Factors Preventing Intra-Family Succession *

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One of the most important research topics in family business is management succession. Researchers observe that only a small percentage of family firms survive the transition to the second generation and many intergenerational transitions fail soon after the second generation takes control (Ward, 2004, 1997; Davis & Harveston, 1998; Morris, Williams, Allen, & Avila, 1997; Handler, 1990, 1992; Sonnenfeld, 1988). Thus, is it not surprising that management succession is the most important concern of family business leaders (Chua, Chrisman, & Sharma, 2003), the issue in which family business consultants are most frequently engaged (Upton, Vinton, Seaman, & Moore, 1993), and the most frequently researched topic in the family business literature (Brockhaus, 2004; Ward, 2004; Montemerlo, 2000; Handler, 1992).

Surprisingly, despite the volume of work on family business succession our review of the extant literature indicated that little systematic attention has been given to modelling the factors that prevent the transfer of managerial control from one family member to another. Understanding what prevents intra-family succession is important because the root causes can also threaten the viability of the firm and the harmony of the family, not to mention jeopardizing the cherished intentions of the incumbent leader, potential successors, and other stakeholders. To fill this gap, we develop a model of the factors that prevent intra-family management succession based on a comprehensive review and analysis of the family business literature.

The initial model of factors preventing intra-family management succession presented in this article will help researchers augment, organize, and interpret those factors. By proposing a chain of causation from the antecedent factors to the proximate general causes preventing succession by a family member, the model will facilitate empirical testing of how these factors affect the outcome of the family business succession process as well as guide normative research on how the impediments to succession can be overcome.

The article is structured as follows. The first section defines key terms and describes the scope of the study. We then discuss the components of our model. These components are derived from a comprehensive review and analysis of academic literature and family business case studies. We conclude by outlining directions for future research and theory development.

To identify factors that might prevent succession from occurring we reviewed the literatures in family business, management, economics, anthropology, history, psychology, sociology, and law. We also reviewed case studies on family business and CEO succession from the main case databases: European Case Clearing House, Harvard Business School Cases, Ivey Publishing, Darden School of Management, INSEAD, Institut pour L'Etude des methods des Direction de L'Enterprise, European Institute of Business Administration, and the *Case Research Journal* up to 2005.

The factors that play a role in the succession process are not necessarily factors that prevent succession from taking place. We made our determination of the factors to include in the model based on whether by direct evidence or inference we judged it to be reflective of (1) the absence of a necessary condition for succession to take place, or (2) a sufficient condition for succession not to take place. While we did not second-guess the authors with respect to these alternative conditions, in cases where the author(s) of the article or case study did not indicate that the factor meets one of the two conditions, the factor was included nevertheless if it appeared to meet one of the conditions. For example, the factors based on case studies were, for the most part, derived through logic or by extrapolation.

Not all of the factors are unique to family firms. Thus, if a firm is not financially viable, succession will not occur regardless of whether it is a family business or not. However, in a non-family firm any change in leadership constitutes succession; in a family firm leadership must pass to another family member to be so classified. In addition, while our list may include factors that other researchers believe are not important, we believe that such determination requires empirical research and consequently, our list should err on the side of inclusion.

The Model

We developed the model through an iterative process that involved a review and analysis of the literature and extensive discussions and adjustments. The process led us to identify three exhaustive but not mutually exclusive direct causes that prevent a previously intended succession from occurring: (1) all potential family successors decline the management leadership of the business; (2) the dominant coalition rejects all potential family successors; or (3) the dominant coalition decides against family succession although acceptable potential family successors exist. The third cause includes those situations where the family business is not deemed financially viable or sufficiently rewarding and sold. Our review and analysis also identified five exhaustive but not independent categories of antecedent factors for the three direct causes: (1) individual factors, (2) relation factors, (3) context factors, (4) financial factors, and (5) process factors.

Figure 1 shows the proposed relationships between the five antecedent factors and the three direct causes of succession not occurring. As shown, individual and relation factors affect direct causes (1) and (2) while context factors affect all three. Financial factors, which may be affected by context factors, directly affect only direct cause (3). Process factors are moderators of the individual and relation factors since they strengthen or weaken the association between these antecedent factors and the direct causes of succession not occurring. Although not shown in Figure 1, it should be clear from the discussions to follow that the factors are also interactive.

As shown in Table 1, the five categories of antecedent factors may be further classified into subcategories and individual antecedent factors. A thorough discussion of each factor and its antecedents is provided in the paper.

In sum, little attention has been given to modelling the reasons why intra-family succession might not take place when there is an intention to do so and a potential successor available. Such attention is important because of the role family firms play in the global economy and the difficulties involved in intra-family succession. By better understanding the factors preventing succession these difficulties might be ameliorated. Thus, our model suggests a chain of causation that should be useful to researchers wishing to study the causes of abortive succession attempts and to family business owners and managers wishing to reduce the probability that their intentions for intra-family succession are frustrated.

Table 1. Factors Preventing Intra-Family Succession

Category	Subcategory	Factor
Individual factors (related to profile and/or motivation of single individuals)	Successor(s)-related factors	Low ability of potential successor(s)
		Dissatisfaction/lack of motivation of potential successor(s)
		Unexpected loss of potential successor(s) (e.g. death or illness)
	Incumbent-related factors	Personal sense of attachment of the incumbent with the business
		Unexpected, premature loss of the incumbent (e.g. death or illness)
		Incumbent's unforeseen birth of new children, remarriage, divorce
Relational factors (regarding the relationships with/among family and non-family members involved in the FB)	Family members	Conflicts/rivalries/competition in parent-child relationship
		Conflicts/rivalries/competition among family members (e.g. sibling rivalries)
		Perils related to high "consensus sensitiveness" of the FB
		Lack of trust in the potential successor(s)
		Lack of commitment to the potential successor(s)
	Non-family members	Conflicts between incumbent/potential successor(s) and non-family members, and non acceptance of the potential successor(s) among non-family members
		Lack of trust in the potential successor(s)
		Lack of commitment to the potential successor(s)
Financial factors (regarding inadequate internal financial resources and excessive opportunity costs associated with raising external financing)		Inability to sustain the tax burden related to succession
		Inability to find financial resources to liquidate the possible exit of heir(s)
		Inadequate financial resources to absorb the costs of hiring professional managers
Environmental factors (associated with changes in the political-economic environment in which the family business operates)		Change in the business performance
		Decrease in the scale of the business
		Loss of key customers or suppliers/decline of the relationship between the potential successor(s) and customers or suppliers
Process factors (related to the absence of good actions or the presence of bad actions that entail succession not to take place)	Establishment of the preparatory activities	Not clearly defining the roles of the incumbent and the potential successor(s)
		Not communicating and sharing the decisions related to the succession process with family members and other stakeholders
	Development of successor(s)	Incorrectly evaluating the gaps between needs and potential successor's abilities
		Failing to train potential successor(s)

		Late or insufficiently exposing potential successor(s) to the business
		Not giving the potential successor(s) sufficient feedback about the succession progress
	Selection of successor(s)	Not formalizing rational and objective criteria for selection
		Not defining the composition of the team in charge of the assessment of potential successor(s)

Figure 1. A Model of the Factors Preventing Intra-Family Succession in the Family Firm