

Daniel Scheffold

Why 9 of 10 Family Businesses fail at succession

Learn what the 10 % make right.
Best practices from the UK and Germany



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Abstract

Purpose: Knowledge of the factors that influence success in the succession of family businesses is limited. Despite recent studies, theory cannot explain why only 10 % of all family businesses make it to the third generation. The aim of this dissertation is to identify critical success factors for succession in family businesses.

Methodology: A qualitative multiple-case study design with third-generation family businesses, two from Germany and one from the UK was employed. A cross-case analysis was carried out to identify critical success factors and then complemented by a single-case analysis.

Findings: Nine of the ten tested hypotheses were confirmed. These were successor development, professionalization, knowledge transfer, capital structure, corporate governance, family harmony, stepping aside, succession planning and long-term orientation. The hypothesis about dividend policy was not confirmed. No significant differences were found to be based on national influence.

Practical Implications: From the results, a new model for family business succession is developed which leads to four best practice recommendations. These are the implementation of shared leadership, linking ownership to management; ensure communication in the family to create family harmony and the use of outside consultants.

Limitations: Due to the case study design, this research does not provide statistical generalizable findings.

Originality/ Value: This study increases the knowledge about critical success factors of succession in family businesses. The use of cases from two countries and three different industries increases the significance. The newly developed model for family business succession proposes a new view on the succession process that should be tested by future studies.

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Table Of Contents

List Of Abbreviations	10
1. Introduction	11
1.1. Research Background	11
1.2. Aim And Objectives.....	12
1.3. Overview of Research Methodology	14
1.4. Structure Of The Dissertation	14
1.5. Summary	14
2. Literature Review	15
2.1. Introduction	15
2.2. Sources.....	17
2.3. Overview of Family Business Studies	19
2.3.1. Introducing The Family Business.....	19
2.3.2. Current Status Of Family Business Studies	21
2.3.3. Succession	22
2.3.4. Success In Succession	22
2.4. Related Business Studies	24
2.4.1. Entrepreneurship	24
2.4.2. SMEs	24
2.4.3. Differences Between SMEs In The UK And The German “Mittelstand”	25
2.5. Generating The Hypotheses	25
2.5.1. The Business	26
2.5.2. Ownership And Corporate Finance.....	27
2.5.3. The Family	30
2.5.4. Time Horizon	31
2.6. Conclusion And Research Gaps.....	33
3. Research Methodology	35
3.1. Introduction	35
3.2. Research Philosophy	35
3.3. Data Collection	35
3.3.1. Research Strategy	35
3.3.2. Case Study Design	36
3.3.3. Research Methods.....	37
3.3.4. Selection Of Cases	38
3.4. Data Analysis.....	39

3.5. Reliability, Validity And Limitations	40
3.6. Ethical Considerations.....	41
3.7. Summary.....	42
4. Presentation Of Case Studies.....	43
4.1. Introduction	43
4.2. Case Study Macsween: The Chieftain Of Scottish National Dish Haggis....	43
4.3. Case Study Kammerer: From A Basement To International Success	45
4.4. Case Study Wiesbadener Wach- und Schließgesellschaft: In 100 Years From Night Watchmen To Modern Security Solutions	47
4.5. Summary.....	48
5. Analysis Of Findings	49
5.1. Introduction	49
5.2. Background Information	49
5.3. Cross-Case Analysis	50
5.3.1. The Business – How To Change Without Changing Too Much	50
5.3.2. Ownership – How To Keep Control	53
5.3.3. The Family – Trust And Support Or Source Of Conflict?.....	56
5.3.4. Time Horizon – Inheriting The Past, Building The Future	58
5.3.5. Communication – Connecting The Perspectives.....	59
5.4. Single-Case Analysis	60
5.4.1. Critical Success Factors For Macsween Of Edinburgh	60
5.4.2. Critical Success Factors For Kammerer Gewindetechnik	60
5.4.3. Critical Success Factors For Wiesbadener Wach- und Schließgesellschaft	61
5.5. Summary.....	61
6. Conclusion And Recommendations	63
6.1. Introduction	63
6.2. Summary Of Findings And Conclusions.....	64
6.3. Recommendations And Best Practices	67
6.4. Limitations	69
6.5. Suggestions For Future Research.....	69
References	70
Bibliography.....	77
About the Author	78

List Of Tables And Figures

Figure 2.1.1: Visual representation of the literature review 16

Table 2.2.1: List of consulted journals 18

Figure 2.3.1.1: The Family Firm System 20

Table 5.2.1: Overview of company data 50

Figure 6.3.1: A new model for family business succession 67

List Of Abbreviations

CG:	Corporate Governance
CSF:	Critical Success Factor
EC:	European Commission
EU:	European Union
FB:	Family Business
FBs:	Family Businesses
SME:	Small and Medium-Sized Enterprise
UK:	United Kingdom