

## Exploring Succession Planning within Small Family Owned Businesses

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Succession planning involves the training of next-generation family members to remain as the core value in a family business. However, small family firms are facing higher risks of failure because the succession process does not receive much interest. Therefore, it is vital to find effective ways to transfer the less tangible considerations to the next generation family members. This paper will address several issues of family business succession planning, with the purpose of identifying the main triggers for succession, criteria of a good successor and types of education required to run the family business. This research employs a multi-method approach, where the distribution of survey questionnaires, interviews and observations were conducted over time. A total of 388 family businesses answered the questionnaires and from the findings, tacit knowledge, achieved from informal education, was the contemporary way of transferring the business, from the owner to the successor. It also explains the current trend of succession planning and the key issues associated with successfully development principle successors. Moreover, this paper provides the relationship between succession issues and the performance of Malaysian small family businesses.

Keywords : family businesses, succession planning, small family businesses, knowledge transfer

### 1 INTRODUCTION

This research highlights business succession issues, in Malaysian small family businesses. Suc-

cession planning minimizes the threats posed to family wealth, through generation transfer changes. Therefore, whether it is an individual, partnership, private limited corporation, or family business, the occurrence of wealth transfer change from one generation to another is inevitable and to a certain extent, serious. This explains why only a very small percentage of family businesses made it to the 3rd and 4th generation (Kuratko & Hodgetts, 2006).

According to Matlay (2000), small business plays an important role in representing around 99.8% of business activities, accounting for 68% of total employment, and 63% of business turn-

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over in the European Union. It is also supported by Coomaraswamy (2007), who state that, small and medium firms are a major engine for job creation, because of its heavy reliance on labour intensive techniques of production and the use of local input as raw materials. Thus, growth-oriented small businesses make a major contribution to economic development and employment generation within local communities and national economies (Smallbone & Wyer, 2000). However, not all small enterprises have growth as an objective, and therefore, contribute little to economic development. Gray & Lawless (2000) identified that the most important restriction, on small business growth, lies in the career motivations and personal expectations of each individual small business owner and manager.

The entrepreneurial successor will provide the stability and day-to-day direction needed, to keep the enterprise going. Research shows that many privately owned firms no longer exist after ten years. Only three out of ten survive into a second generation. Most significantly, only 16 %, of all privately owned enterprises, make it to a third generation (Kuratko & Hodgetts, 2006). Some research has been conducted in succession planning, particularly in family business firms. Ibrahim et al. (2003) report that the survival rate of family firms is very low compared to non-family firms, and so training family members is vital to improve their business skills, but also more importantly, to improve generational succession.

Succession planning is increasingly becoming an important issue for both large and small firms due to demographic factors, such as the rising number of employees due for retirement, and the dwindling number of younger workers stepping in to replace them. According to New-

ell (2002), small firms are less able to sustain and often struggle to retain key employees. At the same time, the small family firms that represent the majority, and facing higher risks of failure due to succession, do not receive much interest (Venter et al., 2005). Therefore, succession planning becomes a crucial discussion in business strategic planning. Yet, there is very little research exploring succession planning in growth-oriented small family businesses.

The remainder of this article is organized into four sections: (1) a review of previous studies on succession in family businesses, (2) research methodology, (3) findings, and (4) conclusion remarks.

## 2 LITERATURE REVIEW

A family business can be defined as “a business that will be passed on to the family’s next generation to manage and control” as mentioned by Ward (1987). Business succession is literally defined as “either the occurrence or the anticipation, that a younger family member has or will, assume control of the business from an elder” (Churchill & Hatten, 1987). Business succession is definitely one of the most critical processes in a firm’s lifecycle and attracted the interest of several researchers.

Business succession has been a central topic of family business literature, beginning in the 1960s, and represents almost one-third of the literature (Sharma et al., 1996). A business succession plan is a multidisciplinary process, providing a comprehensive and strategic approach to guiding the transition of business ownership. According to Le Breton-Miller et al. (2004), family business succession is a complex process that takes time and involves several different factors. Thus, transition to new ownership, whether within the family or to outsiders, is always a risky

proposition. However, through effective planning, the risks can be reduced and contingencies put in place.

A succession plan is an important component of any business strategic planning process. It will aid the business owner in preparing for the time when they will retire from the business or in more extreme circumstances, illness or death. With succession planning, the business will be more likely to survive through the transition of ownership and will maximize the return to the retiring owner's investment. By not preparing a succession plan, the future of the business may be put in jeopardy.

## 2.1 Succession Planning in Small and Medium Enterprises (SMEs)

Succession planning in particular, receives extensive emphasis in family business literature, (e.g. Danco, 1982; Kets de Vries, 1993; Ward, 1987; Ward & Aronoff, 1992; Williams, 1990). Succession is first a process (Barnes & Hershon, 1976; Davis, 1986; Morris et al., 1996) that takes time to develop and needs to be planned and managed in order to be successful. However, in this process, several subjects are involved: The owner (Ambrose, 1983; Rubenson & Gupta, 1996), the successor (Barach et al., 1988; Birley, 1986, 2002; Handler, 1990) and the family (Davis, 1968; Handler, 1990). Other studies have focused on the difficulties that may be involved in the process, highlighting, amongst other things, the complexity of the transfer of capabilities for running the business (Cabrera et al., 2001; Fox et al., 1996; Malinen, 2001).

Some research has been conducted into succession planning in Small and Medium Enterprises (SMEs), particularly in family business firms. The SME sector is crucial to building a strong middle class and is seen as essential for

creating a society's stability Coomaraswamy (2007). Malaysia adopted a common definition of SMEs to facilitate the identification of SMEs in various sectors and subsectors. By referring to the Small and Medium Industries Corporation (SMIDEC), an enterprise considered as an SME, in each of the respective sectors, is based on the Annual Sales Turnover or Number of Full-Time Employees. Therefore, in this research, the SMEs definition was based on Full-Time Employees i.e., a company is grouped to Micro-enterprises, if its full time employees number less than 5 workers, a Small-enterprise, with full time employees between 5 and 19 workers, and a Medium-enterprise with full time employees between 20 and 50 workers (SMIDEC, 2009). Most family businesses in Malaysia consist of Small and Medium Enterprises, and looking at the development of these family businesses, it was very difficult to assess their ability to survive.

Ibrahim et al. (2003) reported that the survival rate of family firms is very low compared to non-family firms, and so training family members is vital to both improve their business skills but also and more importantly, to improve generational succession. They identify some of the training issues as "unique" to family business, including the reluctance of the founder to let go, the lack of succession planning, the lack of grooming (of offspring) and managing the transition. Other previous research also identifies the critical factors that influence the succession process within UK family SMEs (Wang et al., 2004) and also explored the intergenerational differences amongst family firms (Sonfield & Lussier, 2004) to get a better understanding in family business succession. They found that first generation family businesses do less succession planning than second and third generations of family businesses. On the other hand, Sharma

et al. (2003) investigated the succession process satisfaction in family firms. Succession has two interactive dimensions, which are satisfaction with the process (the decision-making), and effectiveness of succession (its impacts). In their research, they proposed that satisfaction with the process is influenced by five factors including:

- The propensity of the incumbent to step aside
- The successor's willingness to take over
- Succession planning - as well as family and role issues.

They also found that perceptions varied between owners and successors, and that "owners were more satisfied with the process and believed more strongly that they were ready to step aside and the succession was planned". However, this misalignment may be because "the owners may not have communicated their propensity to step aside and may have been planning succession without consulting or communicating with their successors". In addition, Sharma et al. (2003) also investigated succession planning as planned behaviour and found that the propensity of a trusted successor to takeover, significantly affects the incidence of all succession planning activities. They concluded that succession planning may be the result of "push" by the successor, more than of "pull" by the owner.

## 2.2 Developing Successors and Knowledge Transfer

The basic purpose of the succession process is to pick the "best" person to be the new incumbent or owner. A key factor influencing succession planning is Human Resource Development (HRD), which includes organizational develop-

ment, career development and the learning development of potential successors. Beaver & Hutchings (2004) stated that by refusing to concentrate on strategic HRD in the short-term, translates into a lack of career path and succession planning in the long-term. Small firms use "OJT (on-the-job training) overwhelmingly, because of its low cost" (Beaver & Hutchings, 2004). They tend to focus on the informal transfer of work skills and knowledge to successors and this is particularly relevant in succession planning.

Hill & Stewart (2000) stated that small organizations often face a lack of any formal HRD infrastructures. Furthermore, small businesses are likely to have low levels of structural knowledge, due to the lack of financial and organizational resources (Beaver & Jennings, 2005). They are organized in simple, flat and less complex structures, with a high level of functional integration. However, most small business activities and operations, are governed by informal rules and procedures and there is less formalization and standardization in their work (Ghodian & Galleary, 1997; Spence, 1999). Moreover, such organization structures are likely to be organic and loosely structured, rather than mechanistic and formalized (Beaver & Jennings, 2005). Thus, the training and development role is carried out by the owner and the amount and quality is dependent on the management style of the owners and/or the families involved (Gray & Lawless, 2000). On the other hand, Harrison (2002) in his research found that owners have a lack of training and development skills and only have formal education and training for themselves. Much of what is learned is "tacit" knowledge (Nonaka, 1991) through informal learning.

One of the surrounding issues, involved in the business succession process, is the transfer

of tacit knowledge embedded in the owner's mind, to the successor (Sharma, 2004). The source of knowledge must collaborate, put effort into, and support the transfer. Naturally, the process will not happen over-night and it must be planned and managed. The initial step is the awareness of the need, and the motivation and active involvement of the incumbent. The owner should change from being the keeper of knowledge, to being its provider and disseminator. Knowledge transfer may happen only with a continuous personal and professional relationship between the two actors. The effectiveness of such exchanges depends on the strengths of the ties between the recipient and the source of knowledge (Hansen, 1999), reflected in the ease of communication and the intimacy of the family relationship. Family firms are considered to have some distinctive assets. Their competitive advantage is based on the tacitness of the knowledge embedded in these resources (Cabrera-Suàrez et al., 2001; Habbershon & Williams, 1999), and prominently in the owner's experience and expertise. Indeed, the founder's tacit knowledge is the strategic asset that needs to be transferred and developed, especially in small businesses. Yet, there is very little research on the transference of tacit knowledge in family owned businesses, for business succession. This paper makes a small contribution in this area.

### 3 METHODOLOGY

This research adapts non-probability sampling that provides a range of alternative techniques based on the researcher's subjective judgment (Saunders et al., 2003). Self-selection sampling was used for this exploratory research. The aims of this research were to identify the main triggers for succession, criteria of a good successor and types of education and training needed for

running the family business.

The study data was collected through questionnaires, interviews and personal observations. Approximately 500 questionnaires were distributed throughout Malaysia consisting of 14 states, and only 388 questionnaires were returned. From these 388 returned questionnaires, only 330 surveys were valid with a high response rate for data analysis. The surveys allowed approximately one hour for respondents to answer the questions. The survey instrument was adapted from several previous researches and was tested for its reliability with Cronbach's alpha of more than 0.9. On the other hand, the content validity was also based on the extent to which a measurement reflects the specific intended domain of content (Syed, 1998: 155). The variables were clustered using Factor Analysis, focusing on an Eigen value greater than 1 as the main factors. Appendix 1 shows the factor analysis table with factor loadings for each item. Variables with loading values of less than 0.4 were removed from the analysis (Hair et al., 1998). Therefore, the business performance variables consisting of 16 items were reduced to 15 items after the factor analysis.

During the distribution of the questionnaires, complete observer and unstructured interviews were carried out to give a more in-depth understanding of the research phenomena, especially answering the question of "how the owner trained their successor for business succession?" Unstructured or in-depth interviews were selected because they gave more insights, particularly on the problems and barriers of succession issues. Interviews were conducted on a one-to-one basis between researchers and respondents.

Data was collected from secondary sources i.e., journals, articles, seminar papers, newspaper cuttings, and past thesis. Researchers used

descriptive analysis including means, standard deviation and multiple regressions. For qualitative analysis, data was filtered and all unnecessary data was eliminated in the process of deducing data, displaying data and conclusion and verification of the study (Miles & Huberman, 1994).

## 4 ANALYSIS AND FINDINGS

### 4.1 Respondents Demographic Analysis

In this research, only 330 questionnaires were valid for analysis purposes, based on a high answer rate. Most of the questionnaires were self-collected by researchers. Based on frequency tabulation, respondent's demographic profiles were concluded, as shown in Table 1.

Table 1 indicates the percentage of respondent demographics, based on race, generation, number of workers, business categories and average income. The Malay race were the main respondents, rating at approximately two times more than Chinese, which formed the next

largest percentage. This was due to the Malaysian composition, which consisted of Malays (61%), Chinese (30%), Indians (8%) and others (1%), (Civilian Information Centre, 2003). This research found that nearly half of the respondents were the founders of business, and second generation indicated 10% less than the founder rate. This percentage decreased when the business was continued by the next generation. Thus, a very small percentage, with less than 6%, was found in the third generation of small family businesses. These findings support the past literatures, suggesting that 30% of firms survive into the second generation of family ownership, approximately 15% survive into the third generation (e.g. Kets & Vries, 1993; Matthews, Moore & Fialko, 1999; Ward, 1987) and a very small percentage of family businesses made it into the 3rd and 4th generations (Kuratko & Hodgetts, 2006).

The number of workers shows that more than half of these family businesses can be cat-

Table 1. Respondents Demographic

Demographic		Percentage (%)
Race	Malay	60.5
	Chinese	27.4
	Indian	7.2
	Others	5.0
Generation	Founder	45.8
	Second	32.8
	Third	5.5
	Others	15.9
Number of workers	Less than 5	63.4
	5-19	27.6
	20 and above	9.0
Business Categories	Service	47.6
	Manufacturer	4.9
	Financial	1.0
	Developer	2.9
	Distributor	19.0
	Media communications	4.9
	Others	19.7
Average income (In RM) 3.8 RM=1 USD	Less than 50,000	47.3
	50,000 – 100,000	26.4
	101,000 – 125,000	10.9
	125,000 and above	15.5

egorized as micro-enterprises with employee numbers of less than 5 workers based on the definition by the Malaysia Small and Medium Industries Development Corporation (SMIDEC). Furthermore, nearly half of the enterprises were small-enterprises and only small percentages (9.0 %) from this survey were medium-enterprises, with employee numbers of more than 19 workers. Small family businesses were mainly in the Service sector. It appears that the business categories deal with micro and small businesses, and as a result, the average income for these family businesses is less than RM50,000 (47%) and 26.4% income, between RM50,000 to RM100,000.

#### 4.2 Triggers for Succession

Firstly, research found that business continuity was the main reason for succession. This was also mentioned in previous research by Sekarbumi (2001). A business is created by its founders, always with the intension of an everlasting existence, because of all the hardship endured by the founders in establishing it. Consequently, the successors put their greatest endeavours into continuing company operation for their family, disregarding the company's profitability. On top of that, besides taking care of the founder's inheritance, the successor feels responsible to uphold company operations, as it involves the life of employees and their families.

Secondly, succession was taking place either due to aging, or from a willingness to give opportunities to the others. For the retired founders, they realized that preparation would take time and that it is not an instant process. Therefore, as many as 29.4% of the respondents, wanted to train their prospective successors to deal with business matters - as they were not easily impressed by educational background

alone. Therefore, those founders must train and observe their successor's capability of running the family business. Another fundamental requirement was the motivation of successors entering the firm. In conjunction with that, approximately 39.7% of the respondents said that gaining experience was their motivation to be involved in the family business. Szulansky (1996) also mentioned that a lack of motivation might result in procrastination, passivity or even rejection, in the adoption and use of new knowledge. Therefore, nearly 80% of the respondents stated that encouragement from former generations also motivated them to be involved in family business, as a part of the succession process.

On the other hand, research found that 17% of succession took place due to death. Because of this situation, the respondents had to take over their family business without any preparation, which in turn could be the cause of business failure, as it was difficult for the successors to take over effectively (Feltham et al., 2005). Therefore, well-groomed candidates were crucial to secure the continuity of the family business.

#### 4.3 Perception of Succession Planning amongst Family Businesses

Business succession represents a worldwide issue affecting economic and social development. The majority of respondents already had a plan in mind to groom their successors. In this survey, 245 out of 330 family businesses (74.2%) had succession plans of either formal or informal methods. The majority of the respondents (91.7%) decided to transfer the business to their family members when they retired, in order to retain the core values of the family business.

Researchers indicated that almost half (49%)

of the respondents believed that succession planning plays an important role for the continuity in a family business. Meanwhile, 38.4% of the respondents agreed that family members would be the first priority to be considered for high-level positions in the family business. Interestingly, 40.5% agreed that succession planning could be openly discussed amongst family members, in order to select the successor. Consequently, File & Price (1996) stated that the absence of a succession plan could cause serious problems, even leading to business failure. Due to the importance of succession planning, 261 respondents agreed that succession planning is supposed to be a part of the business strategic plan. In a similar manner, business planning is one of the key factors in a firm's success (Drucker, 1973). Therefore, half of the respondents mentioned that the founder should be responsible for putting the succession plan into the business strategic plan.

Finally, the analysis also shows that to form an effective succession plan does not require the participation of external professionals. This is due to the characteristic of small businesses that do not have a specific orientation in planning and rarely do they have a formal business plan. Indeed, in a small family business, planning is based on the personal perception and intuition of the owner-manager, and it is not generally formalized into documents or processes. The business idea may stick in the mind of the incumbent, but the management and other family members are marginally or not involved in this mental process.

#### 4.4 The Criteria of a Good Successor and Knowledge Transfer

The characteristics of the successor are one of the influential factors in the succession

process (Brockhaus, 2004; Venter, Boshoff, & Maas, 2005). Criteria of successors in literature reviews, weighed the pros and cons of choosing family members or outsiders. Concerning the respondents' point of view, 91.7% chose family members, because they would be more adaptive, of a similar background, understanding of company policies and maintain the values of the family business. More than 70% of the respondents mentioned that education background, child position in the family and gender, were not very important factors in selecting the family business successor.

The first criterion, mentioned by 71.9% of respondents, was that the successor must have efficiency in managing the family business. The respondents preferred to select an heir with sufficient experience of the family business and have an interest in running the business. Previous research also revealed that family commitment to the business is positively associated with the degree of successor training/experience (Wang et al., 2004) and experience in family business (Goldberg, 1996). According to Vagnoni & Bracci (2008), the successor not only needs to have basic business skills and knowledge, through formal education and training (external and/or internal to the firm), but also, deeper information of the family business.

Higher education was not important, because more than half (58%) of the respondents believed that informal education was more crucial than formal education. 93% of the respondents stated that they had already prepared informal training for their successor. The informal education is one of the ways for transferring tacitly embedded knowledge to the next generation, because it consists of a combination of observation and continual use and reuse (Nonaka & Takeuchi, 1995). This finding also supports the

previous study by Nonaka (1991), who mentioned that family firms learned more from “tacit” knowledge than from informal learning. Furthermore, tacit knowledge, embedded in the owner-manager’s experiences and skills, can only be transferred through observation, and thus direct practice in different decisional and managerial processes. Literature suggests that observation of the owner by tracking their work practices will foster the flow of tacit knowledge - moreover it will activate the learning by doing process. Activating such a process (involving both the owner and the successor), may lead to an acceleration of knowledge creation and transfer, and overcoming the causal ambiguity that generates stickiness (Vagnoni & Bracci, 2008). Again, it was dependent on the nature of the family business, where some businesses need skill rather than theoretical knowledge.

#### 4.5 The Relationship of Family Members and Business Performance

An attempt was made to assess the relationships ( $p < 0.05$ ) between business performance and the succession process. Originally, 16 items were used to assess business performance. However, after conducting the factor analysis, researchers removed one item due to the Eigen value being less than 0.4. Thus, to obtain a glob-

al measurement of the relationship, 15 items assessing the business performance, were grouped together after being recorded for consistent direction. In terms of business performance, the respondents were asked about their sales rates, business costs, profitability, business image and resource management. In addition to business development, there were questions on the increments of customer numbers, workers and business funding, invention of products/services, customer network/relationship and numbers of complaints solved. Table 2 shows the regression analysis that indicates relationships within the family members, which contribute to business performance, based on the significance value, of less than 0.05.

According to Longenecker et al., (2005), in families with a number of children, two or more may become involved in the family business, depending on the interests of the individual children. In some cases, parents feel fortunate if only one child elects to stay with the family firm. Nevertheless, it is unusual for several siblings to take positions within a family business. Even those who do not work in the business may be more than just casual observers, because of their position as heirs or partial owners. However, just as there are sometimes squabbles within a family, there can also be sibling rivalry within

Table 2. Regression Analysis

<b>Dependent variables</b> • Business Performance	Beta	t	P
<b>Independent variables</b>			
• Cooperation amongst family members	0.267	6.114	<b>0.000</b>
• Certain family members hostile to other members	0.157	5.285	<b>0.000</b>
• Self value for family business	0.145	3.495	<b>0.001</b>
• Sibling rivalry amongst heirs	-0.082	-2.768	<b>0.006</b>
F = 32.048			
P = 0.000			
R <sup>2</sup> = 0.302			

\*Significance level at 5%

a family business. Rivalry quickly becomes a problem amongst siblings and affects the family business. Thus, sibling rivalry amongst heirs may significantly influence business performance, as shown in the regression analysis. The negative value indicates that the increase of rivalry amongst heirs may reduce the family business performance.

The relationships between family members were generally positive, and tended to be based on trust, openness, respect, co-operation and closeness (Morris et al., 1996). The bonds between adult partners, parents and children, or between siblings, involved the highest level of attachment, affection and commitment. Many families are accustomed to making minor sacrifices for the good of the business. Family members usually have a tolerance for some inconveniences and disruptions to family life. Therefore, cooperation amongst family members significantly contributes to the success of the family business, with  $p$  values less than 0.05. There was however, some evidence of underlying conflict amongst particular individual family members. Family firms are known to suffer from nepotism, a lack of professionalism, conflict between family members, and a lack of adaptability. The relationships amongst family members in a business are more sensitive than relationships amongst unrelated employees. The existence of a family relationship adds an emotional overtone, which vastly complicates business activities. On the other hand, they also possess a sense of loyalty, the ability to foster entrepreneurial talents, long-term commitments to stakeholders and pride or self-value in their family traditions (Mukherjee & Padgett, 2005). Even though there was hostility amongst family members, if the situation can be managed effectively, it may enhance business performance

with new ideas generated, and inventions.

Overall, the regression analysis showed that cooperation amongst family members, certain family members hostile to other members, self-value and sibling rivalry amongst heirs, have contributed to family business performance. The positive significant values, indicate that the increase of cooperation, family hostility and self-value, may raise the family business performance. Furthermore, the negative value of beta designates that by decreasing sibling rivalry amongst heirs, may increase the family business performance.

## 5 CONCLUSION

Succession planning plays an important role in family business continuity in Malaysia. The results suggest a number of criteria for a successful successor. Firstly, the successor must be efficient in managing the family business. Efficiency can be achieved through sufficient experience and the successor's interest in running the family business. Therefore, the plan for the successor, in terms of business knowledge and experience, are the strategies to upgrade and improve the family businesses.

Previous studies have already proven that succession planning can ensure that a family business will last from one generation to the next. As mentioned by Drucker (1973), business planning is one of the key factors in a firm's success. The fact is that most micro and small family businesses have their succession planned and are inclined to implement informal education, as a method to train their successors. The founder's tacit knowledge is the strategic asset that needs to be transferred and developed, especially in small businesses. However, these micro and small businesses do not have a specific orientation in planning and seldom do

they have a formal business plan. Definitely, in small family a business, planning is based on the personal perception and intuition of the owner-manager; it is not generally formalized into documents and processes.

### 5.1 Theoretical and Practical Implication

Based on the research data from questionnaires, interviews and observations, researchers indicated that succession planning is vital for family business survival and continuity. This study also contributes to theoretical and practical implications of Malaysia's small family businesses. These research findings have increased the understanding and exposure of the current issues regarding family businesses in a small industries context. Previous research by Feltham et al. (2005), File & Price (1996), Kuratko & Hodgetts (2006), Sekarbumi (2001), Sharma et al. (1996), mentioned that the occurrence of wealth transfer change, from one generation to another, is inevitable and to a certain extent, serious. Malaysia, as a developing country has also faced the same phenomena with a very small percentage of family businesses making it to the 2nd and 3rd generation (see Table 1).

Furthermore, this research also produces a theoretical framework, which shows the significant relationship between succession planning and business performance. The significant difference between succession planning and business performance was found in terms of relationship between family members and the successor's commitment to running the family business. Researchers also believe that the low rate of family business survival is due to a lack of specific orientation in succession planning. From the survey, most of the respondents clearly had succession planning in mind; however, the succession plan was not formalized and was not

a part of the business strategic plan.

Therefore, to ensure a high survival rate of small family businesses, succession must be put into a strategic plan, to make certain that a successor has an adequate capability and knowledge of the family business. This research found that business continuity was the main reason for succession, followed by the aging factor or a willingness to give opportunities to others. The respondents also realized that preparation would take time and that it was not an instant process. Moreover, the main trigger for succession is death. In this situation, the heir has to take over the business without any preparation, which may consequently lead to the failure of the family business.

Overall, this study has explored some of the issues associated with the findings and successful development of principal successors, to ensure the survival and growth of micro and small family owned businesses. Indeed, the founder's tacit knowledge is identified as the strategic asset, which needs to be transferred and developed, especially in small businesses.

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## Appendix 1. Varimax-rotated factor analysis

Variables	Loading value							
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
<b>Business Performance</b>								
I have increased the sales rate	.815							
I have saved business costs	.795							
Business profit extremely increase	.752							
I have increased the business image	.747							
I have conducted the business sources effectively	.740							
Number of customers increased	.738							
I was successful enough to open a few new branches	.725							
I have received the Return on Investment	.709							
I have opened new business opportunities	.671							
I have increased myself confidence and business	.633							
Number of workers increased	.621							
I have solved many complaints	.617							
I have invented new product/services	.614							
I have increased the network/relationship with customers	.582							
Total amount of business funding was increased	.544							
<b>Issues in succession planning</b>								
Family members had conflicts of interests		.878						
There was bickering amongst family members		.849						
Certain family members had no respect for other members		.842						
Certain family members were considered uncooperative		.841						
There was an undercurrent of feeling amongst family members, which tended to pull them apart		.804						
Certain family members were hostile to other members		.788						
Other family members were resentful of my position in the firm		.749						
My involvement with the family business hurt my relationships with certain family members		.733						
Relationships amongst family members tended to be impersonal		.711						
There was considerable sibling rivalry among heirs		.633						
Family members played roles and were not themselves		.547						
<b>Management Skills</b>								
Knowledge about running a business			.837					
Decision making skill			.799					
Knowledge about business development			.773					
Knowledge about business environment			.769					
Knowledge about business success			.732					
Leadership skill			.724					
Risk taking skill			.684					
<b>Types of Training</b>								
Stress management				.788				
Management capability				.768				
Change management				.767				
Innovation/creativity				.713				
Interpersonal communication				.660				
Work in team				.619				
Industry/business/product knowledge				.550				
Problem solving skill/technique				.523				

# Exploring Succession Planning within Small Family Owned Businesses

Variables	Loading value							
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
<b>Perception regarding succession planning</b>								
Succession planning supposed to be a part of the business strategic plan					.783			
Succession planning is the business founders responsibility					.695			
Only family members will be considered for high level positions in the family business					.660			
My business has succession planning to continue my business					.647			
Succession planning has been openly discussed amongst our business					.618			
Succession planning is important for business continuances					.588			
<b>Roles of family members</b>								
Family members treated each other as significant						.764		
My family members trust one another						.740		
Family members were co-operative with one another						.725		
Family members worked as a team		-.459				.469		
<b>Commitment</b>								
I was not willing to put myself out for the firm							.741	
I felt pride being part of the family firm						.401	.636	
I feel like leaving the firm for good, at time							-.627	
What is your readiness level when you take over this business							.601	
I felt myself to be a meaningful part of the business							.599	
<b>Succession planning preparation</b>								
There is a relation between outside experience with family business								.817
There is a relation between family business and education that related to the business								.699
Technical skill								.594
Business experience is an important aspect for the business successor								.579
Technical knowledge								.572
<b>Nilai Eigen</b>	<b>14.104</b>	<b>7.723</b>	<b>5.833</b>	<b>2.879</b>	<b>2.592</b>	<b>2.567</b>	<b>2.180</b>	<b>1.777</b>
<b>% Varian</b>	<b>20.440</b>	<b>11.192</b>	<b>8.453</b>	<b>4.172</b>	<b>3.757</b>	<b>3.721</b>	<b>3.159</b>	<b>2.576</b>