Asian Academy of Management Journal, Vol. 20, No. 2, 103–126, 2015

FAMILY BUSINESS SUCCESSION PLANNING: UNLEASHING THE KEY FACTORS OF BUSINESS PERFORMANCE

Wee Yu Ghee[1], Mohamed Dahlan Ibrahim[2] and Hasliza Abdul-Halim[3*]

[1,2] Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Karung Berkunci 36, Pengkalan Chepa, 16100 Kota Bharu, Kelantan, Malaysia
[3] School of Management, Universiti Sains Malaysia, 11800 USM Pulau Pinang, Malaysia

*Corresponding author: haslizahalim@usm.my

ABSTRACT

Family business studies are becoming more pervasive in Malaysia, and several studies have focused on factors that shape family-owned business performance levels. Succession planning issues, and specifically the succession issues and experiences of second or third generation family business owners (2GO/3GO), have not yet been explored at length. This study aims to revisit various factors that shape family firm performance by examining succession issues and transition experiences encountered by successors. Data were drawn from self-administered surveys completed by 55 2GOs and 3GOs. Descriptive, correlation and regression analyses were conducted to interpret our findings. The findings show that management styles, relationships between family members, values and beliefs and successor training significantly influence family business performance levels. The relationship between antecedents and business performance is found to be partly mediated by succession issues and fully mediated by sucession experience. Both theoretical and practical implications and avenues for future research are discussed.

Keywords: family-owned firms, succession, business performance

INTRODUCTION

Family business capacities to fuel economic development and growth have always been anticipated when owners are credited with nurturing cross-generational entrepreneurial talent, a sense of loyalty to business success, long term strategic commitment and corporate independence (Poutziouris, 2001; Tatoglu, Kula & Glaister, 2008). Past research has shown that family firms play a significant role in boosting GDP growth and employment in emerging and developed economies (Carraher, 2005; Carraher & Carraher, 2006; Tirdasari & Dhewanto, 2012). Miller and Le Breton-Miller (2005) reported that multidivisional enterprises such as Michelin, Armani, WalMart, Home Depot, and IKEA were founded and are still managed by families. Such family-owned firms continue to dominate most of the world's economies and remain as a major source of entrepreneurship despite being under-researched, and especially in a cross-cultural manner. Malaysian businesses stand as no exception in this regard.

Importantly, existing research on family businesses has focused on the survival rates of such business, as researchers confirm that only roughly one third of family businesses survive the transition from founder (first generation) ownership to second generation owner-management. Of those that successfully complete this transition, only roughly one third tend to survive the transition from second to third (and beyond) generation ownership (Poutziouris, 2000; Wang, Watkins, Harris & Spicer, 2000; Ibrahim, Dumas, & McGuire, 2001a). Hence, the key to family business success and sustainability lies in effective succession.

In Malaysia, family-owned businesses that continue to thrive include Adabi, Ramly, Takaso Rubber, Olive and Hong Leong Group, which generate annual sales of over USD1 billion (Norlela, 2007). In Kelantan, a state that is well known for entrepreneurial business, Mydin Mohamed Holdings Berhad is often ranked as the most successful family enterprise. Most family businesses in Malaysia are actively involved in the manufacturing, retailing and construction industries, i.e., 35% compared to other sectors (Azrain, 2010). Inevitably, in addition to business concerns and market challenges, family businesses face unique challenges, as family members are involved in business management (Zumilah, 2008). While operational and functional practices employed in family businesses are generally similar to those of other businesses, family businesses face challenges relating to successor training levels, relationships between family members and partners, and succession experience levels. For example, in addition to profit and business sustainability, family business calls for compassion and love for offspring (especially with respect to successor choices) and high respect for older family members, as their prominent role can help a family business prosper.

A 2002 survey conducted by the Shamsir Jasani Grant Thornton (SJGT) consulting firm and the Malaysian Institute of Management offers useful insight into the attitudes and dynamics of family businesses in Malaysia. Two hundred and twenty-five companies responded to the survey, and 55% of them were small-scale enterprises. Thirty-five percent (35%) of the companies that responded were medium-scale enterprises, and the remaining 10% were large-scale enterprise. Most of the family businesses participating in the survey were still run by founding members (59%), and 30% were run by second generation owners, the majority of whom were children of the founders. The study also showed that 72% of the respondents had made considerable investments in ventures, and 62% of them feared "losing control" and carried reservations about inviting outside shareholders into the enterprise. As conflicts often arise when businesses are managed by board member teams composed largely of family members (Yong, David, Neil, & Keith, 2004; Molly, Laveren, & Deloof, 2010), only roughly one-third of all family businesses survive the transition from first generation ownership to second generation ownership (Bigliardi & Dormio, 2009; Tatoglu et al., 2008; Poutziouris, 2000). In addition, only roughly one-third of family businesses survive the transition from second generation ownership to third generation ownership. Therefore, family business entrepreneurs must hold enough wisdom to lead business operations in the presence of relationships between family members.

Early studies on family businesses, undertaken mainly in Western countries, use a single perspective to explain performance or success levels. For example, Chandler and Jansen (1992) focused exclusively on the relationship between a founder's traits and business performance, and Lansberg and Astrachan (1994) focused on the effects of family relationships and family cohesion on succession planning and successor training. While these studies serve to provide a theoretical grounding, a multi-perspective approach that addresses key success factors, potential growth and development levels and continuous succession factors can help explain the functions of small family businesses situated in states such as Kelantan.

We argue that explanations of family business functions that are purely based on cultural factors are too convenient and simplistic. To form a complete understanding of the development of such businesses, family businesses successfully run by three major ethnic groups are thoroughly examined. To acquire stronger insight into the complexities of family businesses in Kelantan, we pose the following research question: What are the key factors that determine the successful continuity of family businesses across generations in Kelantan? We identify several key success factors through an examination of the management practices of these family businesses, relationships between family members, values and beliefs upheld in family businesses and successor training approaches. As cross-generational ownership succession constitutes one of the main challenges family businesses face, we examine succession issues and experiences encountered by successors as mediators in this study.

More specifically, we seek to accomplish the following objectives:

1. To acquire insight into the complexities of family businesses in Kelantan in terms of family enterprise profiles, successor profiles, competencies and management styles;
2. To identify key factors that shape family business performance and consequent cross-generational family business continuity in Kelantan;
3. To examine how critical succession issues and experiences affect the relationship between key success factors and family businessses performance.

LITERATURE REVIEW

A comprehensive review of scholarly publications on family business shows that the most frequently researched topics include the following factors: interpersonal family dynamics, succession, business performance and growth, family firm consulting, gender and ethnicity issues, legal and fiscal issues, and estate issues (Dyer & Sánchez, 1998; Tatoglu et al., 2008). For the purposes of this study, six variables that shape family business success are identified, and relationships between these variables are examined.

Family Business

Family businesses vary in size from small neighborhood "Mom and Pop" stores to multinational companies. In a family firm, at least 50% of ownership and management responsibilities fall within one family – whether related by blood or marriage (Lee-Chua, 1997; Bigliardi & Dormio, 2009). "The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman & Sharma, 1999). While precise definitions of family businesses are debated, most focus on kinship ties between family members who own and run a venture (Heck & Trent, 1999; Rogoff & Heck, 2003; Wortman, 1994). Indeed, it is the intersecting relationship between family members, the family unit, and the business that is believed to form the unique set of features that explains performance differences between family and nonfamily businesses (Habbershon, Williams, & MacMillan, 2003; Dewi & Dhewanto, 2012). This intersection also serves as a source of conflict within families and businesses (Daily & Dollinger, 1993; Harvey & Evans, 1994; Kellermanns & Eddleston, 2004). Family conflicts may arise due to disagreements over growth targets, succession decisions, product offerings, or even over seemingly mundane issues such as those relating to hours of operation. Conflicts within businesses may also be driven by family issues relating to time spent away from the home, marital differences, or inattention to important family events. In any case, such conflicts are often a direct result of close and repeated interactions between family members, the family unit, and the business. For the purposes of this research, the following discussion focuses on four major determining factors and two mediating variables that have been proven to shape family business success.

Management Activities, Styles and Characteristics

Dyer (1986) compared "paternalistic" management cultures to "professional" styles of management. "Paternalistic" management is characterised by the presence of hierarchical relationships, strong management control, close supervision, and distrust of outsiders. "Professional" management involves the inclusion, and occasionally the predominance, of non-family managers in a firm. McConaughy and Phillips (1999) studied large, publicly owned founding-family-controlled companies and found that (a) descendent-controlled firms are run more professionally than founder-controlled firms and (b) that first-generation family managers are entrepreneurs with special technical or business knowledge required for business creation, but that founder descendents face the challenge to maintain and expand business operations, tasks that may be better performed in a more professional manner, often by non-family members. These results from Dyer (1986) and McConaughy and Phillips (1999) are supported by an earlier study by Schein (1983), who also recommended more professional forms of management spearheaded by non-family managers. Moreover, several family business researchers have found that management styles employed in younger, first-generation family firms tend to be more informal and subjective. In more mature, second- and third-generation family firms, management styles become more formal and objective (Aronoff, 1998; Cole & Wolken, 1995; Coleman & Carsky, 1999; Dyer, 1986; Filbeck & Lee, 2000; McConaughy & Phillips, 1999; Miller, McLeod & Oh, 2001; Schein, 1983). Thus, in this study, we examine management culture embraced and quantities of non-family members involved in family businesses (Lussier & Sonfield, 2012).

Another aspect of family business behaviour relates to the distribution of decision-making authority in a firm. Dyer (1986) found decision-making processes to be more centralized in first-generation family firms than in subsequent-generation family firms. Aronoff (1998) examined this notion further to determine levels of decision-making authority and uses of team management mechanisms versus uses of autocratic decision-making. Team management requires equal and participatory decision-making involvement from parents, children and siblings in a firm, even if one family member still serves as the main business leader. Aronoff furthermore reported that 42% of family businesses consider the use of co-presidents for the next generation of business ownership.

Thus, decision-making authority is used as one of the variables under investigation. As such, the first and second hypotheses are proposed as follows:

H1: Family business management activities, styles and characteristics significantly influence family business performance levels.

H2: Family businesses characterised by paternalistic management cultures, significant non-family member involvement and centralised decision making exhibit successful business performance.

Relationships between Members, Values and Beliefs, and Successor Training

Previous research findings on succession transitions are far from systematic and comprehensive. It is difficult to identify an effective transition. However, a number of important factors that affect succession transitions can be summarised as follows (Morris, Williams, & Nell, 1996; Lussier & Sonfield, 2012).

The first factor, which requires special attention, refers to personal relationships between family member employees and between family and non-family member employees of a firm. A commonly cited issue in this regard pertains to trust and communication between family members (Bigliardi & Dormio, 2009; Barnes & Hershon, 1976; Brockaw, 1992; Kepner, 1983; Williams, 1990). Conflicts, jealousy and sibling rivalries worsen such relationships and affect business stability levels (Barnes & Hershon, 1976; Handler, 1991; Kepner, 1983; Kets de Vries, 1993; Schlossberg, 1992). In this sense, relationships between family and business members are affected by factors such as communication, trust, commitment, loyalty, family turmoil, sibling rivalries, realousy/resentment, conflicts, shared values and traditions.

Second, family values and beliefs that unify members tend to affect firm continuity. The most powerful factor related to family firm values concerns the dominant role of founders in value formation processes. Founder personalities, values and beliefs generally serve as essential determinants in the formation of firm culture (Stoica & Schindehutte, 1999; Kelly, Athanassiou & Crittenden, 2000; Sharma, 2004; Lussier & Sonfield, 2012), and founder values heavily affect family and job socialization processes of the second generation as well (Alvarez & Lopez-Sintas, 2002; Pitts, Fowler, Kaplan, Nussbaum, & Becker, 2009). Dyer (1986) contended that certain cultural configurations created and transferred by firm founders play a critical role in firm continuity. Alvarez and Lopez-Sintas (2001) and Tirdasari and Dhewanto (2012) stressed that certain values are adopted in initial plans depending on the life cycle of a firm. For example, ambition, reliability, responsibility, conscientiousness, honesty and progressiveness are entrpreneurial values that largely form the foundations of a firm. Values such as openness and ability can support the long-term survival and growth of an organisation. The following work and family values (Ferda & Gozde, 2010) were measured in this study: industriousness, innovativeness, courage, firm commitment, honesty, trust, patriarchal values, education-orientation, justice and philanthrophy.

A third factor that ensures positive transition experiences is effective successor training. In addition to those vaiables listed above, preparation levels refer to the extent of which successors hold the requisite business skills, managerial capabilities, company knowledge and attitudinal traits to successfully manage a business (Doescher, 1993; Fenn, 1994; Hyatt, 1992; Osborne, 1991). Specific variables addressed here include the following measures of successor preparation: formal education, training, work experience, entry-level work experience, number of years working in a firm (and/or industry), motivations to join a firm and self-perceptions of preparedness. Based on the above listed factors, the following hypotheses are proposed:

> H3: Higher business performance can be expected when relationships between members are strong and when work and family values are upheld.
>
> H4: Successor training significantly influences family business performance.

Mediating Factors: Succession Issues and Experience

Succession issues

Previous studies show that several strategic factors are related to effective succession, including succession planning (Ibrahim et al., 2001a; Gersick, Davis, Hampton & Lansberg, 1997; Kets de Vries, 1993), offspring grooming (Ibrahim, Soufani & Lam, 2001b; Danco, 1997) and several more factors. While most second generation successors are more highly educated and learn to adapt to competitive environments, new technologies, new markets and new customers with ever changing expectations, knowledge acquired through college or university training may be too general to serve as a reference point when juggling dynamic changes occurring in the market. Successors may think that they know how to run a business but may not know how to expand one. Thus, Chung and Yuen (2003) made a number of observations and created a matrix of performance measurement that dictates how a successor can cultivate skills needed when addressing changes in personnel, processes and systems in Chinese family-owned business organisations early enough to avert business losses. Table 1 lists succession issues and concerns frequently cited by second generation owners (Chung & Yuen, 2003).

Table 1
Succession issues and concerns

Problems and Concerns
An authorian owner in the family business
Board of directors for family members only
Favouring a family members over a dedicated employee
Inadequate experience in that particular industry
Lack of working kowledge to run the business
Incapable of exercising the power of authority with siblings
Inequity/equity of rewards among family members
Communication problem between family members
Lack of competence and capability to run the business
Lack of interest
Lack of proper training
Male is given preferential treatment to female
Reluctance to let go of power and control
Ability to develop talent and resource
Father expectations on business different from son
Father working style different from son
Can share visions and goals with business owner
Trust between family members
Has a mentor in the family business
Decision making by family members only

Source: Chung and Yuen (2003)

Thus, expectations for future growth are influenced by various factors. These include environmental factors, personnel characteristics (i.e., owner-managers) and enterprise practices. Faced with numerous challenges and depending on the readiness, capabilities and competencies of the successor, not every entrepreneur is willing to expand or grow a family business.

Succession experience

Finally, in evaluating a succession process, it has also been suggested that one should distinguish between the "quality" of an experience and the "effectiveness" of a succession process (Handler, 1990; Kets de Vries, 1993; Pitts et al., 2009). Quality is a reflection of how a successor personally experiences a succession process, whereas effectiveness is related to how others judge the outcomes of this type of transition. Previous studies on family business succession processes have identified a variety of factors assocated with effective transitions. Researchers generally agree that business performance serves as a valid indicator of business succession effectiveness (Molly et al., 2010; Morris, Williams, Allen, & Avila, 1997; Goldberg, 1996). Hence, we examine the potential roles of succession issues and succession experiences as mediators. Respondents were invited to describe their transition experiences using adjectives such as smooth, comfortable, antagonistic or complicated. Hence, our last hypothesis postulates the following:

H5: Succession issues and experiences encountered by successors mediate the relationship between key success factors (management activities, styles and characteristics, relationships between members, work and family values and successor preparation levels) and family business performance.

Based on the above listed argument, a number of factors, as supported by previous research, determine family business continuity and performance levels. The research framework used in this study is presented in Figure 1.

METHODOLOGY

No official Malaysian records show how many family-owned enterprises exist in Kelantan. Thus, the researchers employed convenience and snowball sampling techniques. The sampling process employed involved two phases. The first phase involved two tasks. The researchers first identified as many family-owned enterprises as possible operating in the northeastern corner of Kelantan, Peninsula Malaysia. Depending on the accessibility of the targeted respondents, the researchers collected data from the successors of family businesses situated in the following districts via convenience sampling: Kota Bharu, Machang, Tanah Merah, Pasir Mas, Bachok, Tumpat, Jeli, Gua Musang, Kuala Krai, and Pasir Puteh. Successors belonged to the three major ethnic groups in Malaysia [i.e., Malay (92.6%), Chinese (3.4%) and Indian (0.2%)] according to population statistics for Kelantan (Department of Statistics Malaysia, 2010). As it was quite difficult to secure respondents, the researchers employed snowball sampling methods through referrals from the initial respondents. Questionnaires were distributed to the heirs/successors of the selected companies. The questionnaires were self-administered, and to promote comprehension, questions and statements were translated into two languages. The questionnaire consisted of eight sections, and measurements were adapted from those of Morris et al. (1996), Lussier and Sonfield (2004), Ferda and Gozde (2010), Chung and Yuen (2003) and Crick, Bradshaw and Chaudry (2006). Section A included general information on the family enterprise, and this section was followed by Section B, which included information on management activities, styles and characteristics; relationships between family members and partners; work and family values; successor preparation levels; succession issues and experiences and business performance. We first conducted descriptive statistical tests to profile the successors' demographic features and family enterprise characteristics. Reliability tests were run, and Cronbach's alpha was used as a measure of the internal consistency or reliability of the psychometric instrument used in the study. Correlation and regression analyses were conducted to examine the relationships between constructs used in the study.

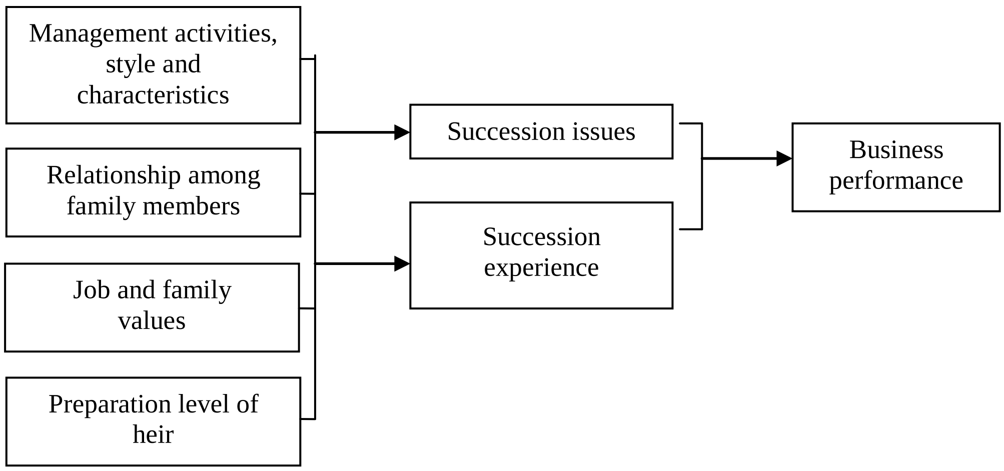

Figure 1. Research framework

RESULTS AND FINDINGS

Respondent Characteristics: Family Business Successors

Table 2 presents characteristics of the respondents who participated in the study. A total of 55 family business successors returned usable surveys (33 males and 22 females). Of these 55 family firms, 42 firms were owned by Malay individuals, 11 firms were owned by Chinese individuals and two firms were owned by Indian individuals. Most of the successors (80%) were 26–45 years of age, and only 20% were 46–55 years of age. In total, 50% of the respondents did not have tertiary education qualifications. Only 15 successors had completed a diploma, with 11 holding a Bachelor's degree and one holding a Master's degree. Most of the successors did not have prior knowledge or experience related to current business practices, and nearly all of the successors (43.6%) did not have work experience prior to joining their family businesses; 45.5% offered only one to five years of work experience prior to joining their family businesses. Additionally, those with one to five years of work experience could not effectively apply knowledge or skills acquired in previous jobs due to the differing business strategies or industry affiliations of their family businesses. Most of the successors had spent one to five years working in their family businesses before taking over, and most of them (56.4%) began working not at the entry or executive levels, but at the middle or senior management levels. The successors chose to take over for the following reasons: Additional responsibility (46%), self-achievement (38%), career opportunities (29%), personal satisfaction (23%), increased control (14%) and superior lifestyle opportunities (9%). When asked of their readiness to manage their family businesses, 63.7% of the respondents reported that they felt very well prepared, 14.5% felt well prepared and 21.8% felt moderately prepared.

Table 2
Characteristics of respondents – Family business successors

Profile	Frequency (n = 55)	Percentage (%)
Gender		
• Male	33	60.0
• Female	22	40.0
Ethnic		
• Malay	42	76.4
• Chinese	11	20.0
• Indian	2	3.6
Age		
• Less than 25 years old	5	9.1
• 26–35 years old	26	47.3
• 36–45 years old	13	23.6
• 46–55 years old	10	18.2
• More than 55 years old	1	1.8

(*continue on next page*)

Table 2 (*continued*)

Profile	Frequency (n = 55)	Percentage (%)
Marital Status		
• Single	15	27.3
• Married	40	72.7
• MCE / SPM	15	27.3
• STPM / Sijil	12	21.8
• Diploma	15	27.3
• Bachelor degree	11	20.0
• Master degree	1	1.8
Years of working experience prior to joining family business		
• No experience	24	43.6
• 1–5 years	25	45.5
• 6–10 years	4	7.3
• Less than 10 years	2	3.6
Prior knowledge/ experience related to current business		
• Not related	34	61.8
• Somewhat related	19	34.5
• Closely related	2	3.6
Number of years in family business prior to taking control		
• Less than 1 year	10	18.2
• 1–5 years	32	58.2
• 6–10 years	8	14.5
• 11–15 years	0	0.0
• More than 15 years	5	9.1
Level of first full time position in family business		
• Entry level	8	14.5
• Low management	16	29.1
• Mid management	22	40.0
• Senior management	9	16.4

(*continue on next page*)

Table 2 (*continued*)

Profile	Frequency (n = 55)	Percentage (%)
Primary motivation to join family business		
• Responsibility	25	46.0
• Self-achievement	21	38.0
• Career opportunity	16	29.0
• Personal satisfaction	13	23.0
• Control desire	8	14.0
• Better lifestyle	5	9.0
Preparation level in take over		
• Not all prepared	0	0.0
• Minimally prepared	0	0.0
• Moderately prepared	12	21.8
• Well prepared	8	14.5
• Very well prepared	35	63.7

Family Firm Characteristics

Table 3 presents characteristics of family firms owned and currently managed by the studied successors. In total, 51% of these firms were run by sole proprietors, 34.5% were run by partnerships and only 14.5% were run by corporations. Thirty-four family firms were staffed with less than ten employees, and the rest were staffed with 10–50 employees. These family firms thus belong to the small and medium-sized enterprise category. Most of the examined family firms occupy in the retail industry (55%) and offer products such as groceries, hardware equipment, electronic appliances, apparel, books, gold and jewellery, accessories, clothing, furniture, and telecommunications and entertainment products; 9% occupy the wholesale industry; 15% occupy the service industry; 16% occupy the food and beverage industry, 4% occupy the construction sector and 1% occupies the manufacturing industry.

In total, 45.5% of these family firms were jointly managed by first-generation (1GOs) and second-generation owners (2GOs); 20% were managed by 2GOs only; 21.8% were jointly managed by 2GOs and third-generation owners (3GOs); 9.1% were managed by by 3GOs only and the remaining 3.6% were managed by forth-generation owners (4GO). The sampled family businesses had been

Table 3
Characteristics of family firms

Characteristics	Frequency (n = 55)	Percentage (%)
Type of business		
• Sole proprietorship	28	51.0
• Partnership	19	34.5
• Corporation	8	14.5
Number of employees		
• Less than 10	34	61.8
• 10–50	21	38.2
• 51–100	0	0.0
• 101–250	0	0.0
• More than 250	0	0.0
Industry		
• Wholesale	5	9.0
• Retail	30	55.0
• Manufacturing	1	1.0
• Services	8	15.0
• Construction	2	4.0
• Food and Beverage	9	16.0
Generation(s) managing the family enterprise currently		
• Generation 1 and 2	25	45.5
• Generation 2	11	20.0
• Generation 2 and 3	12	21.8
• Generation 3	5	9.1
• Generation 1, 2 and 3	0	0.0
• Generation 4	2	3.6
Years in operation		
• Less than 10 years	9	16.4
• 11–20 years	14	25.5
• 21–30 years	15	27.3
• 31–40 years	6	10.9
• 41–50 years	6	10.9
• More than 50 years	5	9.0

operating for 21–30 years on average. Five of them had been operating for more than 50 years. In addition, several of these family firms (38%) did not involve non-family members in business management tasks. Only 10% of these family firms exhibited a 50:50 ratio of family member to non-family member involvement.

Management Activities, Styles and Characteristics

In total, 43 successors were selected to take over their family businesses based on their competencies and capabilities, and 20 successors indicated that they were selected as a result of having a close relationship with the founder management (1GO). Twenty-three successors worked with part-time 1GO involvement, 18 experienced full-time 1GO involvement and only 14 successors enjoyed full management control without 1GO involvement. Management styles reported during earlier transition stages were largely participatory (80%), and only 20% of the sucessors reported working under a paternalistic management style. When asked to report current management styles used, 49 successors reported following a participatory style, three reported following a paternalistic style and three reported having full autonomy with no inteference. Most noted that decision-making delegation processes were based on successor capabilities and competencies; and all of the successors felt capable of creating new products or of reinventing business systems to attract more customers and to offer value-added services to the community. Sales volumes were used by 39 successors in determining value creation levels, 15 successors relied on customer demands and one sucessor relied on competition levels encountered. In total, 90% of the successors reported that decision making processes embraced by their Board of Directors was participatory rather than authoritative (11%).

Hypothesis Testing

Table 4 shows the means, standard deviations, reliability coefficient alpha values and zero-order correlations for all of the variables. As shown in Table 1, Cronbach's coefficient alpha values are high for all of variables, ranging from 0.515 to 0.915, with the exception of the variable on successor preparedness. Thus, most of the scales meet the generally accepted reliability level of 0.70 (Nunnally, 1978).

All of the main variables had a significant influence on family business performance levels. The first hypothesis was proven, as the *p*-value recorded was less than 0.01, denoting that management practices significantly influence family business performance. However, the second hypothesis was not supported, as the findings show that most of the owners and successors participating in the study favoured participative management styles over authoritative management styles;

paternalistic cultures were not evident during the 1GO management period and after succession, and decision-making was not centralised. Most of the successors reported experiencing full decision-making autonomy and work delegation processes. The third hypothesis was fully supported, as both family relationships (r = 0.470) and work and family values (r = 0.276) generated significant values.

Table 4
Means, standard deviations, reliability coefficient alpha and correlations

		Mean	SD	1	2	3	4	5	6	7
1	Management practices	4.259	0.750	(0.515)						
2	Relationship among family members	6.102	0.920	0.300*	(0.608)					
3	Job and family values	6.546	0.304	0.002	–0.019	(0.901)				
4	Preparation of heir	6.413	0.457	0.304	0.002	–0.019	(0.223)			
5	Succession issues	4.740	0.490	0.511*	0.604*	–0.268	–0.723	(0.915)		
6	Succession experience	5.471	0.852	0.352**	0.721**	–0.009	0.511**	(0.904)	(0.538)	
7	Business performance	4.076	0.630	0.347**	0.470**	0.276**	0.269**	–0.434**	0.615**	(0.732)

Note: Cronbach's alpha is in parentheses along the diagonal; SD = Standard Deviation
* $p < 0.05$; ** $p < 0.01$

Similarly, hypothesis 4 was fully supported, as successor training (r = 0.269) was found to significantly influence business performance. Table 1 also shows that when more succession issues are faced by successors, poorer business performance can be expected (r = –0.434). Alternatively, when successors have better succession experiences, superior business performance can be expected (r = 0.615). In other words, succession issues concerning entrepreneur capabilities, knowledge levels, conflicts with members, trust levels, etc. do impede family business growth and development.

To test the last hypothesis, mediating effects of succession issues and succession experiences were examined through a regression analysis. The first equation model shows that all of the determinants were significantly related to business performance; however, when succession experience was included in the second equation model, all other determinants became insignificant. This shows that succession experience fully mediates the relationship between the key determinants and family business performance. For the third equation model, succession issues were included as a mediator, and only the first (management styles, activities and characteristics) and forth factors (successor training) remained significant. Relationships between family members and work and family values became insignificant; this implies that succession issues partially mediate the relationship between key determinants and business performance. Table 5 illustrates this mediation effect. Based on the above listed findings, the last hypothesis is partially supported.

Table 5
Mediating effects: Succession issues and succession experience

		Equation 1	Equation 2	Equation 3	Equation 4
Predictors		Management style, activities & characteristics	Management style, activities & characteristics	Management style, activities & characteristics	Management style, activities & characteristics
		Relationship among family members	Relationship among family members	Relationship among family members	Relationship among family members
		Job and family values	Job and family values	Job and family values	Job and family values
Predictor		Preparation level of heir	Preparation level of heir	Preparation level of heir	Preparation level of heir
Criterion		Business Performance	Succession Experience	Succession Issues	Succession Experience
			Busines Performance	Business Performance	Succession Issues
					Business Performance
Unstandardised β		βa = 0.377*	βa = 0.203	βa = 0.453*	βa = 0.292
		βb = 0.608**	βb = 0.214	βb = 0.444	βb = 0.190
		βc = 0.432*	βc = 0.253	βc = 0.260	βc = 0.351*
		βd = 0.232*	βd = 0.100	βd = 0.307*	βd = 0.180
			βe = 0.523**	βe = 0.643**	βe = 0.408**
					βf = 0.430*
Model statistics	R^2	0.289	0.425	0.394	0.465
	Adj. R^2	0.237	0.371	0.338	0.405
	F	5.584	7.968	7.024	7.681

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

DISCUSSION AND CONCLUSION

For the sample of 55 family firms examined, unique family business profiles were identified. Similarly, we generated unique findings on successor backgrounds. The complexities of family businesses, as depicted in previous studies, further justified the need for this study. Several researchers have confirmed that only roughly one third of all family businesses survive the transition from 1GO to 2GO management. Moreover, of those that do make this transition, only roughly one third tend to survive the transition from second to third (and beyond) generation ownership (Poutziouris, 2000; Wang et al., 2000; Ibrahim et al., 2001a). The findings of this study are consistent with the above listed contention, as out of the 55 family firms examined, 45.5% were jointly managed by first 1GOs and 2GOs; only 20% were managed by 2GOs; 21.8% were jointly managed by 2GOs and third-generation owners (3GOs); 9.1% were managed by 3GOs exclusively and the remaining 3.6% were managed by 4GOs. Very few firms survived the transition to second or third generation ownership. These findings indicate that family business success is based upon integrated factors that range from founder business management skills, which form a solid foundation for successors, to successor transition processes, when several factors can come into play.

Barach, Gantisky, Carson and Doochin (1988) contended that family businesses carry characteristics that contribute directly to the next generation. In the case of Salvatore Ferragamo, its business owner, Wanda Ferragamo, suggested that the next generation can only occupy certain positions through education and experience. Furthermore, the Chief Executive Officer of Carlson Company concluded that 3GOs of the family business should have the intellectual capital, education and experience to make the best business decisions (Barach et al., 1988). Dun (1999) recommended that successors work in a different industry to possibly acquire a broader perspective and a sense of worth upon entering their family business. Nonetheless, the mixed findings of this study refute nearly all of the above listed recommendations.

Most of the respondents (as high as 50%) had acquired only a primary and secondary level of education. Unlike findings gathered through family business research conducted outside of Asia, several of these successors did not offer prior knowledge or experiences related to current business practices, and nearly all of the successors (43.6%) did not have work experience prior to joining their family business; 45.5% had only one to five years of work experience prior to joining. As well, those with one to five years of work experience were not above to apply knowledge or skills acquired through previous employment due to the differing nature of business practices employed and industries occupied in their family firms. Contradicting Barach et al.'s (1988) findings, most of the successors surveyed (40%) did not offer any intellectual capital, education credentials or work experience upon entering their family business and were selected by 1GOs based on their competencies rather than based on gender, family rank, education or relationships with 1GOs.

These successors, despite offering few educational credentials and insufficient and unrelated work experience, entered their family businesses not from the entry or executive levels, but from the middle to senior managment levels and managed quite well, with their business performance recorded as above average. Founders and predecessors motivate successors and affirm their capabilities in the eyes of others by offering successors higher-level positions. Such an approach may help build successor business management confidence, thus facilitating the transition process.

We notably found that participatory management cultures were embraced by 1GOs before and after successions took place. Over 40 successors reported sharing ideas with and being empowered by 1GOs and among different generation owners, and 49 were pleased with levels of autonomy afforded to them by 1GOs or 2GOs (in cases where successors were 3GOs). However, three family firms reported working within a "paternalistic" culture wherein a 1GO made all decisions and managed a rigid system. Although a marginal findings, this is consistent with Dyer's (1998) results, which showed that "paternalistic" management is characterised by hierarchical relationships, upper management control and authority, close supervision, and distrust of outsiders. "Professional" management involves the inclusion, and occasional predominance, of non-family managers in a firm. There was little evidence of "professional management" within the sample of 55 firms, as several of these family firms (38%) did not include non-family members. Only 10% of the family firms exhibited a 50:50 ratio of family member to non-family member involvement.

Findings from hypothesis tests show that management practices administered by family businesses play a critical role in determining business performance. McConaughy and Phillips (1999) studied large, publicly owned founding-family-controlled companies and concluded that: (a) descendent-controlled firms are more professionally run than founder-controlled firms and, (b) first-generation family managers are entrepreneurs with the special technical or business expertise necessary for business creation, though descendants face the challenge of maintaining and expanding business operations, and these tasks may be best addressed in a more professional manner, often by non-family members. Hence, different management activities and styles employed by owners across generations determine the growth or decline of a business. Similarly, we found that decentralised decision-making was preferred over centralised decision-making for running business operations. This is consistent with Aronoff (1998), who recommended that parents, children and siblings involved in management teams be afforded equal and participatory involvement in critical decision-making processes, even if one family member still functions as the main business leader. Aronoff furthermore reported that 42% of family businesses are considering instituting co-presidents for the next generation.

The results of the analysis also show that business problems and concerns related to GO capabilities, confidence levels, and knowledge, as well as external factors such as family conflicts, sibling rivalries, and jealousy, continue challenge owners across generations, impeding business performance and inhibiting growth and development. Support for the third and fourth hypotheses echoes the findings of Wilklund and Shepherd (2003), which show that not all entrepreneurs wish to expand business operations, as they may expect some consequences of growth to oppose their personal goals. Influenced by various factors rooted in environments, personnel, enterprises and industries, owners across generations may be viewed as "stuck in the middle", searching for one optimal solution.

Finally, this study shows that successful transitions that lead to better business performance are fuelled by strong family member relationships, work and family values, and successor training and experiences. This is well reflected in Sharma, Chrisman, Pablo and Chua (2001) and Morris et al. (1997), who suggest that well-developed succession plans increase the likelihood of cooperation between business stakeholders, therefore facilitating smooth and successful succession. Consistent with Morris et al. (1997), our findings show that transitions occur more smoothly when successors are better prepared, supported by high levels of trust and by strong relationships with family members and friends. Under such conducive conditions, strong family firm business performance can almost be guaranteed.

Despite the interesting findings of this study, a number of limitations must be noted. Family business dynamics evolve over years and generations. Thus, it is generally difficult to secure identical findings in cross-sectional studies. Social response biases may have occurred, as the researchers relied fully on successors' memories and perceptions. The surveyed owners may exhibit more negative or positive outlooks overtime. In addition, as with previous studies which used family businesses (which had undergone at least one transition) as the unit of analysis, feedback gathered from 55 successors could not be generalised. Thus, more data from representative samples of family businesses are needed to test the inferences made.

ACKNOWLEDGEMENT

This research is funded by Universiti Malaysia Kelantan under the Short Term Grant Scheme (Grant No. R/SGJP/A01.00/00180A/001/2011/000045).

REFERENCES

Alvarez, E., & Lopez-Sintas, J. (2001). A taxonomy of founders based on values: The root of family business heterogeneity. *Family Business Review*, *14*(3), 209–230.

Alvarez, E., & Lopez-Sintas, J. (2002). Socialization patterns of successors in first to second generation family businesses. *Family Business Review*, *15*(3), 189–203.

Aronoff, C. (1998). Megatrends in family business. *Family Business Review*, *11*(3), 181–185.

Azrain Nasyrah Mustapa. (2010). Prinsip asas keusahawanan. Retrieved from http://www.slideshare.net/wanbk/bab-8-2994287

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

Barnes, L. B., & Hershon, S. A. (1976). Transferring power in the family business. *Harvard Business Review*, *54*(4), 105–114.

Bigliardi, B., & Dormio, A. I. (2009). Successful generational change in family business. *Measuring Business Excellence*, *13*(2), 44–50.

Brockaw, L. (1992). Why family businesses are best: The competitive edge of family-run businesses. *INC.*, *14*(3), 72–81.

Carraher, S. M. (2005). An examination of entrepreneurial orientation: A validation study in 68 countries in Africa, Asia, Europe, and North America. *International Journal of Family Business*, *2*(1), 95–100.

Carraher, S. M., & Carraher, S. C. (2006). Human resource issues among SME's in Eastern Europe: A 30 month study in Belarus, Poland, and Ukraine. *International Journal of Entrepreneurship*, *10*, 97–108.

Chandler, G. N., & Jansen, E. (1992). The founder's self-assessed competence and venture performance. *Journal of Business Venturing*, *7*(3), 223–236.

Chua, J., Chrisman, J., & Sharma, P. (1999). Defining the family business by behaviour. *Entrepreneurship Theory and Practice*, *23*(4), 19–40.

Chung, W. W. C. & Yuen, K. P. K. (2003). Management succession: A case for Chinese family-owned business. *Management Decision*, *41*(7), 643–655.

Cole, R. A., & Wolken, J. D. (1995, July). Financial services used by small businesses: Evidence from the 1993 national survey of small business finances. *Federal Reserve Bulletin*, 629–667.

Coleman, S., & Carsky, M. (1999). Sources of capital for small family owned businesses: Evidence from the national survey of small business finances. *Family Business Review*, *12*, 73–85.

Crick, D., Bradshaw, R., & Chaudhry, S. (2006). Successful internationalising UK family and non-family-owned firms: a comparative study. *Journal of Small Business and Enterprise Development*, *13*(4), 498–512.

Daily, C. M., & Dollinger, M. J. (1993). Alternative methodologies for identifying family- versus non-family-managed businesses. *Journal of Small Business Management*, *31*(2), 79–90.

Danco, L. A. (1997). Sparking interest in younger children. In M. Fischetti (Ed.), *The family business succession handbook* (pp. 45–46). Philadelphia, PA: Family Business Publishing Company.

Department of Statistics Malaysia (2010). Retrieved from https://www.statistics.gov.my/mycensus2010/index.php?lang=en

Dewi, A. C. E., & Dhewanto, W. (2012). Key success factors of Islamic family business. *Social and Behavioral Sciences, 57,* 53–60.

Doescher, W. F. (1993). *How to shake the family tree*, D &B Reports, July/August.

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.

Dyer Jr. W. G., & Sanchez, M. (1998). Current state of family business theory and practise as reflected in Family Business Review 1988–1997. *Family Business Review*, *11*(4), 287–295.

Dyer, W. C., Jr. (1986). *Cultural change in family firms: Anticipating and managing business and family transitions*. San Francisco: Jossey-Bass.

Fenn, D. (1994). Are your kids good enough to run your business? *Inc.*, *16*(8), 36–37.

Ferda, E., & Gozde, G. B. (2010). Family and business values of regional family firms: a qualitative research. *Journal of Islamic and Middle Eastern Finance and Management*, *3*(1), 47–64.

Filbeck, G., & Lee, S. (2000, September). Financial management techniques in family businesses. *Family Business Review*, *13*(3), 201–216.

Gersick, K. E., Davis, J., Hampton, M. M., & Lansberg, I. (1997). *Choosing the right ownership structure*. In M. Fischetti (Ed.), *The family business succession handbook* (pp. 7–8). Philadelphia, PA: Family Business Publishing Company.

Goldberg, S. D. (1996). Research note: Effective successors in family-owned businesses: Significant elements. *Family Business Review*, *9*(2), 185–197.

Habbershon, T. G., Williams, M. L., & MacMillan, I. C. (2003). A unified system perspective of family firm performance. *Journal of Business Venturing*, *18*, 451–465.

Handler, W. C. (1990). Succession in family firms: A mutual role adjustment between entrepreneur and next-generation family members. *Entrepreneurship Theory and Practice*, *15*, 37–55.

Handler, W. C. (1991). Key interpersonal relationships of next-generation family members in family firms. *Journal of Small Business Management*, *28*, 21–32.

Harvey, M., & Evans, R. E. (1994). Family business and multiple level of conflict. *Family Business Review, 7*(4), 331–348.

Heck, R. K. Z., & Trent, E. S. (1999). The prevalence of family business from a household sample. *Family Business Review*, *12*(3), 209–224.

Hyatt, J. (1992). Fathers and sons, *Inc., May*, 51–62.

Ibrahim, A. B., Dumas, C., & McGuire, J. (2001a). Strategic decision making in small family firms: An empirical investigation. *Journal of Small Business Strategy*, *12*(1), 1–11.

Ibrahim, A. B., Soufani, K., & Lam, J. (2001b). A study of succession in a family firm. *Family Business Review*, *XIV*(3), 245‒258.

Kellermans, F. W., & Eddleston, K. H. (2004). Feuding families: When conflict does a family firm good. *Entrepreneurship Theory and Practice*, *28*(1), 209–228.

Kelly, L. M., Athanassiou, N., & Crittenden, W. F. (2000). Founder centrality and strategic behavior in the family-owned firm. *Entrepreneurship: Theory and Practice*, *Winter*, 27‒42.

Kepner, E. (1983). The family and the firm: A co-evolutionary perspective. *Organizational Dynamics*, *12*(1), 57‒70.

Kets de Vries, M. (1993). The dynamics of family-controlled firms: The good and bad news. *Organisational Dynamics*, *21*, 59‒71.

Lansberg, I. S., & 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.

Lee-Chua, Q. (1997). *Successful family business: Dynamics of five Filipino business families*. Quezon City, Philippines: Ateneo de Manila University Press.

Lussier R. N., & Sonfield M. C. (2012). Family businesses' succession planning: A seven-country comparison. *Journal of Small Business and Enterprise Development*, *19*(1), 7‒19.

Lussier, R. N., & Sonfield, M. C. (2004). Family business management activities, styles and characteristics: A correlational study. *American Journal of Business*, *19*(1), 47–54.

McConaughy, D. L., & Phillips, G. M. (1999). Founders versus decedents: The profitability, efficiency, growth characteristics and financing in large, public, founding-family-controlled firms. *Family Business Review*, *12*(2), 123–131.

Miller, D., & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Boston, MA: Harvard Business School Press.

Miller, N., McLeod, H., & Oh, K. (2001). Managing family businesses in small communities. *Journal of Small Business Management*, *39*(1), 73–87.

Molly, V., Laveren, E., & Deloof, M. (2010). Family business succession and its impact on financial structure and performance, *Family Business Review*, *23*, 131–147.

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.

Morris, M., Williams, R., & Nell, D. (1996). Factors influencing family business succession. *International Journal of Entrepreneurial Behaviour & Research*, *2*(3), 68–81.

Norlela, Z. (2007). *Bagaimana bisnes keluarga berjaya*. Kuala Lumpur: PTS Professional & Publishing Sdn. Bhd.

Nunnally, J. C. (1978). *Psychometric theory* (2nd ed.). New York: McGraw-Hill.

Osborne, R. L. (1991). Second-generation entrepreneurs: Passing the baton in the privately held company. *Management Decision*, *29*(1), 42–46.

Pitts, M. J., Fowler, C., Kaplan, M. S., Nussbaum, J., & Becker, J. C. (2009). Dialectical tensions underpinning family farm succession planning. *Journal of Applied Communication Research*, *37*(1), 59‒79.

Poutziouris, P. (2000). Venture capital and small and medium-sized family companies: An analysis from the demand perspective. In P. Poutziouris (Ed.), *Family Business –Tradition or Entrepreneurship in the New Economy?* (pp. 255–282). Proceedings: 11th Annual Family Business Network World Conference, FBN, London.

Poutziouris, P. (2001). The (re)-emergence of growth vis-a`-vis control dilemma in a family business growth star: the case of the UK Taramasalata kings. In P. Poutziouris, & D. Pistrui (Eds.), *Family business research in the third millennium: Building bridges between theory and practice* (pp. 88–103). Boston, MA: The Family Firm Institute Publication.

Rogoff, E. G., & Heck, R. K. Z. (2003). Evolving research in entrepreneurship and family business: Recognizing family as the oxygen that feeds the fire of entrepreneurship. *Journal of Business Venturing*, *18*(5), 559–566.

Schein, E. H. (1983). The role of the founder in creating organizational cultures. *Organizational Dynamics*, *12*(1), 13–28.

Schlossberg, J. (1992). My way: Did John Polcari have to scrap the family business to save it? *Restaurant Business*, 1 March, 90-102.

Sharma, P. (2004). An overview of the field of family business studies: Current status and direction for the futures. *Family Business Review*, *17*(1), 1–36.

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 and Practice*, *25*(3), 17–35.

Stoica, M., & Schindehutte, M. (1999). Understanding adaptation in small firms: Link to culture and performance, *Journal of Developmental Entrepreneurship*, *4*(1), 1–15.

Tatoglu, E., Kula, V., & Glaister, K. W. (2008). Succession planning in family-owned businesses: evidence from Turkey. *International Small Business Journal, 26*, 155–180.

Tirdasari, N. L., & Dhewanto, W. (2012). Family business succession in Indonesia: A study of hospitality industry. *Social and Behavioral Sciences, 57*, 69–74.

Wang, Y., Watkins, D., Harris, N., & Spicer, K. (2000). *Succession issues and business performance: Evidence from UK family SMEs*. In P. Poutziouris (Ed.), *Family Business–Tradition or Entrepreneurship in the New Economy?* (pp. 403–422), Proceedings: 11th Annual Family Business Network World Conference, FBN, London.

Wilklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, *24*, 1307–1314.

Williams, R. (1990). *Preparing your family to manage wealth*. San Francisco, CA: Jossey-Bass.

Wortman, M. S. (1994). Theoretical foundations for family-owned business: A conceptual and research-based paradigm. *Family Business Review*, *7*(1), 3–27.

Yong, W., David, W., Neil, H., & Keith, S. (2004). The relationship between succession issues and business performance. *Journal of Entrepreneurial Behaviour*, *10,* 55–84.

Zumilah, Z. (2008). *Pembangunan perusahaan keluarga.* Unpublished report, Universiti Putra Malaysia, Serdang, Selangor.