TRANSFER OF OWNER- AND LEADERSHIP WITHIN THE FAMILY

The agony of an incumbent (2010-03-08)

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Abstract

The key to a successful transfer, of owner- and leadership of family-owned and headed businesses, to the younger generation is the incumbent. However, there are close and non-close stakeholders who wish to have their slice of the pie. Close stakeholders are other family members, co-owners and the management team. Each will feel their interests or positions in the firm threatened in case of a succession. Non-close stakeholders are customers, suppliers, cooperating businesses and competitors, as well as local, regional and national authorities. In one way or another even these have an interest in the succession scenario. Incumbents are presumed to be aware of the conflicting interests and the potential impact on all of them. It is no wonder, that they hesitates to take the necessary initiative to a succession process! Nonetheless, we expect family-business owners and leaders, in addition to running the firm, to initiate and plan for an – assumedly both complex and costly - transfer of ownership, as well as to prepare the next generation for a role as shareholders and leaders during a long and time-consuming period. To reach an effective succession within the family may require, not years but, decades of planning and preparations. We ask the questions whether, as a preferred alternative, consultants should provide a helping hand and, as a last resort, whether legislative efforts could make a difference.

Keywords:

JEL Classifications:

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1. INTRODUCTION

1.1 Purpose and limitations

The purpose of this paper, which is partly based on an empirical study and partly on a literature review, is to explore and analyze the complexities facing an older generation of shareholders and leaders in family-owned businesses when they are tackling the time-consuming and costly complexities of a transfer of the firm to the younger generation. We focus on obstacles caused by close and non-close stakeholders. The ultimate question is whether there is a need for legislative efforts in order to provide a helping hand to this process.

Stakeholder theory deals with the company as a going concern, not the narrow perspective of a transfer of owner- and leadership. Using this theory we can proceed in one or several of three ways. The first is to make a description, based on an empirical study, of which groups that have and exercise a legitimate interest in a certain running business. The function of the management team in relation to various interest groups is a second, or instrumental, angle. The third way is to ask the crucial question whether stakeholder theory provides a better explanatory framework than competing theories, i.e. a normative approach (Donaldson & Preston 1995). To us it seems that, when the theory is used to explore the interest groups in a going concern, all angles revolves around the management team; they are the stakeholder managers.

In a family business shareholders, managers and family members are often the same persons. In the event of a succession it is the majority owner(s) (in many cases the majority of the shares is held by individuals within a nuclear family) who holds the crucial position. This person determines who is going to be the new (majority) shareholder, who in turn appoints the members of the board, which subsequently decides who is going to hold the position as CEO. Thus, regarding the question who is going to be the new owner we believe that the close stakeholder manager is the majority shareholder (sometimes the family) who also indirectly influences the composition of the management team. Further, the managers in the older generation are the individuals who deals with other stakeholders in a succession process, such as suppliers and customers. Thus, they are the non-close stakeholder managers in this event. On the other hand, in most cases the only one who can map the whole scenario of stakeholders is the majority shareholder, who at the same time heads the business and is a family member. This, we believe, is the case in most family owned businesses and thus we hold the position that it is the majority owner (also CEO and family member) who is the key to a successful transfer of the firm to the next generation. However, in many cases, not least after several successions, the family firm can have a multitude of shareholders, with more or less close family ties. Not all of them are members of the management team. Additionally, to reach a majority (in voting power) may demand the cooperation between many owners. All will, obviously, further complicate a succession. Perhaps it is necessary to launch a formalized optional arena, such as shareholder gatherings or a family council, in order to deal with a succession. We will not further explore this scenario. Instead we develop what we believe is the situation in most family-owned businesses, at least in the first generation, namely that there is one majority shareholder who also heads the business. Minority owners can be e.g. a child, after a gift of shares, or an investor, who wishes to have an ownership position.

For the purpose of this paper stakeholders are defined as individuals, companies and authorities which have legitimate financial, career or identity reasons to act in case of a succession, not just passively approve of or reluctantly accept the outcome of the event. Other entities that may have an interest in the business and/or the succession are not dealt with in this paper.

We regard family members, co-owners and the management team as close stakeholders, while the non-close consists of e.g. customers, cooperating businesses and some authorities. All have an interest in the family business and will encounter a threat to their positions or other interests in case of a succession of the firm. We make an attempt to identify all stakeholders and analyze their hampering influence on succession issues in family-owned businesses. However, we believe that the interest groups are more than we are dealing with here. Freeman mentions, for example, employees, consumer advocates and media and he is then referring to running businesses (Freeman 1984, p. 25). Further, the scope of the influence of each close and non-close stakeholder is presumably impossible to fully appreciate. On this issue we can only provide examples.

Typical for non-close stakeholders are that their interest of the scenario is limited to the financial side of the spectra. The reasons to act are more diversified for close stakeholders. For example, members of the management team make their career in the firm and co-owners have their own families and succession interests. Further, in a social or cultural sense, family members can identify with the firm.

We have found no previous scientific work that focus on all of the coherent and complex influential factors – linked to various stakeholders - facing an incumbent shareholder when contemplating or planning a succession of ownership in the family business. These factors can enhance, hamper or even inhibit a future transfer of the firm. Previously related scientific work has dealt with e.g. influential factors in general or hampering circumstances in case of succession (e.g. Massis et al 2008). However, these studies concentrate only on transfer of leadership. (One exception is Neubauer 2003.) We explore both owner- and leadership succession, albeit focusing on the former. Further we deal with both enhancing and limiting factors. In this paper, though, we concentrate on hampering circumstances.

We attempt to make a contribution to the succession research by a coherent approach – including both owner- and leadership, as well as enhancing and hampering factors – and by suggesting that the problems are preferably solved using external resources, to both the firm and stakeholders, namely consultants and, perhaps, legislative efforts by governments. Further, we are using stakeholder theory in analyzing transfer of ownership (and leadership) to the next generation and within the family.

1.2 Background

Family-owned businesses are of major importance to the economy of each country and region of the world (Stavrou & Swiercz 1998). Any definition of these businesses seems to lead to the same conclusion, i.e. that they are the backbone of the economy.

Research suggests that the performance of a family firm diminish when it is bought by a larger, perhaps listed, and more bureaucratic company. Loyalty to the firm, family and local community is lost. Further, the long term commitment may not be upheld (Pollak 1985; Astrachan 1998;

Bjuggren & Sund 2001).

Despite the frequence and importance of family-owned businesses, only about 30 per cent are transferred to the descendants of a founder (Beckhard & Dyer 1983; Lansberg 1988; MassMutual 2002).

1.3 Short literature review

Many, more or less elaborated, models have been suggested in order to provide guidelines for the complex scenario of succession in family-owned businesses. We will here mention a few, which all have some relevance for this paper. Longenecker and Schoen divide the process of management transfer into seven stages, from pre-business to mature succession (Longenecker & Schoen 1991). A similar model for transition of ownership involves four stages: Initiative, planning (e.g. choice of method; gift, sale, etc.), implementation and follow up (Bjuggren & Sund 2005). Both models are chronologically based and do not focus on explanations concerning influential factors, such as individuals, organizations, authorities, etc., in the form of close and non-close stakeholders. Handler introduces a model with mutual role adjustment between successors and key family members working in the business. She identifies three phases: Personal development, entering the firm during a business development and leadership transfer (Handler 1990). Although this approach comes closer to our way of reasoning, Handler does not start with identifying the interests of various interacting individuals, organizations and authorities. She seems to be more emphasizing the phases. Stavrou and Swiercz present four dimensions (family, personal, business and market) in order to provide an explanatory framework for understanding the managerial selection and succession scenario (Stavrou and Swiercz 1999). They focus on the intentions of the younger generation, namely to join or not join the family firm. Further, in an article, Stavrou explores the interaction between family and firm through the lens of Jungs two opposite types of psychological attitudes, extraversion and introversion (Stavrou 2003). In a succession scenario an extraverted type places priority consideration on values and attitudes among (in relation to the firm) outside source´s (the family). For a paper focusing on enhancing succession within the family, her findings are important. However, in our opinion the influences are broader and company and family do not have to be competing entities. In a study from 1998 the influence, on succession of leadership, was analyzed from five angels or levels: The individual, group, organization, resource and generation (Davis & Harveston 1998). In another esseay, based on an empirical study, the authors investigates when family members are preferred as new leaders of the family firm (Royes et.al. 2008). Factors preventing succession of managerial positions are in yet another article, based on an analysis of the literature, presented by Massis et.al. (2008) who identify five antecedent factors and three direct causes preventing a transfer of leadership. Concerning the attitude of an incumbent owner to his or her role in a succession process, Sonnenfeld (1988) identifies four categories; a "monarch" who does not leave the business until s/he dies or is forced out and a "general" who exits when driven out, but he or she plans a come-back, e.g. by choosing a successor who will not cope with the tasks of a business leader. On the other hand, an "ambassador" leaves the family firm in due time and continues as a mentor for the younger generation. Thus, an ambassador both retires and supports the junior. A "governor" will continue to run the business also after having formally handed over leader- and ownership. However, s/he will leave the firm after some time and start a new business. The cross-disciplinary character of successions within the family is rightly emphasized by Neubauer (2003).

This paper reports on a survey study of the opinions of 143 Swedish family owned businesses. The survey was sent to 598 companies which had made a succession of ownership. The response rate was 24 per cent. Respondents were the majority shareholder, with 30.8 % per cent from the older generation and 69.2 per cent by the younger generation.[1]

The succession took place within the family during the lifetime of the older generation on 127 instances (88,8 %), other cases was either through inheritance or sale to an outsider.[2] All successions were carried out between 1979-2009.[3] The Swedish gift and inheritance tax was abolished in late 2004.

2. Close stakeholders and potentially influential factors

The reasons behind the phenomenon of hampered or inhibited successions are several and complex. Perhaps one of the most important are the three main, more or less, organized and competing close interest groups; the family, shareholders and leaders (Lansberg 1988. See also Gersick, Davis, Hampton & Lansberg 1997). Individuals engaged in a management team tend to be career-oriented. For them the family business is a tool to enhance personal career-strategies and an economic return. It can be presumed that, according to members of the management team, the resources of the firm should be invested and those who contribute to growth should climb the ladder and receive financial benefits. The greater contributions are, the higher the expectations on being rewarded. As a contrast, the shareholders expect a return on their investment, e.g. through dividends or a capital gain after selling the shares. The greater investment is, the higher the expectations are on a return. The firm thus becomes an instrument in an investment portfolio. In contrast, to both the leaders and the shareholders, family members can view the firm as neither a career-opportunity nor as an economic instrument. Rather, they may regard it as a part of their own and the family identity and heritage. Further, the firm provides a security should other career-developments and financial sources fail. In addition, descendants probably are expecting to become future shareholders, be it through a gift or an intestate inheritance or otherwise. The closer the kinship or marital relation is, to e.g. the CEO or the majority shareholder, the more they may identify with the firm, as well as have expectations of security through the firm or a part of the accumulated value of the business. Some persons belong to two or more of these close interest groups and thus they will personally or in relation to others face conflict of interests.

Seen from the perspective of the founder, s/he is presumably a manager and (majority) shareholder, as well as a family member. Thus, he or she will view an economic return (in the form of e.g. a high salary), from the business, as an important sign for the contribution to the growth of the firm. This attitude will be at least tolerated by other managers and supported by family members, since they are dependent on his or her economic strength. Shareholders, who are not managers or family members, may regard this attitude as a waste of resources, at least if the financial return on their investment is meager.

[1] See table 1 in appendix
[2] For more specified details see table 2 in appendix
[3] Descriptive statistics table 3 in appendix

As a shareholder the founder presumably would like to see a return on his or her investment. Again, this attitude can be assumed to be supported by family members and, at least, tolerated by other shareholders. However, managers who do not belong to any of the other close interest groups may be reluctant. They will presumably view an economic return from the business in relation to contribution to growth as both fairer and more important for the future of the firm as a tool to induce incentives.

The founder, as a family member, can regard the well being of the family and each of its members as more important than the business. The way in which he or she can contribute is by providing a sound economic base for the family. The possibilities to devote time and love to the spouse and children may be limited.

As implied, the founder will be struggling with expectations from other managers and shareholders, as well as the family members. These ambitions will presumably be divided. The potential of a conflict will probably increase if an individual is a member of only one close interest group and will decline if he or she belongs to two or more of these groups. For example, if dividends are raised it may be disturbing for managers who are not shareholders or members of the family.

With the mentioned close stakeholders and potential conflicts in mind, the prospect of a transfer of ownership and leadership within the family certainly has the potential to upset the balance and interests between and within the groups. The only one who almost certainly is represented among all close stakeholders is the founder or majority shareholder. He or she will be influenced, if not pressed, from all directions, which we will address later.

Seen from the perspective of the close stake holders, a transfer of ownership of shares from the older generation to the next generation and within the family can be the best option for the future of the firm, if:

1. The founder, or majority shareholder, is willing to let go of ownership (and leadership) in due time. A negative attitude in this sense can be derived from an unconscious denial of mortality or rivalry towards potential successors, as well as an unwillingness to lose a central role among managers, shareholders and in the family (Lansberg 1988; Davis & Harveston 1999). In the survey, as one example, 20 per cent of the respondents (35) in the older generation had experienced fear of no longer being needed.[4] Further and despite any reluctance, the incumbent should be prepared to shoulder the role of a mentor after the succession.
2. Money can be paid to the older generation, if needed, in order to uphold their standard of living, and compensate siblings who do not become new shareholders. According to the survey results, 72 per cent found it important to compensate siblings and heirs (rating level 3-5). Only 8.5 per cent felt that this was of no importance and 25 respondents (19.3% of 130) were indecisive.[5]
3. The younger generation is suitable and motivated as new shareholders (and potential leaders) of the business. As an alternative for a longer or shorter period, leadership can be

[4] See table 4 in appendix for an overview of fear factors, correlation A1 and regression A3.
[5] See table 5 in appendix

entrusted to a third person (Handler 1992; Sharma & Rao 2000). According to the survey results, most respondents (51.4 % of 35) in the older generation found it sufficient if a potential new majority shareholder in the younger generation exhibited motivation and self confidence.[6] Less than ten per cent (9.5 %) of the respondents in the younger generation (95) held the opinion that a university education is a necessity and 89 per cent responded that they had a high or very high motivation to become new majority shareholders.[7] Further, also a potential new majority shareholder can experience anxiety. As one example, 20 per cent of the respondents (95) experienced fear of not being able to cope with the responsibilities running a business.[8]

4. Family members who are not shareholders, members of management and potential new owners and leaders of the business, are in favor or at least willing to accept certain new majority shareholder(s). Also these have a vested interest in the family business, e.g. a cultural identification and a dependence on the firm in order to uphold their lifestyle. This was reflected in the survey, since most (79.2 %) of the respondents (130) found it important or very important that the family agree who is going to become the new shareholder(s) in the younger generation.[9]

   Further, family harmony can be regarded as more important than the business. In such cases this value may hamper, perhaps inhibit, even a discussion on the subject. (See e.g. Lambrecht & Lievens 2008.) Another way to express this fundamental difference, especially between managers and these family members, is that different goals motivates the efforts put into a business and a family. In the words of Handler and Cram: "… the business is a performance-based system, while the family is a relational-based system." (Handler and Kram 1988.)
5. The co-owners are in favor of a transfer (of ownership/leadership) or, at least, willing to accept it. As shareholders they have an interest of protecting their investment. In our study about one third of co-owners and members of the board had expressed, directly or indirectly, an opinion on who should become the next majority owner in the family firm.[10]
6. All members of the management team are willing to accept a transfer. According to most (75 %) of the survey respondents (130) it was important or very important that the members of the management team approve of the new shareholder(s) in the younger generation.[11] Non-family managers have an interest of promoting their careers and favorable positions seen from an economic angle. Further, they often seem to have a friendly relationship with the founder. In such cases it may not be easy to have a more formalized relationship with a successor. (Compare Sharma et.al. 2003 b, who omit the influence of co-owners and the management team and use the theory of planned behavior in a succession scenario).
7. The new owner(s) in the younger generation has a mentor during the succession process, as well as during a few years after the transfer of the shares. In the survey 36,8 per cent of the respondents (95) in the younger generation reported that they had a mentor during the

[6] See table 9 in appendix
[7] See table 6 & 7 in appendix
[8] See table 8 in appendix for an overview of the fear factors, correlation A2 and regression A4.
[9] See table 10 in appendix
[10] See table 11 & 12 in appendix
[11] See table 13 in appendix

process. Of those who lacked this support (60), more than one third (36,7 %) felt that they needed such guidance. After becoming new majority shareholders 43 per cent (of 95) had a mentor supporting them in their new role. In most cases this person was a family member, director or accountant. [12] Less than one third (27,8 %) of those who lacked this guidance (54), claimed that they would have appreciated such support.

8. The development of the business is not dependant on resources that cannot be provided by the family, other current leaders and shareholders and the business itself. One example is if a capital intensive rapid growth is necessary in the competitive environment. Capital and know how can only be provided by a much bigger company. In such a situation the preferable solution can be to sell the family firm to a company which can supply these assets.

Before we proceed with the potential influence of close and non-close stakeholders, on the transfer of owner- and leadership, it should be mentioned that an intestate inheritance of the shares is in most cases definitely not preferable, which we will further explore in subsection 4.2.

3. Barriers to a succession process

3.1 Introduction

Assuming that the founder, or majority shareholder, is willing to hand over owner- and leadership of the firm to a younger generation and within the family, which circumstances among the stakeholders can make him or her hesitate, or even inhibit, a transfer?

3.2 Close stakeholders

A co-owner may, relying on transfer restrictions in e.g. the articles of association, say no to a handover of shares. In most cases this is not likely, since it would hamper the possibilities of future cooperation with both the older and younger generation. According to the study, 53 per cent of the involved family firms had transfer restrictions, in the articles of association or in a shareholders agreement, which potentially could hamper a transfer of shares to the younger generation and within the family. Only a few (3.9 %) of the respondents (76) experienced practical difficulties during the process due to the restrictions.[13] However, if A as a founder has previously handed over shares to several siblings, these may say no if A now wishes to e.g. make one child a majority shareholder (if all handovers, according to the restrictions, demand e.g. a consent from all previous shareholders). Further, a spouse may want another child to become the new majority shareholder or that the shares should be spread equally among all children. If the spouse is not a shareholder (and can exploit the restrictions), a denial can be of less professional (or pragmatic) importance for a succession scenario.

Co-owners have no opportunities of preventing a majority shareholder from – via the annual meeting and board – to appoint a descendant as a new CEO. Stipulations in the shareholders agreement which provide the companions with e.g. a right to veto a transfer are not binding for the company. A shareholder who is bound by an agreement and who, during the annual meeting,

[12] See table 14-17 in appendix
[13] See table 18 & 19 in appendix

votes against the stipulations, may later on be sued for damages. That is, however, another story.

The family and younger generation may, for various reasons, be reluctant to accept a new majority shareholder within the family. If A anyway transfers the shares to e.g. one daughter (E), he will risk the future relations within the family. It can lead to problems of an emotional and social character for both A and E. The rest of the family will not, however, be able to prevent a handover, unless stipulations in a charter for a family council, or similar, provide them with such a power.

With the same exception, family members cannot prevent A from appointing a new CEO among the descendants. The impact within the family of a new unwanted CEO can be of the same character. However, a succession process can generate anxiety among family members, which in turn can hamper the transition of owner- and leadership. (See further e.g. Dunn 1999.)

Members of the management team and the board have no say concerning new potential shareholders within the family. Instead they have reasons to enhance good and fruitful relations with a new owner. On the other hand they may cause limited problems for A, if he or she wishes to appoint E as a new CEO. When members of the board refuse, they should perhaps, in order to enhance future personal relations, be replaced via the annual meeting. Should the current CEO and other members of the management team make objections, they can (in turn) be replaced via the new board.

3.3 Non-close stakeholders

Non-close stakeholders are customers, suppliers and creditors, as well as cooperating businesses and competitors. These have no direct influence on who will become a new shareholder or CEO of the family business. However, a friendly relationship with the incumbent can be replaced by a more formal relation with a successor, which may not improve business opportunities. In cases where a new majority shareholder and leader exhibit problems cooperation with e.g. customers, business may be hampered.

On the other hand, if a succession is dealt with unprofessionally, e.g. by becoming time consuming and costly, it may cause more severe problems. In case of an intestate inheritance of the shares, as one example, the period during which it is undecided who is becoming new (majority) shareholder and CEO may become long. Such insecurity may induce customers to find other suppliers to the benefit of the competitors. Further, in such a case also the costs for a prolonged succession may rise, which can give reasons for creditors to act. According to the survey very few business owners experienced direct or indirect opinions, on who should be the next majority shareholder(s), from customers or suppliers (5.6 %), cooperating businesses or competitors (4.2 %), creditors (5.6 %) and regional or local authorities (1.4 %).[14]

Other examples of non-close stakeholders are local and regional authorities, as well as the national government. The policies of these can cause disturbances in a succession process. One example is estate taxes, which ultimately have to be paid by the business. If, for example, the

[14] See table 11 & 12 in appendix

inheritance tax is high, the descendants may have to take personal loans in order to pay the tax. Mortgages and interest are often provided for via withdrawals from the firm, e.g. a higher salary or dividend. If these are, in turn, taxed it will generate additional withdrawals, which may all together become very costly for the business, sometimes more than twice the cost according to the terms of the loan (Bjuggren-Sund 2002). In the survey, 41.3 per cent of the participating family businesses regard taxes (besides the abolished gift and inheritance tax) as a hampering factor for successful transfers of ownership of shares within the family. According to the respondents (59), especially the capital gains tax on transfer against market value (27.1 %) and below this value (54.2 %) was seen as an obstacle. More than half (55.2 %) of the majority shareholders hold the view that all taxes, on transfer of ownership, should be postponed until the shares are sold to a third party, i.e. those outside the family. [15]

Thus, a transfer of ownership to the younger generation can be a detrimental option for the firm, if e.g. estate taxes hamper risk willingness and the potential to make investments. This must be added to the list in Section 2.

3.4 The dilemmas of an incumbent

An ageing founder, or majority shareholder, A has to face his or her own imperfections; dealing with ones mortality, risk losing a central position in the family and business, etc. And, as if this is not enough, close and non-close stakeholders are cunning, they also have an interest in the succession scenario. Under various circumstances stakeholders can - and will - put a pressure on A.

For example, a direct pressure can take the form of estate taxes and the ambitions of competitors. More implicitly, the expectations from family members of ownership and leadership positions can be very real for A. He or she may find no other reasonable solution than writing a secret will where ownership of shares is designated to one individual. However, only a minority (4 %) of the majority owners in the survey reported that they had used a testament in order to transfer shares or gained ownership through such an instrument.[16] Additionally, without anyone mentioning it A will be aware of e.g. the career expectations of managers, as well as the demand for a financial return on investments from the companions. Although the relations within the family may be stronger than with the managers/companions (as non-family members), the latter can still be close friends to A after years of cooperation.

Also expectations from non-close stakeholders can cause problems for an incumbent who wishes to initiate, plan and carry through a transfer of leader- and ownership positions. If a potential successor exhibits social and psychological problems in creating and maintaining social and business relations to other individuals, it may create disturbances in relation to customers and cooperating firms and thus affect business opportunities. When a successor lack relevant educational, practical or leadership knowledge it may provide the competitors with opportunities to expand their market to the detriment of the family business. Also relations to suppliers and representatives of local and regional authorities can be affected, which in turn can hamper or improve business opportunities.

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[15] See table 20-22 in appendix

[16] See table 23 in appendix for a more detailed specification of what kind of methods were used in order to accomplish the ownership succession

According to the survey, almost 30 per cent of the majority shareholders had participated in courses, seminars, etc. with the aim of increasing knowledge on ownership succession. Almost all (95.2 %) of the respondents (42) recommended other owners of family firms to engage in such training. An alternative is to have acquired knowledge participating in previous successions. Only 19,6 per cent of the majority owners reported that they had such experiences. Three-quarters of the respondents (28) had, in one way or another, participated in earlier transfers of ownership in their own family firm. [17]

One more problem for an incumbent is what to do after retiring. Ideally this person will shoulder the responsibilities as a mentor to the younger generation, which we will elaborate further on in Section 5.

For other approaches to the complexities related to the succession process, as described above, see Lansberg 1988 (factors that interfere on the levels of founder, family, owners and management) and Handler & Cram 1988 (hampering factors related to individual, group, organizational and environmental considerations). We choose to emphasize the various individuals, groups, organizations and authorities that have an interest (as close and non-close stakeholders) in successful transfers of family businesses and therefore also can be motivated to – consiously or unconsiously and direct or indirectly - enhance or hamper the process, resulting in pressure on the incumbent.

4. Planning and preparing for a succession

4.1 Introduction

The reasoning above underlines the importance of planning for a future succession of owner- and leadership of family firms. In this part of the process all close and non-close stakeholders should be involved or, at least, due consideration must be given. Planning may take years, if not decades, as emphasized by many authors (e.g. Ward 1987; Barack & Granitsky 1995; Bjuggren & Sund 2005).

Firstly, while planning for a succession a founder can share leader- and ownership experiences, as well as know-how and important networks linked to running the business (Lansberg 1988; Bjuggren & Sund 2001). Secondly, conflicts between close stakeholders can be avoided if each individual approves of new leaders and owners or, at least, can be convinced to accept them. Lastly, when due consideration is taken to non-close stakeholders, such as competitors and estate tax policies of the government, future losses can be avoided. (See further Hubler 1999 on obstacles to succession planning.) According to the respondents (130) of the survey, it is important to start the transfer of shares to the younger generation at an early stage (58 %), as well as to provide an early start of the training in the role of a shareholder (75 %). Further, many emphasized having the approval of the family members (79 %), co-owners (68 %), members of the management team (75 %), creditors (61 %) and customers & suppliers (38,5%).[18]

As previously mentioned, only about 30 per cent of the businesses are transferred from the

[17] See table 24-27 in appendix

[18] See tables 28-34 in appendix for more detailed information

founder to the next generation and within the family. However, this ratio seems to increase by the passing of each generation (Greenwald et.al. 1993). Perhaps the second (and subsequent) generation makes the necessary experiences enhancing future shift in owner- and leadership during the first succession and by passing it on. (Compare Sonfield & Lussier 2004). This further underlines the importance of planning for the event, not least for the founder of the family firm. As Barach and Granitsky (1995) express it, a successful transfer of owner- and leadership within the family "is the lengthiest strategic process for family firms." We claim that, albeit lengthy, it does not have to be the most troublesome, at least not with a proper planning. According to one study, 19 per cent of those who wish to pass the shares on, to the next generation and within the family, have not completed an estate planning (MassMutual 2002). This part of the process must include training of the next generation (Seymore 1993).

Examples of issues that should be covered by planning (see further by Beckhard & Gibb 1983) are changes in:

1. Ownership structure and protection, e.g. through transfer restrictions.
2. Management and board.
3. Rules for selecting managers, directors and chief executives.
4. Career and life style of both the older and the younger generation.
5. Family involvement, e.g. establishing a family council.
6. Rules for follow up procedures, e.g. if a chosen successor leaves the business.

Several, but not all, of these issues can be included in an altered or new shareholders agreement.

4.2 The discouraging case of an intestate inheritance

Without initiating, planning and executing a transfer of the shares to the next generation and without preparing the younger family members for shouldering management positions, the family and firm may end up with a succession through intestate inheritance. In a worst case scenario, this could produce several negative impacts:

1. Estate taxes take a toll on the finances of the firm, in those countries which still tax an inheritance (of unlisted shares in a family owned business) (Bjuggren & Sund 2002). This was reflected in the study, since 92.3 per cent of the majority shareholders found that the abolishment of the Swedish gift and inheritance tax in late 2004 promoted a succession of ownership in general. According to 73.5 % per cent of the respondents (132) this is, however, no quick fix. An ownership succession still has to be planned. Regarding this question only a minority answered yes (9.1 %), i.e. no planning is now needed, or were indecisive (17.4 %).[19] Creditors may choose to react when capital is drained from the business, e.g. in order to pay estate taxes. A bigger company or a competitor can be provided with an opportunity to buy the shares, perhaps at a favorable price. Such a development can be beneficial for the development of the firm. However, the former family business can also be liquidated or research or production is moved to another country. With planning and preparation this can be avoided.
2. As previously mentioned, the owners of the estate of the deceased founder, or majority shareholder, have to agree on who are going to own the shares. A division of

[19] See table 35 & 36 in appendix

matrimonial property and the estate of the deceased may become a time consuming process. If the deceased was holding the position as CEO the owners of the estate will also, together with other previous shareholders, have to unite on a new leader for the business. An alternative is to engage an external leader. However, such a solution complicates the role of the (majority) shareholders, e.g. on establishing the strategic goals of the firm. Further, the emotional pressure and all the demands from owning and leading a business, can spark old conflicts as well as create new ones. All together it can create an overwhelming situation where the only alternative is to sell the shares to an outsider. It can, in turn, create new difficulties since there is no open market.

3. If the period of uncertainty concerning new shareholder(s) and leader(s) is prolonged, it may provide inducements for customers to seek new providers, which will (again) alert the competitors and, perhaps, also the creditors.
4. Without preparing the younger generation for shouldering the leadership positions, they will not be able to make use of the (potentially) competitive advantages of a family owned business. By this we are referring to idiosyncratic knowledge, pre hand experiences of local business and family connected networks and a, more or less, "socialization" into exhibiting loyalty to the firm, family and local community (Bjuggren & Sund 2002). Further, a cultural and social identification with the family firm can induce reasons to engage. Facing the mentioned problems, with an intestate inheritance, the next generation can lose these incentives. For a critical standpoint on the benefits of family firms, see Schultze et al 2002.

If a transfer of shares to the younger generation has started, perhaps with a minority post, and if some preparations have been made, e.g. working in the firm, even a sudden death of the founder, or majority shareholder, may not be a disaster (compare Bowes 1991). Transfer restrictions can provide a minority shareholder in the younger generation with an obligation or opportunity to buy the shares from the estate of the deceased (mandatory buy-sell agreement). Although it may become costly, it has the potential of speeding up the process. This can be the most crucial point.

4.3 Initiating and planning seen as a conflict of interests

Concerning succession business owners and leaders have a demanding and important task to fulfill. The inducement to initiate and plan should be no problem, since up to 80 per cent wish the children to join the family business (Emling 2000; Burley 2002; MassMutual 2002). In our study, the owner in the older generation took the initiative, of a transfer of ownership of shares, in most cases (58.7 %). For 21 per cent of the transfers the process was initiated by the younger generation. Only in a few cases (7.7 %) was the succession started by another individual.[20] However, motivation seem not to be sufficient. As previously mentioned other values and attitudes (facing mortality, losing central role, etc.), and sometimes sharply conflicting interests between close stakeholders, as well as the interests of non-close stakeholders, seem to be blocking the willingness to act. Further, planning and preparing can be time consuming and just running the business may leave few openings.

The founder/majority shareholder is presumably aware of the full potential of the lengthy and

[20] See table 37 in appendix

demanding process of a succession scenario. He or she is also aware of all the demands that have to be fulfilled in order to reach an effective transfer of owner- and leadership. A handover within the family of ownership is effective, if (compare Sund & Melin 2008):

1. One or more of the children, or person(s) in a younger generation, becomes the new majority shareholder.
2. The older generation is compensated, if necessary. Thus, they can preserve their standard of living and compensate siblings that do not receive any, or fewer, shares.
3. It provides the new managers or the family, if they choose to have an influence through a family council, with the power base they need to control the annual meeting and thereby also the board and, sequentially, management.
4. The total cost for the firm of a succession do not hamper risk willingness and capacity to make investments (Bjuggren & Sund 2005).
5. All close stakeholders are satisfied with the outcome or at least willing to accept the new owner(s) (and leaders).
6. The incumbent is willing to function as a mentor for the new shareholder(s) in the younger generation.

A transfer of leadership demands other qualities in order to be effective, e.g:

1. In some cases relevant education for the younger generation becoming new (shareholders and) leaders of the firm. In the study, only a minority of the respondents (9.5 % of 95), among the majority shareholders in the younger generation, had encountered express requirements of a university education.[21]
2. Adequate training in the family business, or another company, for shouldering a managerial task. This was emphasized as being important or very important by 75 % of the respondents (130) in the survey[22].
3. Knowledge of, as well as training in handling, business and family related networks. (See further by Steier 2001.)
4. A "socialization" into exhibiting loyalty to family, firm and local community. (See further by Garcia-Alvarez et.al. 2002.) If the family business is a big company, the importance of the local community will diminish. (See also Morris et al 1993 on the importance of relationships among family members.)
5. Well established and defined roles for new and old leaders after the succession (Harvey & Evans 1995 and Miller et al 2003). Further, it will be helpful if a new leader, through communication or otherwise, is at least accepted among the close stakeholders (see further by e.g. de Massis et al 2008).
6. Even if paragraphs 1-5 are well prepared, a new leader from the younger generation may still need the older majority shareholder/leader to shoulder a mentoring role, e.g. on transfer of (family) business related knowledge as well as family and business related values. (See further by Garcia-A´lvarez & Lo´pez-Sintas 2006, Trevinyo-Rodri´geuez & Tàpies 2006 and Lambrecht & Donckels 2006).

When such qualities of a succession are reached, the new leader(s) and (majority) shareholder(s)

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[21] See table 38 in appendix
[22] See table 29 in appendix

will be able to make use of the competitive advantages of a family firm. Further, all is necessary to handle the changing needs and opportunities of a growing business, in constant interaction with a dynamic market and expectations from managers, shareholders and other family members. An extensive and caring preparation can provide the family firm with a new and much needed entrepreneurial spirit (Longenecker & Schoen 1991; Birley 2002).

Seen from the angle of this paper, all mentioned requirements for efficiency increases the pressure on the incumbent. These incumbents have to handle not only their personal reluctance, but also conflicts of interests inside and between close and non-close stakeholders as well as to reach effective results from a time consuming succession process. No wonder the older generation hesitates to initiate and plan the event!

Additionally, it should be emphasized that there is also a subjective side to a succession process. All close stakeholders should approve or at least accept the outcome. Otherwise future interaction and cooperation can be hampered (Sharma et.al. 2003a). Also this is a complicating factor.

According to the survey, between 75-89 per cent, of those close stakeholders that directly or indirectly expressed an opinion (42-90 individuals) on whether they were pleased with the ownership succession, were satisfied or very satisfied with the outcome[23]. Only a few of the new shareholders (1.1 % of 90 respondents) and family members who did not become new owners (3.4 % of 59) were dissatisfied.[24]

Whether the stakeholders are pleased with the outcome of a succession is, as mentioned, important. Such satisfaction estimates are, though, post-succession experiences. By presenting and analyzing these experiences, research can make an important contribution, since it can help other business owners and leaders, families as well as consultants to enhance future successions. (See e.g. Sharma et al 2003 a.) However, in our opinion, the pre-succession knowledge in the individual case will always have flaws and be exceeded by the post-succession experiences, of which subjective satisfaction factors are one estimate. Further, and as shown above the enhancing and hampering factors are unique in each individual case. It is not possible to find successful transfers of owner- and leadership that fully reassembles the latter case. Businesses, families and other close stakeholders will always differ, as well as the relations between and within each group and the influence of each on the process. Further, the market is constantly changing, as are the society (values, etc.) and economic conditions (e.g. interest rate).

This is furthermore stressed by the variety and potential impact of non-close stakeholders. In the study between 18-42 per cent of these were reported to have expressed, directly or indirectly, an opinion on whether they were pleased with the outcome of the ownership succession. Between 71-97 per cent of the respondents (26-60 individuals) were satisfied or very satisfied with the result. Only a few were dissatisfied, e.g. competitors (7.7 % of 26) and local and regional authorities (2.7 % of 37).[25]

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[23] See table 39 & 40 and 54 & 55 in appendix
[24] See table 39 & 40 in appendix
[25] See table 41-45 & 56 in appendix

5. Making a change

5.1 Introduction

Realizing that ageing business owners/leaders are, as we see it, facing overwhelming pressure from running the firm and at the same time both tackling the clash of interests from close and non-close stakeholders, as well as planning for an effective succession, we are typically in a situation where a founder or majority shareholder can make use of support, either from a consultant or in the form of legislative changes.

5.2 Consultants and business owners/leaders

Obviously the incumbent holds the key to an effective succession. If the incumbent is reluctant to initiate the process, a consultant can present the discouraging outcome if nothing is done (an intestate inheritance), as well as a number of previous cases. Should this not be convincing, perhaps because the incumbent focuses entirely on other business matters, engaging other close stakeholders can provide an opening.

Establishing a family council will involve the rest of the family and thereby have the potential to enhance an initiation and the succession process. (See further e.g. Lansberg 1988 and Tower et al 2007.) According to the survey, 56.6 per cent of the majority shareholders held regular family meetings. Almost all of the respondents (85.2 % of 81) held the opinion that the meetings promoted the ownership succession. Approximately one third (34.7 %) of the respondents (130) regard launching a family council as crucial or very crucial for a successful ownership succession within the family.[26]

As previously mentioned, also a succession only in the form of a minority post of the shares can become important, especially in the case of the sudden death of the incumbent. This can make at least a first step very crucial. Further, providing the younger generation with leadership tasks can also prove to be helpful.

A consultant has several options, either do the job on his or her own, e.g. hold meetings with close and non-close stakeholder, prepare and execute all written agreements, engage in contacts with authorities, etc., or be a mentor for the process, i.e. not intervene unless it is deemed necessary or when expressly required to do so.

Concerning the agonies of an incumbent on succession, it seems as if a consultant can have no more than an explanatory mission dealing with:

1. The incumbents own reluctance.
2. The anxieties of the younger generation.
3. Demands from co-owners and members of the management team.
4. Expectations from family members who are not shareholders or leaders.
5. Impatient customers, suppliers and cooperating businesses.
6. Cunning competitors.

To us it seems as if a consultant on these issues mainly has an explanatory function, since we believe that it is the majority shareholder/leader who holds the key to initiating and driving the

[26] See table 46-48 in appendix

process of succession. Obviously, the mission sometimes can entail a mediating function, e.g. between various stakeholders or between a stakeholder and the majority shareholder or the new entrepreneur in the younger generation. However, we believe that the consultant should prioritize the incumbent, not only because this person provides the pecuniary motivation but because he or she holds the key and is the only one who can map all the obstacles to a successful outcome. Every other stakeholder will be mainly preoccupied with their own interests. Further, they can be presumed not to aware of the whole picture of influential hampering factors.

The interests of non-close stakeholders often entail legal matters, which makes the role of a consultant more important dealing with:

7. Suspicious creditors.
8. Local and regional authorities on public law issues.
9. Central authorities on tax law and civil law matters.

A more pivotal function of a consultant concerns:

I. Explaining and convincing the incumbent on the importance of avoiding an unplanned succession, i.e. an intestate inheritance.
II. Planning for an effective succession and especially preparing the incumbent to become a skilful mentor for the new majority shareholder and/or leader in the younger generation.
III. Providing the older majority shareholder or leader with important skills and networks, if s/he nurses the ambition to engage in new business projects.

Further, it can be decisive for an effective outcome of a transfer of shares if a consultant skillfully can find solutions that are positive for multiple shareholders. For example, in the survey 54 per cent of the majority shareholders had experienced a transfer of shares within the family through a gift of shares. Such a solution is very beneficial, since the younger generation becomes owners without having to shoulder debts and the older generation can stipulate that the shares are separate property (in 91 % of the cases, 23, where there were a condition attached to the gift), which means that they will not be included in a division of matrimonial property in a potential future divorce case. A gift also implies that the older generation can, if needed, compensate siblings (41 % of 78) that do not become new owners. Gift tax was paid in 37,2 per cent of the cases (78) where shares were handed over through a gift before 2005[27] (when the gift and inheritance tax was abolished).

Another example of solutions that can be positive for many stakeholders is an internal handover of shares. It can be done without taxation, creating no debts for the younger generation and at the same time provide the older generation with a possibility to have a low taxed salaried work in the firm and thus function as an ambassador for the new majority shareholder. Additionally, such a handover can provide the money needed to compensate siblings that do not become new shareholders (Bjuggren & Sund 2005).

This approach, i.e. when one performance outcome can be positive for multiple stakeholders, is further developed for running businesses by Zellweger & Nason (2008).

[27] See tables 49-53 in appendix for more detailed information

5.3 Legislative efforts

For a lawyer - sometimes too keen on seeking solutions via the legal system - there are more than sufficient reasons for society, which is definitely heavily dependent on family businesses, to intervene with a supporting hand in the form of legislation.

Scholars seem to agree that succession of leadership is the most time consuming of all strategic challenges for a family firm. The entity which is mostly concerned with strategic issues is the company board. Obligating the board to, e.g. once a year, raise the question is one opportunity.

Concerning transfer of shares, it can be an item on the agenda at a board meeting. As previously mentioned, ownership definitely has an indirect bearing on leadership. However, while some leadership questions are regulated in national company law, ownership issues, with the exception of transfer restriction, are dealt with in contract and family law, as well as, concerning testate and intestate inheritance, succession law. This seems to mirror common values: Leadership is a question for the company, while ownership is dealt with among family members and co-owners. Further, transfer of ownership often involves insurance law and valuation of the shares. In addition, taxation law can be an obstacle.

It appears to us as if transfer of ownership requires knowledge of the national legal system. In most cases, though, it is quite sufficient with the company accountant, who will also know when it is necessary to consult a lawyer. Thus, it seems appropriate to give the responsibility for initiating discussions on succession of ownership and planning for the handover to the accountant, perhaps once a year, and in cooperation with the member of the board who deals with questions on transfer of leadership. These individuals would thus form a task force dealing with the whole concept.

Then again, it must still be possible for the founder or majority shareholder to handle the succession on one´s own if preferred. One example is if a family council is launched to shoulder the responsibility of transfer of owner- and leadership. A future legislation should therefore be optional, i.e. the responsibility falls on the board/accountant only if the founder/majority shareholder does not show that he or she, in one way or another, in a sufficient manner, with or without delegation to a company or family entity, solves this strategic dilemma.

Obviously, no legislative efforts can enhance the possibilities for an incumbent owner to function as a mentor to the younger generation in the first years after a succession. This crucial aspect of the phenomenon has to be dealt with by the incumbent and the family. A skilful consultant can play an important role as a pre-mentor, but in the end it is a question of attitude from the older generation.

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Appendix

All data used in this paper is collected from the survey "Ownership succession in Swedish FOB's" (2009).[28]

A1: An overview of the correlation results of the fear factors in regard to the older generation

	Within the family	Fear factor 1	Fear factor 2	Fear factor 3	Fear factor 4	Fear factor 5	Fear factor 6
Within the family	1.0000						
Fear factor 1	-0.1800*	1.0000					
Fear factor 2	-0.1800*	1.0000*	1.0000				
Fear factor 3	-0.1800*	1.0000*	1.0000*	1.0000			
Fear factor 4	-0.1800*	1.0000*	1.0000*	1.0000*	1.0000		
Fear factor 5	-0.1800*	1.0000*	1.0000*	1.0000*	1.0000*	1.0000	
Fear factor 6	-0.1800*	1.0000*	1.0000*	1.0000*	1.0000*	1.0000*	1.0000

N=143. * significant at 5%

A2: An overview of the correlation results of the fear factors in regard to the younger generation

	Within the family	Fear factor 1	Fear factor 2	Fear factor 3	Fear factor 4
Within the family	1.0000				
Fear factor 1	-0.4449*	1.0000			
Fear factor 2	-0.4449*	1.0000*	1.0000		
Fear factor 3	-0.4449*	1.0000*	1.0000*	1.0000	
Fear factor 4	-0.4449*	1.0000*	1.0000*	1.0000*	1.0000

N=143. Significant at 5%

[28] For further information about the survey please contact Divesh Ljungström (divesh.ljungstrom@ihh.hj.se)

A3: Regression overview of the fear factor results in regard to the older generation

Variable	Coefficient	Robust Std. Err
Fear factor 1- Fear of that the new owner in the younger generation does not have what it takes to run a business		
Fear factor 1 - Alternative 1 (Don't agree at all)	9.28e-13**	4.65e-13
Fear factor 1 - Alternative 2 (Agree to some extent)	9.63e-13**	4.71e-13
Fear factor 1 - Alternative 3 (Agree)	8.12e-13**	3.80e-13
Fear factor 1 - Alternative 4 (Crucial)		
Fear factor 1 - Alternative 5 (Very crucial)	5.80e-13**	2.87e-13
Fear factor 2- Fear of losing my identity as a business owner		
Fear factor 2 - Alternative 1 (Don't agree at all)	0.1171171**	0.0333179
Fear factor 2 - Alternative 2 (Agree to some extent)	0.1171171**	0.0333179
Fear factor 2 - Alternative 3 (Agree)	0.1171171**	0.0333179
Fear factor 2 - Alternative 4 (Crucial)		
Fear factor 2 - Alternative 5 (Very crucial)	0.1171171**	0.0333179
Fear factor 3- Fear of not having something to do after transfering the majority of the shares in the business		
Fear factor 3 - Alternative 1 (Don't agree at all)	8.28e-13**	3.87e-13
Fear factor 3 - Alternative 2 (Agree to some extent)	6.68e-13**	3.02e-13
Fear factor 3 - Alternative 3 (Agree)	8.34e-13**	3.87e-13
Fear factor 3 - Alternative 4 (Crucial)	1.41e-13	8.49e-14
Fear factor 3 - Alternative 5 (Very crucial)		
Fear factor 4-Fear of no longer feeling needed		
Fear factor 4 - Alternative 1 (Don't agree at all)	-1.31e-13	1.01e-13
Fear factor 4 - Alternative 2 (Agree to some extent)		
Fear factor 4 - Alternative 3 (Agree)	-1.26e-13	1.00e-13
Fear factor 4 - Alternative 4 (Crucial)	1.65e-13*	9.67e-14
Fear factor 4 - Alternative 5 (Very crucial)		
Fear factor 5- Fear that the firm will lose the values that I have implemented into the business		
Fear factor 5 - Alternative 1 (Don't agree at all)	4.45e-13	2.77e-13
Fear factor 5 - Alternative 2 (Agree to some extent)	5.02e-13*	2.80e-13
Fear factor 5 - Alternative 3 (Agree)	9.07e-13*	5.06e-13
Fear factor 5 - Alternative 4 (Crucial)	1.25e-12*	6.47e-13
Fear factor 5 - Alternative 5 (Very crucial)		
Fear factor 6- Fear that my life´s work will go under		
Fear factor 6 - Alternative 1 (Don't agree at all)		
Fear factor 6 - Alternative 2 (Agree to some extent)	1.37e-13	9.12e-14
Fear factor 6 - Alternative 3 (Agree)	-6.98e-14	5.78e-14
Fear factor 6 - Alternative 4 (Crucial)		
Fear factor 6 - Alternative 5 (Very crucial)	6.75e-13*	3.74e-13
Constant	0.8828829***	0.0333179

N=143

R^2=0.0288

* significant at 10%; ** significant at 5%; *** significant at 1%

A4: Regression overview of the fear factor results in regard to the younger generation

Variable	Coefficient	Robust Std. Err
Fear factor 1- Fear of not being able to shoulder the responsibility that is required of running the FOB		
Fear factor 1 - Alternative 1 (Don't agree at all)	0.254902***	0.0660688
Fear factor 1 - Alternative 2 (Agree to some extent)	0.254902***	0.0660688
Fear factor 1 - Alternative 3 (Agree)	0.254902***	0.0660688
Fear factor 1 - Alternative 4 (Crucial)	0.254902***	0.0660688
Fear factor 1 - Alternative 5 (Very crucial)	0.254902***	0.0660688
Fear factor 2-Fear of losing my identity (connected to a certain work)		
Fear factor 2 - Alternative 1 (Don't agree at all)	-1.10e-15	8.49e-16
Fear factor 2 - Alternative 2 (Agree to some extent)	2.83e-16	9.19e-16
Fear factor 2 - Alternative 3 (Agree)	3.27e-15	3.74e-15
Fear factor 2 - Alternative 4 (Crucial)	-4.76e-16	1.32e-15
Fear factor 2 - Alternative 5 (Very crucial)	-4.40e-16	2.89e-15
Fear factor 3-Fear of no longer being needed within a particular area that i used to or still am		
Fear factor 3 - Alternative 1 (Don't agree at all)	2.76e-15**	1.36e-15
Fear factor 3 - Alternative 2 (Agree to some extent)	1.77e-15	1.34e-15
Fear factor 3 - Alternative 3 (Agree)	-9.61e-16	3.86e-15
Fear factor 3 - Alternative 4 (Crucial)	7.31e-16	4.20e-15
Fear factor 3 - Alternative 5 (Very crucial)	3.46e-15**	1.51e-15
Fear factor 4-Fear that co-owners in the business are not going to act according to the values i wish to implement in the FOB		
Fear factor 4 - Alternative 1 (Don't agree at all)	8.74e-15	5.41e-15
Fear factor 4 - Alternative 2 (Agree to some extent)	8.55e-15	5.39e-15
Fear factor 4 - Alternative 3 (Agree)	8.05e-15	5.41e-15
Fear factor 4 - Alternative 4 (Crucial)	8.26e-15	5.47e-15
Fear factor 4 - Alternative 5 (Very crucial)	9.78e-15*	5.31e-15
Constant	0.745098***	0.0660688

N=143.

R^2=0.1804

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 1: An overview of the participating respondents in this survey

	Frequency (number of respondents)	Percentage of N
The transferor of the shares older generation	44	30.8
The receiver of the shares younger generation	99	69.2

N=143 Mean 1.69 Standard Deviation 0.463

Table 2: What type of ownership succession has been made

Ownership succession	Frequency (number of respondents)	Percentage of N
Within the family during the lifetime of the older generation	127	88.8
Through inheritance	4	2.8
Sale to an outsider	9	6.3
Within the family & through inheritance	2	1.4
Within the family & sale to an outsider	1	0.7

N=143

Table 3: Descriptive statistics. What year did the latest change in the ownership structure start

N	Minimum	Maximum	Mean	Std. Deviation
143	1979	2009	2001.00	7.516

Table 4: The incumbent has rated his/her fears in relation to the ownership succession

	Rating level	Frequency (number of respondent)	Percentage of N	Mean	Standard Deviation
Fear of that the new owner in the younger generation does not have what it takes to run a business					
	1-Do not agree at all	16	45.7	2.31	1.586
	2	5	14.3		
	3	8	22.9		
	4	2	5.7		
	5- More than agree	1	2.9		
	No opinion	3	8.6		
Fear of losing my identity as a business owner					
	1-Do not agree at all	19	54.3	2.23	1.699
	2	4	11.4		
	3	6	17.1		
	4	0	0		
	5- More than agree	3	8.6		
	No opinion	3	8.6		
Fear of not having something to do after transferring the majority of the shares in the business					
	1-Do not agree at all	15	42.9	2.34	1.626
	2	8	22.9		

	3	5	14.3		
	4	2	5.7		
	5- More than agree	2	5.7		
	No opinion	3	8.6		
Fear of no longer feeling needed					
	1-Do not agree at all	14	40	2.57	1.703
	2	5	17.1		
	3	6	14.3		
	4	4	11.4		
	5- More than agree	3	8.6		
	No opinion	3	8.6		
Fear that the firm will lose the values that I have implemented into the business					
	1-Do not agree at all	19	54.3	2.14	1.665
	2	7	20		
	3	2	5.7		
	4	2	5.7		
	5- More than agree	2	5.7		
	No opinion	3	8.6		
Fear that my life´s work will go under					
	1-Do not agree at all	18	51.4	2.06	1.552
	2	9	25.7		
	3	3	8.6		
	4	1	2.9		
	5- More than agree	1	2.9		
	No opinion	3	8.6		

N=35

Table 5: Is it of importance to compensate siblings/heirs that doesn´t become new shareholders or receive fewer shares

Respondent rating for successful ownership succession within the family	Rating level	Frequency (number of respondents)	Percentage of N
Compensate siblings and heirs	1-Has no bearing	7	5.4
	2	4	3.1
	3	18	13.8
	4	28	21.5
	5-Very Crucial	48	36.9
	No opinion	25	19.3

N= 130 Mean 4.39 Standard Deviation 1.321

Table 6: Younger generation rate their motivation level to step up as leader/owner in the FOB

Motivation level	Frequency (number of respondent)	Percentage of N
1-Very unmotivated	1	1.1
2	2	2.1
3-Neither	7	7.4
4	29	30.5
5-Very motivated	56	58.9

N=95 Mean 4.44 Standard Deviation 0.808

Table 7: The younger generation rate different demands that they need to achieve before they receive the majority of the shares

	Rating level	Frequency (number of respondent)	Percentage of N	Mean	Standard Deviation
University education					
	1-Do not agree at all	55	57.9	2.39	1.942
	2	8	8.4		
	3	8	8.4		
	4	3	3.2		
	5- More than agree	6	6.3		
	No opinion	15	15.8		
Work a training period in the FOB					
	1-Do not agree at all	27	28.4	3.53	1.895
	2	6	6		
	3	8	8.4		
	4	12	12.6		
	5- More than agree	28	29.5		
		14	14.7		
Work outside the FOB for a period (1-3years)					
	1-Do not agree at all	43	45.3	2.8	1.944
	2	9	9.5		
	3	6	6.3		
	4	10	10.5		
	5- More than agree	15	15.8		

		12	12.6		
Show right motivation and self-confidence					
	1-Do not agree at all	17	17.9	3.87	1.579
	2	2	2.1		
	3	8	8.4		
	4	25	26.3		
	5- More than agree	35	36.8		
	No opinion	8	8.4		
Prove oneself of the abilities required to run a FOB					
	1-Do not agree at all	20	21.1	3.63	1.714
	2	6	6.3		
	3	11	11.6		
	4	23	24.2		
	5- More than agree	22	23.2		
	No opinion	13	13.7		
Has worked on every stations in the FOB					
	1-Do not agree at all	24	25.3	3.39	1.709
	2	7	7.4		
	3	12	12.6		
	4	19	20		
	5- More than agree	26	27.4		
	No opinion	7	7.4		

N=95

Table 8: What a new majority owner/successor fear if receiving the majority of the shares

	Rating level	Frequency (number of respondent)	Percentage of N	Mean	Standard Deviation
Fear of not being able to shoulder the responsibility that is required running the FOB					
	1-Do not agree at all	37	38.9	2.44	1.427
	2	12	12.6		
	3	24	25.3		
	4	14	14.7		
	5- More than agree	5	5.3		
	No opinion	3	3.2		
Fear of losing my identity (connected to a certain work)					
	1-Do not agree at all	58	61.1	1.83	1.373
	2	18	18.9		
	3	8	8.4		
	4	4	4.2		
	5- More than agree	2	2.1		
	No opinion	5	5.3		
Fear of no longer being needed within a particular area that I used to or still am					
	1-Do not agree at all	70	73.6	1.77	1.581
	2	9	9.5		
	3	4	4.2		
	4	1	1.1		
	5- More than agree	2	2.1		
	No opinion	9	9.5		
Fear that co-owners in the business are not going to act according to the values I wish to implement in the FOB					
	1-Do not agree at all	45	47.4	2.12	1.443
	2	23	24.2		
	3	12	12.6		
	4	6	6.3		
	5- More than agree	4	4.2		
	No opinion	5	5.3		

N=95

Table 9: The older generation rate demands on the potential successor/new owner

Demands on the potential successor	Rating level	Frequency	Percentage of N
Motivation and self confidence			
	1-Do not agree at all	4	11.4
	2	5	14.3
	3	6	17.1
	4	7	20.0
	5-More than agree	11	31.4
	No opinion	2	5.7

N=35 Mean 3.63 Standard Deviation 1.497

Table 10: Factors of importance, the point of view from current majority owner in the FOB

Respondent rating for successful ownership succession within the family	Rating level	Frequency (number of respondents)	Percentage of N
Closest family unit are in agreement on who or which should be the new owners	1-Has no bearing	2	1.5
	2	2	1.5
	3	12	9.2
	4	41	31.5
	5-Very Cruicial	62	47.7
	No opinion	11	8.5

N=130 Mean 4.48 Standard Deviation 0.942

Table 11: Did close and non-close stakeholders raise direct or indirect opinions on who should be the next majority owner

Shareholders		Frequency	Percentage of N	Mean	Std.Deviaton
Co-owners					
	Yes	48	33.6	1.71	0.542
	No	89	62.2		
	Don´s know	6	4.2		
Members of the board					
	Yes	44	30.8	1.72	0.509
	No	95	66.4		
	Don´s know	4	2.8		
Costumers & Suppliers					
	Yes	8	5.6	2.03	0.374
	No	123	86		
	Don´s know	12	8.4		
Cooperating companies & Competitors					
	Yes	6	4.2	2.04	0.354
	No	125	87.4		
	Don´s know	12	8.4		
Creditors					
	Yes	8	5.6	2.03	0.374
	No	123	86		
	Don´s know	12	8.4		

N=143

Table 12: Circumstances that affected the choice of majority owner from non-close stakeholders

Non-close stakeholder involvement		Frequency (number of respondents)	Percentage of N
Regional & local authorities			
	Yes	2	1.4
	No	137	95.8
	Don´t know	4	2.8

N=143 Mean 2.01 Standard Deviation 0.205

Table 13: Close-stakeholders awareness of the change in the ownership structure

Respondent rating for successful ownership succession within the family	Rating level	Frequency (number of respondents)	Percentage of N
Members of the management team approve of the ownership change	1-Has no bearing	3	2.3
	2	2	1.5
	3	12	9.2
	4	36	27.7
	5-Very Cruicial	62	47.8
	No opinion	15	11.5

N=130 Mean 4.52 Standard Deviation 1.021

Table 14: Respondent (younger generation) had a mentor during the succession process

	Frequency (number of respondents)	Percentage of N
Yes	35	36.8
No	60	63.2

N=95 Mean 1.63 Standard Deviation 0.485

Table 15: Respondent (younger generation) had a mentor as support in his/her new role as majority owner/leader in the FOB

	Frequency (number of respondents)	Percentage of N
Yes	41	43.2
No	54	56.8

N=95 Mean 1.57 Standard Deviation 0.498

Table 16: Who(m) was mentoring you in the role as new leader/majority owner

Mentor	Frequency number of respondent
Family members working in the FOB	18
Family members not working in the FOB	9
CEO	5
Outstanding executives in the FOB	2
Other employees	5
Current/previous majority owner	6
Styrelseledamot	14
Accountant	15
Other person(s)*	12

*Advokat, vänner, utomstående person som också driver företag, extern person, Fd VD ordförande i annat bolag, personlig coach, kunder, personer som varit i samma position, skuggstyrelsen IFL, VD på annat företag

18 respondenter hade mer än 1 mentor som stöd under generationsskiftesprocessen

Table 17: You had no mentor after your phase-in as new leader/majority owner, did you feel a need for a mentor

Mentorskap	Frekvens	Procent av N
Yes	15	27.8
No	39	72.2

N=54 Mean 1.72 Standard Deviation 0.452

Table 18: Does it exist a clauses in the articles of association or in a shareholder´s agreement that limit the possibility of transferring the shares in the FOB to anyone else than a previous co-owner

Clausal in articles of association	Frequency (number of respondents)	Percentage of N
Yes	76	53.1
No	67	46.9

N=143 Mean 1.47 Standard Deviation 0.501

Table 19: Did the restrictions hamper the ownership transfer in any way

	Frequency (number of respondents)	Percentage of N
Yes	3	3.9
No	73	96.1

N=76 Mean 1.96 Standard Deviation 0.196

Table 20: Do you consider that it exist more hampering taxes with regard to a ownership transfer in a FOB, which should be abolished

	Frequency (number of respondents)	Percentage of N
Yes	59	41.3
No	84	58.7

N=143 Mean 1.59 Standard Deviation 0.494

Table 21: An overview of which taxes that should be abolished in accordance to the respondent

Hampering taxes	Yes/not chosen/	Frequency (number of respondents)	Percentage of N
Capital gain tax on transfer against market value	Yes	16	27.1
	Not chosen	43	72.9
Capital gain tax on transfer below market value			
	Yes	32	54.2
	Not chosen	27	45.8
Other taxes			
	Yes	20	33.9
	Not chosen	39	66.1

N=59

Table 22: Do you think that all taxes in relation to a ownership succession within the family should be postponed until the family decides to sell the business to an outsider

Succession within the family	Frequency (number of respondents)	Percentage of N
Yes	79	55.2
No	64	44.8

N=143 Mean 1.45 Standard Deviation 0.499

Table 23: An overview of the different methods used in the ownership succession

Olika metoder för ägarskifte inom familjen	Frekvens	Mean	Standard Deviation
A Will	6	0.77	2.303
Gift	78	1.27	2.186
Sale of shares below market value	20	0.87	2.290
Internal handover	25	0.90	2.284
Shell company transfer	1	0.73	2.307
Trust	0	0.73	2.308
Fission	2	0.74	2.306
Sale of company assets below market value	8	0.78	2.302
Successiv transfer	22	0.88	2.287
Other method	21	0.87	2.289

N=143

Table 24: Have you participated in education programs/seminars in order to increase your competence regarding ownership succession within the family

Education programs	Frequency (number of respondents)	Percentage of N
Yes	42	29.4
No	101	70.6

N=143 Mean 1.71 Standard Deviation 0.457

Table 25: Is that something you would recommend to other family businesses that are facing an ownership succession

Succession within the family	Frequency (number of respondents)	Percentage of N
Yes	40	95.2
No	2	4.8

N=42 Mean 1.05 Standard Deviation 0.216

Table 26: Do you have experience from a previous ownership succession

Previous experience of a ownership succession	Frequency (number of respondents)	Percentage of N
Yes	28	19.6
No	115	80.4

N=143. Mean 1.80 Standard Deviation 0.398

Table 27: What types of ownership succession experience do you have

What type of ownership experience	Frequency (number of respondents)	Percentage of N
Ownership succession in your own company	21	75.0
Ownership succession in somebody else company	4	14.3
Your own company and someone else	2	7.1
Other experiences of ownership succession	1	3.6

N = 28

Table 28: Is it of importance to start the transfer shares to the younger generation at an early stage

Transfer shares at an early stage	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	5	3.8
	2	10	7.7
	3	28	21.5
	4	39	30.0
	5-Very Cruicial	36	27.8
	No opinion	12	9.2

N=130 Mean 3.98 Standard Deviation 1.236

Table 29: Is it of importance to start training the potential successor at an early stage

Train the potential successor at an early stage	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	2	1.5
	2	2	1.5
	3	16	12.3
	4	45	34.6
	5-Very Cruicial	53	40.9
	No opinion	12	9.2

N=130 Mean 4.39 Standard Deviation 0.976

Table 30: Is it of importance that the family members agree on who should be the new owner

The importance of that the closest family unit are in agreement on who or which should be the new owners	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	2	1.5
	2	2	1.5
	3	12	9.2
	4	41	31.5
	5-Very Cruicial	62	47.7
	No opinion	11	8.5

N=130 Mean 4.48 Standard Deviation 0.942

Table 31: Is it of importance that the companions approve of the change in the ownership structure before a succession within the family

Companions approve of the ownership change	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	2	1.5
	2	2	1.5
	3	9	6.9
	4	30	23.1
	5-Very Cruicial	59	45.4
	No opinion	28	21.5

N=130 Mean 4.74 Standard Deviation 1.023

Table 32: Is it of importance that members of the management team approve of the change in the ownership structure before a succession within the family

Members of the management team approve of the ownership change	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	3	2.3
	2	2	1.5
	3	12	9.2
	4	36	27.7
	5-Very Cruicial	62	47.8
	No opinion	15	11.5

N=130 Mean 4.52 Standard Deviation 1.021

Table 33: Is it of importance that creditors approve of the change in the ownership structure before a succession within the family

The FOB´s creditors approve of the ownership change	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	4	3.1
	2	4	3.1
	3	24	18.5
	4	39	30.1
	5-Very Cruicial	40	30.8
	No opinion	19	14.6

N=130 Mean 4.26 Standard Deviation 1.191

Table 34: Is it of importance that FOB´s customers and suppliers approve of the change in the ownership structure before a succession within the family

The FOB´s customers and suppliers are aware of the ownership change	Rating level	Frequency (number of respondents)	Percentage of N
	1-Has no bearing	10	7.7
	2	15	11.5
	3	36	27.7
	4	36	27.7
	5-Very Cruicial	14	10.8
	No opinion	19	14.6

N=130 Mean 3.66 Standard Deviation 1.423

Table 35: Do you think that the abolishment of the inheritance and gift taxes has promoted the ownership succession within the family

Inheritance & Gift tax	Frequency (number of respondents)	Percentage of N
Yes	132	92.3
No	11	7.7

N=143 Mean 1.08 Standard Deviation 0.267

Table 36: After the abolishment of the inheritance & gift tax, do you believe it is unnecessary to plan for an ownership succession within the family

Inheritance & Gift tax	Frequency (number of respondents)	Percentage of N
Yes	12	9.1
No	97	73.5
Don´t know	23	17.4

N=132 Mean 2.08 Standard Deviation 0.510

Table 37: Who took the initiative to start planning for the ownership succession

Initiative taker to start the ownership succession	Frequency (number of respondents)	Percentage of N
Transferor of the shares	84	58.7
Receiver of the shares	30	21.0
Both the receiver and transferor	18	12.6
Other persons*	11	7.7

N=143. Other persons* (auditor, CEO, part-owner)

Table 38: Did you (resp. younger generation) experience a requirement of having a complete university education before gaining the majority of the shares in the FOB

Rating level	Frequency (number of respondent)	Percentage of N	Mean	Standard Deviation	Rating level
University education					
	1-Do not agree at all	55	57.9	2.39	1.942
	2	8	8.4		
	3	8	8.4		
	4	3	3.2		
	5- More than agree	6	6.3		
	No opinion	15	15.8		

N=95 Mean 2.39 Standard Deviation 1.942

Table 39: Rate how satisfied you are with the ownership succession

Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
New owners in the younger generation	1-Dissatisfied	1	1.1
	2	2	2.2
	3	8	8.9
	4	31	34.5
	5-Very much Satisfied	48	53.3

N=90

Table 40: Rate how satisfied family members that did not become owners are with the ownership succession

Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Family members (not owners)	1-Dissatisfied	2	3.4
	2	4	6.8
	3	9	15.2
	4	15	25.4
	5-Very much Satisfied	29	49.2

N=59

Table 41: Rate how satisfied competitors are with the ownership succession

Non-Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Competitors	1-Dissatisfied	2	7.7
	2	1	3.8
	3	2	7.7
	4	10	38.5
	5-Very much Satisfied	11	42.3

N=26

Table 42: Rate how satisfied suppliers are with the ownership succession

Suppliers satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Suppliers	1-Dissatisfied	0	0
	2	2	3
	3	4	7
	4	18	31
	5-Very much Satisfied	34	59

N=58

Table 43: Rate how satisfied customers are with the ownership succession

Non-Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Customers	1-Dissatisfied	0	0
	2	1	1.7
	3	2	3.3
	4	25	41.7
	5-Very much Satisfied	32	53.3

N=60

Table 44: Rate how satisfied involved creditors are with the ownership succession

Non-Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Involved Creditors	1-Dissatisfied	0	0
	2	2	4.2
	3	1	2.1
	4	9	18.7
	5-Very much Satisfied	36	75.0

N=48

Table 45: Rate how satisfied local & regional authorities are with the ownership succession

Non-Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Local & Regional Authorities	1-Dissatisfied	1	2.7
	2	0	0.0
	3	0	0.0
	4	12	32.4
	5-Very much Satisfied	24	64.9

N=37

Table 46: Did you as a family have meetings in order to strengthen the family ties and make all feel a responsibility for the FOB

Family meetings	Frequency (number of respondents)	Percentage of N
Yes	81	56.6
No	62	43.4

N=143. Mean 1.43 Standard Deviation 0.497

Table 47: Do you think that these family meetings promoted the ownership succession

Did the meetings promote the ownership succession	Frequency (number of respondents)	Percentage of N
Yes	69	85.2
No	3	3.7
No idea	9	11.1

N=81

Table 48: Is it of importance to create a family council in order to carry out an ownership succession within the family

Respondent rating for successful ownership succession within the family	Rating level	Frequency (number of respondents)	Percentage of N
To create a family council	1-Has no bearing	10	7.7
	2	16	12.3
	3	40	30.8
	4	24	18.5
	5-Very Cruicial	21	16.2
	No opinion	19	14.6

N=130 Mean 3.67 Standard Deviation 1.465

Table 49: An overview of the respondents that used a gift of shares to carry out the ownership succession within the family

	Frequency (number of respondents)	Percentage of N
Gift of shares	78	54.5

N=143 Mean 1.27 Standard Deviation 2.186

Table 50: Was the gift of shares conditional

Gift of shares	Frequency (number of respondents)	Percentage of N
Yes	23	29.5
No	42	53.8
Don´t know	13	16.7

N=78 Mean 1.87 Standard Deviation 0.671

Table 51: Did siblings or other close relatives get compensated, for not becoming owners of the FOB, in connection to the ownership succession through a gift

Gift of shares		Frequency (number of respondents)	Percentage of N
	Yes	32	41.0
	No	35	44.9
	Don´t know	11	14.1

N=78 Mean 1.73 Standard Deviation 0.696

Table 52: Does the gift of shares contain a condition that the shares are separate poverty of the receiver

Gift of shares		Frequency (number of respondents)	Percentage of N
	Yes	21	91.3
	No	2	8.7

N=23 Mean 1.09 Standard Deviation 0.288

Table 53: Did you have to pay gift tax

Gift of shares		Frequency (number of respondents)	Percentage of N
	Yes	29	37.2
	No	49	62.8

N=78 Mean 1.63 Standard Deviation 0.486

Table 54: Rate how satisfied Co-owners are with the ownership succession Co-owners

Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Co-owners	1-Dissatisfied	0	0
	2	1	2.3
	3	6	14.3
	4	9	21.4
	5-Very much Satisfied	26	62

N=42

Table 55: Rate how satisfied the management team are with the ownership succession

Close stakeholders satisfaction	Satisfaction level	Frequency (number of respondents)	Percentage of N
Management team	1-Dissatisfied	0	0
	2	0	0
	3	7	11
	4	17	27
	5-Very much Satisfied	39	62

N=63

Table 56: Has non-close stakeholders raised a direct or indirect opinion whether they are satisfied with the ownership succession

Close stakeholders		Frequency (number of respondents)	Percentage of N
Customers			
	Yes	60	42
	No	61	43
	Don´t know	22	15
Suppliers			
	Yes	58	41
	No	62	43
	Don´t know	23	16
Cooperating businesses			
	Yes	56	39
	No	64	45
	Don´t know	23	16
Competitors			
	Yes	26	18
	No	66	46
	Don´t know	51	36
Creditors			
	Yes	48	34
	No	67	47
	Don´t know	28	19
Local & Regional authorities			
	Yes	37	26
	No	67	47
	Don´t know	39	27

N=143