

Incumbents Influence on Family Business Succession Process

A. Chamaru De Alwis

Department of Human Resource Management, University of Kelaniya, Sri Lanka

Abstract

Post succession performance of family owned businesses has become ineffective. The foremost purpose of this study was to evaluate the level of influence coming from incumbent related factors on business succession processes in various successor modes. The targeted population was selected were the successors. The criteria to select the population were the family owned businesses that contain between 50 and 149 employees and who were involved in a business succession process within the last 10 years excluding the three years, 2007 to 2010. Sample was selected through simple random sampling method and consists of 128 units. The main data collection modes were a structured research questionnaire mail-out and data analysis was done mainly by using SPSS. All incumbents' related factors have a positive relationship to initial satisfaction with the business succession process. However, the relatively important factors to generate higher levels of initial satisfaction with the business succession process is the relationship between incumbent and successor. The relative importance of influential factors changes when the succession mode changes. When succession is conducted with a family member successor, the most important factor for success is successor's relationship with the incumbent. However, when succession is done with an unrelated manager successor, there is no restively important factors to the business succession process The factors of relative importance to maximize business performance after the business succession process is: t the relationship between the incumbent and successor

Keywords: Business Succession, Family Business, Incumbent

1. Present State of the study

Family- Owned Businesses (FOBs) dominate the current world economy in particular eras in the past but also at present (Morck and Yeung, 2004). However the reality is of course that FOBs are currently struggling in the worldwide crisis, with their problem of inheriting their business. FOBs are actually the predominant form of business organization, and play a vital role in today's Capitalistic economy and social well-being. Beckhard and Dyer (1983) estimated the number of FOBs worldwide, and confirm that about 65% to 90% of all businesses in various nations continue to develop this sector.

However, FOBs face one extremely vital issue with their generational business succession. According to Davis and Harveston (1998) "only 30% of FOBs survive into the second generation, and 15% survive into the third generation." Miller, Steier and Breton-Miner (2003) explain that poor Business Succession Process (BSP) is the central reason for this. This scenario has not only affected particular organizations, but has also directly affected the national economy due to lack of contribution.

Regarding the American Family Business Survey (1997) BSPs define as "the transfer of leadership, ownership or control from one family member to another - a goal shared by a majority of family firms" and as "a transfer the leadership one family member to another."

In the BSP, the incumbent leaves their position and gives their business handling authority to someone else. Sometimes, this will affect their recognition, and some are not happy to give up their position. Sometimes, they may think handing over power will cause future business problems. Under these circumstances, the incumbent refuses to withdraw from the business. If they have built the business themselves, it makes it more difficult to leave the position. Even after employing a successor who is a non-family manager, the owner may tend to influence the decision making phase.

2. Problems of the study

As explained previously, BSPs of FOBs have become a serious issue for the longevity of this business entity. Therefore, there is a high tendency among researchers and practitioners to find feasible solutions to this succession issue. This study aims to develop an understanding of this phenomenon, identified in the previous section. Hence, the problem statements can be stated as follows:

"What are the influences from incumbent on a successful business succession of a family owned business in generally and under alternative type of succession modes? How is the influence different with each type of succession mode?"

3. Study objectives

The aim of this study is to examine the influence of incumbent to the success of the BSP under different succession modes.

Therefore, the objectives are:

To evaluate the level of influence from incumbent related factors of the business succession process, and also to evaluate this on each succession mode individually.

To compare influences from incumbent relevant factors of the BSP with different successor modes: family members and non-family unrelated managers.

4. Exploratory study

There are two terms in this field of literature to describe the person who passes the leadership baton: “founder” and “incumbent”. The founder is the person who establishes the business. The term “incumbent” describes the family member who holds the highest managerial position and also owns most of the FOB. During the transition from first generation to second generation, the role of the “founder” and “incumbent” are similar. Both terms can be used for one specific individual. This study evaluated business successions and it also includes second generation to third generation transitions and so on. Therefore this study defines all such people as “incumbents”. De Massis, Chua, Chrisman. (2008) defines an incumbent as “the person who holds the top management position in a family business and who must relinquish that position before another family member can take over.” Sharma et al. (2001) states that “succession is the transfer of leadership from the former to the latter,” therefore this transition process under strict control of the founder and/or incumbent. Considering this situation, Sharma et al. (2003b) express that:

“Incumbent has a considerable amount of power to influence the nature and timing of succession and whether it is a quality process or not. The incumbent generally has enough legitimacy within the firm and the family to remain in power as long as he or she desires.”

If the incumbent is not willing to withdraw his involvement from managing the business, they postpone the entire BSP (Sharma, 1997). Because he is the CEO, if he withdraws his co-operation, the BSP cannot be actualized. In reviewing past literature Sharma et al. (2001), Davis (1982) and Handler (1989a) disclosed that the “business owner’s inability of letting go is the most cited obstacle to effective succession.”

The founder-owner is the one who has most developed the business by devoting their financial and emotional investment. They have taken immense risks to establish and build up the business to its existing level. Sometimes, they have sacrificed parts of their personal life for the business. Not only that, but in some instances they have had to forego a career in order to establish the company. In some cases, the CEO has built the business almost like it was their own child. Now they are faced with the decision to forsake their child. Stepping down is a difficult task, because they must cease their close relations with the business. They also might feel fear when they lose power, status or some personal identity as the managing director of the FOB (Sharma et al., 2003a). According to Lansberg (1988) “...one difficult deterrent to succession planning is the founder's reluctance to face his own mortality.

This is a very difficult psychological decision to take (Sharma et al., 2001) because in most cases, the founder’s children have already left home, thus the CEO returns to an almost empty home where family activities have been reduced to a very low point. The founder has built their recognition from family members, close friends and sometimes social circles due to their capacity as the CEO (Lansberg, 1988). Thus, the incumbent must face possibly losing position, control, power, part of their identity, and stature in the community (Potts, Schoen, Engel. and Hulme, 2001). Kets de Vries (1985) elaborates this situation as “in most cases, an incumbent has a difficult time visualizing life without a significant leadership role in the family business.”

As discussed previously, the incumbent’s personal interest towards the business has bound them to the business. The higher the level of interest, they more they are tied to the business and it is very difficult to separate the business from the incumbent. When it is low, it is easier to separate. If they have some outside interests, this helps them forsake the business because it is easier for the successor to accept this novel change as a fresh start to life. Thus the urgency or lack thereof, of the incumbent to begin succession will partially depend upon these above-mentioned factors (Sharma et al., 2001).

Brockhaus (2004) and Lansberg (1988) proposed that the relationship between the incumbent and the potential successor is vital for successful BSP. Cabrera-Suarez et al. (2001) pointed out that this relationship is a bridge that transfers knowledge from the incumbent to the successor. There is some conflict between the incumbent and the successor at the time of the BSP which can damage the entire BSP because the potential successor may decline the appointment, or alternatively the incumbent may refuse to appoint the successor as their replacement (De Massis et al., 2008).

5. Research Design

5.1 Conceptual framework

The FOB’s main intention is to hand over the business to another suitable family member. However, in some situations, this is impossible due to a number of reasons such as unavailability of competent members within the family, and competent family members refusing to take over the company. Under these circumstances, the company must make two significant decisions. The first decision concerns the long-term existence of the FOB.

In other words, this decision is about the continuation or liquidation of the business. The second decision is about family involvement in the business after the BSP. The first decision directly influences the second. If FOBs make a decision to liquidate the business, the business no longer exists for the second decision, i.e. about the level of family management involvement after the BSP.

There is no definite agreement among researchers about what contributes to the successfulness or effectiveness of BSP in FOB. Some researchers suggest “satisfaction of the BSP from the incumbent, the successor and other family members, as the indicator of the perceived success” (Cabrera-Suárez et al., 2001). However, those researchers have considered only one side of the BSP, which is the stakeholders’ satisfaction with the BSP. Apart from that, others have used “successors’ ability to keep the FOB healthy” as the measurement to appraise the business unit. Venter et al. (2005) and Sharma and Irving (2005) express the perceived success of the BSP is determined by the extent of satisfaction with the process and continued profitability. Morris et al. (1997) also mention that “success has two interactive dimensions: satisfaction with the process and the effectiveness of succession.” Chrisman et al. (2005) express the importance of family relations and the effectiveness of the business entity, and they identified two perspectives to measure the success of the process: business performance and family harmony, and named these as “two pillars for family firm performance.” The author agrees with Cabrera-Suarez et al. (2001) ; Morris et al. (1997); Sharma et al. (2001) and they believe that the success of the BSP is defined as “the subsequent positive performance of the firm, the ultimate viability of the business and the satisfaction of stakeholders with the succession process.” At last, a conceptual argument can be brought toward as an interactive relationship between these two dimensions of success in the BSP of FOB. According to Sharma et al. (2001) “...performance may also alter family member’s satisfaction with the succession process even in the absence of any changes in the relationships among family members.”

This study, the level of influence coming from incumbent related factors to the business succession process was evaluated. The study identified incumbent relevant influential factors to the BSP as independent variables.

5.2 Operationalization of the variables

Independent and dependent variables of the study are shown in table 1

Table 1: Variables of the study

Type of variable	Variable
Dependent variables	Initial satisfaction about the business succession process (ISBSP)
	Post succession business performances (PSP)
Independent variables	Incumbent’s interest to let go of the position (ILET)
	Relationship between incumbent and successor (IREL)
	Outside interest of the successor (IINT)
Moderating (control) variables	Family member successor (FMS)
	Unrelated Manager Successor (UMS)

Source: Developed by the author based on exploratory study

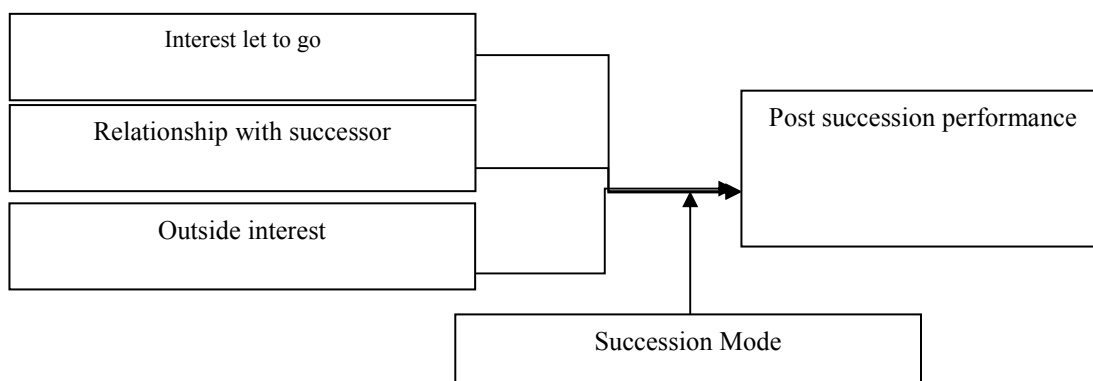


Figure 1: Conceptual Framework

Source: Designed by the author based on exploratory study

5.2.1 Independent variables

The incumbent (factors influencing the propensity of the incumbent to step aside)

To measure the level of influence coming from the incumbent on a successful BSP, three factors were measured: the “incumbent’s interest step aside from the position, the relationship between the incumbent and the

successor and outside interests of the successor.”

- The incumbent’s interest to let go

Through reviewing past literature, Sharma et al. (2001); Davis (1982) and Handler (1989a) all disclosed that the “business owner’s inability of letting go is the most cited obstacle to effective succession.” If the incumbent is not happy to step aside, that badly affects the entire BSP (Sharma et al., 2003a; and Sharma et al., 2001). According to Sharma (2001) “incumbent’s tendency to go out highly depends on the initial satisfaction with the business succession process, the level of relationship with the successor, and his confidence about his future protection.” If he does not have much propensity to step aside, it appears as though they are against the successor’s freedom to make decisions and strategic implementations. Therefore, “leave him go to attend to his interest” can be identified as one influential factor of a successful BSP. This study defines incumbent’s interest to let go as “the incumbent’s confidence level on how the FOB will survive without his personal involvement, and their willingness to forsake the benefits generated by leaving the management position.” This study measured the incumbent’s interest to let go from their position through four indicators: “preserving their controlling power in his hand during the succession process”; “the incumbent’s attitude towards company potentials to run without his presence”; “their degree of interest on the image they received from the company”, and “the level of interference to the business decisions after BSP.”

- The relationship between the incumbent and successor

The level of the relationship built up between successor and incumbent is another factor that affects the BSP. Family member successors might have better opportunities to build up close relationships with other family members than non-relative successors. If they have a good relationship it might have a good influence on the overall succession process. If the incumbent has a greater share of ownership of the company after the transition of the leadership to another (family member or non-family manager), there is a great possibility to supervise the new successor very closely. That creates a principal-agent relationship between the incumbent and the successor. This study defines the relationship between incumbent and successor as “Confidence in the successor’s capability to guide the FOB into a profitable future.” This study measured the relationship between the incumbent and successor by studying two indicators: “the incumbent’s willingness to share confidential information”; and “the recognition given by the incumbent to the successor.”

- Outside interests of the incumbent

According to Sharma (2001), “the urgency of the incumbent to begin succession will partially depend upon whether he or she has interests outside the business.” Therefore, if he or she has an interest in stepping aside, authorized personnel should consider this a matter of fact situation and let him or her leave the position without letting him or her interrupt the BSP. This study defines outside interest of the incumbents as “the level of benefits given to the incumbent after he steps-down from management and the outside activities that the incumbent is involved with at the time succession takes place.” Therefore, in this study, was measured this factor from two perspectives: “amount of outside activities” and “reorganization gained through outside activities”

5.2.2 Dependent variables

This study includes both subjective and objective measures to evaluate FOB performance. It was measured subjectively by the initial satisfaction with the business succession process, and it has measured business performance objectively and subjectively.

- Initial satisfaction with the business succession process

Cabrera-suárez et al. (2001) and Dyer (1986) suggested using the satisfaction of the incumbent, the successor and other family members with BSP as an indication of the perceived success of the BSP. Sharma et al. (2003a) employed this performance indicator for their study on “predictors of satisfaction with the succession process in family firms.” Sharma et al. (2001) collected data to measure satisfaction from incumbents and successors, but no data was collected from family members due to the limitation of the study framework. Their sample framework was FOBs that expected succession within the ensuing five years, and also those for which the event had occurred within the preceding five years. Under this study framework however, this study has collected data from FOBs who had their BSP within the period from 2000 to 2007. Therefore, it has failed to collect data from incumbents and their family members. Therefore, this study has come to the decision to measure initial satisfaction with the business succession process of the successors of various business units. This study defines initial satisfaction with the business succession process as “perceived satisfaction of succession before post succession FOB performance is accurately known.”

- Post succession business performance

In order to be objective, this study considered financial performance the same as business performance. Furthermore, Zahra (1991) emphasises that growth measures for performance may be more accurate and available than accounting measures of financial performance. Rosemond (n.d) (cited in Etzioni, 1964) has reported that performance should be viewed in relation to one or more goals in an organization, and has suggested percentages to measure performances for businesses. In this context, this author agrees that business

performance is a valid indicator for assessing the effectiveness of BSP (Morris et al., 1997; and Goldberg, 1996). Hence, this has been used to compare pre and post succession performances of FOBs. Financial outcomes enable managers and business owners to make decisions and plan business development (Jenkins, 1995 as cited in Wang et al., 2004). Financial outcomes are broadly utilized in the SME and entrepreneurship literature (Morris et al., 1997). However, there is broad agreement that no one single financial indicator can accurately and comprehensively capture business performance, particularly in the scope of small firms (Daily and Dollinger, 1992). Taking this into consideration, it is preferable to devise a multiple measure of financial performance and interpret the results based on one indicator in conjunction with other indicators. This study used business performance as a second dependent variable.

There are a number of performance evaluation tools available for profit-oriented organizations. Most of these techniques directly relate to the financial performance of the organization. “Profitability” and “management efficiency” are the indicators commonly used. Return on Equity (ROE), Return on Sales (ROS), Return on Assets (ROA) and Earnings per Share (EPS) are some common examples of profitability indicators. After considering the study population, this study expected to use Average Returns on Assets (ROA) and Average Returns on Sales (ROS).

In order to be subjective, further, this study considered to use a scale to measure successor’s perception about business performance. For that, this study used scale named “the perceived success of the succession process” developed by Venter, Boshoff, and Maas in 2005.

5.2.3 Moderating variables

- Moderating 1: family member successors

This study defined family member successor as “individuals who have a relationship with the incumbent and family by blood or by law.” In general, the transition will come from generation to generation, but sometimes, due to the unavailability of blood relations; there is consideration given to whether the business should be handed over to more distant, legally binding relations. Thus, this study considers both types of successors as family member successors.

- Moderating 2: Unrelated manager successor

Professionalization refers to the adoption of unrelated managers to fill management positions, especially the CEO’s position (Zhang and Ma, 2009). The adoption of unrelated managers signifies the separation of ownership and control, or at least it dilutes the family control in the actual management of the business. Under these circumstances, the unrelated manager successor is defined in this study as “an individual who takes full charge of the day-to-day operations while retreating to the board of directors to assume advisory and supervising duties.”

Hypothesis of the Study

Alternative hypothesis (H1): The incumbent’s interest to let go significantly correlates with the initial satisfaction with succession process.

Alternative hypothesis (H2): The incumbent’s interest to let go significantly correlates with post succession business performance.

Alternative hypothesis (H3): The relationship between the incumbent and the successor significantly correlate with initial satisfaction with the business succession process.

Alternative hypothesis (H4): The relationship between the incumbent and successor significantly correlate with post succession business performance.

Alternative hypothesis (H5): Outside interests of the incumbent significantly correlates with initial satisfaction with the business succession process.

Alternative hypothesis (H6.): Outside interests of the incumbent significantly correlate with the post succession business performance.

5.3 Population of the study

According to Dyck et al. (2002) and Vancil (1987) (cited in Sharma et al., 2003a), “rich qualitative studies conducted on succession have all observed that the process is lengthy, and it may take 15–20 years.” Therefore, identifying the exact time period of the BSP is a very hard task (Sharma et al., 2003a). To overcome this however, Sharma et al. (2003a) suggest selecting a sample from a period when involved parties can perfectly remember incidents of the BSP. Therefore, this study screened the population of “FOBs that have done their BSP within the period from 2000 to 2007”. The study cannot include FOBs which have done their BSP after 2007 because three years of post succession business performance is required to evaluate. Under these circumstances, the first screening criterion assumes that the BSP was completed within the time period 2000 to 2007, and secondly it assumes that memories of the BSP are relatively fresh in the minds of the incumbent and that their responses will be accurate. After considering the above-mentioned situations, the study populations are shown below.

“Family owned business has done their business succession process within the period of 2000-2007

with family member successor or unrelated manager in Sri Lanka.”

Due to a national database for screening being unavailable, SME database was used because according to the literature, the majority of SMEs are FOBs (Commission, 2006).

5.4 Sample and sample selection method

Different organizations, authors and other interested parties use diverse definitions based on purpose and therefore a universally accepted definition cannot be decided. By considering the study framework, this study used the definition given by Neubauer and Lank (1998), (cited in Mustakallio, 2002) to identify the study population. According to them, a FOB is “any form of business association where the voting control is in the hands of a given family.” According to Sumanasena (n.d)

“The most common categorization based on employees in Sri Lanka is 4 to 49 employees for small-scale enterprises, 50 to 149 for medium scale enterprises and more than 149 employees for the large scale.”

Thus, for this study, the population is defined based on the following criteria:

- 1) The sample unit must fit into the aforementioned definition.
- 2) The SME has had a succession within the period 2000 to 2007.
- 3) A family member successor or an unrelated manager successor has been appointed to the top executive senior position (CEO/ Chairman).

The database managed by the National Chamber of Commerce in Sri Lanka used to distinguish FOBs from SMEs. For selecting sample units, the following procedure has been applied.

5.5 Sample elements

Targeted respondents included FOB successors: family member successors and unrelated manager successors that had been appointed within the period 2000 to 2007 in medium-sized FOBs.

6. Data collection design

A structured study questionnaire that has developed by combining with universal accepted scales and author developed scales.

Table 2: Self developed scales to measure the level of influence come from stakeholders

Stakeholder	Number of statements	Type of measurement
Successors’ factors influencing propensity to take over management	18	5-point Likert-type rating scale ranging from: 1 = strongly disagree; to 5 = strongly agree
Incumbent’s factors influencing their propensity to step aside	10	
Family factors influencing acceptance of the new role	08	
The influence comes from non-family owners and managers	05	

Source: Author developed based on exploratory study

Dependent variables: In addition to the financial data, the study used Venter et al. (2005) “the perceived success of the succession process” scales for collecting business performance information subjectively. The original alpha values for this scale was 0.84. Initial satisfaction with the succession process was measured through the scale developed by Sharma et al. (2003a). This instrument was constructed by 12 statements which were equally weighted. Every independent variable was also a construct calculated as an equally weighted average of the relevant indicators. The original alpha values for this scale was 0.93. The questionnaire was originally developed in the English language, and then translated into Sinhala and the Tamil language. It was distributed in two formats: Sinhala and English format, or Tamil and English format, to increase the response ratio from the respondents.

6.1 Data collection methods

This study utilized postal and electronic mail surveys simultaneously as the data collation method. The questionnaire was sent with a covering letter and return-paid envelope to ensure it was convenient for the respondents to submit their information. The first reminder was sent three weeks after the initial mailing and the second reminder was sent after six weeks. In addition, selected FOBs were personally visited to some selected FOBs in order to get a deeper understanding about their BSPs.

6.2 Reliability and validity

To test the internal consistency and reliability of the study, it used Cronbach’s alpha. Table 3 reports that Cronbach’s alpha values of the variables exceed the 0.7. The study employed the scales developed by Sharma et al. (2003a) and Venter et al. (2005) for the present study. Sharma (2003) and Venter et al (2005) have confirmed that the scales were reliable (Cronbach’s alpha values were within the acceptable range). However, these scales

were translated to Sinhala and Tamil languages. Therefore, again a reliability analysis was done and all independent and dependent variables were within the acceptable range.

Table 3: Reliability analysis

Construct	Variable	Cronbach's alpha
Incumbent related factors	Incumbent's level of interest to let go	.710
	Relationship between incumbent and successor	.724
	Incumbent's level of outside interest	.735
Business performances		.821
Initial satisfaction with the business succession process		.721

Source: Pilot survey

6.3 Response rate

In total, 156 responses were received during the data collection period. The number of useable returns is 128 (82%) and the number of non-useable returns is 28 (18%). The 28 responses had to be rejected particularly from hypothesis testing, since they did not have several key questions entirely completed. The 128 usable questionnaires were evenly split between two respondent groups: 86 questionnaires received from family member successors, and 42 received from unrelated manager successors.

7. Data analysis and Discussion

The normality of the data set was evaluated by Kolmogorov - Smirnov (S - K) and Shapiro - Wilk (S - W) tests. Results are in significant levels of S - K and S - W (greater than 0.05 ($p > 0.05$)). Therefore the normality was assumed (Annexure B). Test for linearity measures whether the relationships between the predictors and the outcome variable are linear. It was tested through residual plots obtained by SPSS 17.00 and most of the residuals were scattered around zero point and had oval shapes. Box-plot diagrams were used to identify outliers of the above variables and ones the outliers appeared it was replaced by the mean of the sample set. The multicollinearity test was conducted here to disclose whether two independent variables are highly correlated or not. According to the results, there is no strong positive or negative correlation between any pair of variables. It can therefore be concluded that there is no multicollinearity problem between any pair of variables selected for this regression analysis. Further. Scatter plots of regression residuals and Durbin Watson test was used to measure homoscedasticity. The Durbin-Watson statistic has been in the range of 1.75 to 2.25 indicating the values are independent.

7.1 Incumbent's factors influencing their propensity to step aside

Incumbent's interest to let go

Table 4: Incumbent's interest to let go

Hypothesis No.	Relationship	Correlation	M	SD	N	Sig.
H1.a1	With initial satisfaction (All successors)	.447**	3.35	.58	128	.000
H2.a1	With post succession performance (All successors)	.283**	3.35	.58	128	.001
H1.a2	With initial satisfaction (Family successors)	.485**	3.29	.56	86	.000
H2.a2	With post succession performance (Family successors)	.431**	3.29	.56	86	.000
H1.a3	With initial satisfaction (Unrelated successor)	.291	3.46	.61	42	.061
H2.a3	With post succession performance (Unrelated successor)	.206	3.46	.61	42	.521

** denote significance at 1 percent level (2-tailed)

Source: Survey data

The results show that the incumbent's interest to let go positively correlates with initial satisfaction with the business succession process and post succession performance except unrelated manager successor. In the Sri Lankan context, this should not be a serious issue. Most Buddhist and Hindu elders are content to hand over the business in order for the successor to get ready for happiness in the next birth, or to reach "Nirvana" (to stop the recurring process of birth and death). In some cases though, incumbents continue working with FOBs and influence them even after they step down.

Relationship between incumbent and successor

Table 5: The relationship between incumbent and successor

Hypnosis No.	Relationship	Correlation	M	SD	N	Sig.
H3.b1	With initial satisfaction (All successors)	.447**	3.30	.50	128	.000
H4.b1	With post succession performance (All successors)	.360**	3.30	.50	128	.000
H3.b2	With initial satisfaction (Family successors)	.564**	3.30	.53	86	.000
H4.b2	With post succession performance(Family successors)	.439**	3.30	.53	86	.000
H3.b3	With initial satisfaction (Unrelated successor)	.114	3.32	.48	42	.471
H4.b3	With post succession performance (Unrelated successor)	.206	3.32	.48	42	.192

** donate significance at 1 percent level (2-tailed)

Source: Survey data

According to lengthy discussions with both types successors, some said they received the opportunity to grow and develop under supervision from the incumbent. However, they said it brought mixed results. Due to the close relationship, the incumbent gave all knowledge and other business contacts without any hesitation. In some cases though, the incumbent interfered with business activities either directly or indirectly, and this close relationship infringed into the freedom of the successor's decision making. The new successor though cannot take negative steps against the incumbent though, due to the closest relationship they have.

Some new successors strongly emphasise the positive points they gain from the incumbent such as self-confidence, encouragement and supervision during the grooming stage, whereas some successors complain about disturbances, negative responses to incidents, poor feedback and negligence.

Outside interests of the incumbent

Table 6: Outside interests of the incumbent

Hypnosis No.	Relationship	Correlation	M	SD	N	Sig.
H5.c1	With initial satisfaction (All successors)	.346**	3.13	.40	128	.000
H6.c1	With post succession performance (All successors)	.187*	3.13	.40	128	.035
H5.c2	With initial satisfaction (Family successors)	.273**	3.09	.44	86	.001
H6.c2	With post succession performance(Family successors)	.260*	3.09	.44	86	.016
H5.c3	With initial satisfaction (Unrelated successor)	.051	3.22	.30	42	.748
H6.c3	With post succession performance (Unrelated successor)	.182	3.22	.30	42	.249

* donate significance at 5 percent level (2-tailed)

** donate significance at 1 percent level (2-tailed)

Source: Survey data

When the incumbent has additional interests, apart from business activities, it positively correlates with the successor's initial satisfaction with the business succession process and post succession performance. This reduces the level of interest shown toward only business activities. In Sri Lanka, under Buddhist and Hindu cultural environments, people tend to concentrate on religious work as they become older. Generally, such people are happy to step aside from business activities, especially in order to begin their new role with religious and social work activity.

Table: Acceptance and rejection of null hypothesis (influential factors and initial satisfaction about business succession process)

Table 7: Acceptance and rejection of null hypothesis (influential factors and post succession business performances)

Hypnosis No.	Family member successor	Unrelated manager successor	All Successors
H3.a1	Rejected	Supported	Rejected
H3.b1	Rejected	Supported	Rejected
H3.c1	Rejected	Supported	Rejected
H3.a2	Rejected	Supported	Rejected
H3.b2	Rejected	Supported	Rejected
H3.c2	Rejected	Supported	Rejected

Source: Survey data

8. Conclusion

When the incumbent is getting close to retirement, the FOB and the owner-family is in a dilemma about the new successor appointment, and success after the new appointment. If this process fails, that occurs just occasionally, it is the biggest loss in the entire life of the business entity. It is clearly not a regular incident in these generic types of businesses. Succession usually means one generation handing management to the next generation. Most managers and family members do not have any experience with business succession processes. On some

occasions, just the incumbent has some understanding of what is going to take place, due to the fact that he was the successor in the last transition.

The relationship between the incumbent and the successor is the next critical factor. If the incumbent has developed a good relationship with the successor, it directly increases the successor's confidence, and opens a path to pass knowledge from the incumbent to the successor and to become aware of other supportive hands around the FOB including customers and suppliers. Therefore, the incumbent's involvement is vital. Their involvement developing family harmony is another critical role.

References

- American Family Business Survey.(1997) The Arthur Andersen/Mass Mutual American family business survey, [online], [quot. 10 February 2013]. Available on World Wide Web: <http://www.arthurandersen.com/CFB.97surv.asp>.
- Beckhard, R., Dyer, W. G., Jr.(1983) Smr Forum: Managing Change in the Family Firm: Issues and Strategies, Sloan Management Review, 24(3) 59-65, ISSN: 15329194.
- Brockhaus, R. H.(2004) Family Business Succession: Suggestions for Future Study. J. of Family Business Review, 54(4) 105-114, ISSN: 0894-4865.
- Cabrera-Suarez, K., De Saa-Perez, E, Garcia-Almeida, D.(2001) The succession process from a resource and knowledge-based view of the family firm, J. of Family Business Review, 114(1) 37-47, ISSN: 0894-4865.
- Chrisman, J. J., Chua, J. H., Sharma, P. (2005) Trends and Directions in the Development of a Strategic Management Theory of the Family Firm, J. Entrepreneurship Theory and Practice, 29(5) 555-576, ISSN: 15406520.
- Daily, C. M., Dollinger, (1992) M. J. An empirical examination of ownership structure in family and professionally managed firms, J. of Family Business Review, 5(2) 117-136, ISSN: 0894-4865.
- Davis, J. A., (1982)The influence of life-stage on father-son work relationship in family companies. Doctoral Dissertation, [online], Harvard Business School. [quot. 11 May 2013], Available on World Wide Web: <http://onlinelibrary.wiley.com/doi/10.1111/j.1741-6248.1989.00047.x/pdf>.
- Davis, P. S. Harveston, P. D. (1998) The Influence of Family on the Family Business Succession Process: A Multi-Generational Perspective. J. of Family Business Review. 22, ISSN: 0894-4865.
- De Massis, A., Chua, J. H., Chrisman, J. J. (2008) Factors preventing intra-family succession, J. of Family Business Review, 21(2) 183-199, ISSN: 0894-4865.
- Dyck, B., Mauws, M., Starke, F. A., Mischke, G. A. (2002) Passing the baton: The importance of sequence, timing, technique and communication in executive succession, J. of Business Venturing, 17(2) 143-162, ISSN: 1204474818.
- Dyer, W. G. Jr. (1986) Cultural change in family firms: Anticipating and managing business and family transitions, San Francisco: Jossey-Bass. A, E, ISBN: 978-0-470-62200-1.
- Handler, (1989a) W. C. Methodological issues and considerations in studying family businesses. J. of Family Business Review, 26(2) 49-56, ISSN: 0894 -4865.
- Kets De Vries, M. F. R. (1993) The dynamics of family controlled firms: The good and the bad news. J. of Organizational Dynamics, [online], [quot. 12 March 2013], Available on World Wide Web: http://gsapp.web.rutgers.edu/cstudents/readings/Summer/Ballet_Family_Systems/ketsdevries_dynamics.pdf.
- Lansberg, I. S. (1988) The succession conspiracy. J. of Family Business Review, 1(2) .119-143.
- Miller, D., Steier, L., Le Breton-Miner, I. (2003) Lost in time: Intergenerational succession, change and failure in family. J. of Business Venturing, 18(4) 513-531, ISSN: 0883- 9026.
- Morck, R., Yeung, B. (2003) Agency problems in large family business groups. J. of Entrepreneurship Theory and Practice, 27(4) 367-382, ISSN: 10422587.
- Morris, M. H., Williams, R. O., Allen, J. A., Avila, R. A. (1997) Correlates of success in family business transitions, J. of Business Venturing, 12(5) 385-401, ISSN: 0833- 9026.
- Mustakallio, M.A. (2002) Contractual and relational governance in family firms: Effects on strategic decision-making quality and firm performance, Dissertation for the degree of Doctor of Science in Helsinki University of Technology, [online], [quot.2 February 2013] Available on World Wide Web: <http://lib.tkk.fi/Diss/2002/isbn9512263335/isbn9512263335.pdf>.
- Potts, T.L., Schoen, J.E., Engel Loeb, M., Hulme, F.S. (2001) Effective retirement for family business owner-managers: Perspectives of financial planners--Part 1. J. of Financial Planning, 14(6) 102-115, ISSN: 1040-3981.
- Sharma, P., Chrisman, J. J., Chua, J. H. (2003a) Predictors of satisfaction with the succession process in family firms, J. of Business Venturing, 18(5) ISSN: ISSN: 0883-9026.
- Sharma, P. (1997) Determinants of the satisfaction of the primary stakeholders with the succession process in

- family firms [online], University of Calgary, Canada. [quot. 25 April 2013]. Available on World Wide Web: <http://www.ucalgary.ca/files/haskaynefaculty/qualitysuccession.pdf>.
- Sharma, P. (2001) Stakeholder management concepts in family firms. Proceedings of International Association of Business and Society [IABS], . 254–259.
- Sharma, P.(2003) Stakeholder Mapping Technique: Toward the Development of a family firm typology. J. of Academy of Managements 2002 annual conference in Denver [online], [quot. 28 January 2013]. Available on World Wide Web: <<http://www.wlu.ca/documents/842/2003-01-MOB.pdf>>.
- Sharma, P., Chrisman, J. J., Pablo, A. L., Chua, J. H. (2001)Determinants of initial satisfaction business succession process in Family Firms: A Conceptual Model. J. of Entrepreneurship Theory and Practice, 26(2) 17-35, ISSN: 1368-265X.
- Sharma, P., Chrisman, J.J., Chua, J.H., (2003b) Succession planning as planned behaviour: Some Empirical Results, J. of Family Business Review, 37(4). 42- 58, ISSN: 0894-4865.
- Sharma, P., IRVING, P.G. (2005) Four Bases of Family Business Successor Commitment: Antecedents and Consequences. Entrepreneurship, J. of Theory and Practice 29(1) 13- 33, ISSN: 1540-6520.
- Sumanasena, K (N.D.) Country Paper Sri Lanka. [online] Sri Lanka Chamber of Small Industries, [quot. 18 December 2012]. Available on World Wide Web:<<http://www.sphconsultants.com/icsi/anka.pdf>>.
- Venter E, Boshoff, C, Maas, G. (2005) Succession in family businesses in South Africa: a comparative study of owner-managers and successors, [online], [quot. 2013-04-08]. Available on World Wide Web: <<http://sbaer.ua.edu/study/icsb/2004/paper7.pdf>>.
- Zahra, S. A. (1991) Predictors and financial outcomes of corporate entrepreneurship: An exploratory study, J. of Business Venturing, [online], [quot. 25 March 2013]. Available on World Wide Web: <http://www.sciencedirect.com/science/article/pii/088390269190019A>.
- Zhang, j., MA, H.(2009) Adoption of professional management in Chinese family business: A multilevel analysis of impetuses and impediments. Asia Pacific J. of Management [online]. [quot 25 March 2013]. Available on World Wide Web: <<http://www.springerlink.com/content/104121540561372j/fulltext.pdf>>.