

**AN EXAMINATION OF THE KEY SUCCESS FACTORS OF
FAMILY BUSINESS SUCCESSION IN IRELAND**

by
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**A dissertation submitted in partial fulfilment of the requirements of the award of
Master in Human Resource Management**

National College of Ireland, Mayor Street, I.F.S.C., Dublin 1

2006

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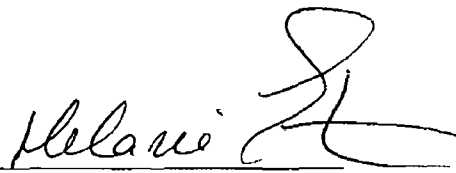
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DECLARATION

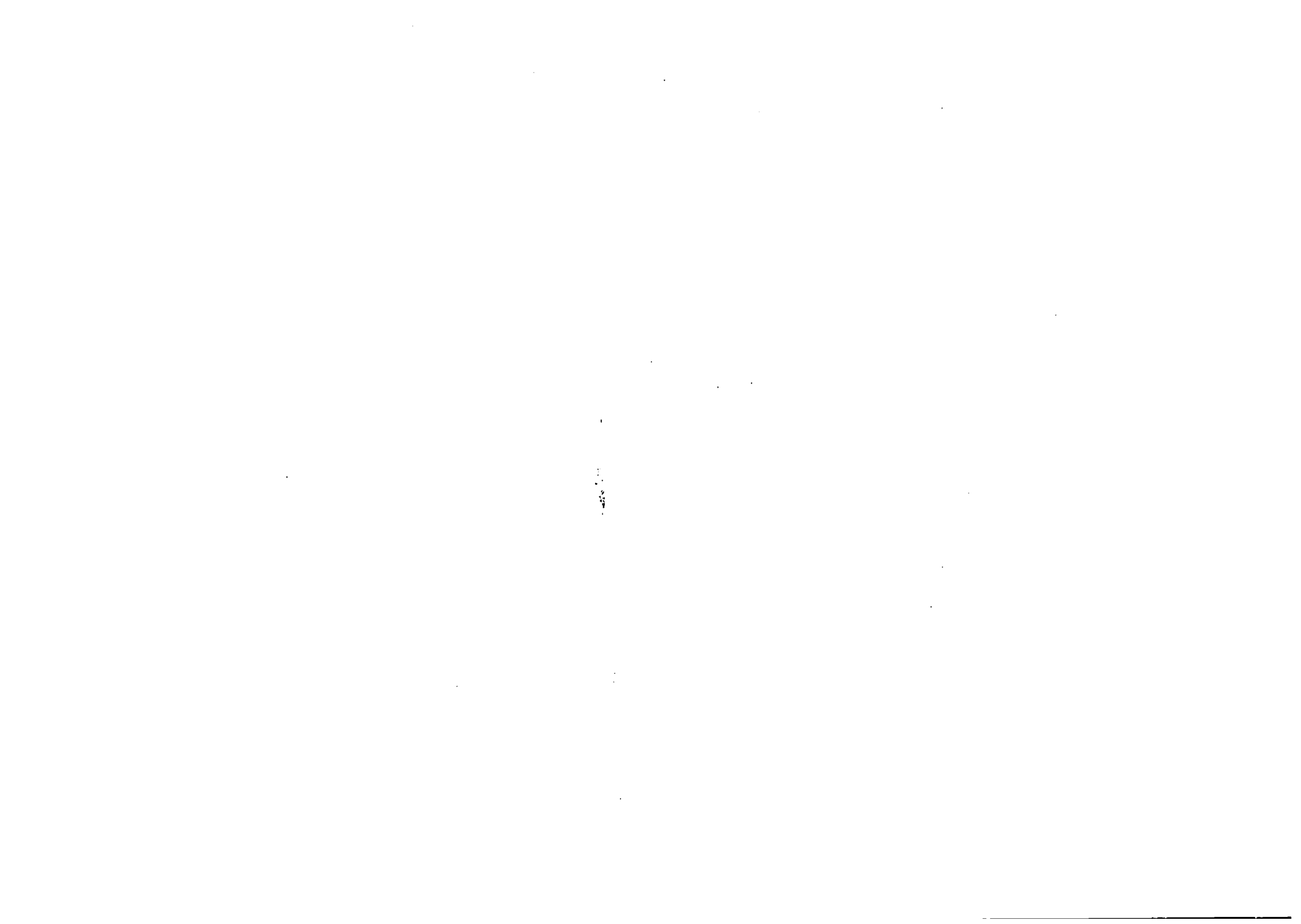
I hereby certify that this material, which I now submit for assessment of the programme of study leading to the award of Masters Degree in Human Resource Management is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed: _____

A handwritten signature in black ink, appearing to read 'Melani', written over a horizontal line. The signature is stylized with a large loop at the top and a long horizontal stroke at the bottom.

Date: 16th June 2006

Student Number: 03227961



ABSTRACT

Family businesses are the most prevalent form of enterprise throughout the world (Shanker & Astrachan, 1996) and a mainstay of most economies (Benedict, 1968). Family firms tend to be more profitable (Daily & Dollinger, 1992; McConaughy, Mendoza, & Mishra, 1996), have better customer service (Lyman, 1991), and commitment to the community (Dunn, 1996; Post, 1983). Therefore the need to ensure their continuity is of global importance.

This study focuses primarily on succession in the Irish family business context. Central to the study is the need to capture detailed accurate information on the approach Irish family businesses are taking to succession. This was carried out to establish a picture of the current practices of Irish family businesses dealing with succession and to distinguish between proven successful processes and flaws in their current practices / process and areas for concern.

A brief review of literature from family business writers is presented to create the theoretical background necessary to begin the qualitative study. The study is qualitative in nature in order to draw on the individual nuances present in the individual experiences of each family business studied.

Interviews with family business successors yielded some high quality information, which helped give a general idea of the situation within the small to medium sized family business sector here in Ireland. These interviews were expanded upon. The findings were analysed using a 'Grounded Theory' approach. This approach clarified the findings of the interviews and also explained and helped elaborate the information obtained in the interviews.

The writer set out in this study to:

1. Research the process of family business succession by reference to previous case studies, advice from family business advisors and consultants, theorists and any other writers on the subject.
2. Establish the key variables which must be fulfilled in order to ensure a smooth and successful transition from one generation to the next.
3. To establish what actions/measures are being taken /are planned to be taken by a limited sample of small to medium sized Irish family businesses to deal with succession.
4. To gain further insights into the critical issues faced during the succession process from the experiences of Irish family business successors.
5. Assess the processes used by Irish family business successors interviewed against the literature review on the key variables.

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To my Dad... With all my love and thanks for your support and for being there for me always.

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INTRODUCTION

“Rags to riches and back to rags in three generations” - St. Munchin

(as cited by Smyth & Leach, 1993)

Family businesses both in Ireland and globally are a powerful economic force. There are about 200,000 family-owned businesses in Ireland representing approximately 90% of all business enterprises in the country (Smiddy, 2002). 70% of those businesses are not just owned by family, they are also managed by family. They provide jobs in this country for 50% of the private sector workforce and contribute approximately 50% to the gross domestic product (Hickie, 1995). A serious challenge facing family businesses, however, is that approximately 40% of them are expected to change hands within the next 5-10 years. Ireland has an ageing population which means that significant numbers of business owners will be seeking to exit their businesses over the next few years. In fact, in the next 10-15 years, it is expected that the largest intergenerational wealth transfer in history will take place worldwide.(Reece, 2003) The manner in which succession in these businesses is managed will impact not only the individual businesses, but also the business sector and society more broadly. Therefore it is of great importance that the process is handled in such a way as to ensure the continuance and success of these businesses.

The statistics show that however dismal St. Munchin’s opinion on family business continuity, the reality is far less optimistic. It is a fact that only 24% of family businesses survive through to the second generation and only 14% make it beyond the third (Smyth & Leach, 1993). There are two primary reasons for the loss of such a powerful economic force at a transition point: Lack of succession planning and family emotional conflict (Reece, R.C., 2003).

A recent survey by PriceWaterhouseCoopers (2006) indicated that succession planning is one of the largest threats to Irish family businesses (Source: The Irish Times, 27.01.06). According to Graeme Matthews of KPMG, “Ineffective succession planning results in family disharmony, destroys value and could ultimately lead to the family losing both control and ownership.” (Matthews, 2005) Despite volumes of

literature advising on the subject, owners of family business are continuing to fall at the same hurdles. The primary reason why family businesses collapse or decline significantly is cited time and again as their inability to manage the succession process effectively. Each family business is different in its own way but by and large they all experience similar challenges when the issue of succession arises. While the succession process in any business is rarely a smooth transition, in family businesses the process generally results in revolutionary change and turmoil. In family businesses there tend to be far greater forces at play and the consequences of poor transition planning can affect not only the business and its employees, but the family itself; in some cases resulting in highly destructive conflict, scandal and even murder.

CHAPTER 1

LITERATURE REVIEW

Family Business

There is no universal definition of what constitutes a family business. The term is often used to cover a wide range of organisations, for example, Barnes and Hershon (1976) define the family business as one that is

“...controlled by members of a single family.”

Ward’s (1987) view on the other hand is that the family business is

“...passed on for the family’s next generation to manage and control.”

However, for the purposes of this paper the wide perspective of Cromie et al on what constitutes a family business is adopted. That is if one or more of the following apply: a) more than 50% of the business is in the ownership of one family; b) where one family can exert considerable control over the business; and c) a significant element of the top management is drawn from the one family.

Understanding the nature of Family Businesses

The family business has been identified as a dual operating system consisting of the family and the business (Smyth & Leach, 1993; Bowman-Upton, 1991). Family members involved in the business are part of the task system (the business) and part of the family system. These two systems overlap and this is where conflict may occur because each system has its own rules, roles and requirements. For example, the family system is an emotional one, stressing relationships and rewarding loyalty with love and with care. Entry into this system is by birth, and membership is permanent. Families have their own style of communicating and resolving conflicts. These styles may be good for family situations but may not be the best ways to resolve business conflicts.

Conversely, the business system is unemotional and contractually based. Entry is based on experience, expertise and potential. Membership is contingent on

performance and performance is rewarded materially. Businesses also have their own communication, conflict resolution and decision-making styles.

Conflicts arise when roles assumed in one system intrude on roles in the other, when communication patterns used in one system are used in the other or when there are conflicts of interest between the two systems. (Bowman-Upton, 1991)

Succession in Family Businesses

According to several authors and consultants, one of the main reasons (if not the single most important reason) for the high failure rate among first- and subsequent-generation family businesses is their inability to manage the complex and highly emotional process of succession from one generation to the next (e.g. Magretta, 1998, p121; Matthews et al., 1999, p. 60). Although approximately one-third of the family business literature is devoted to succession issues (Sharma, Chua, & Chrisman, 2000, p. 234), knowledge of how family businesses are successfully passed down to the next generation remains embryonic (Lansberg, 1999, p. 2). Even though a number of factors influencing succession have been suggested (e.g. Handler & Kram, 1998; Harveston, Davis, & Lyden, 1997; Sharma, 1997), the literature is highly fragmented and uncertainty still reigns on the critical factors influencing succession. While it is generally agreed that no one model will suit all family businesses, there are a number of factors which are said to contribute to a smoother transition. A review of the literature on the subject has highlighted the following variables contributing to successful succession:

TRUST & COMMUNICATION

1. **Good Communication** (Dunemann & Barrett, 2004; Hamilton, 2003, Thomas, 2002; Lansberg, 1999; Paisner, 1999; Bowman-Upton,1991; Therrien, 2004; Smyth & Leach, 1993; Doud, 1999; Tyosvold, 1993; Tjosvold, Dann & Wong, 1992; Folker C.A.1990; Reece, R.C., 2003, Narva, 2000)

2. **Good family relationships** (Pramodita, Sharma, James, Chrisman, & Chua, 2003; Duneman & Barrett, 2004; Goldberg, 1996; Reece, R.C., 2003, Narva, 2000)
3. **Age Asynchrony & Life Stage awareness can play a role in ensuring a smoother transition** (Handler, 1991; Stavrou, 1999; Ward, 1987; Schiff Estess, 2001)

FORMULATING THE SUCCESSION PLAN

4. **Developing a formal plan and planning early** (Bowman-Upton, 1991; Smyth & Leach, 1993; Le Van, 1990; Crosbie, 2000, Reece, R.C., 2003)
5. **Choosing the successor based on merit** (Therrien, 2004; Bowman-Upton, 1991; Smyth & Leach, 1993; Le Van, 1999)
6. **Considering daughters as successors** (Smyth & Leach, 1993; Wajeman, 1998; Bordt, 1997; Brush, 1992; Folker, C.A., 1999; Alimo-Metcalf, 2002; Vera, C.F. & Dean, M.A.; Eagly & Johnson, 1990; Salganicoff, 1990)
7. **Establishing the level of commitment of the successor** (Zacharakis and Shepherd, 2000; Knetch & Sinden, 1987; Kahneman, Knetsch & Thaler, 1990; Kahneman & Tversky, 1979; Nerthcraft & Wolf, 1984; Straw, 1981; Therrien, 2004; Sharma & Irving, 2005; Chrisman, Chua & Sharma, 1998; Deloitte & Touche, 1999; Handler, 1989; Shartma & Rao, 2000; Dyck, Mauws, Starke & Mischke, 2002; Handler, 1989; Sharma, 1997)
8. **Involving both generations in the succession process** (Therrien, 2004; Smyth & Leach, 1993)
9. **Compensation – paying successors what they are worth** (Smyth & Leach, 1993; Aronoff and Ward, 1997; Le Van, 1999; Allred & Allred, 1997; Wang, Watkins, Harris, Spicer, 2004)
10. **Ensuring retirement is timely and final** (Bowman-Upton, 1991; Smyth & Leach, 1993; Vera & Dean, 2005; Le Van, 1999)

PREPARATION OF SUCCESSORS

11. **Gaining work experience outside the family business** (Le Van,1999; Crosbie, 2000)
12. **Clearly defining roles for successors** (Lansberg,1999; Hamilton, 2003; Therrien, 2004; Bowman-Upton, 1991; Handler, 1990, Narva, 2000)
13. **Immersing the successor in the culture of the organisation** (Longenecher & Schoen, 1978; Le Van,1999)
14. **Gaining experience at all levels – Not bringing them in at the top** (Allio, 2004)
15. **On-going training and evaluation of the successor** (Hamilton, 2003; Bowman-Upton,1991; Smyth & Leach,1993; Wang, Watkins, Harris and Spicer, 2004; Therrien, 2004; Le Van,1999; Goffee, 1996, Seymour, 1993; Lansberg & Astrachan, 1994)
16. **Treating the future successor as you would any other employee** (Therrien, 2004; Le Van,1999; Astrachan & Kolenkos, 1994; Reid, Morrow, Kelly & McCartan, 2002; Crosbie, 2000)

INVOLVING OUTSIDERS IN THE SUCCESSION PROCESS

17. **Appointing outside board members and involving them in the succession process** (Bowman-Upton, 1991; Kliska, B., 2006, Reece, R.C., 2003)

There are of course a number of external variables also influencing the transition success, such as market demand conditions, the state of the economy, financial pressures from lenders and other suppliers, however these are outside the scope of this paper since they are not variables since the family business has direct control.

While an in-depth examination of each of the aforementioned variables is not possible given the time-constraints involved in completion of the paper, this researcher has chosen to highlight four key factors or variables which she would contend are critical to ensuring a smooth transition from one generation to the next, particularly as the family business grows and increases in structural complexity:

1. A solid foundation of trust and open communication

This can be either a formal system such as a family constitution, family council or regular family meetings or a tradition of openness, trust and information sharing among family members and key stakeholders.

2. A well-conceived, written succession plan

3. Thorough preparation of the successor, including education and experience guidelines for entry, process of advancement, on-the-job training, clearly defined roles and proven commitment.

4. The involvement of trustworthy and reliable outsiders in the succession process.

'Outsiders' refers to either external non-family board members, consultants, advisors, or any other impartial family business professional.

The purpose of this paper is to assess the extent to which fulfilment of the above factors contribute to successful succession. Based on the interview feedback of four small to medium sized Irish family business successors, an attempt was made to determine how family businesses in Ireland are managing these four "critical" variables that have been highlighted, and to assess the relationships between the variables and actual transition experiences. The study is based only on cases where generational transition has taken place with success. Interviews were carried out with successors of each family business using a set of pre-determined questions comprising 79 mainly open-ended questions and 26 five-point likert-type scale response items divided into three sections. The interview involved asking successors to reflect back on their transition as heirs as well as the current and future practices of the business in terms of family membership and succession. The first set of questions was concerned with the respondent's position and general facts about the family business. The next set of questions addressed family membership and rules in the business in general – constitution of the board of directors, shareholders, future ownership plans, activity of family members in the business and general entry requirements for family members, work rules and remuneration of family members. The third section was concerned with succession issues – the plan for the next successor, the process, who is

involved, the use of outsiders. The preparation level of potential successors was explored in the fourth section – education level, experience required (within and outside the business), the process of advancement, training and development, entry level, contingency plan, successor and family member roles. Multiple successors or lack of successors, retirement and milestones were addressed in the fifth section and conflict and communication issues were addressed at the end of this section.

The interview then moved on to the respondents own personal experience of joining the family business and the process of succession as they experienced it. It also dealt with their reasons for wanting to succeed, their values, the reaction of other family members to the succession, their perceived level of preparedness when taking over.

The three Likert-type sections asked 1) How the successor would describe their own transition; 2) The nature of family and business relationships (conflict, trust and communication); and 3) How they would describe relationships with family member during the succession process.

The four Irish family businesses which this research was based upon were:

Business:	Successor:
Cavistons	Mark Caviston
McCabes Pharmacy Group	Sharen McCabe
The Fitzpatrick Hotel Group	Eithne Fitzpatrick
The Grand Hotel	Matthew Ryan

Definition of a successful succession for the purposes of this dissertation:

In order for a succession to be deemed successful it must be perceived to have been successful by the successor him/herself and the successor should have been able to ensure the sustainability and financial security of the family business after the succession process has been completed.

LITERATURE REVIEW ON THE FOUR VARIABLES

TRUST AND COMMUNICATION

To make succession work, you must communicate. This is the key ingredient (Bowman-Upton, 1991) – the willingness to listen and the willingness to talk (Reece, R.C., 2003). Many writers on the subject suggest using a family retreat (Bowman-Upton, 1991; Narva, 1991; Narva, 2000; Davidow, 2000), family meetings (Smyth & Leach, 1993; Davidow, 2000; Reece, R.C., 2003), a family council (Smyth & Leach, 1993, Handler, 1991) and a family constitution (Smyth & Leach, 1993; Crosbie, 2000).

Narva (2000) describes succession as an organized process that involves discussion, information gathering, evaluation, research, and asking the necessary questions. He counsels, if you address the issue of succession as a process that includes all family members, the power and the tension associated with the decision will be significantly reduced.

The key to a successful ‘family transition’ process, according to Handler (1991), is that differences of opinion about the business are discussed in a professional manner. Handler recommends that a family council be created at which responsibilities are negotiated and classified, and where substantive issues are tackled. Some observers recommend that this family council should draw up a family charter or constitution which will reflect the family (as opposed to the business) strategic plan for the future (Smyth & Leach, 2003). This document is a set of rules and should be a consensus position of all the family on how the family and business should interact. As such, this democratic approach will help to ensure conformance without any particular individual being required to police its terms. Smyth & Leach (1993) maintain that “the cost and anguish of sibling rivalry and well-publicised rifts in high-profile Irish family businesses could have been avoided if the founders had prepared a formal family constitution, setting out a family’s strategy for dealing with all the issues that will arise in the life cycle of the business”. Among other things, the family constitution can create the right atmosphere in which to allow the next generation to decide whether to enter the family business and how they should prepare for the roles

they will be expected to play in it. It can also provide for governance of the business in areas such as the role and function of the board of directors and who should be directors, and the role, if any, of non-executive directors. It specifies the remuneration levels for directors, management and family and non-family employees.

Crosbie (2000), taking the Cordoniu family (now in the 18th generation) as a prime exemplar, suggests preparing a formal family constitution to communicate all family business issues, including succession.

Trust and communication among family members has been of principal concern in much of the literature (e.g. Barnes and Hershon, 1976; Brockaw, 1992; Kepner, 1983; Kets de Vries, 1993; Levinson, 1971; Ward and Aronoff, 1992; Williams, 1990; Narva, 2000). The importance of shared values, agreement regarding what is equitable, and common traditions across family generations has been emphasised as well (e.g. Dyer and Handler, 1994; Nelton, 1991; Narva, 2000).

According to Bowman-Upton (1991), the first rule for successfully operating and transferring the family firm is: Share information with all family members, active and non-active. She claims that by doing this you will eliminate problems that arise when decisions are made and implemented without the knowledge and counsel of all family members.

Too often “ego” has been blamed for causing the downfall of many great family businesses. Founders, the entrepreneurs, are renowned for having that very sense of self that compels their success but which inhibits their ability to share or transfer power. Powerful egos are not exclusive to founders, however; others such as spouses, children and other family members can assert individual agendas in ways which can injure the family and the business as a whole. By focusing on their own needs and goals they can foster conflict in the family and abuse the business, eroding the culture of “one for all and all for one” and replacing it with one of “every man for himself”. Examples of egos which are out of control are:

- Being excessively or obsessively secretive and matters that effect others in the family or the business, such as withholding business financial

information or refusing to disclose ownership or management succession plans for fear of losing individual power.

- Asserting rights where none exist, such as demanding a job, a promotion, or a board seat because of ownership of a minority stock position.
- Refusing to acknowledge or consider other views.
- Taking unilateral action that others have refused to support.
- Breaking explicit agreements, rules, policies, or laws in pursuit of personal goals or agendas – such as incurring frivolous expenses.
- Blaming others inappropriately for frustrations, failures, or lack of achievement – such as accusing the CEO of not providing opportunities when, in fact, such opportunities were not earned. (Narva, 2000)

Trust and open communication can help diffuse the threat of out of control egos. While the use of written policies, codes of conduct, family constitutions and other jointly produced statements of family norms and values and limit individual power. During generational transitions, egos can be at an all time high as incumbents are reluctant to release their power to the succeeding generation due to a number of factors such as fear of loss of control, retirement, death or uncertainty in the ability of the successor; while potential successors may be attempting to prove themselves worthy of taking over the reigns or may even be conceited enough to assume the position of leader of the family business is their god-given right solely because of their relationship to the incumbent and not because it has been earned. The fundamental key to family business survival is the establishment and growth of trust. Individuals pursuing their own ends without reference to the goals of other or the system itself ultimately erode trust and destroy the glue that holds a family business together.

Doud (1999) also stresses communication as one of the main components of a successful transition. As the business passes from one generation to the next, numbers grow, more family members become involved in running the business and more people are trying to assert their control. Families who are open and can communicate easily and often stand a much better chance of discussing and resolving issues that get in the way of successful intergenerational transitions.

Lack of communication when the child is growing up can also impinge on the future of the business. If the parents do not make it clear that they would be in support of the child entering the business, the child may feel rejected and wonder if the older generation doubt their commitment to the family or their ability to work for the business. This is usually not the case at all but parents must bear in mind that Silence=Disapproval. A parent who keeps silent is almost always assumed to disapprove. (Le Van, 1990)

Bowman-Upton (1991) also suggests if you want your children to enter the business, or at least have that as a career alternative, let them know. Lack of conviction about their involvement may be interpreted as doubt about their ability, about the viability of the business or about the potential of the parent-child relationship to survive the strain of succession. This could cause the child to lose interest in the business. She advises parents of family owned businesses to talk to their children often and openly about the business and future succession, but to be realistic. Children should learn what values the business represents, what the business culture represents and where the business is headed. Regular family meetings are vital.

Smyth & Leach (1993) also reiterate that it is important to let children know they are welcome into the business if they so choose. However, it should also be made clear to them that they will be supported if they choose other careers.

BDO Simpson Xavier (2006) point out that many family businesses often have a plan in their own mind, but the goals and objectives of their children may not be in harmony with this plan. Communication of the plan at an early stage is therefore essential in order to avoid misunderstandings at a later, more crucial stage.

Good communication is also essential once the child has entered the business and is growing into his/her future role. This is particularly the case with father-son relationships which tend to be more tumultuous than father-daughter relationships. (Folker, 1990)

Individuals who believe they share the same goals are more likely to cooperate using constructive controversy which then leads to improved productivity and efficiency for the organisation. Whereas individuals who believe that their goals are different tend to compete which results in close-mindedness and ineffectiveness for the organisation (Tjosvold, 1993; Tjosvold, Dann & Wong, 1992, as cited by Folker C.A., 1990).

Lansberg (1999) suggests that both generations in dialogue creating a combined vision for the business is an important part of the process of creating future business structure and management processes. Establishing clear guidelines for duties and experience required of family members entering the business is an important step. (Hamilton, 2003)

Poor communication and lack of consensus about the direction of the business is a major barrier to planning for succession. Poor communication can empower negative emotions that may be unleashed during the succession process. (Dunemann & Barrett, 2004). Both generations should sit down to review each other's performance as well as business performance regularly. They need to talk about the business's weaknesses and what each can do together to improve it. Also they need to discuss how the transfer plan is progressing, and bring up any concerns. (Coe, 2006)

In Sharma's (1997, p. 237) study, a positive relationship emerged between the trust that the founder had in the successor's capabilities and the propensity of the successor to take over the business.

The reluctance on the part of the incumbent to let go of the business may be underpinned by feelings of doubt about the successor's ability, willingness and desire to take control (Goldberg & Wooldridge, 1993, p. 70). Trust in the successor's ability is, therefore, an important determinant of effective successions (Dickinson, 2000, p. 37; Donkels & Lambrecht, 1999, p. 177; Matthews et al., 1999, p. 163). The credibility of the successor is crucial to his or her successful integration into the business, because without credibility, the successor cannot attain legitimacy (Barach, Gantisky, Carson, & Doochin, 1988, p. 50).

Communication with non-family employees during the succession process is also vitally important to ensure that key non-family employees are retained. They need to be informed of the succession plan, its progress and its affect on them.

SUCCESSION PLANNING

Succession planning has received extensive emphasis in the family business literature, (e.g. Danco, 1982; Kets de Vries, 1993; Ward, 1987; Ward and Aronoff, 1992; Williams, 1990). Topics covered include the structure and review of such plans, who should participate in their preparation, when they should be prepared and contingency issues in planning. Other issues include the constitution of a board of directors and the establishment of a family council or constitution (as mentioned above) (e.g. Beckhard and Dyer, 1983; Handler 1992; Jaffe, 1992; Ward and Aronoff, 1993).

Failure to face and plan for succession has been termed the **Succession Conspiracy** by Ivan Lansberg (1988). He sites a number of forces that act against succession planning:

Founder

Fear of death

Reluctance to let go of power and control

Personal loss of identity

Fear of losing work activity

Feelings of jealousy and rivalry toward successor

Family

Founder's spouse's reluctance to let go of role in firm

Norms against discussing family's future beyond lifetime of parents

Norms against favouring siblings

Fear of parental death

Employees

Reluctance to let go of personal relationship with founder

Fears of differentiating among key managers

Reluctance to establish formal controls

Fear of change

Environmental

Founder's colleagues and friends continuing to work

Dependence of clients on founder

Cultural values that discourage succession planning.

Planning for succession is difficult and often procrastinated (Reece, R.C., 2003). According to a survey carried out by KPMG in 2005, "family businesses understand that succession planning is important, in fact, finding a willing and able successor is the third highest issue for business-owners according to the survey; however, the numbers also illustrate that these concerns aren't being acted on. There is a perception that succession planning is too difficult and this needs to change before it's too late for the business to maintain its value." (Matthews, 2005)

A well executed succession plan can create an environment which ensures that the best resources are available and get selected to lead the business into the future. (Matthews, 2005).

Therrien, (2004) emphasises the need to plan early. Waiting too long only to discover there is no suitable internal candidate can be costly. Bringing a child into the business early will also give them time to decide whether or not they want to be involved in the business in the future and if not, then it won't be too late to start another career.

Smyth & Leach (1993) suggest reasons why it is vital to plan early. Often first real thoughts about succession are precipitated by the death or ill health of the CEO. This is a time when family are least able to give the matter adequate consideration. Insufficient planning for the death of the majority shareholder exposes the family to major cash flow problems in the form of inheritance tax liabilities but no liquid assets with which to settle them. They caution that succession should not be an event but a process that takes place over time. The successor should not be abruptly replacing the current leader.

BDO Simpson Xavier point out that given that most of the major decisions to be made during succession are of a personal nature, the process used to manage each family's business succession will vary depending on the nature of the family issues involved. Consequently, there is no one approach that will work for all business owners. (BDO Simpson Xavier, 2006)

Lack of formal planning can also result in family conflict at a later date resulting even in family court feuds over small misunderstandings which could otherwise have been avoided had an agreed plan been in place (Anthony Carey, Cooney Carey Accountants, Irish Times, 27.01.06).

Not having a proper written plan with clear guidelines for entry and training can also result in unsuitable successors taking control of the business. This tends to happen due to particularism on the part of the incumbent. Perrow (1972) suggests that particularism in family firms has resulted in unsuitable successors being chosen to take over leadership of the business. Particularism means that irrelevant criteria (e.g. only relatives of the boss have a chance at top positions) rather than universalistic criteria (e.g. competence) are employed in choosing employees. An example of particularism in action cited by the author was the case of a Canadian family-owned business Steinberg Inc., in which a family member with apparent high familial social capital (being the owner's son-in-law) was promoted by the owner, Sam Steinberg, to the position of president, over the objections of senior, non-family managers. The demise of Steinberg Inc. has since been traced to that moment.

Smyth & Leach (1993) advise that the current generation develop a written plan which incorporates a step-by-step approach to dealing with all the practical and psychological aspects of the transition process to reduce any potential for doubts or misunderstandings. This plan should include a detailed timetable plotting out each phase of both the current leader's reduced participation as well as the training and mentoring programme attaching to the successor's expanding role and responsibilities. Dates should be set for the following events as a minimum:

- Retirement of the business owner
- Transfer of share ownership

- Transfer of voting control

When complete, the plan should be communicated to the family, employees and any outsiders who have an interest in the continuity and success of the business such as bank managers, customers and suppliers. This will help reassure them that the process is being handled properly and seriously and at the same time give everyone the opportunity to get used to the planned transition.

PREPARATION LEVEL OF THE SUCCESSOR

There is overwhelming anecdotal and empirical support for the existence of a positive relationship between the preparation level of the successor and a successful succession process (e.g. Brockhaus, 2004, p. 168; Cabrera-Suarez, De Saa-Perez, & Garcia-Almeida, 2001, p. 42; Ciamp & Watkins, 1999, p. 166; Hume, 1999, p. 29; Kaye, 1999, p. 16).

There is considerable evidence that in successful transitions heirs are generally reasonably well prepared (Morris et al., 1997, p. 386; Weinstein, 1999, p. 2). In fact Ward (1987) concluded that successor development is one of the most important characteristics associated with businesses that are able to survive a generational transition.

Most work in this area addresses the extent to which heirs have the requisite business skills, managerial capabilities, knowledge of company operations, and attitudinal predisposition to handle the running of the business (e.g. Doescher, 1993; Fenn, 1994; Hyatt, 1992; Osborne, 1991). Specific variables receiving attention include the heir's formal level of education and training, years of work experience in the firm and in other firms (within and outside the same industry as the family firm), entry-level position, number of different positions held (e.g. at different levels and in different functional areas within the firm), years employed by the firm, motivation for joining the firm, and self-perceptions of his/her preparation level at the time of actual succession.

In much of the research on family business succession the quality of the intergenerational relationship was found to be positively associated with successor

training (Seymour, 1993) and mediated the influence of family cohesion and adaptability on successor training (Lansberg & Astrachan, 1994).

The importance of gaining experience outside the family business is frequently cited as a key variable of successful successions. According to Le Van (1999), it is not so important for the next generation to gain experience in the same industry as the family business. What is important is for them to fly or fall in a different bird cage, without the family safety net. A most important reason for mandatory outside experience is self-esteem. Outside the family business, a child must face the traumas of transfer, promotion, termination, competition, evaluation, and company politics – normal business life. Moreover, the young family member acquires skills, training and experience that are simply unavailable to one who spends all of his or her working life in the family business. Working outside the family business until about the age of 30 is suggested as sufficient. This allows the heir-apparent the next ten years between 30 and 40 to prepare for succession.

Alan Crosbie (2000), now 5th generation CEO of Examiner Publications, has the same strongly held belief. Before entering the firm, Crosbie was sent off on a work experience programme beginning with a 5 month stint in Guinness's, working in the management-services department, then to Park Royal in London to work as an under-brewer. Although the brewing industry did not seem to relate to newspapers, the objective was to learn how any business operates. Next he worked for Irish Marketing Surveys doing field research and collating, and later he worked in the questionnaire design department. He spent a year and a half working in Arks advertising before moving to the States to work for the Sacramento Bee newspaper for a year. He later headed off to Australia to work with the Courier Mail in Brisbane. "I found that I didn't want to take on the CEO's jobunless I had first proven to my own satisfaction that I could do it". Finally, on his return to Ireland he entered the family firm and began working his way up in several different departments. He believes his outside work experience to have to invaluable in preparing him for his future role as CEO.

The tendency to bring family members in at the top rather than at the bottom is a recurring problem in family businesses and is cited frequently throughout the

literature. Because they arrive at a time when the business is well established and successful, they never remember the poor days (Crosbie, 2000). Crosbie cites the case of Blarney Woollen Mills as an example of the problems this can cause.

Bringing children in at the top without having to work their way up and prove themselves can also have a demoralising effect on loyal non-family employees. It is important to demonstrate to employees that the future leader is capable of making a success of the business as their future may depend on it. Introducing a leader who has not been immersed in the culture of the organisation or who is not interested in fitting in with the current culture could have a destabilising effect and lead to dysfunctional behaviour, not least rebellion against the new leader.

Cosmetic powerhouse Estee Lauder provides a sound example of effective succession management: three 3rd generation Lauders occupy managerial positions, and each has been compelled to toil in the functional trenches for years before advancing to greater responsibility (Allio, 2004). As well as giving the successor a thorough understanding of all levels of the organisation, this helps eliminate the weight of the family name as well as minimizing potential for conflict with non-family managers or the perception of nepotism.

BDO Simpson Xavier (2006) advise their client to allow the successor to work in different areas of the business. In many cases, the best way to learn about the business is to be directly involved in different areas of it. However, work experience must be selected carefully to ensure that the experience gained is valuable as a learning tool. Successors should gradually assume the incumbent's duties. Once the successor has a good knowledge of the business and has been involved in decision making, the next step is to gradually pass on all responsibilities. Clearly defined roles for the retiring leader and the successor throughout the succession process is important to clearly set out responsibilities of both parties. (BDO Simpson Xavier, 2006)

Most family business consultants hold the same view. According to family business consultant Norm Coe (2006), "the future owner should work as an employee in the business to learn its inner workings while earning greater responsibilities. The

employee should have a written job description that clearly spells out both generations' expectations and the business transfer plan.”

INVOLVING OUTSIDERS

Professor Peter Drucker a few years ago suggested four golden rules for family businesses to follow if they wish to prosper. Family members must work as hard as non-family members; family businesses need to add non-family managers; at least one top job in each family business must be filled by a non-family manager; and "before the situation becomes acute, the issue of succession should be entrusted to someone neither part of the family nor part of the business." (Narva, 2000)

The use of outsiders in the succession process is viewed by most family business experts as invaluable. Outsiders on the board of directors can be beneficial in many ways, according to BDO Simpson Xavier (2006). They can help:

- Maintain focus on business goals
- Identify new ideas
- Contribute impartial feedback (positive and negative)
- Add professionalism to the business

Bowman-Upton (1991) takes a similar view to appointing outsiders to the board of directors, particularly during the succession process. A board, she claims, can help management determine objectives and strategies, provide specialised expertise and even arbitrate feuds among family members. She recommends that it is composed of both insiders and outsiders. The benefits of using outsiders is that they come with different backgrounds and perspectives, and provide checks and balances. Boards can expand the owner's network, provide input into the succession process, judge the successor's progress and help determine the transition date. They should not, however, get involved in the operational or day-to-day issues.

Family businesses are often reluctant to “bring in outsiders”. According to The Family Business Consulting Group (2004), it is estimated that only about 10 to 15 percent of mid-sized family businesses have an outside board. However, outside directors can create a firewall between sometimes conflicting family and business concerns. They can also let in some fresh air. After a certain amount of time, too

much intimacy breeds insularity. A closed environment may have its advantages, especially at the beginning of a venture, but it can also become an echo chamber in which everyone's habitual views and personalities begin bouncing around and amplifying each other, shutting off important input and ideas from the rest of the world. Outside board members can bring in a broad perspective and new ideas which are not entangled with family loyalties and relationships.

Reece sees an outside board of directors as a third ingredient which must be added to the mix (regular planned family meetings and a plan are the other two) in order for blood and business to work. The third ingredient, he claims, "brings experience, knowledge, and objectivity to the mix. However, most family businesses do not like outsiders in their business. They are private, operate in do-it-yourself environments, play their cards close to the vest, and really don't talk much about the inside workings of their business. In fact, however, the chances for survival increase when boards are in place" (Reece, R.C., 2003).

According to BDO Simpson Xavier, when it comes to succession, the business owner will most likely have to make the difficult choice among potential successors. As many parents can't bear the idea of rating the strengths and weaknesses of their children, this is a good time to bring in outside help. A family business advisor can help make sure that the business is passed on to the child best equipped to handle it. Again, they mention that an outside business advisor can bring objectivity to the process. In particular if one child uses a management style similar to that of the current business leader, it may be difficult for the leader to be objective when comparing that child to another child with a different management style which may in fact be more appropriate given the current business climate or needs of the business.

The use of other outsiders such as consultants and family business advisors are discussed by several other writers on the subject (Raleigh, 1998; Reece, 2003; Narva, 2001). In the words of Raleigh, "For the good of the business, maybe some people should not be involved at all, whether they like it or not. The best advice is to get professional help" (Raleigh, 1998).

BDO Simpson Xavier (2006) suggest that outsiders can be particularly useful when assessing a child's interest in the family business due to the fact that it can be very difficult for the leader to be objective during the process for the following reasons:

- Business owners may find it difficult to accept that a child would not share their interest in the business, and
- A child of a business owner may find it difficult to communicate to the parent that they really are not interested in succession.

Therefore, for many families, the key to dealing with these issues is the use of an outside family business advisor. The role of the advisor would be to help facilitate information gathering within the family, by interviewing each member of the family individually. Family members may be more willing to share their feelings about the business both pro and con, with an independent advisor. (BDO Simpson Xavier, 2006)

Finally, the involvement of outsiders can be useful in suppressing out of control egos, as discussed above which are often prevalent in family businesses. (Narva, 2000)

CHAPTER 2

RESEARCH METHODOLOGY

Introduction

This study explores the process of succession in small to medium sized family businesses in Ireland.

Aims:

The aim of this study was to research the actions/measures Irish family businesses are taking to deal with succession. In particular the study focuses on 4 key variables highlighted from a literature review as being the keys to smooth and successful transitions. This study could help to identify guidelines or recommendations for family businesses facing succession and offer insights into the problems they are encountering.

Objectives:

In order to obtain this information, this study surveyed four small to medium sized Irish family businesses, using interviews inquiring into:

1. The existence and substance of a succession plan.
2. The preparation level and entry requirements for successors and family members in general.
3. The involvement of non-family and external individuals in the succession process.
4. The level and extent of trust and communication between active and inactive family members as well as with non-family stakeholders.

Purpose of the study:

The purpose of the study was to produce a picture of the approaches Irish family businesses are taking to deal with succession. It is expected that the information

gleaned from this study could identify key areas of concern for all family businesses and develop recommendations and guidelines for any family business leaders experiencing difficulties or uncertainties in the succession process.

Research Propositions:

That the presence of the following four key variables are key success factors of family business succession:

1. A solid foundation of trust and open communication

This can be either a formal system such as a family constitution, family council or regular family meetings or a tradition of openness, trust and information sharing among family members and key stakeholders.

2. A well-conceived, written succession plan

3. Thorough preparation of the successor, including education and experience guidelines for entry, process of advancement, on-the-job training, clearly defined roles and proven commitment.

4. The involvement of trustworthy and reliable outsiders in the succession process.

'Outsiders' refers to either external non-family board members, consultants, advisors, or any other impartial family business professional.

Research Design:

When choosing a suitable methodology for this particular research it was necessary to approach the study from a qualitative point of view.

Qualitative approach:

Burman (1996 pp 49-71) suggests that qualitative research is “part of a debate not a fixed truth... It can be defined as an exploration, elaboration, and systematization of the significance of an identified phenomenon”.

Design of the data collection instrument

The study used in-depth interviews as its primary source of data collection. The use of interviews allows the researcher to get other details such as personal impressions of the situation which would otherwise not be possible. These impressions are a crude measure of verifying the authenticity of the interview responses. Interviews also provide the opportunity to expand any questions that may not be clear to the respondents.

The problem of clarity was lessened at the pilot testing stage, however, this may not entirely have ruled out the possibility of some respondents misinterpreting the question. Further, the interview method reduces the risk of non response and ensures that the targeted respondents answer the questions rather than risk a proxy completing a questionnaire in their place.

A draft pilot interview was prepared to test the relevance of the questions, including their clarity and the most appropriate sequencing of questions.

Open-ended questions as well as a small number of closed general questions were used during each interview. Warm-up questions about the founding of the business and how the son/daughter got involved in the business were used to create rapport before getting into the questions for this study.

Theoretical Sample:

The theoretical sample for this study was composed of small to medium sized family business successors based in or around the Dublin area.

Inclusion and Exclusion Criteria:

Inclusion Criteria

Included were family business successors who are currently a member of the second or subsequent generation. A minimum of one intergenerational transition must have taken place thusfar in order to be considered suitable for the purposes of gleaning useful, relevant information into the succession process in family businesses.

Exclusion Criteria

Any business that could not be contacted by telephone and email was eliminated.

Any business that had not survived at least one intergenerational transition was eliminated.

Research Technique

An internet search of Irish family businesses was carried out which yielded a fairly modest population. This population was deemed to be sufficiently small that an attempt was made to contact as many businesses as possible from a variety of sectors so as to obtain differing perspectives on succession issues. While not all businesses responded to an initial email, the large majority that did were not comfortable discussing succession issues with an outsider. This response was not surprising to the researcher given that family businesses have a reputation for keeping their cards close to their chest and are generally predisposed to being suspicious or even fearful of others intruding on or enquiring into their "private business". An attempt was then made to contact those who did not respond to the initial email. However, most were either uncontactable or unwilling to reveal the extent of their succession plans. Through word of mouth it was later found that several of those businesses who would not partake in an interview had in fact been experiencing considerable turbulence within the family and with the succession process in particular.

In some cases, an initial telephone call was made to each business in order to obtain the email address and direct telephone line of the relevant family member – either a successor or incumbent. Thereafter an email was sent to this family member outlining the purpose of the study and the researchers own personal reasons for carrying out the research – that she herself would be joining her family’s business in the coming weeks and hoped to gain an insight into the succession process and any difficulties which she may need to prepare for. The personal interest in the subject was intended to establish a common ground in order to gain trust and was well received. One such response to the email was that the family business leader would be delighted to share “the joys and perils of working in a family business”.

From the final list of family businesses who responded, a judgemental sample of four companies was chosen by the researcher. The judgemental sample is a non probability sample that the researcher draws using her own best judgment as to the identities of the respondents most likely to be a rich source of information relating to the object of the investigation (Kotler, 1991).

A date and time was set for the researcher to meet with each of the four interviewees on the interviewees’ premises for approximately one hour.

The Interview:

The meeting with each interviewee commenced with the researcher introducing herself and explaining the purpose of the study. Thereafter a brief discussion of the researchers own family business and personal concerns for the success of the 6th generation transition currently taking place ensued. An assurance of confidentiality if necessary was made before the interview commenced. Where questions were misunderstood an attempt was made to rephrase or clarify the question posed.

Pilot Interview

A pilot interview was carried out on the successor of the researchers own family business. It was noticed that certain questions were repetitive and should be eliminated. Other questions required further clarity and were therefore reworded.

Research tools:

Four family business successors were interviewed using a semi-structured interview. This interview was based on a pre-designed questionnaire and generally followed the same line of questioning. The sequencing of questions is set out below:

KEY SUCCESS FACTORS IN FAMILY BUSINESS SUCCESSION

INTERVIEW QUESTIONS

Name:

Position:

Company:

Generation:

How many years has your business been in operation?

How many employees does it have?

How many branches/locations?

How many members are on the Board of Directors?

Are all board members family members?

Are all shareholders family members?

Do you allow ownership beyond family members? Eg ESOP's?

Is there a plan in place for dividing ownership among members of the succeeding generation?

Will those making a larger contribution gain greater ownership (active vs non-active children)?

How many family members work in the business?

In what capacity?

Do you have written rules of entry that govern the hiring of family members?

Are family members required to work outside the business before entering?

Do you require that children working in the business follow the same work rules as non family employees?

How are family members' salaries decided? (Performance, ability, experience, education, market value)

Succession

How important is it to you that a family member takes over the running of the business after you retire?

Is there a succession plan in place? Written/Informal?

Who is involved in the succession plan or process? (MD, Board, Key Managers, Advisors, Consultants..) To what extent?

Who else has the plan been communicated to? (Family members actively involved, Family members not involved, Key employees, Customers, Banks, Accountants..)

Has their input been requested?

Do you have a policy whereby consensus of other family members must be agreed before appointing a successor? (legally binding agreement to ensure no misunderstandings at a later date.)

Who is responsible for choosing the successor?

Would outsiders be used to help select the successor?

Preparation Level of Successor

Is there a minimum age or education level required to become the successor?

Are clear guidelines for experience required set out?

Are family members/potential successors encouraged to gain experience outside the company first?

Are qualifications required, the process of advancement and the basic ground rules of command set out?

How do you decide on the required successor attributes, competencies and skills?
(according to existing business needs / circumstances?)

Is there a system in place to train and develop the successor?

How will your successor be primed for taking over? - Hands-on preparation, mentoring, coaching, experience in all areas of the business, mentoring by non-family managers, shadowing current MD?

Who will be responsible for training the successor?

Will they be brought in at managerial level or at bottom?

Have you chosen a successor yet?

Is there a contingency plan in place (if successor backs out)?

Are roles for family members / successors clearly defined? (Job descriptions in place)

Is anyone in the family eligible to become the successor?

Would you ever consider appointing an outsider or non-family employee as successor?

Would you consider using a bridge where no family member was ready to take over?

Would Co-CEO's or Co-MD's ever be considered? (if so are there any procedures in place to break any logjam?)

What would you do if there were multiple potential successors?

At what age do you plan to retire?

Is there a clear timetable in place? –

- Date for retirement
- Date for transfer of ownership
- Date for transfer of voting control

Is there a forum for communication in place such as a family council or family constitution?

Is there a system to resolve conflict among family members?

How would you describe the current succession plan thusfar?

	Definitely Describes	Partly Describes	Don't know	Does not really describe	Does not at all describe
Comfortable					
Smooth					
Difficult					
Frustrating					
Complicated					
Antagonistic					
Well-coordinated					
Enjoyable					

Your experience of joining the Family Business

When did you join the family business?

At what level did you enter?

What functional areas have you work in since you joined?

How many different positions have you held in the business since joining?

Did you always have a desire to be the successor?

What were your reasons for wanting to be the successor?

Was there any rivalry (from family or non-family) members over the choice of successor?

Was there a written succession plan in place at the time that drove the succession process?

Were there any entry requirements for family members?

Who was involved in choosing the successor at the time?

Were outsiders (advisors, consultants, non-family directors, professionals) or non-family members involved in choosing the successor?

On what basis was the decision made to appoint you as successor?

Were there any other potential candidates for the position?

Were outsiders involved in the succession process at all?

Were non-active family members involved in the succession process (selection or otherwise)?

Who was responsible for your training to take over as successor?

Were there any formal education/training requirements for you to become a successor?

What level of education did you achieve?

Were there any requirements to gain outside work experience before entering the family business?

What outside work experience, if any, did you gain before entering? For how many years?

What training did you undertake to become the successor?

Did you feel adequately prepared to take over the reigns when the time came?

Was your predecessor still involved in the business when you took over?

If yes, for how long after taking over the reigns did your predecessor stay involved?

In what capacity?

Did your predecessor remain involved after his/her planned retirement date had elapsed?

Are your values comparable to your predecessor's?

Were roles / job descriptions clearly established in advance of your succession?

Was your choice to become successor your own, or was it expected by the family?

At what stage did non-family employees learn of your appointment as successor?

Was your control ever contested by family or non family members?

Have you ever experienced conflict with your predecessor in taking over?

How would you describe your transition?

	Definitely Describes	Partly Describes	Don't know	Does not really describe	Does not at all describe
Comfortable					
Smooth					
Difficult					
Frustrating					
Complicated					
Antagonistic					
Well-coordinated					
Enjoyable					

The nature of family and business relationships

	Strongly Agree	Slightly Agree	Don't know	Slightly Disagree	Strongly Disagree
I felt like leaving the business at times					
Family members trust one another					
There is considerable sibling rivalry among heirs					
Family members have conflicting interests					
Some family members are hostile to other family members					
There has been very little bickering among family members					
Certain family members were unco-operative at the time of my succession					
Family members work together as part of a team					
There have been tensions among individuals that tended to interfere with family business activities					
Other family members have been resentful of my position in the business					

How would you describe relationships with family members as a whole during the succession process?

	Definitely Describes	Partly Describes	Don't know	Does not really describe	Does not at all describe
Open					
Trusting					
Co-operative					
Indifferent					
Jealous					
Antagonistic					
Sceptical					
Outwardly Conflictual					

Categories as outlined in the Questionnaire:

Answers to the four variables were drawn from the different categories used in the questionnaire. This ensured that the interviews conducted followed a structure to maintain consistency, however the interviewees were encouraged and allowed to elaborate as much as they liked.

The four categories are outlined as follows:

Category 1

General Information

- a) Introduction to family business in question
- b) General ownership and management structure
- c) General policies and code of conduct for family members

Category 2

Succession planning

- a) Presence of plan
- b) Involvement of outsiders, non-family employees, family members, other management in plan
- c) Choosing the successor
- d) Timetable for succession/retirement of incumbent
- e) Appointment of outsiders
- f) Contingency planning

Category 3

Preparation level of Successor (present and future)

- a) Age/Education level
- b) Experience (within and outside the family business)

- c) Qualifications, process of advancement, ground rules of command
- d) Successor attributes, competencies, skills required
- e) Training of successor
- f) Role clarity and presence of job descriptions
- g) Commitment level of successor

Category 4

Trust and Communication

- a) Presence of a forum for communication
- b) Systems of resolution of conflict
- c) Trust, communication and conflict in family relationships

CONDUCT OF THE INTERVIEWS

The interviews took place on each participant's premises. One interview only was carried out each day in order that the researcher had time to write up each interview without the conversations becoming mixed up in the researcher's notes and memory. Each interview commenced with the researcher introducing himself and explaining the purpose of the study. No request was made to tape record the interview to allow for transcription as the researcher felt family business successors would not be comfortable with the idea of the interview being recorded. And so the researcher decided to take field notes instead and make a narrative dictation of the interviews later.

The researcher reassured participants about confidentiality and anonymity if required at the interview outset and an explanation of the fact that insightful information gathering on their personal experiences was the goal of the study.

The interviews began with an explanation of the questionnaire and its origins with general conversation in order to make the participants feel relaxed and non-threatened. The researcher used the questions in the questionnaire to give the

interviews some structure. The questions were asked directly and the interviewee allowed to answer and elaborate as much as they liked

For the purpose of this research it was deemed essential to use an interview schedule with questions listed in a set order, so the researcher used the questions in a questionnaire to give the interviews some structure, and to ensure consistency between interviews. Although the questionnaire was followed, as different themes and subjects came up, the course of the questions sometimes changed slightly as the process of the interview progressed for each participant. Silverman (2002) suggests that using an interview schedule in this way allows for a more flexible approach, as any issues raised have the capacity to be explored rather than restricted with rigid questions.

The researcher appreciates that the interviewees could misconstrue the subject being investigated and the information may not be readily forthcoming. It could be construed that this sort of *information may impact negatively on existing and potential membership*. However the researcher was pleased with the progress of the interview schedule and with the rapport that had been developed with the participants.

The researcher observed the non-verbal communication process during the interviews. Begley (1996) highlights how the observation of non-verbal cues assists the researcher in identifying the degree of congruence between non-verbal and verbal expressions of the participants.

Following the interview the researcher dictated a detailed report on the participants' verbal and non-verbal reactions to the interview, taking particular note of any poignant issues raised. This report was typed up at the next most convenient time.

Grounded theory

Grounded theory is a way of analysing observational data. It is a term used to describe a way of inducing theoretically based generalisations from qualitative data, Silverman (2000). First developed by Glaser and Strauss in the 1960's. It involves three stages:

1. Attempting to develop categories, which illuminate the data.
2. An attempt to 'saturate' these categories with many appropriate cases in order to demonstrate their relevance.
3. Developing these categories into more general analytic framework with relevance outside the setting. (Silverman; 2000)

Dick, (2000) gives a simple thumbnail sketch of Grounded theory. Grounded theory begins with a research situation. Within that situation, the task of the researcher is to understand what is happening there, and how the subjects being researched manage their roles. This is mostly done by observation, conversation and interview. The key issues are noted down after each bout of data collection.

“The heart of the process is defined by constant comparison. At first interviews (or other data) are compared to interview (or other data). Theory emerges quickly. When it has begun to emerge data can be compared to theory” (Dick 2000 online)

The results of this comparison are written in the margins of the note-taking as coding. The task is to identify categories (roughly equivalent to themes or variables) and their properties (in effect their sub-categories).

For the interviews that were carried out, a questionnaire was used as a guide during the interviews. This gave the interviews consistency and also allowed the sections of the questionnaire and the questions themselves to be used as the themes and categories for the purpose of analysis.

Ethical considerations:

Anonymity was not requested by any of the interviewees, so it is the opinion of the researcher that there were no ethical considerations pertaining to this study.

Limitations:

No study can answer all the questions posed and all research has limitations. It was expected and appreciated that the information being sought from family business successors may not be readily forthcoming due to the traditionally secretive nature of family businesses. Also the writer is a first time researcher and this inexperience may have impacted on the quality of the research. The limitation on the number of interviews which could be carried out given the time constraints involved in completion of paper is also a factor to consider and may have resulted in impressions of the succession processes Irish family businesses are using which are too generalised as they have only been based on four businesses.

CHAPTER 3

RESEARCH FINDINGS

The researcher considered that the results of the interviews carried out with the four family business successors would be best presented by way of brief summaries of the information collected from each of the companies examined. The findings in each case are discussed in relation to the literature contained in the review. Throughout the following section all references made are taken from interviews unless otherwise stated.

At the completion of the chapter, the research propositions are discussed in light of the interview findings.

OUTLINE OF THE INTERVIEWS

INTERVIEW 1

This interview was with Mark Caviston, the successor in line to take over the running of Cavistons, Glastule, Sandycove, Co. Dublin. The business has been in operation for 55 years and has a staff complement of 40. Originally a modest fish shop, this family-owned and run business has expanded over the years and now comprises four units – a shop/delicatessen, bakery, restaurant and smoking house. The board of directors currently comprises Mark's parents who are also the shareholders. There is no wish for non-family members to ever hold shares in the business. Future ownership plans are largely unspoken however those contributing to the business will evidently gain a greater ownership when shares are transferred from the current generation than those not active in the business. While there are no written rules of entry or outside work experience requirements for family members, family members are treated in the same way as other staff members and remuneration is at market value.

1. Succession Planning

When asked how important it is that a family member takes over the running of the business after the current leader, Peter Caviston retires, it was said to be vitally important. The reason being that customers prefer the familiarity of knowing the owners and ask specifically to speak to a Caviston when buying produce. While there is no succession plan per se in place, according to Mark Caviston there are “ideas in place”.

There is also no contingency plan as such in place should Mark decide to leave the family business but he assumes his sister, who works in the office, would be next in line to take over.

There is no clear timetable in place for retirement of the current leader or for the transfer of ownership or voting control, however, Mark would like his father to remain involved in the business for as long as possible.

2. Preparation level of Successor

On the subject of preparation level of the successor, the interview revealed the following:

- There is no minimum age requirement to become successor.
- There are no guidelines for experience required.
- Outside work experience is not encouraged, but is not discouraged either. However, Mark has gained work experience elsewhere during his college years which helped him reach the decision that committing himself to the family business was the preferred option for him.
- The process of advancement and ground rules of command are informal.
- There are no systems in place for training a successor. Successors are left to learn the ropes by themselves through hands-on preparation, gaining experience in all areas of the business (“floating around”), and occasional mentoring by senior managers. Mark has worked in most functional areas of the business in order to get a full understanding of the work carried out by each employee.

- Successors, like all family members are brought in at the bottom from an early age and are required to work their way up. Mark and his siblings have worked in the business since their school days and have gradually moved up the rungs as their knowledge of business functions increased.

3. Involvement of Outsiders

Up to now the family have never sought outside advice or involved non-family members in the succession process, however, Mark feels that this time it might be considered.

Outsiders or non-family employees would never be considered as potential successors, however, if a bridge was required until a family member was ready to take over, this would be considered for the good of the business.

4. Trust and Communication

At present there is no forum for communication such as a family council or family constitution, however, Mark is trying to encourage regular family meetings.

There is no formal system in place for resolving conflict among family members but it is felt that there is no need for this at the moment as the family are very close and get along well together. It is also easier when no cousins or other relatives are involved.

There is a high level of trust amongst the Caviston's and family members work well together as part of a team. There is no evidence of hostility between family members and no sibling rivalry at all. Relationships in general are described as open, trusting and cooperative and Mark has the backing of all family members and non-family staff in his appointment as successor.

While it is not possible to judge the success of this transition as the current leader is still in place and very much in control of the business, the high level of teamwork and unity and the successors own highly positive impression of his role and enthusiasm for the future of the business would suggest that the transition in Cavistons will not be a source of upheaval and the business will continue to be the success story it has been up to the present.

INTERVIEW 2

The second interviewee lined up was Eithne Fitzpatrick-Scott-Lennon from the highly successful Fitzpatrick Castle Hotel (“Fitzpatrick’s”). Unfortunately due to business travel commitments Eithne was unable to arrange to meet the researcher in Ireland so the interview took place on-line.

Eithne is a member of the 2nd Generation. The business has been in operation since 1971 and has 150 employees. It also has three affiliates in the US and two in Dublin which are run by her siblings.

There are four members on the board of directors and not all directors are family members. All shareholders, however, are family members and there is a plan in place for division of ownership among the succeeding generation. At the moment Eithne’s children are too young to have much involvement in the business but her two eldest sons work part-time as bartenders or waiters during their summer school holidays.

There are written rules of entry governing the hiring of family members and family members are required to gain outside work experience before entering the family business. Children working in the business must also follow the same work rules as non family employees and their salaries are based on market value (trainee status).

1. Succession Planning

Unlike Cavistons, it is not important as yet to Eithne that a family member takes over the running of the business after she retires. She does not see it as vital however it would be desirable.

There is an informal succession plan in place and Eithne, as the majority shareholder will be responsible for the process and for choosing the successor although she insists advice and consultancy will most definitely be sought when the time comes. As her children are very young, no successor has been chosen to succeed her as yet. She maintains, however, that she would consider appointing an outsider or non-family employee as a successor or would consider using a bridge until a family member was ready to take over. She would also consider using co-MD’s but has not as yet put

much thought into how she would deal with the issue if there were multiple successors.

At the moment Eithne plans on retiring at the age of 60 and while there is no clear timetable in place just yet for her retirement, transfer of ownership and transfer of voting control, there most certainly will be soon.

It is Eithne's opinion that succession planning is a difficult process and is certainly not enjoyable. However, any plans in place are running smoothly and no difficulties have been encountered as yet.

Eithne's own succession has given her an insight into the difficulties which can arise in family business succession. Eithne first joined the family business in 1975 as a trainee and worked in every department taking on such positions as Sales Manager, Group Sales and Marketing Director and finally Managing Director. However, she did not always have a desire to succeed her father as Managing Director. There was considerable sibling rivalry when the time came to choose a successor but there was a written succession plan in place that drove the succession process. The choice of successor was arrived at through discussions between Eithne's late father and all his children. Outsiders such as advisors and consultants were also involved in choosing the successor and it was described by Eithne as a "long and arduous road". In addition to outsiders, non-active family members were involved in the succession process.

2. Preparation level of Successor

While there is no set minimum age or education level required to become the successor, there are ideals which are generally recommended.

As yet, there are no clear guidelines for experience required of the successor but successors will "absolutely" be encouraged to gain outside work experience first. Eithne herself gained considerable work experience outside the family business before joining, working in Hotel Stagierte in Switzerland and gaining hotel sales training and work experience in the USA. Qualifications required, the process of advancement and the basic ground rules of command have been set out and applied to the current generation so it is likely they will apply to the succeeding generation.

Skills required of the successor are based on business needs, however, there are certain specific skills required to fulfil the role. There is also a system in place to

train and develop the successor and a variety of methods are used for priming the successor from hands-on preparation in all areas of the business, to mentoring (by family and non-family employees, coaching and shadowing of the current Managing Director. The successor will be trained by a range of skilled professionals, however, they will initially be brought in at the bottom of the company and will work their way up. Eithne cites the training she undertook to become a successor as “work and life!” and felt more than capable of taking over the reigns when the time came. Her father was still involved in the business when she took over but she feels their values were quite similar and both roles were clearly established in advance of her succession.

3. Involvement of Outsiders

The Fitzpatrick family have recognised the need for outsiders such as advisors, consultants and other professionals to be involved in the succession process and will continue to engage outsiders in future successions. In addition to these individuals, non-active family members have been involved which helps build trust and foster open communication.

4. Trust and Communication

Eithne describes her own succession as enjoyable and comfortable. This may be down to the open relationship she had with her father, the fact that they had similar values and there was no conflict between them during the process. According to Dumas (1989), this is quite common among father-daughter relationships, which seem to be less conflictual overall in comparison to father-son relationships. Dumas found that daughters in business with fathers tend to feel obligated to support and protect their father, while sons tend to be more competitive resulting in more instances of conflict. Eithne’s succession was also communicated to non-family employees before, rather than after, her father’s death so there were no surprises and thus her control was never contested by either family or non-family members. At the time of her succession, family members were largely cooperative and there was certainly no resentment to Eithne taking over the business.

In contrast to this, however, Eithne admits that hostility between family members resulting in a certain level of bickering and increased tensions were indeed in evidence and did at times interfere with business activities. While family

relationships are described as open, and at times trusting and co-operative; partly antagonistic, outwardly conflictual and definitely sceptical are words which Eithne has cited to describe relationships with family members as a whole during the succession process.

What is most significant, however, is that this family business have learned how to deal with the usual problematic family issues which have been the downfall of many great family businesses and have put in place a system for resolving conflict among family members.

INTERVIEW 3

My final interview was perhaps the most enlightening. This interview was with Sharen McCabe, Managing Director of McCabe's Pharmacy Group ("McCabe's"). Sharen is a member of the 2nd generation, having taken over the running of the business from her father Roy McCabe approximately seven years ago. Sharen was a most interesting and helpful interviewee and was more than happy to share her experiences with the researcher, in particular perhaps because the interests of both family businesses (the researchers and McCabe's) are not dissimilar (both being involved in the healthcare industry and provide services which compliment one another).

McCabe's, an Irish success story and recently nominated one of the top 1000 companies to work for in Ireland (2006), has been in operation since 1981 when it opened its first pharmacy in Malahide. However, it was not for about seven years later that the business began to expand past this one outlet. Expansion was by way of continual reinvestment of profits for the purposes of acquiring more and more pharmacies. By the mid to late '80's McCabe's had five pharmacies in operation and today the family business own a total of 17 with a further 5 due to open in the next 12 months. The employee compliment throughout the Group is 270.

Like, Eithne Fitzpatrick and Mark Caviston, it was never Sharens intention to succeed her father as Managing Director/CEO of the company. She maintains that she had "no inclination" at all to join the family business. Having completed a degree and postgraduate diploma she was set to pursue a career in International Law. However,

her entrepreneurial tendencies (which developed naturally as a result of being a part of an entrepreneurial family) later led her to establish her own commodity trading company in West Africa which she ran until around the age of 25 when she became restless, feeling that she wasn't furthering herself and lacked real knowledge about business systems; so she embarked on a management programme with Unilever and moved to London. This position gave her a sound business and management base which would later benefit her in the running of the family pharmacy group. It was when she was in London while carrying out work for Lloyds Pharmacy, a Unilever client, that she began to recognise the division in pharmacies between the larger, highly profitable businesses like Lloyds and the small backstreet or corner shop types and realised the huge potential her own family's business had. She also realised that if McCabe's did not develop rapidly it was in danger of becoming one of the small backstreet or corner shop type pharmacies she had seen in London. McCabe's needed to change and there was a real opportunity to bring the pharmacy group to another level. She voiced her ideas to her father who asked her if she would like to work for him and introduce some of her ideas. She agreed and within one year whilst training alongside the then General Manager, created the business plan, business strategy and raised the debt necessary to build stores three times the size of the average McCabe's store at the time. The pharmacy in Dundalk was the first of the larger format stores and was a huge success. Once she had proved herself her parents were entirely happy that she could deliver and trusted her to the extent that they fairly rapidly cut their involvement in the business and left it to her to run.

Two of Sharen's sisters are now also working in the business, one as Commercial Manager and the other as a Pharmacist. As with Cavistons and Fitzpatrick's, all shareholders are family members and ownership is generally not allowed beyond family. Even spouses are not entitled to become shareholders. It is strictly bloodline. This is written into the family constitution with the rationality that should some unforeseen and unthinkable event occur such as a divorce, there will be no threat to the business.

Management activity is also completely separate to ownership activity. McCabe's have managed to separate family and business in such a way that the business is never compromised as a result of family involvement or family needs. Shares can only be

used for reinvesting in the business and cannot be used as collateral for anything unrelated to the business. Also, should a family member wish to sell their shares, they must be sold within the (bloodline) family.

While every effort is made to accommodate family members who wish to work in the business, family members are treated in much the same way as non-family members when it comes to hiring and remuneration. Remuneration is based on market value the same as any other employee and only those with the relevant skills, qualifications, competencies and experience will be employed.

1. Succession Planning

As Sharen is quite young and has only taken on the role of Managing Director in the past few years, there is no succession plan as such in place and with no plans to retire in the next ten to fifteen years, there are no timetables in place for transfer of ownership or voting control. Sharen's own appointment was not based on a succession plan although it is almost certain that a succession plan will be put in place for future generations.

In keeping with her philosophy that what is best for shareholder return is what matters, Sharen asserts that it is not important at all to her that a family member takes over the running of the business after she retires. "What is important is that the business lasts", according to Sharen. The person she will appoint to succeed her will have the best skills to take on the role. If that means a non-family employee or an outsider, then so be it. When the time comes she will make a decision and put it to the board to have the final say on the choice of successor. As with all important decisions, the board must be in agreement before the decision can be actioned. Sharen is quite clear, however, that if there is no qualified family member to take over after her, she will not hesitate to look to the open market.

2. Preparation Level of Successor

There is a minimum education level to become a successor. Any potential successor must be degree-level educated at least.

There are also clear guidelines for experience required and outside work experience is encouraged as much as possible before entering the business on a permanent basis.

Successors, like other family and non-family employees, are subject to quarterly appraisals and the process of advancement is clearly established.

Required successor attributes, competencies and skills are decided on the basis of business needs and more specifically what the business needs in order to remain competitive.

There is no specific system in place to train and develop a successor as yet but the next successor will be primed to take over in the same way as other managers – through the management training programme, work plans, development programmes and being able to demonstrate the competencies required for the business at the time.

Successors are not required to be brought in at the bottom of the company to work their way up if they can demonstrate the required skills and are adequately qualified.

Roles for successors, like all family members, are very clearly defined. Job descriptions are in place and apply to family and non-family members alike.

3. Involvement of Outsiders

Like Fitzpatrick's, there is a policy of appointing non-family members to the board of directors. One non-family member is currently appointed and another will be appointed in the coming months. Like all board members, they will be responsible for deciding on the successor.

4. Trust and Communication

There is clearly a high level of trust in the McCabe family. Although, as Sharen did point out, the business is still at the sibling stage and has not moved on to the cousin consortium stage which tends to be where conflict is more likely to arise due to different dynamics. So far, however, any conflict between family members has been resolved informally. There is a system in place to deal with conflict which is proving too difficult to resolve and this is where the family constitution comes into play. This is a relatively informal document which lays out the rules and protocols which family members should adhere to. All family members are aware of its existence and should be aware of its content. It is generally only required if a family problem arises which is not often.

Sharen's whole family were entirely supportive and co-operative during her succession and it is evident that they trusted her decisions entirely. There is no evidence of resentfulness or jealousy amongst her siblings who work together as part of a team and have open relationships with each other.

INTERVIEW 4

The final interview was with Matthew Ryan, Managing Director of The Grand Hotel in Malahide, Co. Dublin. Matthew is a member of the 2nd Generation also. The business has been in operation for 34 years and has 187 employees throughout its two locations.

There are five members on the board of directors and all are family members as are all shareholders. Ownership beyond family members is not allowed and there is currently a plan in place for the division of ownership among members of the succeeding generation. Like the other four businesses surveyed, those family members making a larger contribution to the business (active vs inactive) will gain greater ownership.

At the present time there are four family members working in the business in the following capacities/areas: 1) Director, 2) Finance, 3) Operations, 4) Design and Building.

There are written rules of entry that govern the hiring of family members but family members are not required to work outside the business before entering. They are required, however, to follow the same work rules as non family employees and their salaries are decided on the basis of a combination of factors: performance, experience, education level and market value.

1. Succession Planning

As with McCabes and Fitzpatrick's, It is not that important to Matthew Ryan that a family member takes over the running of the business after he retires. There is, however, a written succession plan which will be used should a family member accept

the position and challenge. Advisors and consultants have been used initially to develop the written succession plan but the family will operate it thereafter.

As the next successor has not yet been decided, the plan has not been communicated to anyone. There is a policy in place though whereby consensus of other family members must be agreed before appointing a successor. Matthew Ryan himself will be responsible for choosing the successor but the help of outsiders would be sought at the selection stage.

The plan also incorporates a system for selecting a successor where there are multiple interested candidates. Although Matthew has said that he would also consider appointing co-MD's if there was no clear replacement, even though this is not in the current plan.

Matthew plans to retire at the age of 60 and as this is still far off there is no timetable in place for transfer of ownership or voting control.

When questioned about his own experience of joining the family business, Matthew informed the researcher that he joined the family business 18 years ago and entered at Duty Manager level – the 1st tier. This was despite having had better jobs abroad in larger establishments. Since joining the family business he has worked in all functional areas.

Unlike all of the previous interviewees, Matthew maintains that he always had a desire to be the successor. His reasons for this were that hotels have always been his passion and the Grand Hotel had been a favourite part of his life for many years before departing to Europe for experience elsewhere.

At the time of his succession there was no rivalry over the choice of successor. Matthews parents were responsible for choosing the successor and no outsiders were involved in making the choice. There was, however, a written succession plan in place which drove the succession process. In fact consultants were employed over 8 years ago to deal with the succession plan and also to advise on how the business was to operate as the company expanded.

When Matthew did finally take over the reigns he felt adequately prepared having gained experience in all areas and in all positions. His predecessor also took a back seat at this time and allowed Matthew to make the necessary changes he believed were required to make the business more competitive and reactionary to new markets coming on stream. Matthew did find his father a great sounding board at this time and was always interested in the changes he was initiating. Matthew feels that although his values are comparable to that of his predecessor, they were more modern to suit the new requirement and legal issues now facing the business.

Overall, Matthew's succession is described by him as well-coordinated and enjoyable and at no stage did Matthew ever feel like leaving the business.

2. Preparation Level of Successor

There is no minimum age or education level required to be a successor yet there are clear guidelines for experience required and family members are encouraged to gain experience outside the business first.

Qualifications require, the process of advancement and the basic ground rules of command are set out for successors and attributes, competencies and skills required of the successor are decided through family discussion and job descriptions.

There is no specific system in place just yet to train the successor as it will not be required for about another 15 to 20 years.

It will be essential when a successor is brought in that they gain experience in all departments, right through the structure of the business either in the family business or one similar to it.

3. Involvement of Outsiders

Although Matthew has said that it is not essential that a family member takes over the running of the business after he retired, he has also said that he wouldn't like to consider appointing an outsider or non-family employee as successor. He would, however, consider using a bridge where no family members were ready to take over.

As stated earlier, the help of outsiders would be sought in choosing a successor.

4. Trust and Communication

Forums for communication are board meetings which take place on a weekly basis and also private sessions prior to each meeting.

There is a system in place to resolve conflict among family members.

Relationships with family members during the succession process have been described by Matthew as open, trusting and cooperative. Family members respect one another and work together as part of a team. There are no tensions as such among family members which would interfere with business activities and there has been no hostility or bickering among family members. Sibling rivalry has been non-existent and in general family members have similar interests and cooperate with each other.

RESEARCH FINDINGS

INTRODUCTION

This section analyses the main findings that were contained in the interview feedback against the literature review in Chapter 2. The analysis of findings is divided up into four sections – the four variables contributing to a successful family business succession: Trust and Communication; Succession Planning; Preparation Level of Successor; and Involvement of Outsiders.

Variable 1: Trust and Communication

The use of some form Family Constitution as advocated by Smyth & Leach (1993) and Crosbie (2000) was in evidence in four of the businesses surveyed, Cavistons being the only one where it was not seen as necessary due to the high level of teamwork and trust among family members. Family meetings were, however, suggested as being a vitally important conduit for communication and although not regularly taking place at present were recognised by Mark Caviston as essential for the future running of the business. Smyth and Leach (1993), Davidow (2000), Bowman-Upton (1991) and Reece (2003) would also take the view that regular family meetings are key success factors in maintaining the level of trust and open communication required for effective family business succession. Family meetings

are also seen as important for involving children in the businesses and letting them know their involvement is desired and appreciated.

While family council's (Handler, 1991; Smyth & Leach, 1993) are not in existence in any of the family businesses surveyed, there may perhaps be more of a need for such a forum for communication as family businesses grow and progress through the generations and more family members enjoy a stake in the business.

High levels of trust and communication between the predecessor and successor are a feature of all the family businesses surveyed. The successors all confirm that while their values are similar to the incumbents, they are more forward-thinking and have modern ideas about how the business should be run which are welcomed by the predecessors. This has allowed the predecessor to take a step back from the business giving the successor freedom to implement his/her own plans. Tjosvold (1993), Tjosvold, Dann & Wong (1992), Folker (1990) and Coe (2006) all maintain that this is essential for improved productivity and efficiency in the family business as well as for ensuring a smooth transition.

Variable 2: Succession Planning

Only one of the businesses surveyed (The Grand Hotel) has used a formal succession plan to date but all intend to use some form of plan (formal or informal) for future generations.

Variable 3: Preparation Level of Successor

Entry Level & Training

The tendency to bring family members in at the top rather than at the bottom is a recurring problem in family businesses. In four of the family businesses surveyed in this paper, there is a policy whereby all family members including successors are brought in at the bottom or on a lower tier. Giving the successor a thorough understanding of all levels and functions of the organisation (Allio, 2004; Coe, 2006;

Doescher, 1993; Fenn, 1994; Hyatt, 1992; Osborne, 1991; Crosbie, 2000; Smyth & Leach, 1993) is a pre-requisite in these family businesses in preparing successors for their future role as well as minimizing potential for conflict with non-family managers or the perception of nepotism.

In the case of McCabe's, this is not seen as necessary as family members do not necessarily have had to "learn the ropes" in order to carry out a managerial position within the business. For instance, if a family member qualifies as a Pharmacist and practices elsewhere first, there would have been no real benefit to them carrying out more basic tasks in the family business.

Commitment

In all cases, respondents had not originally desired the role of successor but the opportunity became more appealing with age and work experience gained elsewhere and successors were entirely committed to the role by the time the decision was made to appoint them. This is in line with recommendations from the literature which highlight successor commitment as a significant success factor. Committed family members are more likely to pursue a career in their family firm, be cooperative in performing their role in the leadership transition, and be satisfied with the succession process (Dyck, Mauws, Starke & Mischke (2002); Handler (1989); Sharma (1997)).

Outside work experience

Gaining outside work experience was viewed as essential or at least beneficial to successor development in four of the business surveyed. In Cavistons, while it was not encouraged, it was not discouraged. Le Van (1999), Crosbie (2000), Smyth & Leach (1993) all advocate the need to gain outside work experience before entering the family business on a permanent basis.

Variable 4: Involvement of Outsiders

Reece (2003), Drucker as cited by Narva (2000), Smyth & Lynch (1993) and Raleigh (1998) are amongst the writers endorsing the use of outsiders in family businesses in general but in particular during the succession process.

As the smallest of the businesses surveyed, Cavistons have not seen a need to involve outsiders in the succession process. This is in line with statistics from the Family Business Consulting Group which found that small family businesses are reluctant to bring in outsiders. However, mid sized family business, Fitzpatrick's, have already sought the advice of outsiders in the succession of the current generation and McCabe's value very highly the input of outsiders (non-family and external individuals) in all major decisions which is clear by their appointment on the board of directors. As succession (choice of successor and process of succession) is an issue which must have the consensus of the board of directors, it is inevitable that outsiders will be involved in the succession of the next leader of McCabe's.

CHAPTER 4

CONCLUSIONS

This paper set out four propositions and each of them are now considered in light of the information collected in this study.

Proposition 1: A solid foundation of trust and open communication is a key success factor of family business succession

While all respondents would agree that trust and open communication is necessary for successful family business succession, the particular forum for communication required would be debatable depending on the size of the business, numbers of family stakeholders, and relationships between family members. Regular family meetings are perhaps all that would be required for smaller operations such as Cavistons where family relationships are close and family members work side-by-side on a daily basis. This may change, however, as the business grows and more stakeholders are involved.

The drafting of a family constitution or similar document was seen as necessary for Fitzpatrick's, McCabe's and The Grand Hotel as the families realised the potential difficulties which could arise should conflicts of interest present themselves.

The findings would lead the researcher to conclude that a solid foundation of trust and communication is a key success factor of family business succession and that the more formalised the forum for communication, the more likely it will be that tensions and conflict will be diffused in an orderly and more amiable fashion.

Proposition 2: A well-conceived, written succession plan is a key success factor of family business succession

As most successors interviewed are still a long way from retirement, succession plans are still in their infancy. The smaller the organisation, the more informal the succession plan and the less emphasis is placed on formalising the succession plan.

While some of the successors interviewed have some idea of their retirement date, there are no timetables in place for retirement, transfer of ownership or voting control.

What is strikingly evident from all four successors is the difference in mentality from the previous generation and the understanding of the need for greater formality and professionalism in succession planning.

This researcher would conclude that while a formal, written succession plan may not be essential to an effective succession in smaller, less complex family businesses, as firms grow, increase in structural complexity and as the number of family stakeholders increase, formal, written plans become more of a necessity in ensuring a smooth transition and reducing conflict and the perception of inequity among both family and non-family members.

Proposition 3: Thorough preparation of the successor is a key success factor of family business succession

Whether outside work experience is required or not, thorough preparation of the successor is seen by all families surveyed as a key success factor. Training, either in all areas of the business or in management activities and a full understanding of the workings of the business are essential to the future success of the business under the control of the successor.

Without exception, all respondent in these interviews concurred with this proposition. Unless the successor has the required skills and has undergone the required training, the family business is unlikely to prosper under their control and without having proven their capabilities, neither family nor non-family members involved in the business will have respect for the new leader and conflict is likely to ensue.

Proposition 4: The involvement of trustworthy and reliable outsiders in the succession process is a key success factor of family business succession

The size and structural complexity of family businesses seem to have a bearing on the extent to which outsiders are used. As businesses have grown there appears to have been a greater need for seeking the advice of outsiders, in particular when confronted with the issue of succession. Outside consultants have been engaged by Fitzpatricks, McCabes and The Grand Hotel.

In the larger, more formalised family businesses such as McCabes, Fitzpatricks and The Grand Hotel, intergenerational succession is not viewed as absolutely essential. Appoint an outsider or non-family member to the future role would be considered a viable option for the good of the business should no family member be suitably qualified or committed to the post. Ensuring business continuity is seen as all important, while keeping senior management in family hands is of lesser importance.

Involving outsiders has been proven in four of these family businesses to be of benefit during the succession process and in the running of the business in general. Even in Cavistons where outsiders have not yet been used, the benefit of seeking outsiders' advice was recognised and would be considered in the future. Thus all would concur that involving outsiders to some extent in the succession process is a key successor factor in family business succession.

Further studies

The biggest drawback of this study was the fact that the time constraints in carrying out the study were limiting and as a result only a small number of family businesses were surveyed. To obtain a more accurate picture of the situation in Ireland with regard to family business succession a greater number of interviews would need to be carried out.

It would also be interesting to carry out interviews with family business successors of 3rd and subsequent generations, in particular those composed of cousin consortiums rather than merely sibling partnerships. It is the opinion of the researcher that greater consideration to succession planning and higher levels of trust and commitment would be essential as numbers of family members involved in the business increase and move beyond the immediate family.

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