisor support provides benefits.

Interestingly, this research study found that previously agreed management structures had a statistically significant and negative relationship with the profit change (in the year of succession and one year after). Reasons could include that the agreed management structures were incompatible with the newly adopted strategies or leadership style. There may be a misalignment between new systems deployed by the firm and structure changes following succession. A reason for this could be related to management of emergent agency costs which have not been mitigated (Villalonga & Amit, 2006) such as the management continuing to act in the interest of the former CEO (Bennedsen et al., 2007). There are other plausible reasons founded within RBV in that the unique resource of the family firms has become too complex with expanding dependents (Davis & Harveston, 1999).

In the earlier section on post-succession outcome in 2.10, the extant research from Pelham and Wilson (1995) showed that new strategies, market orientation and new product launches may not have a substantial impact on the profitability of a firm and organisational performance is affected by choice of company-level factors such as size, structure and firm history (Hansen & Wernerfelt, 1989). It is feasible that the issue may be that within the operational side of the business, the management individuals may be reluctant to change ways or may be wedded to the previous leader. Further research could usefully explore strategic direction implications in the longer-term and examine more closely the links between diversification and subsequent organisation performance following an intra-family CEO succession. This rather intriguing aspect could be related to the stagnation effect which has been shown as a potential aspect explored under RBV theory whereby, the family retains capital for their benefit rather than for investing in the business (Schulze & Gedajlovic, 2010).

This study has examined the role of committed plans for the continuation of directors, which revealed a significant and positive relationship with profit change. As discussed in 2.10.1 the performance of a family firm is likely to improve when family members are involved in the management and directorial leadership of the company.

This research found that profit increased with the continuing involvement of the pre-succession directors. Anderson and Reeb (2004) asserted that board composition influences the performance of a family firm as independent directors to help ease out the tensions and conflicts between family members and external stakeholders (Anderson & Reeb, 2004). These findings may help us to understand the impact of changes to plans, which have remained unclear (Gilding et al., 2015) and has emerged from the analysis of the powerful lenses of agency and RBV theories.

A plausible explanation of this phenomenon, founded on research in the literature review on leadership and management changes in section 2.10.1, is that with the older management team in place, there is a likelihood that the profits of the firm are diverted to the controlling family, even as the real operating performance improves or remain constant (Bennedsen et al., 2007).

Additionally, the presence of a formal board may help in checking this practice, thus neutralising some of the negative impacts of potential diversion by the management team (Bennedsen et al., 2007). This has potential theoretical implications for the agency perspective of the family firm, which pinpoint an interesting aspect of the potential study.

This argument is supported by the empirical findings reported by Sorenson (2000) and discussed in 2.9.2 on page 63 that efficient family firms proactively seek external expertise from experienced professionals and the findings from Farrington et al. (2010) that involvement of non-family members results in improved perceptions of financial performance as the external expertise enhances the quality outcome and provides better discussions on strategy-making, in turn improving the chances of survival.

Thus, it can be argued that family firms seeking help from independent board members and other advisors may prove to be more effective as measured by OP stability. In other words, the continuation of an active and autonomous board after the succession process acts as a countervailing force against possible deterioration of firm performance caused by the decisions made by the incumbent management team.

The question raised by this area of the study is in relation to residual loss, a primary concern of agency theory, and multiple successions. It would be interesting to compare the effect of

monitoring in family firms led by an intra-family CEO versus a professional leader in future research.

The research found there was no correlation between the characteristic of the new CEO (whether from or outside of the family) and the adoption of new strategies, product launches and market expansions. This lack of difference in diversification strategies with non-family and family CEOs selection may be due to the need for stability following such an important change as CEO. The extant literature highlighted that companies might look for professionalisation when there is a specific need such as quality or a lack of any potential family successors (Blumentritt et al., 2013) a concern that was highlighted by the RBV lens, was that family business often find it difficult to attract quality (Carney, 2005) due to expectations of poor management, poor performance (Miller et al., 2008) and overpaying family members (Watson et al., 1994). It may be the case that this finding provides support to the extant research that there is a reduction in risk and willingness to grow following the succession (Molly et al., 2010). A further study could assess the long-term effects of a change in CEO within family businesses to assess the risk and willingness and include the wider perspective of profit change and perceptions of satisfaction.

Finally, the analysis indicated that a discussion about the selection criteria and ranking of different parameters led to an improvement in the satisfaction with the post-succession stage. Previous research indicated that the finalisation of the successor selection should be based on rational and objective parameters and a failure to do so may result in a conflict-ridden succession process wherein the family members may perceive the process to be biased and unfair as discussed in section 2.9.3 on page 66 (De Massis et al., 2008). Conversely, it can be construed that a discussion around the selection criteria and finalisation of the parameters may assure the family members that the process was objective and therefore, they would be more likely to be satisfied with the succession event. The theory of RBV provides a useful account of how this can possibly be explained. The families become focussed on intra-family CEO succession and do not have a perspective of externality, likewise other roles have been given to family members and so there is a perception of nepotism which makes it difficult to attract professionals (Carney, 2005; Miller et al., 2008). In the case of the intra-family CEO succession, not being seen to consider external CEOs affects the social capital as there is often

resistance from people who do not want to work for automatic leaders (Bennedson et al., 2007; Cucculelli & Micucci, 2008).

This finding lends support to other studies which have shown a positive affect of using selection criteria (Bach & Edwards, 2012) and that risks can be mitigated by using rational and objective parameters in the selection of the CEO (De Massis et al., 2008). Thus, this research adds to the arguments that the use of selection criteria is an important element of the succession process.

5.4 Conceptual Framework Model

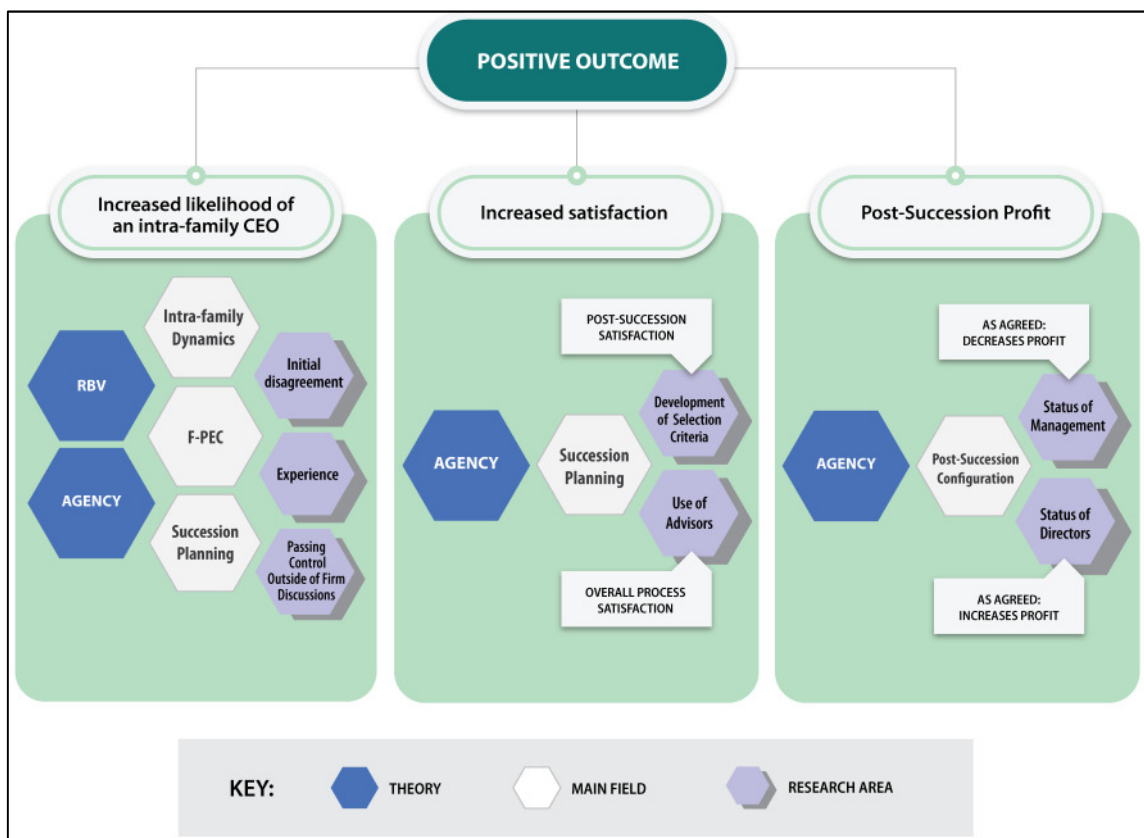


Figure 5-1 Updated model of positive factors

Figure 5-1 demonstrates the factors identified as positive in the intra-family CEO succession. The blue hexagons are retained from the original conceptual framework showed in section 2.11 (Figure 2-3), that demonstrated the theoretical links. The white hexagons represent the literature review section, which sought to group the factors for empirical testing. The grey boxes are the elements that were found to have a relevant statistical relationship.

Table 2-2 in the literature review summarised 15 gaps that illuminated during the development of the conceptual framework. This study has examined the factors which could positively

contribute to the intra-family CEO succession and established that 7 of the factors were positively related, as discussed in the early parts of section 5.3. Table 5-1 below highlights those 15 factors and their finding.

Identified gap	Finding
Effect of power on succession outcome.	Not a factor which positively affects intra-family CEO succession.
Experience aspect remains untested empirically.	A positive factor: Higher levels of experience increase the odds of an intra-family CEO succession.
Effect of experiential preparation on successor choice.	Not a factor which positively affects intra-family CEO succession.
Effect of educational preparation on successor choice.	Not a factor which positively affects intra-family CEO succession.
Social capital impact on successor choice.	Not a factor which positively affects intra-family CEO succession.
Impact on the succession of considering an external CEO.	A positive factor: Considering a professional CEO increases the odds of an intra-family CEO succession.
Effect of tacit knowledge transfer on the succession.	Not a factor which positively affects intra-family CEO succession.
Impact of disagreement at various stages of the process.	A positive factor: Increased disagreement at the start of the process increases the odds of an intra-family CEO succession.
Lack of empirical evidence regarding the use of advisors during the succession process.	A positive factor: Increased disagreement at the start of the process increases the odds of overall satisfaction with the succession.
Effect of use of selection criteria on succession process.	A positive factor: Use of selection criteria increases the odds of post-succession satisfaction.
The timing of various stages of the succession planning.	Not a factor which positively affects intra-family CEO succession.
Divestment consideration at succession phase.	Not a factor which positively affects intra-family CEO succession.
CEO remaining post-succession impacts.	Not a factor which positively affects intra-family CEO succession.
Changes in board and management roles after the succession impacts.	<p>A positive factor: Significant positive relationship with post-succession profit and continuation of directors as agreed.</p> <p>A negative factor: Significant negative relationship with post-succession profit and continuation of management as agreed.</p>

Identified gap	Finding
Profit stability pre- and post-succession.	Not a factor which positively affects intra-family CEO succession.

Table 5-1 Identified gap and findings

5.5 Summary and contribution to knowledge

Returning to the question posed at the beginning of this study, it is now possible to state that several factors were determined which positively affect the intra-family CEO succession of UK SME companies.

The research study demonstrated a link between the factor of experience and the likelihood of the new CEO coming from the family. Primarily, it was observed that higher levels of contributions made by the family members regarding occupying senior management positions and general employment roles increased the odds of intra-family CEO succession. This is an important theoretical and practical finding as it investigated the previously untested experience sub-scale of the F-PEC (Rau et al., 2018).

The underlying rationale of this positive relationship is that the dominance of the family members in the management of the organisation may help them to determine a successor from within the family. In effect there is a larger candidate pool, making it easier to find a candidate with the required skills and through their experience, the family members possess capabilities and skills from which competitive advantages are derived.

Importantly the study showed that the use of external advisors had a positive relationship with the odds of higher satisfaction with the overall succession process. Advisors are external consultants who can provide technical or managerial information with regards to the succession planning process including deciding about the selection criteria and future governance or management structures. Also, advisors can intervene with the founder or the current CEO and help in initiating the succession process at the opportune time by removing emotional difficulties that the incumbent might be facing due to concerns about the future of the firm in the event of a succession. This is a significant contribution to this field of study as the research

confirms through empirical evidence that the presence of advisors was associated with an increased elevation of the overall satisfaction level with the succession process.

A key strength of the study was the contribution to the knowledge around conflict and that when there is disagreement in the initial planning an intra-family CEO is more likely and with reduced disagreement, the chances of a professional CEO increase. The finding adds to the literature that indicates some disagreement and conflict is helpful at the start of a succession process.

The perspective of disagreement combined with one of the other more significant findings to emerge from this study is that the discussion of passing control to a professional CEO led to an increased chance that a family CEO would take over. This represents an important implication and the possibility of an interesting direction for the nature of discussions for the family engaging in a succession process.

Another significant finding of this study was that the financial performance of the family firm is positively correlated with the presence of directors continuing as agreed during the succession planning process. Theoretically, independent directors can help in ironing out the differences between family members and external stakeholders leading to improved organisational performance and have a long-term responsibility to the business. Moreover, a continuation of the family members as directors and their involvement in the management of the firm is shown to be positively correlated with firm performance through past research studies.

It was also found that there was no difference in diversification strategy whether a professional non-family CEO was the successor or if there was an intra-family CEO succession.

This combination of findings provides some support for the conceptual premise that a degree of externalisation during the succession process has been indicated to positively affect an intra-family CEO succession. The areas of externality include the use of advisors, consideration of a professional CEO taking over and using selection criteria in the selection process.

These findings should help others to find new ways of proceeding through a succession process and crucially families who exhibit conflict in the early stages and follow a degree of externality will have an increased likelihood of an intra-family CEO and higher levels of satisfaction.

5.6 Limitations and Further Research

As with all research studies, limitations and future opportunities will arise, and so this section will critique the study and finish with recommendations for further research.

Several delimitations were put in place in order to manage the scope of the study. Only UK companies that had been through succession and that were either small or medium were included in the study. The geographical and size boundaries restrict the generalisability of the study to UK SMEs.

The thesis was based on a positivist philosophy, that the world is based on an independent reality with theories developed through data collection and analysis. As the aim was to identify factors that positively affect the intra-family succession, the philosophy and approach fit well. However, the deductive approach is limited in that it does not provide an exhaustive and comprehensive understanding of each respondent's case. In order to understand the deeper thinking of individuals involved in the process of succession and why certain approaches were taken then the phenomenological approach would be more suited.

The phenomenological argument continues that information interpretation is socially influenced by the observer's knowledge and beliefs (de Jong & Bem, 2005) and that observation affects the behaviour of the observer and the observed (Yin, 2008). The 'observation' in this study was achieved by the development of a questionnaire tool for survey research, inherently imbued with complications (Coughlan, Cronin & Ryan, 2009) and these limitations and mitigations were addressed within the research methodology starting in section 3.6.1. These areas of focus included maximising the response rate, question design, question relevance, common method bias, piloting and reducing ambiguity.

At its core, a positivist research approach assumes that it is possible to gather information without ambiguity about the meaning and proceed from this data, through analysis to

understanding the world using deductive logic (de Jong & Bem, 2005). The experiment design provides validity and statistical analysis reliability and leads to information about a sample applying to the wider world (Worrall, 2002). The design in this research has used delimitations to enable generalisability within that population.

In the questionnaire, the participants were asked to state whether the business had been through a succession process; whereby control and ownership transfers to a different generation of the family. Upon reflection, this question could have been more specific. The research was seeking 'yes' responses where there had been a succession, yet the question (despite pilots, expert review and careful question development) added unnecessary quantifiers relating to control, ownership and generational transfer. In total three respondents answered 'no' to this question, when according to public records and company documents they had been through a succession at the time of the research. The omission of the respondent's data corresponded to c1.5% of the total study (assuming all three completed the remaining questionnaire).

If the research were repeated, the researcher would recommend the continued use of self-classification due to the advantages of respondent subjectivity (Klein, Astrachan & Smyrnios, 2005). The use of self-classification removes the reliance of arbitrary cut-offs that may have limited the study participants who considered themselves a family business.

The temporal dimensions of research have profound effects on the outcome of studies and this particular study in several ways. Since the study was completed, three non-succession companies have gone on to complete a succession in 2019, highlighting the positive selection of appropriate companies for testing. The new succession companies, however, also demonstrates that delaying the study for a year would have increased the participants but as is the case with most research, there are time and other research boundaries and constraints.

The issue of temporality in studies is wide-reaching, the study examines the effects of succession on profit within a relatively narrow time band (one year before and one year after). There is a myriad of reasons why the profit may have varied outside of the cause of the succession event such as global and industrial economic conditions. The purpose of this measure, however, was to provide context as to how stakeholders perceive the succession and that profit in itself an important measure (Greve, 2008) and the foundation of alternative goals

(Chrisman & Patel, 2012; Kotlar, Fang, De Massis & Frattini, 2014) as discussed in section 2.10.3.

The aspect of drawing a temporal line is complicated. In all areas, the researcher had to consider the relevant factors that would positively affect the succession. As described by Cohen et al. (2017, p. 95) “...*the timing of causes may be unclear, so the effects of a cause may be unclear*”. The decisions made by the researcher become limitations, even when justified and deeply considered. The use of a conceptual framework and theoretical lenses provided a basis for the researcher to make those decisions (about relevant variables) and protected against the risks of circularity whereby the variables selected for measurement become relevant (or not) only because alternatives were ignored.

An additional factor related to temporality is the fact that the data is primarily cross-sectional, gathered from one period. A cross-sectional study is not able to draw any causal relationships instead of providing a statistical relationship and inference. The statistical impact is related to the sample makeup, analytical quality and tested variables (Bettis, Gambardella, Helfat & Mitchell, 2014). In an attempt to uncover causal relationships, the process tracing method was introduced but yielded no positive results. This does not mean that causal relationships did not exist within the data, but they were not uncovered in this study.

The subject of study in this thesis, how the succession event changes over time, is well suited to a longitudinal examination of data. A longitudinal examination of strategic choices, the changes in management structures, and the varying profit that relates to the new leadership would all provide rich insights into the field.

A limitation was that only one perspective was sought from each company, although the inherent issues of seeking further responses such as access, identification and how to segregate the data based on multiple and singular response rates may have led to a reduction in the collection of data. A phenomenological approach to the problem of intra-family CEO succession, with a smaller sample size, in order to compare within company responses may be a beneficial study for further research.

5.6.1 Further research

This research has provided many questions in need of further investigation, which have been included in the discussion of findings above. The list below provides a summary of those areas.

- A future study could assess the nature of conflict and disagreements, examining its impact on the intra-family CEO succession at various stages of the succession process.
- Given the importance of family businesses globally (see Figure 1-1 and Figure 1-2 on the international proportion of all firms), the study could be repeated using the tested pro-forma developed within this research with an alternative international focus.
- Future studies could identify the areas where advisors may best be used and at which stages of the succession event.
- A greater focus on the impact of management and director structures changing could move the debate further in relation to the effect of succession on profit, risk-taking and survivability.
- The issue of strategic direction and diversification implications in the long-term (from a subsequent organisation performance perspective) when the successor is a family CEO as compared to a professional CEO would provide fruitful information about maintaining entrepreneurialism and risk perspectives.
- Further research to develop agency theory in relation to residual loss and multiple successions, comparing the effect of monitoring in family firms led by a family CEO versus a professional leader.

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Appendix A Ethical Clearance



Date: 30th October 2015

Name: Richard Jones

Dear Richard,

Re: Request for ethical approval for study entitled; 'Successions within UK SME family firms: Critical pathway analysis of individual approaches to succession management in family firms.'

Thank you for submitting your application for the above mentioned study which was considered by 3 reviewers and ratified by Chairs' action on behalf of the College of Education Research Ethics Committee (CEREC) on 30th October 2015.

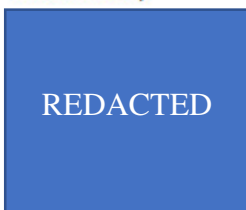
The reviewers considered that ethical issues connected with this study have been considered well. They considered it a low risk project in terms of ethics. As a consequence, the decision of the reviewers is that your study has been **approved with recommendations**; please see the comments below. No additional submission will be required for Phase 1 (survey) of this study, unless methods change significantly. Further approval will need to be sought for further phases of data collection.

Recommendations:

- The survey introduction email should contain more detailed informed consent. How will confidentiality be ensured? How will the data be used and what will happen to the data after the analysis, how will it be stored and who will have access? Also there should be some indication to potential participants of what the benefit to them or others or to knowledge is of doing this research.
- Interviews are mentioned as a second phase of the research, no details of these are given here and so if interviews are to be undertaken then a separate ethics approval will be needed.

I wish you every success with your study.

Yours Sincerely



Chair of the College of Education Research Ethics Committee

Appendix B Email Invitation

Good Morning

We are inviting you to participate in a new research study examining business succession.

I am currently enrolled in a Doctor of Education program at the University of Derby aiming to examine succession routes and outcomes in order to understand the optimal methods of carrying out a succession.

You have been recommended as a valuable and experienced expert and I would kindly ask you to participate in this survey. As a survey participant you will benefit from the executive summary of the study. Just select the option at the end of the survey and you will be sent the executive summary free of charge.

Your participation in this research project is completely voluntary and your responses will remain confidential. Data from this research will only be reported as a collective combined total. Confidentiality will be ensured by using some of the most advanced technology for Internet Security available today, data transfer and user data in transit is safe, secure, and available only to the researchers. Only the researcher will know your individual answers to the questionnaire.

The survey takes a maximum of 10 minutes to complete, please answer the questions as best you can. I appreciate your time and wholeheartedly thank you in advance.

At any time prior to the completion of the survey you are free to withdraw, however once complete it will not be possible to withdraw as all data responses are amalgamated.

If you have any questions, please do not hesitate to contact me at R.Jones14@unimail.derby.ac.uk.

Thank You and Kind Regards

Richard Jones

Doctoral Researcher, University of Derby

Appendix C Examples of FAME use in Academia

- Beaudry and Swann (2009) used the database to identify the industrial and geographic sector as well as to develop measures of firm performance and how much this could be explained by the firm itself and how much was typical of firms in their cluster.
- Chang, Hughes and Hotho (2011) used FAME to derive a random sample. The sampling frame was 1,000 SMEs in Scotland, and the sample was used as the basis for a questionnaire.
- Crick and Spence (2005) used FAME to acquire data on the internationalisation strategies of what were identified as ‘high performing’ SMEs. In this case, the database was used to identify the size and relative performance over several years. The goal was to test various theories of the firm.
- Harris and Ogbonna (2001) drew on FAME for a cross-industry sample of 1,000 firms that they then used to test different leadership and marketing strategies.
- Antony (2004) used it to compare the service and manufacturing sectors and the impact of adopting a particular management theory (six sigma) on performance.
- Jordan, Loew and Taylor (1998) looked at the relationship between capital structure and strategy in SMEs, in particular, the debt levels.
- Parker, Storey and Van Witteloostuijn (2010) tested different theories of strategic management. In their case FAME was used to establish if a firm still existed on a given date (a measure of survival) and of ownership – was the firm still independent or had it been taken over. Performance data was then extracted for the previous five years.

Appendix D Statistical Table Outputs

Content removed due to copyright reasons.

Table D-1 Power index logistic regression

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Table D-2 Experience index logistic regression

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Table D-3 Experience index logistic regression odds index

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Table D-4 Familiness index logistic regression

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Table D-5 Familiness index logistic regression odds index

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Table D-6 Collinearity diagnostics for power and experience Index

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Table D-7 Education preparation χ^2

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Table D-8 General management preparation χ^2

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Table D-9 Tacit knowledge χ^2

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Table D-10 Social capital χ^2

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Table D-11 Initial disagreement

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Table D-12 Changing plans

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Table D-13 Disagreement final plans

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Table D-14 Family exit considered

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Table D-15 Family interest prioritised

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Table D-16 Successor experientially ready

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Table D-17 Incumbent emotionally ready

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Table D-18 Time family informed

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Table D-19 Pass control to an outsider

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Table D-20 Logistic regression preparation of the successor

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Table D-21 Logistic regression intra-family dynamics

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Table D-22 Odds ratio intra-family dynamics

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Table D-23 Logistic regression into succession planning

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Table D-24 Logistic regression experience index and early-stage family disagreement

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Table D-25 Linear regression profit impacts post-succession

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Table D-26 Logistic regression new strategy post-succession

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Table D-27 Logistic regression new product

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Table D-28 Logistic regression new markets

Content removed due to copyright reasons.

Table D-29 Logistic regression familiness and planning satisfaction

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Table D-30 Logistic regression familiness and implementation satisfaction

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Table D-31 Logistic regression familiness and post-succession satisfaction

Content removed due to copyright reasons.

Table D-32 Logistic regression post-succession satisfaction

Content removed due to copyright reasons.

Table D-33 Logistic regression successor preparation and satisfaction with planning

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Table D-34 Logistic successor preparation and implementation satisfaction

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Table D-35 Logistic regression successor preparation and post-succession satisfaction

Content removed due to copyright reasons.

Table D-36 Logistic regression succession planning and satisfaction with the planning process

Content removed due to copyright reasons.

Table D-37 Logistic regression implementation process and satisfaction

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Table D-38 Logistic regression succession planning process and plan satisfaction

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Table D-39 Logistic regression implementation satisfaction and succession satisfaction

Content removed due to copyright reasons.

Table D-40 Logistic regression family dynamics and post-succession satisfaction

Content removed due to copyright reasons.

Table D-41 Multinomial regression overall satisfaction with the succession

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Table D-42 Multinomial logistic regression overall satisfaction and successor preparation

Content removed due to copyright reasons.

Table D-43 Multinomial regression succession planning and overall satisfaction

Content removed due to copyright reasons.

Table D-44 Multinomial regression family dynamics and overall satisfaction

Content removed due to copyright reasons.

Table D-45 Linear regression successor preparation and profit change

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Table D-46 Linear regression succession planning and profit change

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Table D-47 Linear regression family dynamics and profit change

Appendix E Personal Reflection

E.1 Introduction

The purpose of this section is to provide insights and reflections on the overall research experience and how the process has changed the researcher personally and practically.

As declared earlier in the thesis, the researcher is a Chartered Management Accountant involved in business leadership for over twenty years. Their pathway to embarking on a doctorate began on several levels: personal, academic and business.

The primary driver, at embarkation, was personal. The researcher was relatively late to the concept of combining raw intellectual capability with focused academic industry. After qualifying as an accountant, the researcher decided to utilise the same ethic used in their professional life into academic development.

After completing two degrees, the researcher moved on to an MBA, and the prospect of completing a Doctorate loomed large. The researcher decided to take on their personal Everest in order to achieve the highest academic level, presuming it would be exceedingly difficult, complicated, but ultimately worthwhile.

E.2 Initial stages

Professional doctorate students bring significant knowledge and experience into the research field (Banerjee & Morley, 2013), the researcher's expertise was in commercial enterprise, management and family business. It was clear from the outset that deep thinking, organisation and reflection were going to be essential parts of the journey.

The primary learning themes for the Doctor of Education degree were knowledge and understanding, intellectual skills, subject-specific skills and transferable skills (University of Derby, 2018). As a naturally analytical and reflexive person, the researcher understood at the outset that the process of completing the thesis would involve a deconstruction and reconstruction of thoughts and knowledge within a backdrop of a professional life, personal life and as a student researcher.

The researcher had gained the perspective of deconstruction and reconstruction during the completion of accounting exams and had used the phrase with many students in the years that followed. During the doctoral research reflection, the researcher understood that this phenomenon of change had been defined and described decades earlier by Van Ganeep (1960) and Turner (1969, p. 126) as liminal phases.

Van Ganeep (1960) described liminal phases as the in-between periods when a transition is taking place, advanced by Turner (1969, p. 126) explaining that the liminal period was one of uncertainty, which “...has few or none of the attributes of the past or coming state”.

The state of liminality during the research process was described by Hay and Samra-Fredericks (2016) as the student’s occupation of the role of professional and practitioner, a passageway that must be traversed. In this researcher’s case, the oscillations were between senior roles in an organisation (Chair and CFO), being a new parent and as a novice in the complex skein of research and family business.

The requirements to perform at a normal level in all these areas, while going through the deconstruction and reconstruction process was at the heart of the challenge of the doctoral, and liminal, journey.

E.3 Working methods

There was a level of mental preparedness, but the actuality of the journey was filled with seismic shifts in perception, self-awareness and confidence. There were times peppered throughout when the doctorate was a black hole from which no time, space or information escaped. Thankfully, there was assistance from the research supervisors, colleagues and family in diverse ways, which allowed the development of the thesis and researcher to take place.

The researcher also maintained detailed work schedules and personal journals as an aide-memoire and metronomic support. It became clear that despite the proximity of valued support, the completion of the doctoral process would ultimately be very personal and required significant internal discipline.

It became essential to withdraw into periods of *'bracketing'* whereby the researcher was able to *"deliberately and temporarily suspend...certain aspects of the self"* (Hay & Samra-Fredericks, 2016, p. 2). The researcher would alternate away from family life, work-life and researching achieving development through extensive reading, action and contemplation.

The support received from the relevant parties which enabled the bracketing was built on trust and presence when the focus was switched. The researcher realises that he was incredibly fortunate, like Barack Obama, to have *"...taken the chaos of his unfinished [thesis] and shipped himself out to do battle with it"* (Obama, 2018, p. 171). The many locations of the private study included Preston, Wigan, Warwick, London, Derby, Leicester, Keele, Brussels, Chicago, Liverpool and Manchester but unfortunately never Bali.

E.4 The field

The researcher's interest in the field has been well documented in the thesis. The interest was initially as a practitioner providing advice and support to family business on their strategic selection and fiscal management.

Engagement with the academic field started by attending conferences, the researcher helped establish a forum in London where leading experts such as Professor Sharma gave lectures.

The established and developing researchers in family business are incredibly passionate. Over the years, the researcher has witnessed the progression and insights with great interest. For such a well-established organisational structure, family business research feels fresh and continuously improving in quality and effect. The leading authors and journals provided extremely useful meta-analysis and calls for research along the way.

This freshness meant that there were areas which were ripe for focus and development, particularly with a practitioner emphasis and opportunities to make things better for the family businesses that wanted to embark on a succession process. The researcher passionately believes that the findings in this study will help family businesses explore the prospect of externalisation without fear of losing their central aim.

E.5 What has been learnt

To draw upon the aspects of liminality once more, research development, like life, oscillates between the feeling of staying the same and forever changing. Ultimately the learning has been professional, personal and practical, the specific learning outcomes set out by the University of Derby (2018) and shown in Table E-1 have been achieved.

Theme	Specific learning outcome
Knowledge and understanding of:	how their study achieves a significant and original contribution to relevant professional knowledge and practice;
	research methodology; and a deep and broad understanding of a range of research methodologies more generally;
	the ethical and/or professional considerations in the context of the field of enquiry;
	a critical understanding of the value of ideas and evidence showing appropriate engagement in academic debate relating to professional knowledge and practice.
Intellectual skills (ability to):	critically review, appraise and justify research methodology;
	evaluate the range of possible dissemination strategies;
	undertake critical analysis relating to synthesis and interpretation of research data;
	critically reflect on and articulate experience of professional practice; conceptualise theoretical models as a potential analysis of research outcomes in the professional setting.
Subject specific skills (ability to):	systematically acquire and understand a substantial body of knowledge at the forefront of an academic discipline or area of professional practice;
	be accomplished in the organisation and management of a research thesis;
	establish and use criteria for selection of publications in varied formats;

	complete the process by which an item might be submitted for professional dissemination and/or academic publication;
Transferable skills (ability to):	identify, critique and synthesise information, ideas and concepts from both the academic and professional literature;
	contribute effectively to an active community of professionally focussed researchers both in academic and professional arenas;
	respond appropriately to critical feedback;
	demonstrate highly developed personal skills in the presentation and discussion of data, ideas and applications of professional practice.

*Table E-1 University of Derby learning outcomes
(Adapted from University of Derby, 2018)*

On a practical level, new skills have been developed in using the tools shown in Table E-2.

Tool	Purpose
Excel	Initial data analysis
Trello	To do manager
Word	Write up
Stata	Data analysis
Grammarly	Proofreading
VBA macros	Word and excel code assistance
SPSS	Data analysis
Publish or perish	Research
Mindmeister	Mind mapping
FAME	Research
Survey Monkey	Survey design and data collection
Zotero	Reference repository
Evernote	Document storage

Table E-2 Doctoral tools used

From a personal perspective, the researcher has always been a confident person in terms of professional delivery. Initial concerns were whether these aptitudes would translate to an academic setting and whether new skills would be developed appropriately. The process has changed how the researcher approaches learning and development, developing a system for

continuous professional development that will be used going forward professionally and personally. The researcher now fosters an evidence-based system of problem resolution in all areas of their life; this was a key personal aim to be able to utilise the ideas, theories and concepts being created within academia to beneficial effect whether professionally or personally.

The doctoral process has increased the researcher's resilience, awareness of their resilience, confidence, capacity for adaptability and change. The process has honed their intellectual and cognitive capacity while understanding that this is only a start.

E.6 What could have been done differently

The researcher has learnt a great deal over the years that have passed while completing the study. It is difficult to say what would or should have been done differently because the context of hindsight and wishful thinking would dilute the end product of which the researcher is very satisfied. This is not borne of a fear of reflection; it is just impossible to know the effect of doing things differently.

One area to consider would be an awareness of how long things take. In the commercial environment, the researcher is used to being able to gauge the level of complexity of a task and often there are hard deadlines which cannot be broken. So, an awareness of just how long each aspect takes, academically, may have changed the bracketing periods that the researcher took.

However, those more extended periods provided time for new helpful research to emerge for which the researcher is hugely grateful. Ultimately being satisfied with the outcome was never guaranteed and changing things would seem a risk not worth taking.

Appendix F Implications for Practice

The family firm is the most common global ownership and management business structure (López de Silanes et al., 1999). Demonstrably contributing to employment and GDP a family business succession failure will have significant adverse economic and emotional outcomes (Alayo et al., 2016; Morris et al., 1997).

The researcher aimed to determine the factors which positively affect the intra-family CEO succession of UK small and medium companies. The interest developed following professional involvement in ‘repairing’ family businesses following failed successions. In order to deliver positive practical implications, the researcher chose to study family business that had been through at least one succession event in order to provide insights which could illuminate implications for practitioners across the family business sphere.

The two aims of completing a Doctor of Education at the University of Derby (University of Derby, 2018) are to:

1. Develop a thorough knowledge and understanding of a range of research and enquiry skills.
2. Enable candidates to make an original contribution or application of knowledge to their specialist field of study.

As highlighted by Lester (2004), the perception of completing a non-professional doctorate lies chiefly within the research and the development of knowledge within a field, whereas practitioner-based research focuses on enabling a change in practice and advancing a specific field of study.

Bartunek and Rynes (2014) analysed management research and found that approximately fifty per cent of the articles studied failed to demonstrate practitioner suggestions, considerations or consequences.

The value of knowledge has grown considerably in recent years, and there has been a shift away from research founded within universities to the types of Mode 2 knowledge established

within a practice-based context (Banerjee & Morley, 2013). This research aimed to produce a contribution which was motivated by the 'real world' problems around succession in family businesses.

The researcher having witnessed 'failed' intra-family CEO successions and after working with the remnants of the process, wanted to determine positive factors of the succession in order to alleviate those potentially damaging consequences. This section deals with the broader practical implications of the findings, whereas Appendix E considered the personal perspective of the thesis.

Overall the findings provide further contextual awareness of UK family business SMEs and how they proceed through a succession. Several implications for practitioners are identified. The first is that disagreement in the initial planning increases the likelihood of intra-family CEO succession. This could lead to stakeholders accepting that enabling open discussion and conflict could lead to a positive outcome. Advisors could lead this discussion process either through one-to-one engagement to establish differing opinions or in meetings held at the outset of the process. The family members could be shown that the exchange and discussion of ideas at this stage can lead to a favourable outcome.

A second practical implication is that the consideration of passing control to a professional CEO can lead to a positive outcome from the succession process. A degree of externality in consideration of who should be the future leader of the organisation increases the likelihood of intra-family CEO succession.

This could lead advisors to encourage the business decision-makers to at least examine the potential of employing a non-family member in the role of CEO, with empirical evidence showing that the consideration does not make it less likely for a family CEO to be the successor.

A third practical implication is that the development of selection criteria increases the likelihood of post-succession satisfaction. Again, a significant role for advisors could be enabling the process of developing selection criteria, the process of consideration of the facets and engagement with the process is a positive factor for the intra-family CEO succession.

The fourth practical implication is that the use of advisors in the succession process leads to an increased overall level of satisfaction with the succession. The outward-looking and use of assistance in the process are beneficial, and this is a significant empirical finding for practitioner involvement.

The collective outcome of the research is that it may help family business advisors and other participants add value to those organisations facing succession change.

Appendix G Dissemination Strategy

G.1 Purposes of dissemination

Without effective dissemination of research, newly created knowledge will not translate into practice and may be lost. As postulated by Murray (2009), the reasons for dissemination can be diverse and complex. Personal motivations can include contributing to collective knowledge, building an institution's status or developing a career profile. Wilson, Pettigrew, Calnan and Nazareth (2010) highlighted alternative reasons for dissemination such as raising awareness, influencing policy, changing practice, simulating discussion and transferring research to practice. The focus for this research has been on contributing to knowledge, personal development and practitioner impact.

Along with the myriad of reasons for publication on the part of the researcher, the vessels for and of dissemination have their own motivations. As Perakakis, Taylor, Mazza and Trachana (2010) observed, there is no natural selection for academic papers so a combination of techniques will be required to cross-pollinate this research.

As shown in Figure G-1 developed by Bernius (Bernius, 2010, p. 510) the act of writing and disseminating empirical research 'externalises' explicit knowledge. A dissemination strategy of presentation at conferences, for example, would allow delegates to 'internalise' the presentations by '*reading and understanding*' and '*socialise*' by discussing theories and research amongst their peer group, creating explicit and tacit knowledge, a combination of which, according to Bernius (2010) improves the take-up of knowledge.



Figure G-1 Knowledge management in scientific research

(Bernius, 2010)

G.2 Dissemination locations and selections

The library has traditionally been the collection point responsible for amassing and aiding knowledge translation, but over the last two decades, traditional methods of dissemination have been subject to substantial technological change. Cloud-based dissemination enabled 24-hour access, open boundaries and a variety of output methods (Suduc, Bizoi, Gorghiu & Gorghiu, 2010). Technology has increased access and speed of dissemination, with social networking sites and blogs enabling interaction that aids tacit and explicit connections and improves cross-discipline research (Bernius, 2010).

With further advances over the last ten years, the gamification of educational and practitioner development has been shown to increase engagement and use of research (Kuo & Chuang, 2016). In order to capitalise on this approach, the researcher will examine the use of gamification and practitioner engagement through a website developed to disseminate the findings of this research.

More traditional methods will also be developed using the links forged over the research period. It is considered that there are several areas of the thesis which can be disseminated in peer-reviewed academic papers, practical articles in wide-access periodicals and '*methodological and reflective articles...to improve practice*' (Sommer, 2009, p. 227).

Sommer (2009) proposed that in order for research to maximise impact, it must be targeted at different audiences through different mediums. The audience may be within the academic field of interest, a family business member, a practitioner, an advisor or a researcher examining different methodologies. Westbrook et al. (1996, p. 2) highlighted that paying particular attention to the audiences preferred '*forms and language*' improves dissemination while the existing '*resources, relationships and networks*' the audience uses must be employed to create '*effective dissemination systems*'.

Dissemination methods can either be pulled, whereby users seek knowledge; pushed, where knowledge is distributed as it becomes available; or pointed, which is where advice is given on how to find the relevant information (Holsapple, 2003). The dissemination strategy used in

this research reflected the desired outcome of practitioner engagement and considered the effects of each of the various research methods.

Chipperfield et al. (2010) suggest that when selecting an appropriate journal, it is crucial to consider several issues, shown in Figure G-2. Once a shortlist has been made, an analysis of the journals' publication guidelines can be made to ensure the submitted work meets the journal's criteria.

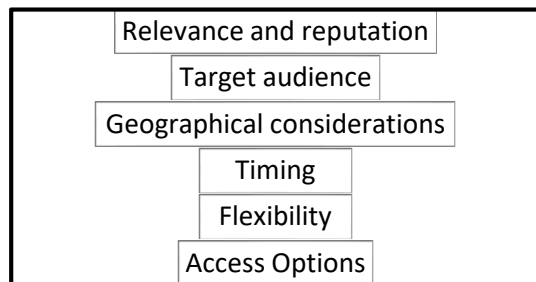


Figure G-2 Journal Selection
 (Adapted from Chipperfield, Citrome, Clark, David, Enck, Evangelista, Gonzalez, Groves, Magrann & Mansi, 2010)

Chrisman, Chua, Kellermanns, Curtis and Debicki (2008) published an article in the Entrepreneurship Theory and Practice Journal discussing the most useful venues for publication of research relating to the family business. The most appropriate journals and those with the highest quality ranking according to the researchers and Social Science Citation Index impact factors were analysed and are shown in Table G-1.

Most Appropriate	Quality Ranking
Family Business Review	Academy of Management Journal
Entrepreneurship Theory and Practice	Academy of Management Review
Journal of Business Venturing	Administrative Science Quarterly
Academy of Management Journal	Journal of Applied Psychology
Academy of Management Review	Strategic Management Journal
Strategic Management Journal	Organisation Science
Administrative Science Quarterly	Entrepreneurship Theory and Practice
Journal of Small Business Management	Journal of Business Venturing
Journal of Management Studies	Management Science

Table G-1 Quality and appropriateness ranking of journals for family business research
 (Adapted from Chrisman et al., 2008)

Once a journal has been selected, there will be a formal process to complete, and research from Coffin (2003) suggested that informal steps may be taken to improve the chances of publication

by contacting the editor to explain the research and why it is of interest to the readership. The researcher has developed connections with Professor Chrisman (Senior Editor, Entrepreneurship Theory and Practice and Advisory editorial board for Family Business Review), Professor Sharma (Advisory editorial board for Family Business Review) and held a meeting with the senior editor of the Family Business Review. The researcher also presented at the family stream of the ISBE conference in the Grand Connaught Rooms, London following a peer-review process.

The researcher has discussed with the Institute of Directors and the Federation of Small Businesses about hosting seminars and has an established network of legal and professional firms that are interested in the findings from this research.

G.3 Summary

The purpose of this section was to provide theoretically located insights into the dissemination process and reasons for publication, in the forms appropriate for family business research. Several routes were examined including conferences, technological and other traditional methods.

To put thoughts and analysis to the broader academic community in an attempt to progress debate is an intrinsic part of academic work and the improvement of a specialism. The forays that the researcher has made into dissemination, although at a minimal level, were rewarding and exigent in equal measure and continuing to push into the heavily competitive field of family business research with integrity and resilience is one which the researcher anticipates positively.