

## A STUDY ON THE SUCCESSION MODEL OF FAMILY BUSINESSES

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### ABSTRACT

*Family business has to face issues such as ownership issue, governance structure issue and succession issue, etc. in enterprise development history. Among them, the succession issue is an important transition point in enterprise's survival and development. It is thus thought of as one of the most important strategic and decision making issues in the enterprise. This article aims at investigating the succession model of Family business. First, reviews are done on the meaning of Family business. Next, reviews and comments are made on the related models of the succession of Family business. It can be seen from the research that the ways of succession of Family business can be divided into process point of view and psychological point of view. Finally, main conclusions of this article are summarized and perspectives are also made on the future researches.*

**Keywords:** *Family business, Succession*

### 1. INTRODUCTION

Most of the enterprises, including those in USA and all those in the developed countries, are all controlled and managed by family (Habbershon, 2006). According to the statistics, in northern America, Family business occupies about 80% - 90% of the total number of enterprises. In USA during the period 1977 - 1990, 78% of the job opportunities is created by Family business and 60% of enterprises listed in the stock market is controlled by different families. In England, Family business occupies about 75% of the total enterprise number. In Latin America, large scale enterprise set up and controlled by family takes the leading position in most of the industries. In Japan, 95% of the small and medium enterprises are Family business. Therefore, Family business are the major forms for enterprise to exist. In other words, they have the important roles in the development of economic societies.

The researches of Family business have become the mainstream in the academic field and related publications in such fields are increasing, too (Colli, 2003; Sharma, 2004). The earliest studies on Family business from foreign scholars were from USA. In 1980s, the consultant industry of Family business has brought its implementation experience into theoretical studies which has set up a theoretical frame for Family business. In mid-1980s, Family business research centers were set up one another but in the early 1990s, there were more than 100 universities with the setup and implementation of educational programs regarding Family business in the USA. After 2000, Family business has become the research hot spot of western countries, or even within the world's scope.

Family business has its "familiness" characteristics (Habbershon et al., 2003). Family business displays more significant entrepreneurship orientation (Habbershon & Pistrui, 2002). During an enterprise starting process, family can effectively take the risk and seize the family right of control; meanwhile, family succession characteristics also significantly affect the inter-generation continuation of the entrepreneurial behavior (Sharma et al., 1997). Therefore, Family business needs more the long term investment of related activities and resources (Kellermanns & Eddleston, 2006).

Family business has to face with several problems during the development process, for example, the property right issue, governance structure issue and succession issue, etc (Brockhaus, 2004; Christman et al., 2003). Among them, succession is an important transition point for the survival and development of an enterprise, hence, it is thought of as one of the most important strategic and decision making issues (Rothwell, 2010). Succession can affect every aspect of an enterprise, for example, the employees within the enterprise, the shareholder, supplier, customer and the public, etc. In the mean time, it also deeply affects the

performance of an enterprise. Succession is one of the greatest challenges in the continuous growth process of Family business. Therefore, the succession era of global Family business has come, and succession issue has become the focus of the management industry.

According to the statistics made by Christman et al. (2003), in the literature regarding Family business, 20% of them treated the succession issue as the first priority research topic. From the research result, 42.7% of Family business in USA has the leader's succession issue before the end of 2002, and before the end of 2005, almost all the founders of Family business will die or retire, which will result in the largest scale of inter-generation alternation in US history. Assets of net values of 10.4 thousands of billions of US dollars will be transferred before 2040, among them, about 4.8 thousands of billions of US dollars will be realized with inter-generation transfer in the most recent 20 years. In another aspect, incapability to prepare and implement the succession of business operation power for the second generation is one of the three major reasons that result in the failure of Family business.

Although there are lots of literatures and results regarding the study of Family business, most of them are limited to the development issue regarding the leadership under the current leader of the Family business, for example, governance structure, property right issue and core competence, etc. The study of the succession model of Family business has its certain importance. However, from the point of view of the continuous development of Family business, the moment of the handover of business operation power of Family business will usually cause larger fluctuation in an enterprise. If the succession issue is not well solved, it will affect directly the continuation and development of an enterprise. Therefore, the main objective of this article is to study the succession model of Family business and we tried to investigate the succession issues of Family business under different models which are helpful to the support of theoretical and practical meaning.

## **2. LITERATURE REVIEW**

### **2.1 Definitions and characteristics of Family business**

US famous entrepreneurial Chandler in his "The visible hand" published in 1977 thought that Family business: The entrepreneurial founder and the closest partner (and family) always keeps most of the stock right. They keep close private relationship to the managerial personnel. They also keep the major decision making right of the high level managerial level, especially in the areas related to financial policy, resource distribution and the selection of high level personnel.

Yin-Hua Yeh et al. (1999) had provided more accurate definition on Family business. They had proposed critical shareholding ratio, and the difference of shareholding structure of individual company as well as the level of control of a family are included into the identification of family shareholding group. As long as the following three conditions are possessed, it can be seen as Family business: (i) The shareholding ratio of the family is larger than the critical shareholding ratio; (ii) The family member or relative within second degree relative is acting as the president or general manager; (iii) Family member or relative within third degree relative occupies more than half of the directors in the entire company. In this definition, the critical shareholding right of family member in an enterprise is used as the key variable for identifying Family business and Family business is seen as one dynamic variation and development process. From the view point of stock right and business operation control right, Family business is seen as a continuous distribution status. Family business includes the possession of two rights by the family, the possession of most of the control rights or the possession of critical control right. Once the critical control right is broken through, Family business will be changed to public enterprise.

Family business means part or all of the entrepreneurial management levels of an enterprise based on blood or relative relationship. It has certain entrepreneurial ownership and control right. It is an economic organization based on the enterprise as the organization form. It is an enterprise with ownership effectively controlled by one or more families (Neubauer & Lank, 1998). It includes three aspects such as ownership, management involvement and willingness of succession (Chua et al., 1999; Habbershon et al., 2003); hence, Family business includes ownership, management right, succession, family involvement and family characteristic, shareholding structure and level of control by a family, etc.

Family business should include characteristics such as ownership and management right, succession and power transfer, and a team between relative and non-relative, etc. (Chua et al., 1999; Habbershon et al., 2003; Neubauer & Lank, 1998; Nicholson, 2008). Family member controls the Family business, in the mean time, the decisions regarding management right are all affected by family relationship (Yin-Hua Yeh et al., 1998). Therefore, Family business possesses ownership and control right. In Family business, ownership and

management right is transferred between two generations. Younger member in the family will replace the elder member in the family. The regeneration capability and diversification of business operation will be continued. Family business has succession and power transfer characteristics. The business operation team of Family business is composed of family member, marriage relationship or professional manager. For Family business, it has advantages in terms of loyalty, flexibility and cooperation. Therefore, Family business has the characteristic of a teamwork between kin and non-kin.

### **2.2 Types of Family business**

The types of Family business include pure Family business, quasi Family business, pan Family business and mixed Family business. It can be divided according to the point of view of ownership and management right:

(1) *Pure Family business*: The level of control by the family in this case can be seen as 100%. For example, in pure Family business, all the property rights and stock right of the enterprise are controlled by the hand of the enterprise leader or his/her family member, meanwhile, all the management positions in the enterprise are acted by the blood relative member of the enterprise leader. All the property right, management right, management personnel and control right of the enterprise are monopolized by the family.

(2) *Quasi Family business*: In this type of Family business, its property right condition, control right condition and management position condition are the same as family or enterprise. The only difference is that members entering the enterprise include not only the blood relative of the enterprise leader but also the marriage relative of the enterprise leader. At this moment, the ownership and control right of the enterprise is still remained within the scope of blood relative and marriage relative. Most of the daily management way of enterprise is parental type. The authority of the enterprise leader will replace the enterprise system to lead the decision making and development of the enterprise.

(3) *Pan Family business*: When enterprise leader is considering the introduction of the external professional human resources, the introduction benefit, the risk and cost generated by confidential information sharing in the enterprise and the yield of the control right to people from the external side should be considered. Therefore, in order to reduce the opportunistic behavior of external management personnel, the enterprise leader will try to find appropriate candidate from friends, classmates, battle companion and colleagues. Or try to use pan-family means such as marriage linking, relative in law, sworn brothers or "call each other brothers" on the external managers. In other words, these people are included into the binding scope of cultural rule and family ethics. If we talk from this point of view, pan Family business mainly means that the enterprise not only includes the family member but also familiar people and relative in law. The control right of pan Family business is started to be authorized to people at the external side of the family. However, the boundary of authorization is critically controlled within a narrow range.

(4) *Mixed Family business*: Such type of Family business is the mainstream of Family business. It includes family holding enterprise and enterprise listed in the stock market which has the business operation control right. Therefore, the management positions of mixed Family business are acted by different identities of management personnel such as the family member, marriage relative, pan family member and familiar people of the enterprise leader and the personnel recruited from the society. The control right of the enterprise is further authorized to people at the external side of the family.

### **2.3 The concept of succession of Family business**

In modern enterprise, the ownership and business operation power is important topic. Family business has two rights to be in succession. One is the ownership of the enterprise and another is the business operation power of the enterprise. The succession of ownership of Family business can generally only be done by family member. Part of the ownership can be transferred to the professional manager. Only very tiny part, most part of the ownership is still at the hand of the family member. Different than the succession of ownership, the business operation power of Family business can be passed either to family member or to non-family member. If it is passed to family member, Family business will show a situation of consistency between ownership and business operation power. If it is passed to non-family member, the result is the separation between ownership and business operation power.

Among three Family business types, namely, pure Family business, quasi Family business and pan Family business, there is no separation between the ownership and business operation power of the enterprise. There is no consignment and proxy relationship and there is also no issue such as the monitoring on the business operating personnel by the owner. If we speak from this meaning, the succession of these three types of

enterprises is relatively simple, that is, it is generated by the relationship of the transfer of ownership. For mixed Family business, the separation between the ownership and business operation power occurs. The ownership of the enterprise is still at the hand of the enterprise leader securely. As the enterprise scale increases, the vacancies in the internal human resource will drive the enterprise to consider hiring external managers to enter the management level of the enterprise to perform business administration. However, the acquisition of business operation power within the family is mostly the result of internal power competition of the enterprise. At this moment, family business operating personnel wants to transfer the ownership and business operation power to the next generation and internal power competition is similarly needed. The final result of the competition will affect the profit of other professional managers, in the mean time. The outcome of control of business management in an enterprise due to inappropriate inter-generation transfer will also affect managers' continuous efforts in operating the enterprise. Therefore, the transfer of the business operation power of enterprise is going to be more complicated.

### 3. INTRODUCTION OF THE SUCCESSION MODEL OF FAMILY BUSINESS

The succession model of Family business includes as follows:

#### *(1) Life stage model*

In the life stage model of Davis (1968), it was thought that in a Family business, the life stage the parent generation and child generation stays will have important influence on the inter-generation succession of leadership authority. It was found from the research that when children are in the age of 17 to 25 years old. They usually hope to break the family binding and set up a world belong to themselves. In the age from 27 to 33 years old, they will confirm first their own occupational choices and then they will find paradigms from their parent generation. When they pass the age of 33, they are usually eager for independence and recognition. However, from the point of view of the parent generation, when they are in the age from 40 to 45 years old, they devote to the enterprise expansion and they usually like the direct control of the operation of the enterprise. When they are in the age from 50 to 60 years old, they start to emphasize on the idea of enterprise and family. They are rarely involved in the direct control of the operation of the enterprise. After the age of 60, the focus of their consideration is loyalty and stability to the enterprise and they do not have the capability to control the enterprise continuously anymore. Therefore, the best opportunity for the transfer of the power is after 50 years old of the parent generation. At that moment, their children are in the age of 27 to 33 years old.

#### *(1) Seven stages succession model*

Longenecker & Schoen (1978) thought that the succession process of Family business contained seven stages, namely, before the entrance, initial entrance, initial exertion of the function, the exertion of the function, the exertion of important function, initial stage of succession and formal succession. Before-the-entrance stage is through the introduction of family member, the successor starts to perceive the existence of the enterprise. Initial entrance means the successor starts to get in contact with the jargon, the organization member and other related personnel and groups of that industry. Initial exertion of function means the successor enters the enterprise for part time job or works at other enterprise. The first three stages can be summarized as the successor works at the external side of Family business and works for part time within Family business which is called a socialization process. Function exertion stage means the successor has become full time employee in the Family business. Management intervention stage means that the successor has occupied the internal management position within the enterprise. Early stage of succession means the successor has taken the manager position within the enterprise until he/she can become the real leader of the enterprise; formal succession means that the successor has become the actual leader of that enterprise, and he/she can fully lead the operation of that enterprise.

#### *(2) The succession model of the life cycle of father and son*

Churchill & Hatten (1987) thought that the transfer of ownership and business operation power of Family business was driven by a pure natural and biological force instead of the market. Since father and son is the life cycle across two generations, they thus divide the succession process of Family business into four different stages: (i) Owner's management stage. This stage includes the business startup by the founder until certain family member enters the enterprise. The founder is the only family member that is involved with the direct operation of the enterprise. (ii) Children incubation and development stage. In this stage, the children continuously learn the business administration knowledge of the enterprise and start to enter the enterprise to work as part time employee or holiday employee. (iii) Father and son partnership stage. At this moment, children have possessed sufficient business administration capability. They start to take the management responsibility of the enterprise and participate in part of the decision making process of the enterprise. (iv) Power transfer stage. The stage starts from the latter stage of father and son partnership stage. In other words, the retirement process and the fading of business operating role of the founder will provide important

promotional effect to it. In the mean time, that stage might also be accompanied with the transfer of ownership. The model considers simultaneously the life cycle across two generations of father and son. For the first time, the study on the succession of Family business was expanded into two dimensional space: the life cycle of an individual and its influence on the business operation, strategy and goal. Therefore, we can have in-depth understanding on the complexity of the succession process of Family business.

Carlock & Ward (2001) also pointed out that succession has important meaning to Family business. They thought that the last generation should pass through several stages which include planning, incubation, instruction, let-go and the support of the successor, etc. For example, the founder's plan on stock right distribution, business operation power and incubation; a series of guidance on the successor for competence incubation; instruction provided for successor for the participation in the decision making of the enterprise. Let the successor to act as general manager or president of the enterprise and let the successor make the decision formally; providing of actual support to the business operation for the successor.

### *(3) Role adjustment model*

Handier (1990) had made in-depth interviews on the next generation family members of 32 Family business and proposed a qualitative analysis model regarding the succession process of Family business. She treated the inter-generation succession of Family business as the role adjustment process between the founder and the family member of the next generation. The adjustment process is actually the gradual fading process of the founder's level of involvement and power on the enterprise. She thought that role adjustment and evolution is very important to the effective succession of the Family business, furthermore, this process was then divided into four stages.

In the first stage, the founder pays more attention on the enterprise's startup issue, for example, the acquisition of customer and the delivery of the product, etc. The succession plan is not in harmony with the immediate need of the enterprise. At this moment, the founder is the core of the enterprise and is the only family member of the enterprise. The next generation does not play any role in the enterprise and is no different than the pure family member. In the second stage, the enterprise enters the survival period. The focus of the founder is on the survival capability of the enterprise. There is still very little consideration on the succession stage of the enterprise, hence, the succession plan is still seen as the future goal. In this stage, the family member of the next generation usually takes position in the enterprise to act as assistant of the founder, but they still have very few understanding on the daily operation and strategic management of the enterprise. Although they have started the learning of business operation and management skill at one or more departments and have exerted certain function, yet in the interview performed by Handier (1990), 50% of the persons under interview express their dissatisfaction on their own responsibility and job. The last two stages of role adjustment are very critical to the effective succession of the enterprise. In these two stages, the enterprise shows very significant attitude for the preparation of the successor and succession plan is usually started. The role played by the founder in the enterprise shows significant fading. Their focuses on the enterprise have been shifted gradually to those aspects that need experiences and expert's skills which majorly include the capital raising for the enterprise, the growth selection and the long term strategy, etc. At the same moment, the next generation family member has gradually become the leader and decision maker of the enterprise. The founder usually selects to participate in the board of directors to play the role of supervisor or consultant. In addition, in the last stage, there is one important thing, which is the transfer of business operation power and ownership.

Based on role adjustment model, Dyck et al. (2002) thought that in different succession stage, the successor plays different role in the organization, and is assigned with different mission, too]. It was pointed out in the research. Four important factors are helpful to the succession process: the first one is sequence, which guarantees that the successor has appropriate skill and experience to lead the organization to the next stage; the second is time, which guarantees the effective transfer of the leadership power from the precursor to the successor; the third one is baton-passing technique, and the confirmation of the details to be finished by the successor; the fourth one is communication, which provides harmonious cooperation between the precursor and the successor, mutual respect and clear communication.

### *(5) Three rings model*

Gersick et al. (1997) proposed a famous three rings model was proposed for describing Family business. In that model, Family business is seen as three rings system formed by three independent and mutually crossed sub-systems. These three sub-systems are: enterprise, ownership and family. Any individual within Family business can be placed at any area of seven areas formed by these three mutually crossing sub-systems. Any

one of three subsystems of ownership, family and enterprise has its own independent development process. These developments are mutually independent and affected.

Three rings of enterprise, ownership and family can reflect the governance structural model of any Family business at certain specific period. Along with the life cycle change of an enterprise and the entering or withdrawing of family member, the enterprise organization, family structure and ownership distribution will change accordingly. Three rings model is a dynamic model of generalized, clear and dialectical and unified characteristic. It associates the complicated succession issue with enterprise growth cycle, family development cycle and the format change of ownership. It has strict theoretical characteristic and practical utilization characteristic, hence it is widely accepted.

In the ownership aspect, the development of ownership occupies the first place in Family business. In the initial founding stage of Family business, although it might be an united body of family member such as partner or brother and sister, most of the families still remain in a way of parent's authority. The corresponding stock right is distributed according to the capital percentage the person occupies, or maybe it is just single stock right period after Family business enters the growth period. As more family members participate in the stock sharing, some owners start to distribute their stock right to the next generation and core family members. The ownership thus goes from the initial single stock right to diversified stock right.

In the family aspect, during the initial founding period, most of the families are parent authority systems, or the founder and the partner have to carry both the responsibilities of the owner and the business operating person. The diversification of ownership leads to the entire entering of family members into the enterprise. The entering of family members into the enterprise has led to the increase of family members in the three rings. At this moment, the founder or partner will consider giving family member chance to learn. The family members have entered job division and collaboration period. Through job division and collaboration, their responsibilities in the enterprise are clarified. Although the succession is an enterprise issue, it is also family issue. Different family or their next generation will gradually grow at different stage of the family development cycle. The founder of elder generation will have to consider the succession of power.

In the enterprise aspect, according to the life cycle view point of an enterprise, the enterprise development stage can be clearly represented in enterprise perspective. The correspondence and association of ownership, family and different stage of an enterprise should be considered. For example, when an enterprise enters the mature stage, the ownership is deeply diversified, or even the external human resource capital or social capital is introduced. The internal side of family should consider the succession issue too, or even should introduce professional manager so as to convert the enterprise into a public enterprise, or go to death.

#### *(6) Three layers succession model*

Stavrou (1999) and Stavrou et al. (2005) used the association of literature description and empirical analysis to propose the three layers inter-generation model for Family business.

The first layer is the before the children's entering into the enterprise. The successor can enter the university for learning, can get hired at the external side of Family business, or can perform other activities. This process is called the socialization process of the successor. The second layer is the stage to enter the enterprise. The potential successor can become a full time employee to enter Family business. Of course in this layer, the successor can decide not to work in Family business. Here there is a decision making process, young people decide whether they should enter the enterprise in an appropriate way. When children are making decision, they are affected by family, enterprise, market and personal factors (which are called four factors theory). This decision process usually occurs in the age of 18-28 years old, and at this moment, they are mostly in the university learning stage. The third layer is the formal succession stage. Once the children of Family business decide to choose one job in Family business, then it has entered the third layer of the succession process, and the potential successor will be promoted to the management position or higher level leader position of the enterprise. This stage can also be divided into management participation and formal succession stage. The greatest advantage of that model is that it has theoretical and real instruction meaning to make sure if Family business successor is to join the Family business.

#### *(7) Cognitive classification path analysis model*

Matthews et al. (1999) pointed out that psychological factor has very important function in the succession process of Family business. Different psychological cognition between the father generation leader and son generation successor will affect the product in the succession process. For the evaluation on the succession transfer plan, it can be considered in the following four paths: The cognitive classification from the father

generation leader on the son generation successor (path 1), the cognitive classification from son generation successor on father generation leader (path 2), father generation leader's self-cognitive classification (path 3), son generation successor's self-cognitive classification (path 4).

No matter it is father generation leader or son generation successor, it is usually the cognitive classification of the opposite or itself based on the environment. When father generation leader grants the leadership of the children, then the management activity space of son generation successor will be easily expanded (path 1). When son generation has aggressive evaluation on the leadership of father generation, son generation tends to have passive attitude on the succession. On the contrary, if son generation has passive evaluation on the leadership of father generation, then son generation tends to show aggressive attitude towards succession (path 2). When father generation leader feels that he needs to incubate new interest, he usually tends not to stop the preparation of leader's power transfer plan (path 3). Whether son generation grasps the successor position aggressively depends on his self evaluation of the adaptation capability on the work environment (path 4).

#### *(8) Anxiety analysis model*

Dunn (1999), on the basis of family system theory, predicted that Family business with low differentiation of self might care too much about the feeling of the first generation leader but perform very rare reform [24]. For family with higher level of self-evaluation, its members can clearly understand their own function in the succession process and their contribution to Family business. They can express their opinions. They can also surmount the crisis and take the challenge. The succession goal of the second generation can be more successfully implemented.

Therefore, it was pointed out in the anxiety model of Dunn. The mutual respect between two generations and family management are the most important factors deciding whether Family business succession is successful or not. When the relationship between father and son is in tensional state, emotional balance is broken, the internal anxiety of the Family business starts to rise. At this moment, the family must find solution to restore the system back to normal state so as to delete the anxiety. However, the effect of the solution depends on the capability to remove anxiety during the succession process of management level of Family business. When the family tries to find solution and to complete the mission, anxiety is then generated. How to remove the anxiety thus depends on the self control capability of the family. Their experiences, on the contrary, will affect the level of family anxiety. When an individual is working hard to reduce the level of anxiety during the succession process of the family, the individual has to work busily to handle the personal development issue, too. It is thus very important to acquire the opportunity appearing in the succession process so as to promote personal development. They have to face the challenge of an environment with slowly and gradually increased anxiety.

#### *(9) Process satisfaction model*

Sharma et al. (2001) proposed satisfaction model during the succession process of Family business and he thought that in order to guarantee the satisfaction in the initial stage of succession. It is needed to fully consider: the level of acceptance to the individual's role, the willingness of a successor to take over the enterprise, the tendency for a person in the job to quit the current job, the level of succession plan, and the level of approval from family member on family participation and the enterprise.

Sharma et al. (2003) performed further revision on the model made in 2001. The research was based on two aspects of person-in-position and successor, meanwhile, the direct influence of these five factors on the satisfaction of succession process was also verified. It was pointed out in the research results that in order to enhance the satisfaction during the succession process. It is needed to generally consider the perception of person-in-position and the successor. Different perception function from different interest related persons in Family business on the event and subject should also be considered. Therefore, succession plan means well considered and formal process and it means the transfer process of the promotion of management control power from one family member to another family member. In this process, the content of the succession plan includes the selection and incubation of the successor. For the company after succession develops a vision or strategic plan. Helping on the person-in-position that is about to quit defines the role. Succession decision and key interest related person carries out communicating.

#### *(10) Multi-generation succession model*

Lambrecht (2005) proposed question on three rings models based on traditional enterprise, family and ownership, and he thought that one fact was neglected: Some families do not have enterprise ownership but they still perform daily management. Here a new model is proposed: Family member individual, family and

enterprise, from the inside to the outside, form three rings, and the time axis penetrates through it. These three rings interact mutually and are not static. Therefore, succession is not a short term process but it starts in the very early time. Besides, it never stops. In other words, succession is not just the continuous period of one generation. It is not just succession from one generation to the next generation; instead, it is continuous succession process to more generations. Succession needs six bases for the road of the process, which include entrepreneurship, value, formal internal education, external experiences, the formal start of enterprise role, written plan and agreement. In this succession process, the family within the enterprise should insist that the family member individual belongs to family, and the family belongs to enterprise.

#### **4. CONCLUSION**

##### ***4.1 Research results and conclusions***

According to the above ten typical inter-generation succession models of Family business, succession models regarding Family business are divided in two viewpoints in this study: One is the process viewpoint of Family business succession including life stage model, seven stages succession model, the succession model of father and son life cycle model, three layer succession model, role adjustment model and three rings model. Another one is the psychological viewpoint of Family business including cognition classification path analysis model, anxiety analysis model, the process satisfaction model and multi-generation succession model.

##### **(1) Family business succession model in terms of process viewpoint**

Process viewpoint model is usually wide model to explain long term succession and they only make simple division on several stages which includes three layers, four stages and seven stages. It also investigates the appropriate age period and the necessary role adjustment of father son generation succession. Three rings model is a generalized and clear dynamic model which associates complicated succession issue with the growth cycle of enterprise, the family development cycle and the ownership transition. It should have theoretical characteristic and practical utilization characteristic and it is thus widely accepted. The drawbacks of process viewpoint model are described respectively as follows:

In life stage model aspect, it was pointed out in the research that the best timing for succession is when father generation is over 50 years old. Children generation is in the age range of 27 to 33 years old. This model explains the relationship between father generation and son generation for Family business with children worked already in it but it does not explain the reason why the children join or not join the Family business.

In seven stages succession model aspect, it is wide model that only explains long term succession process. It does not analyze the internal cause for the successor to pass through certain stage; meanwhile, the model is insufficient in time consideration for the successor to pass through certain specific stage.

In the succession model of father and son life cycle aspect, the model does not investigate the influential factors of the individual's family and enterprise's role. The model only considers two individuals of father and son, but in fact, most Family business will have the participation of several family members. Carlock & Ward (2001) further pointed out that succession plan must also include several stages, for example, plan, incubation, instruction, let-go and the support of successor, etc.

In three layer succession model aspect, it has too much emphasis on the decision making process of the joining of children in Family business but it does not reach formally the succession issue. There is no explanation on the relationship among four factors that affect children to join Family business. Furthermore, succession process is divided into three stages of "Before the entrance-entrance-succession", which is very difficult to be defined. The conversion among stages is not investigated, either.

In role adjustment model aspect, the role adjustment between two generations is its main contribution. It also thought that for the family member of the next generation. Only the real transfer of stock right can represent the complete finish of succession. Therefore, the transfer process of stock right is very complicated and it usually crosses with the transfer interest related person. When the transfer is carried out, it is something worth of further investigation.

In three rings model aspect, the features of models such as life stage, seven stages, father and son life cycle and role adjustment, etc. are integrated, which include the system concept of enterprise, family and ownership. However, that model does not consider the mission difference in succession stage; meanwhile, the similarity and difference of the influential factor of each stage was not described.

## **(2) Family business succession model in psychological viewpoint**

The psychological viewpoint model mainly involves the cognition, communication and skill of son generation and father generation. It involves the management knowledge, sociology, psychology and behavioral science, etc. It surrounds the mutual relationship and influential layer between father and son. It is helpful to the understanding of the behavior of son generation and father generation. It deepens the understanding on the succession process, too. It has stronger actual meaning for dynamic analysis on the change of succession process. However, due to the proposition of many new concepts, the model becomes too complicated; meanwhile, succession is affected by several factors. There are so many classification paths and analysis viewpoints. Moreover, the drawbacks of psychological viewpoint model are described respectively as in the followings:

In cognition classification path analysis model aspect, only the succession model between two generations of father and son is considered. The situation that the succession process of Family business succession might involve the third generation is usually neglected; meanwhile, the influence of different life cycle of different generations of father and son on mutual cognition is not considered because at different life cycle stage of son generation (father generation) their cognition on father generation (son generation) is constantly changing instead of non-changed.

In anxiety analysis model aspect, it was pointed out that how to remove the anxiety of succession depends on the self-control capability of the family. However, for the mutual respect and family management in succession family management aspect, there is no solid steps and methods proposed.

In the process satisfaction model aspect, the direct influence of five factors on succession process satisfaction is proposed including the level of acceptance of individual's role, the willingness of successor to take over the enterprise, the tendency for the person-in-position to quit the current position, the level of planning of succession and the level of acceptance from family member on family participation and enterprise. However, for succession effectiveness, the subsequent business operation performance of an enterprise after succession needs further investigation.

In multi-generation succession model aspect, although multi-generation succession model has broken through the past researches, it has seen succession as a short term process and has considered the special form of Family business. It has stronger instruction meaning to multi-generation succession. The process of multi-generation succession has involved the ownership among multiple generations, management power and the enterprise growth process. Therefore, it is a pretty difficult process because it has to consider multiple factors.

### **4.2 Management meaning and future research suggestion**

In Family business research, there are lots of breakthroughs in the influential factors of the succession process, in the successor and in the succession plan aspect. In other words, I has made solid basis for the future study. Although succession topic can be analyzed from family management and ownership aspect, different Family business has different characteristic. How to carry out succession under different viewpoint of different interest related persons is a topic worth of investigation and analysis (Brockhaus, 2004). In the mean time, succession plan, management content and definition changes constantly along with the need of different era. The succession should take into account the organizational learning and succession role and function. Organization leadership and talented human resources should also be continuously incubated; meanwhile, the main path to manage important knowledge asset of the organization should not be limited to leader or management level but it should also include human resource of all kinds of levels and the employee's development (Rothwell, 2010). Systematic succession plan and management could also be further included in the investigation target and scope of succession model.

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