Conference Name: Australian Centre for Entrepreneurship Research Exchange Conference 2013

Conference Location: Queensland University of Technology, Gardens Point

Conference Date: 6 – 8 February, 2013

ISBN: 978-1-921897-55-9

Editor: Per Davidsson

Paper Title: SUCCESSFUL INTERGENERATIONAL OWNERSHIP SUCCESSION -Measuring satisfaction or business performance or preparing the event

Authors: Lars-Goran Sund Jonkoping International Business School, Leif Melin Center for Family Enterprise and Ownership CeFEO

Submitting Author Contact Information:

Lars-Goran Sund

Jonkoping International Business School, Sweden

lars-goran.sund@jibs.hj.se

SUCCESSFUL INTERGENERATIONAL OWNERSHIP SUCCESSION

- Measuring satisfaction or business performance or preparing the event

Abstract

Intergenerational successions are complex for many reasons. One is that we have no established method for measuring success. Previous scientific work has dealt with leadership transfers, while we focus here on intergenerational ownership succession. The success of leadership changes has been measured through ex-post approaches, i.e. either in the form of close stakeholder (family members) satisfaction with the process or outcome or in relation to business performance. We conclude, with reference to intergenerational ownership succession, that these two methods are inadequate. Due to the heterogeneous scenario of influencing factors it may even be futile with ex-post measurements. Instead we emphasize a pre-ownership transfer approach, i.e. a set of efficiency requirements which are moulded in a way that will decisively enhance the realization of an intergenerational ownership succession and the running of the business afterwards. We are less ambitious with the two other goals. Thus, we are content if the requirements can contribute sequentially to stakeholder satisfaction and business performance.

Topic areas: Family business, succession
Key words: Family businesses, ownership succession, measuring success.
Acknowledgements: We are grateful for financial support from the Confederation of Swedish Enterprises.

1.INTRODUCTION

1.1 Background, objectives and empirical study

Any definition of family-owned businesses (FOBs) seems to lead to the same conclusion, i.e. they are of major importance for the economy of a country (Stavrou & Swiercz, 1998). Research suggests that the performance of a family firm diminishes when it is bought by a larger, perhaps listed, and more bureaucratic company. Loyalty to the firm, family and local community is lost. Furthermore, the long term commitment may not be upheld (Pollak, 1985; Astrachan, 1998; Bjuggren & Sund, 2001). Despite the importance of FOBs, only about 30 per cent are transferred to the descendants of a founder (Beckhard & Dyer, 1983; Lansberg, 1988; MassMutual, 2002). It should be mentioned, however, that some late research results indicate that the survival rate of FOBs may be higher (Stamm & Lubinski, 2011). Nevertheless, a low rate of intergenerational ownership successions highlights the importance of research into measuring success.

The published research results on this subject are few and generally only deal with leadership transfers. The handover of ownership is particularly important, since the majority owner(s) hold the ultimate power in the business. S/he or they elect the members of the company board, who for example determine the strategic goals. The directors, in turn, appoint the CEO, who decides on the operational issues.

The objective of this paper – based on a literature review and descriptive results from an empirical study – is to further explore what is meant by a successful succession. Previous definitions have dealt with intergenerational leadership transfers and success is measured either subjectively or objectively. A subjective approach refers to whether some close stakeholders are satisfied with the outcome (Sharma et al, 2001, 2003a). The alternative viewpoint, regarding objective success, is decided in relation to the impact of succession on business performance (Pitcher et al, 2000). We essentially claim that both approaches are futile with regard to intergenerational ownership succession. Far too many heterogeneous factors, which are outside the scope of what the involved persons can control or even access, will influence the subjective or objective outcome of ownership successions. Thus, in place of post succession estimates we propose the use of pre-transfer efficiency factors.

This reasoning is supported by descriptive data from our recent (2009) empirical study of the opinion of 143 majority shareholders in Swedish FOBs. The survey only deals with factors which either promote or hamper succession. The questionnaire was sent to 425 companies which had experienced a succession in ownership. The response rate was 34 per cent. The respondents were the majority shareholder, with approximately one third (30.8%) from the older generation and two thirds (69.2%) from the younger generation. The succession had taken place within the family during the lifetime of the older generation on 127 instances (88.8%). Other cases were conducted either through inheritance or sale to an outsider. All the successions occurred between 1979-2009, with 76% occurring after 1998. It should be emphasized that our survey only used questions related to factors which may have enhanced or hampered the event. No questions were asked with the purpose of contributing to the possibility of measuring success.

1.2 Literature review

In two articles, Sharma et al (2001, 2003a) present and analyse a subjective approach to measuring success in leadership successions. They develop an integrative model of factors which influence initial satisfaction (before post-succession performance is known) with the succession process. The variables that may affect this satisfaction of family members are as proposed hypotheses:

1. Acceptance of each other´s roles in the business.
2. Willingness of the successor(s) to take over the business.
3. Propensity of the incumbent to step aside.
4. Extent of succession planning.
5. Common agreement regarding continuing the business.

The hypotheses that were significant were acceptance of each other´s roles in the business (1) and the extent of succession planning (4), i.e. the satisfaction levels of both the incumbent and the successor(s) increased if these two hypotheses were fulfilled. The authors claim that a decision by family members to continue a business is not an important determinant of their satisfaction with the process. Furthermore, incumbents believe that the willingness of successors to take over is a significant contributor to their satisfaction, but their own propensity to step aside is not. The opposite opinion is dominant among the successors, i.e. they believe that the incumbent´s propensity to step aside strongly affects their level of satisfaction while their own willingness to take over has no impact (Sharma et al 2003a).

Pitcher et al (2000) claim that measuring business performance impact with regard to leadership succession is difficult since the variables are many and complex, as is the mutual interaction. Among other factors they mention:

> "age and size of the firm, condition of its founding, sector of activity, variability of profitability in the industry, current and past performance, structure, composition and allegiances of boards of directors, power of the incumbent CEO with respect to his or her board, personal characteristics of that CEO, and the availability of alternative candidates."

They conclude that managerial stability and personality heterogeneity correlate with good performance.

In the next section we will further describe and analyse the tools mentioned for measuring success in cases of leadership transfer, as well as present an overview of the strategic goals and tactical tools (efficiency requirements) involved in a pre-ownership succession approach. Section 3 includes some broad descriptive results of our survey that are of relevance for what we label as efficiency requirements, i.e. the pre-succession tools that should be fulfilled before the event. All are - not only influenced by, but are - directly affected by preparations. The last section concludes.

2 SUCCESSFUL OWNERSHIP SUCCESSION – MEASURING OR PREPARING

2.1 Ex post measurement of satisfaction or business performance

In cases of leadership transfer, it is important that the close stakeholders, not least the members of a business family, are satisfied with the intergenerational succession process and outcome, since a positive result can enhance the possibilities of establishing a fruitful future cooperation in the interest of the business. If research can show that some satisfaction estimates in a survey population are more important than others, it can also be helpful for later transfers of leadership positions (Sharma et al, 2003a). Further, it is also important to improve business performance through succession. However, previous research suggests that it is very difficult to single out and prove that a change in performance outcome is due to a leadership succession (Pitcher et al, 2000).

If all close stakeholders (in our opinion this category also includes co-owners and the members of the management team) are satisfied with the outcome of an intergenerational ownership succession, this will probably enhance future cooperation. However, this is fundamentally more important on leadership changes, since conducting business administration often entails joint handling of daily routines. Business matters that are dependent on (majority) ownership do not occur frequently, but can be very important for business performance. One example is when the (majority) owner(s) elect the directors, who in turn decide who is to be positioned as CEO. Whether business performance is improved by intergenerational ownership transfers is even more difficult to measure. The most important single person in this sense is the CEO. The (majority) owner(s) can indirectly decide who will hold this position. However, this is dependent on whether the owner(s) choose to be active. Besides this, distant non-close stakeholders, such as creditors and some authorities, have more interest in an ownership succession than a leadership change. This makes it important to avoid a negligently handled transfer of shares (Sund & Melin, 2012).

2.2 Ex ante requirements of successful succession

An alternative to an ex post approach is to establish efficiency requirements that should be reached before a succession takes place. These requirements should support the following strategic goals:

a) Avoiding a negligently performed ownership succession which can alert potentially powerful close stakeholders, such as co-owners supported by transfer restrictions, and distant non-close stakeholders, such as tax authorities relying on mandatory legislation (Sund & Melin, 2012; Bjuggren & Sund, 2012).
b) Decisively enhancing the possibility of an intergenerational ownership succession and running the business afterwards.
c) Contributing to achieving satisfaction among close stakeholders, in order to enhance future cooperation in the interest of the business.
d) Contributing to promoting business performance. In this sense, also the opinion of non-close stakeholders, such as suppliers and customers, can make a difference (Sund & Melin, 2012).

In our opinion the efficiency requirements include the following:

1.Ensuring the readiness of the incumbent owner to step aside and the willingness of the successor(s) to take over.
2. Providing adequate compensation, when necessary, for the older generation in order to uphold their standard of living, as well as for the siblings that do not become new owners.
3. Ensuring that the total cost of the succession does not affect the willingness of the owners to take risks and the capacity of the firm to make investments.
1. Ensuring that the new owner(s) receive a majority ownership. It is necessary to establish such a powerbase if s/he or they wish to function as active owner(s).
5.All close stakeholders should – at least – accept the potential outcome of the ownership succession.

3. PREPARING A SUCCESSION

3.1 Introducing preparing

Preparing for a future succession of ownership of family firms is a time consuming process; it may take years, if not decades, as emphasized by many authors (e.g. Ward, 1987; Barack & Granitsky, 1995; Bjuggren & Sund, 2005).

The importance of a well prepared succession is easy to grasp. A founder can share leadership and ownership experiences, as well as know-how and important networks linked to running a business (Lansberg, 1988; Bjuggren & Sund, 2001). Also, conflicts in relation to or between close stakeholders can be avoided if each individual approves of the new owner(s) or, at least, can be convinced to accept the outcome. Lastly, when due consideration is given to non-close stakeholders, such as competitors and the estate tax policies of the government, future losses can be avoided (Sund & Melin, 2012; see also Hubler, 1999, on obstacles to succession planning).

It should be emphasized that our reasoning mainly deals with execution of a succession. In other words: We deal with efficiency requirements that should be fulfilled when the close stakeholders, especially the incumbent, the successor and the rest of the business family, are facing the execution of the event. However, fulfilling these requirements demand a certain amount preparations.

In the following subsections (3.2-3.6) we focus on the preparations needed for reaching the efficiency requirements. In the last subsection (3.7) we apply a broader approach.

3.2 Willingness to let go of the firm and succeed as new owner

The majority owner must be willing to let go of ownership (and leadership) in due course. A negative attitude to this can be derived from an unconscious denial of mortality or rivalry towards potential successors, as well as an unwillingness to lose a central role among managers, co-owners and members of the business family (Lansberg, 1988; Davis & Harveston, 1999). In our survey one of five respondents in the older generation had experienced the fear of no longer being needed. If an incumbent is too sensitive in this sense, s/he may avoid all preparation and training of the younger generation, as well as all initiatives, such as taking part in courses which focus on intergenerational succession, launching family meetings or contacting a consultant.

A positive attitude from the potential successor, to shoulder the responsibilities of a majority owner, is also essential. If s/he feels inspired, or even predestinated, to become a new majority owner (leader), or sense a moral obligation to engage, and take the lead in the succession process, it will enhance the development (Lambrecht, 2005). In our study, almost all (89.4%) of the younger (95) experienced strong inducements to shoulder the responsibilities as new majority shareholders, many (46.3%) had strived to become new owners, for example through discussions or propositions, and three quarters had started to work in the business as teenagers. Furthermore, the potential successor in the younger generation could experience anxiety in relation to a succession (Dunn, 1999). In the survey, one of five respondents (95) reported that they encountered such feelings concerning e.g. shouldering the responsibilities as new majority owners/leaders. An unduly squeamish attitude of this kind can result in a potential successor seeking his or her fortune somewhere else. Remedies include, for example, training in the family firm or another company, having a mentor and attending courses on succession.

3.3 Adequate compensation

The older generation should, after a succession, be able to uphold their standard of living and compensate siblings, who do not become new owners (or receive relatively less shares). Otherwise, the incumbent may postpone the succession until it is too late, i.e. the transfer will take place as an intestate inheritance. According to the survey results, a clear majority (72%) of the respondents (130) found it important to compensate siblings and heirs (rating level 3-5). Reaching this type of efficiency can demand implementation of complex transfers of the shares, such as an internal handover (Bjuggren & Sund, 2005).

3.4 The total cost of the succession

The total cost of the succession should not hamper either the future capacity of the family firm to make investments or the risk willingness among owners (and leaders). This requirement is closely linked to the strategic goal of avoiding disasters due to problems such as excessive estate taxes. Effectiveness in this sense may require measures such as an internal handover of shares.

3.5 Ownership power base

The new owner(s) or the family, if they choose to have an influence through e.g. a family council, should receive the power base (majority ownership) needed in order to control the annual meeting and thereby also the board and, sequentially, management. Without an ownership powerbase, it may become impossible to exercise an active owner influence. This requirement can include the demand that the co-owners accept the outcome or the establishment of alliances or that transfer restrictions can be bypassed.

3.6 Acceptance by close stakeholders

Having the approval of close stakeholders to the new owner(s) of the family firm can be decisive in a succession case. The importance of a close stakeholder attitude was reflected in our survey. Many of the respondents emphasized having the approval of the family members (79.2%), co-owners (68.5%) and members of the management team (75.5%).[1]

Family members who are not shareholders, members of the management team and potential new owners and leaders of the business should still be willing to accept certain new majority shareholder(s). They can have a vested interest in the family business, e.g. a cultural identification and a dependence on the firm in order to uphold their lifestyle. When a family member does not, as a minimum, exhibit a reluctant acceptance, but rather open hostility, it

---

[1] Table 1 - 3.

will at least result in potential difficulties of an emotional and psychological character. If stipulations in a charter for a family council, or similar, provide him or her with a power to obstruct a change of ownership, the problems will accumulate. Furthermore, a succession process can generate anxiety among family members, which in turn can hamper the transition of ownership. (See e.g. Dunn, 1999.)

Additionally, family harmony can be regarded by family members as being more important than the business. In such cases, this value may hamper, perhaps inhibit, a discussion on the subject (see e.g. Lambrecht & Lievens, 2008). Another way to express this fundamental difference, especially between managers and these family members, is that different goals motivate the efforts being put into a business and a family. In the words of Handler and Cram (1988): "… the business is a performance-based system, while the family is a relational-based system."

Co-owners have an interest in protecting their investment. In our study, about one third had, according to the majority shareholders, expressed an opinion on who should become the next majority owner in the family firm. The acceptance of companions becomes very important if they are supported by transfer restrictions in e.g. the articles. Such restrictions can provide a co-owner with e.g. the power to say no (a consent clause) to a handover of shares (Sund & Bjuggren, 2007, 2011 and 2012.) According to our study, half of the majority owners reported that their firm had transfer restrictions in the articles of association or in a shareholders agreement, which could potentially hamper a transfer of shares to the younger generation and within the family. However, only a few of these experienced practical difficulties during the process due to the restrictions.[2] The same clauses, on transfer of ownership, can also be entailed in an agreement creating a shareholder council. The legal impact of such clauses is probably similar to those in a shareholders´ agreement.

Managers who are not co-owners or family members typically have an interest in promoting their careers and establishing favourable positions from an economic point of view. Furthermore, they often seem to have a friendly relationship with the founder. In such cases it may not be easy to have a more formalized relationship with a successor (compare Sharma et al, 2003b). However, they have no potentially conclusive say, supported by agreements (similar to co-owners relying on transfer restrictions), concerning the new majority owner(s).

3.7 Antecedents and other generally influential factors

There are several important antecedents to the willingness of the younger generation to succeed as new owners and leaders, as well as the propensity of the incumbent to let go (Venter et al, 2005; Griffeth et al, 2006). As emphasized by several authors, family harmony, especially between an incumbent and a successor, can be decisive for a successful succession of the firm to the next generation (Barach et al, 1988; Lansberg & Astrachan, 1994; Goldberg, 1996; Griffeth et al, 2006). Besides family harmony, family commitment to the firm is also an important factor in relation to a succession (Lansberg & Astrachan, 1994; Morris et al, 1997; Griffeth et al, 2006; Motwani et al, 2006).

---

[2] Table 4 – 5.

There also needs to be a positive attitude, from the family, especially the incumbent, and willingness to enhance the transfer of the business to the younger generation. The importance of a positive attitude from the family has been emphasized in many published papers (Koiranen, 2002; Sharma et al, 2003b; Lambrecht, 2005). Furthermore, some authors even stress the importance, for a successful succession, of a positive attitude from the incumbent to creating a family business dynasty, not least a willingness to shoulder a mentoring function (see further by e.g. Sharma et al, 2003b; le Breton-Miller et al, 2004; Walker & Brown, 2004; Lambrecht, 2005).

It has been emphasized that communication, especially between close stakeholders, is important during the preparing process (Dyck et al, 2002; Motwani et al, 2006). Good communication has the potential, for example, to enhance the willingness of both the incumbent to let go and the successor to take over the firm, as well as close stakeholder acceptance with the outcome of the succession.

One example of more deliberate measures, in order to accomplish a succession, is to attend courses on the subject. Another targeted tool is to launch family meetings, or a family council, to share the task of preparing and executing a succession. Such a step is emphasized by several authors (Motwani et al, 2006; Distelberg & Sorenson, 2009).

The importance of a mentor has also been stressed in the literature (e.g. Goldberg, 1996; Morris et al, 1997; le Breton-Miller, 2004). Some even claim that a formal plan should be developed for remaining roles and responsibilities of an outgoing leader (majority shareholder) (Motwani et al, 2006). The willingness to shoulder the tasks of a mentor or organize family meetings or make other extensive preparations for a succession, can be enhanced by previous experiences or through education. Some claim that the successor has to make a journey from being an outsider to a socialized insider (e.g. Griffeth et al, 2006). Perhaps the level of knowledge and commitment being aspired to can be described as having idiosyncratic knowledge, including business related networks, and showing loyalty to family, business and the local community (Bjuggren & Sund, 2001).

4. DISCUSSION AND CONCLUSIONS

An ex post approach is problematic as a tool to measure success, at least concerning ownership succession. We can here mention a few factors: First of all families and businesses are different, as are all stakeholders. Not one case fully resembles another. Additionally, the markets and business opportunities are constantly changing. No month will be equal to another. Furthermore, there are national differences not only concerning legal matters, but also regarding economic, cultural and social contexts. In other words: The factors that enhance or hamper succession within the family are - as such, when interacting and in a dynamic sense - very heterogeneous (see further by Pitcher et al, 2000). Thus, the result of a succession is dependent on an abundance of factors, which make it a highly complex priority to striving for satisfaction and/or creating an impact on business performance. Searching for guidelines for dealing with a number of successive cases can also be problematic.

An alternative is to mould efficiency requirements as an ex ante approach. We have described these requirements and provided reasons for each one (subsections 3.2 -3.6). This approach should result in better targeted and more precise preparation, which is perhaps the most important reason to adopt this alternative. According to our study, about one third of the respondents (130) reported that there was a fixed future date for completion of the succession. A preset date can be presumed to focus the efforts of the close stakeholders to reach results. Also, efficiency requirements can be assumed to contribute to focused efforts by the close stakeholders, especially the incumbent owner, the successor and the other members of the business family. They will more easily follow targeted efforts in order to reach the pre-succession requirements (instead of blurred post-succession satisfaction or business performance estimates that cannot be isolated as caused by an intergenerational ownership succession and which are not measured until afterwards).

The efficiency requirements are created in order to promote intergenerational ownership successions during the lifetime of the older generation. In cases of leadership transfer the picture varies. With regard to ownership transfer to outsiders, as well as succession through intestate inheritance, the scenario is also different. Additionally, it should be emphasized that there are more factors that can influence cases like this. Examples are role changes and know-how transfer from incumbent to successor. These can be decisive for the outcome of a leadership succession. They are not irrelevant for an ownership change, but compared with e.g. estate taxes and obstructing co-owners we find that they are, in most cases, not prioritised.

Comparing our findings (section 2-3) with the reasoning in previous research (section 1.2) we stress pre-succession efficiency requirements, instead of post-succession estimates. We would claim that the latter approach is futile when it comes to intergenerational ownership succession. The variables are too many, too dynamic and too complex, as well as too difficult to assess in terms of mutual interaction. Also, all close stakeholders (not only family members) and at least some non-close stakeholders must be included in the reasoning.

This paper is limited to ownership succession, not change of leadership. Our conclusions are supported by descriptive data from our empirical study which deals with enhancing and hampering factors in relation to completed intergenerational ownership successions in a number of Swedish family-owned businesses. However, the cultural, social, economic and legislative conditions obviously influence the process and vary from one country to another. Thus, we believe that our empirical results have limited value as guidelines for future intergenerational ownership successions in other countries.

Achieving post-succession satisfaction among close stakeholders can in each case have a decisive influence on the future of a business. Factors that have contributed to the outcome can also provide guidelines in later succession cases. However, we believe that each case is unique and therefore the benefits of post succession satisfaction estimates, at least concerning ownership transfers, are limited. Equally limited is the role of post-succession estimates relying on business performance. Business opportunities, as one example, are not dependent on who owns the family firm. Also this method of measuring can be useful in each unique case, but it is – due to the heterogeneity of the influencing factors – of limited value for measuring success and as guidelines for later intergenerational ownership successions.

In our opinion, it is a too vague assumption to strive for or measure satisfaction or business performance after an intergenerational ownership succession. Instead there are convincing reasons to address the efficiency factors before the event. One more step, that may improve the chances of reaching the strategic goals, is to let all the close stakeholders act as intermediaries. They will be given the chance to declare that they are pleased with the requirements of the change of majority ownership. Thus the research mission is to present the efficiency requirements (subsection 2.2 and 3.2-3.6). These should be moulded in a way which can be expected to decisively enhance an intergenerational ownership succession and, especially, to avoid disasters due to interventions from stakeholders, as well as to continue running the business afterwards. Furthermore, the requirements can hopefully contribute to satisfaction with the succession outcome and/or enhance business performance. This way unpredictable and unreachable post succession estimates, which will always exceed pre-succession knowledge, can be replaced by certain specific requirements that can be achieved before the handover takes place. Obviously, the requirements cannot always be attained and they will not automatically lead to the realization of a succession. However, the degree of uncertainty appears – with pre-succession requirements – considerably lower than if we in advance attempts to make family members (or close stakeholders) satisfied with the process or post-succession results, as well as improving business performance (neither of which can be measured until after the handover).

Further, stating the nature of pre-succession efficiency requirements will contribute to focusing the efforts of the close stakeholders and thus enhance the preparations for the event. Post succession estimates, i.e. satisfaction with the process or outcome and the impact on business performance, are really too vague as goals in an environment where each stakeholder can be expected to be mainly occupied with promoting their own self-interest. Also, the impact of far too many other influential circumstances, such as business opportunities, is likely to blur the results. Pre-succession requirements will, anyway, also contribute to reaching favourable post-succession estimates.

References

Astrachan, J.H. (1988). Family Firm and Community Culture. *Family Business Review,* 1(2) 165-189.

Barach J.A., Ganitsky J., Carson J.A, & Doochin B. A. (1988). Entry of the next generation: Strategic challenges for family business. *Journal of Small Business Management,* 26(2) 49-56.

Barach J.A. & Ganitsky J. (1995). Successful Succession in Family Business. *Family Business Review*, 8(2) 131-155.

Beckhard, R. & Gibb Dyer, W. (1983). Managing Change in the Family Firm – Issues and Strategies. *Sloan Management Review*, 24(3) 59-65.

Bjuggren P-O. & Sund L-G. (2001). Strategic Decision Making in Intergenerational Successions of Small- and Medium-Size Family-Owned Businesses. *Family Business Review,* 14(1) 11-23.

Bjuggren P-O. & Sund L-G. (2005). Organization of Transfers of Small and Medium-Sized Eneterprises Within the Family: Tax Law Considerations. *Family Business Review,* 18(4) 305-319.

Bjuggren, P-O. & Sund, L-G. (2012). A contractual perspective on succession in family firms: a stakeholder view. Forthcoming in the *European Journal of Law and Economics*. Published online 18 April 2012.

le Breton-Miller I., Miller D. & Steier L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory & Practice,* 28(4) 305-328.

Davis, P.S. & Harveston, P.D. (1999). In the Founders Shadow: Conflict in the Family Firm. *Family Business Review*, 12(4) 311-323.

Distelberg B, Sorenson R, L. (2009) Updating systems concepts in family businesses: A focus on values, resource flows, and adaptability. *Family Business Review,* 22(1) 65-81.

Dunn B. (1999). The family factor: The impact of family relationship dynamics on business-owning families during transitions. *Family Business Review*, 12(1) 41-60.

Dyck B, Mauws M, Starke F, A, Mischke G, A. (2002). Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of business venturing*, 17(2) 143-162.

Goldberg S.D. (1996). Research note: Effective Successors in Family-Owned Businesses: Significant Elements. *Family Business Review,* 9(2) 185-197.

Griffeth R.W., Allen D.G. & Barrett R. (2006). Integration of family-owned business succession with turnover and life cycle models: Development of a successor retention process model. *Human Resource Management Review,* 16(4) 490-507.

Handler, W.C. & Kram, K.E. (1988). Succession in Family Firms: The Problem of Resistance. *Family Business Review,* 1(4) 361-381.

Hubler, T. (1999). Ten most prevalent obstacles to family-business succession planning. *Family Business Review*, 12(2) 117-121.

Koiranen M. (2002). Over 100 years of age but still entrepreneurially active in business: Exploring the values and family characteristics of old Finnish family firms. *Family Business Review*, 15(3) 175-187.

Lambrecht J. (2005). Multigenerational transition in family businesses: A new explanatory model. *Family Business Review*, 18(4) 267-282.

Lambrecht J. & Lievens J. (2008). Pruning the family tree: An unexplored path to family business continuity and family harmony. *Family Business Review*, 21(4) 295-313.

Lansberg I. (1988). The Succession Conspiracy. *Family Business Review,* 1(2) 119-143.

Lansberg I. & Astrachan J, H. (1994) Influence of Family Relationships on Succession Planning and Training: The Importance of Mediating Factors. *Family Business Review,* 7(1) 39-59.

MassMutual Financial Group (2002). *American Family Business Survey*. Springfield.

Morris M.H., Williams R.O., Allen J.A. & Avila R.A. (1997). Correlates of success in family business transitions. *Journal of Business Venturing,* 12(5) 385-401.

Motwani J., Levenburg N.M., Schwarz T.V & Blankson C. (2006). Succession planning in SMEs: An empirical analysis. *International small business journal*, 24(5) 471-495.

Pitcher, P. Chreim, S. & Kisfalvi, V. (2000). CEO succession research. Methodological bridges over troubled waters. *Strategic Management Journal,* 21: 625-648.

Pollak, R.A. (1985). A Transaction Cost Approach to Families and Households. *Journal of Economic Literature*, 23(2) 581-608.

Sharma P., Chrisman J. J., Pablo A. L. & Chua J. H. (2001). Determinants of initial Satisfaction with the Succession Process in Family Firms: A Conceptual Model. *Entrepreneurship: Theory & Practice*, 25(3) 17-46.

Sharma P., Chrisman J.J. & Chua J.H. (2003a). Predictors of satisfaction with the succession process in family firms. *Journal of Business Venturing,* 18(2) 667-687.

Sharma P., Chrisman J. J. & Chua J.H. (2003b). Succession planning as planned behavior: some empirical results. *Family Business Review,* 16(1) 1-15.

Stamm, J. & Lubinski, C. (2011). Crossroads of family business research and firm demographics – A critical assessment of family business survival rate. *Journal of Family Business Strategy*, 2(3) 117-127.

Stavrou, E.T. & Swiercz, P.M. (1998). Securing the Future of the Family Enterprise: A Model of Offspring Intentions to Join the Business. *Entrepreneurship, Theory & Practice*, 23(2) 19-39.

Sund L-G. & Bjuggren P-O. (2007). Family-owned, limited close corporations and protection of ownership. *European Journal of Law and Economics*, 23(3) 273-283.

Sund, L-G. & Bjuggren, P-O. (2011). Ownership restrictions, risk and team considerations in family-owned businesses. *European Business Law Review,* 22(1) 93-105.

Sund, L-G. & Bjuggren, P-O. (2012). Protection of ownership in family firms: post-sale purchase clauses and management perspective. *European Journal of Law and Economics,* 33(2) 359-370.

Sund, L-G. & Melin, L. (2012). Intergenerational ownership succession. A stakeholder perspective. The paper is accepted for publication in the European Business Law Review.

Venter E., Boshoff C. & Maas G. (2005). The influence of successor-related factors on the succession process in small and medium-sized family businesses. *Family Business Review,* 18(4) 283-303.

Walker E. & Brown A. (2004). What success factors are important to small business owners? *International Small Business Journal,* 22(6) 577-594.

Ward J, L. (1987). *Keeping the family business healthy: How to plan for continuing growth, profitability and family leadership*. San Francisco: Jossey-Bass.

Appendix

Table 1: Is it of importance that the family members agree on who should be the new owner?

Rating level	Frequency (number of respondents)	Percentage of N
1-Has no bearing	2	1.5
2	2	1.5
3	12	9.2
4	41	31.5
5-Very Crucial	62	47.7
No opinion	11	8.5

N=130. Mean: 4.48. Standard Deviation: 0.942.

Table 2: Is it of importance that the companions approve of the change in the ownership structure before a succession within the family?

Rating level	Frequency (number of respondents)	Percentage of N
1-Has no bearing	2	1.5
2	2	1.5
3	9	6.9
4	30	23.1
5-Very Crucial	59	45.4
No opinion	28	21.5

N=130. Mean: 4.74. Standard Deviation: 1.023.

Table 3: Is it of importance that members of the management team approve of the change in the ownership structure before a succession within the family?

Rating level	Frequency (number of respondents)	Percentage of N
1-Has no bearing	3	2.3
2	2	1.5
3	12	9.2
4	36	27.7
5-Very Crucial	62	47.8
No opinion	15	11.5

N=130. Mean: 4.52. Standard Deviation: 1.021.

Table 4: Are there any clauses in the articles of association or in a shareholder´s agreement that limit the possibility of transferring the shares in the FOB to anyone else than a previous co-owner?

Hampering clauses	Frequency (number of respondents)	Percentage of N
Yes	76	53.1
No	67	46.9

N=143. Mean: 1.47. Standard Deviation: 0.501.

Table 5: Did the restrictions hamper the ownership transfer in any way?

	Frequency (number of respondents)	Percentage of N
Yes	3	3.9
No	73	96.1

N=76. Mean: 1.96. Standard Deviation:0.196.