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AN INTEGRATED FRAMEWORK FOR TESTING THE SUCCESS OF THE FAMILY BUSINESS SUCCESSION PROCESS ACCORDING TO GENDER SPECIFICITY

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ABSTRACT

An important issue that is evolving in the family business literature is the increasing involvement of women in businesses and more specifically, the family firm. There have been very few studies dealing with gender issues in the family firm ownership and management, even though the global rise in female entrepreneurship and self-employment has been quite dramatic. This paper seeks to integrate gender specificity and family firm succession in a conceptual framework that will highlight this fundamental relationship. More specifically, as the trend for women to take over leadership positions in family firms is evolving, our framework is used to investigate whether the success of the succession process depends on the successor's gender. For this purpose, we make use of the Analytic Hierarchy Process and base our findings on evidence from the literature. An interesting finding is that women seem to outperform men on the "satisfaction with the succession" dimension, while men seem to outperform women on the "effectiveness of the succession" dimension

1. INTRODUCTION

The Family Firm is an increasingly vital player in the economy (Duman, 1992). One of the events that may disrupt the smooth evolution of a family business is a generation transition and succession. There have been very few studies dealing with gender issues in the family firm ownership and management, even though family firms account for an estimated 80 percent of all American businesses, and about one-third of these family firms are owned by women (Sonfield & Lussier, 2003). Additionally, the global rise in female entrepreneurship and self-employment has also been noted by OECD studies in 2000 (OECD, 2000) and the National Federation of Women Business Owners in 1997 (National Federation of Women Business Owners, 1997). More particularly, in the USA alone, it is anticipated that women will soon own fifty percent of all US businesses and that there will be an upsurge in female inheritance, ownership and management of companies founded immediately post-war, over the period 2000-2020 (Daniels, 1997; Achua, 1997).

On the other hand, succession issues have received extensive attention lately (Dyer & Sanchez, 1998), as related articles have grown twofold in the nineties (Wortman, 1994).

Family businesses are defined as “businesses in which ownership and / or policymaking are dominated by members of an emotional kinship group” (Carsrud, 1994). They differ from other businesses in that ownership and/or control overlap with family membership (Lank, 1997) as all major operating decisions and plans for leadership succession are influenced by family members in management positions or on the board (Handler, 1989). On the other hand, the succession process, as stated in the research literature, is “the transfer of leadership, ownership or control from one family member to another” (American Family Business Survey, 1997). The basic stakeholders in the transition process are similarly identified as: the incumbent, the successor, and the other family members (Handler, 1989).

This paper draws on existing literature and seeks to integrate gender specificity and succession in a conceptual framework that will highlight this fundamental relationship. More specifically, as the trend for women to take over leadership positions in firms is evolving, our framework is used to investigate whether the success of the succession process depends on the successor’s gender. For this purpose, we make use of the Analytic Hierarchy Process and base our findings on evidence from the literature.

2. THEORETICAL BACKGROUND

The critical success factors (CSF) that affect the outcome of the leadership/ownership transition are numerous. With regards to the satisfaction dimension, the “incumbent’s propensity to step aside”, the “successor’s willingness to take over”, the “agreement among family members to maintain family involvement”, the “acceptance of individual roles”, and “succession planning” are quite significant (Sharma, Chrisman & Chua, 2003). Most of the literature, however, discusses factors that affect the “effectiveness” dimension of the succession process. Research suggests that the characteristics of successful successions are the “well prepared successors”, the “positive relationships” and the “succession planning attempts” (Morris, Williams, Allen & Avila, 1997). Additionally, the “successor’s relation with the past” affects the outcome of the succession. More specifically, the approaches from the successor’s point of view to be avoided are: a too strong attachment to the past, a wholesale rejection of it, and an incongruous blending of present and past (Miller, Steier & Bretton Miller, 2003). Other factors that have a negative impact on the succession process are the “family rivalries” (Dyer, 1986) and the “incompetent or unprepared successors” (overdependence, conservatism, rebellion, excessive change, ambivalence, confusion, stagnation or abandon, compulsive consensus or conflict, stifling bureaucracy or chaos) (Kets De Vries & Miller, 1987). From another perspective, the “positive succession experience” (fulfilled career, psychosocial, and life stage opportunities in the context of the family firm, the capability to exercise personal influence in the family business, the achievement mutual respect and understanding with the incumbent, and finally the high commitment to the continuation of the family business) plays an important role in the succession process (Handler, 1990). Furthermore, it is claimed that the “sequence” (appropriate skills & experience of successor), the “timing” (effective passing), the “baton passing technique” (succession details) and “communication” are crucial for the successfulness of the transition (Dyck, Mauws, Starke & Mischke, 2002). Some others researchers

identified the “desire to pass on a business”, the “ability to carry out the desire”, the “willingness of heirs to accept responsibility” (Dascher & Jens, 1999), and the size of the family firm (Wong, McReynolds & Wong, 1992) as key attributes. Finally, a psychographic approach to succession (DiMatteo, 2004) regards as critical tasks in the succession process the following: 1: Breaking through assumptions, beliefs, psychological barriers of succession; 2: Creating Dialogue - Managing the psychological tasks of succession; 3: Strategic Planning - Creating the future; 4: Aligning strategic planning with succession planning; 5: Tactical - Training, coaching, mentoring, estate planning; 6: Succession Transition; 7: Managing Change.

With regards to the role of the gender in the succession process, it is obvious in the literature that male offspring are favored as far as the passing over of the family business is concerned (e.g. Family Business Network research, 1995; Allen & Langowitz, 2003) regardless of suitability (Miller, Steier & Bretton Miller, 2003). There still exist perceptual barriers to women's advancement to senior management positions (Crampton & Mishra's, 1999), literally known as “glass ceiling”.

It is also a fact that men and women differ in many attributes and characteristics. For instance, as far as self-employment motives are concerned, men's main drive is wealth creation and economic advancement, while women's drive, is to achieve a family related lifestyle, some flexibility to balance work and family, as well as constructivism, and economic parity (DeMartino & Barbato, 2003). However, as the number of women in top positions is constantly increasing (e.g. American Family Business Survey, 1997; Taylor, 2002), it is important to find out whether this obvious bias against women is founded on real trait or performance based input, or if it is just a consequence of the socio-cultural values.

There is a lack of an integrated conceptual framework, which deals with both dimensions (satisfaction and effectiveness) of the succession process as a synthesis of the various perspectives in order to come up with a coherent and concise two-dimensional succession framework. The model by Morris et.al (1997) touches on satisfaction with the succession process but concentrates on the effectiveness of succession. Even an ambitious conceptual framework by Sharma et al. (2000), which attempts to make a two-dimensional integrated approach, focuses only on factors that affect initial satisfaction with the succession process, and does not provide weights for the importance of the success factors. What's more, there is no information in the research literature about gender-specific outcome measures of succession in family firms (Astrachan, Allen, Spinelli, Wittneyer, & Glucksman, 2002). Men and women have been compared in specific traits, but there is no integrated approach, and thus no evidence as to who can handle more efficiently a succession process.

3. FRAMEWORK & HYPOTHESES

The conceptual framework depicted in the model below is a result of a concurrent synthesis and analysis of the existing literature on succession, and will provide the basis for our hypotheses and establish a two-fold causal relation between the two dimensions. Sequential rationale suggests that if everybody is satisfied with the transition process, they will be more committed to it, more participative, flexible to negotiations, and therefore more effective in realizing the “baton passing”. Additionally, if the transition process is performed on time, as planned and in an efficient manner, it is more than highly likely that everyone (at least almost everyone) will be satisfied with it. Sharma

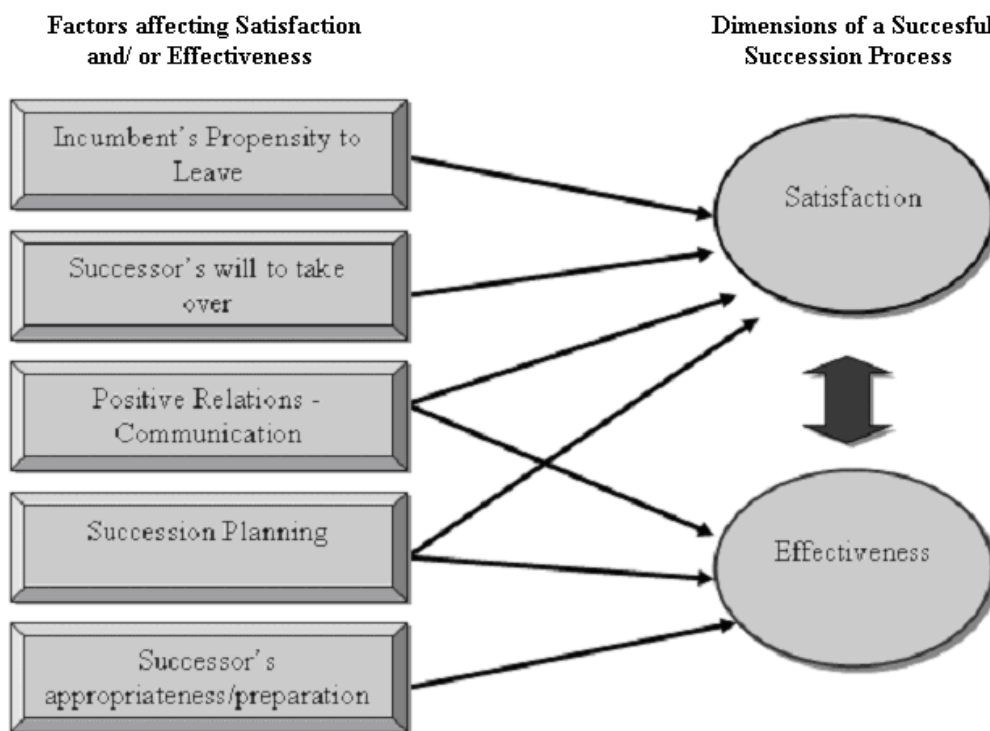
et al. (2000) confirm this interaction, by establishing a sequential cause-effect relationship between initial satisfaction, effectiveness, retrospective satisfaction and succession's success.

Along with the above distinction, we grouped a lot of different parameters into five critical success factors (CSF) that affect either the satisfaction with the succession process or the effectiveness of the process. In turn these five CSFs are affected by a number of other criteria that are analysed thoroughly. With the above framework, we overcome the lack of integrated approaches on succession and we separate the issue of succession into three hypotheses by focusing on the probability of success of a succession process with a male versus a female successor. Accordingly:

Hypothesis I: Women offspring are more likely to achieve better results in the satisfaction dimension of the succession process than male offspring.

Hypothesis II: Men offspring are more likely to achieve better results in the effectiveness dimension of the succession process than women offspring.

Hypothesis III: Men offspring are more likely to undertake a more successful succession process overall than female offspring.



4. METHODOLOGY

In order to investigate whether gender affects the succession process effectively, we used the Analytic Hierarchy Process (AHP) because the research issue is marked by lack of concise and absolute measurements concerning the influence of each CSF factor; the existence of hierarchical relations; and finally, a simultaneous manipulation of both quantitative and qualitative data. As a direct reflection of the aforementioned characterizations of the nature of the research problem, we used a multicriteria analysis as the most appropriate technique to obtain alternative answers to our propositions, taking into account the limitations of the AHP methodology.

The Analytical Hierarchy Process provides a practical way of coping quantitatively with complex decision-making problems (Saaty, 1980) and is based on three principles (Saaty, 1990):

1. The principle of constructing hierarchies
2. The principle of establishing priorities
3. The principle of logical consistency

Specifically, the advantages of using this method are (Zografos & Giannouli, 2001):

1. Provides a structured way of judgement
2. Provides a uniform level of reliability of the results
3. Provides the ability of justification of the outcome
4. Provides a causal thinking
5. Combines qualitative and quantitative criteria
6. Takes into account the research literature but also allows “compromising solutions”, when unavoidable
7. Allows for sensitivity analysis for the following:
 - a. *Classification (weighting) of dimensions in order of importance*
 - b. *Classification (weighting) of factors in order of importance*
 - c. *Development of the Analytic Hierarchy Process evaluation model*
 - d. *Assessment of alternatives’ potential*
 - e. *Multi-criteria analysis realization*
 - f. *Discussion of findings and sensitivity analysis*

In other words, AHP builds on the merits of the integrated conceptual framework and synthesizes the existing literature. The existing literature was reviewed in order to weigh as accurately as possible the dimensions, and critical success factors of the succession process, as well as to make pairwise comparisons between male and female successors. The exact weighing entails the subjective judgement of the authors, somewhat limiting the scope of this study’s potential. This methodology will set the stage for field research on the issue with specific focus on Greek family firms.

5. RESEARCH FINDINGS

The numerical calculations were performed by the Expert Choice software package (Expert Choice Inc, 1995). The multicriteria analysis produced weights of the two alternatives (male and female successors) as to their capability to fulfil a smooth generation transition. The sum of the two weights equals 1 and each can be perceived as a comparative indicator. Men were rated with 0.501

while women were rated with 0.409. The results suggest that men and women are almost equal as far as their potential to realize a successful succession in a family business. With the overall inconsistency of the model equal to 0.00, such a close rating of the two gender's capacity on the issue is surprising. If we take into consideration the distributive mode of the synthesis (vs. the ideal), we see very similar results with men scoring 0.495 and women 0.505. Whichever aspect we examine, the results are very close to being equal for men and women. It is evident that our research leads toward the conclusion that the success of the succession process does not depend on the gender of the successor. Therefore, Hypothesis III is rejected. What is interesting however, is that when sensitivity graphs analysis was performed using the corresponding option of the Expert Choice software, with the objective of understanding the underlying basis of the overall conclusion, women seem to outperform men on the "*satisfaction with the succession*" dimension, while men seem to outperform women on the "*effectiveness of the succession*" dimension. These results lead us to conclude that both Hypotheses I and II should be accepted.

These findings justify those who claim that men and women have complementary skills. Despite, contradicting studies (e.g. Sonfield & Lussier, 2003) men and women cannot perform comparatively on every managerial-specific challenge or capability. On the contrary, they possess different competencies and skills all of which are useful for the management of family firms. However, it seems that women outperform men on relational issues, while men outperform women on performance issues. The paper essentially makes an important contribution to the family business literature through a conceptual framework that tries to bridge the gap that exists in integrated efforts to understand the success of the succession process and more specifically, the success of gender-specific succession.

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