An Exploration of the Generational Differences in Levels of Control Held Among Family Businesses Approaching Succession

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This research examines levels of objective and perceived control held by incumbents and successors in 100 Canadian family businesses approaching succession. Although results suggest that control remains largely with incumbents, indicators of succession readiness were more reliably correlated with the successors' levels of control. Generational differences in the association between succession indicators and actual levels of control are highlighted. Implications of these generational differences and the association between succession readiness indicators and control outcomes are discussed.

Leadership succession of family business has received much research attention because family businesses frequently stumble in succession (Ward, 1987; Zahra & Sharma, 2004), yet this subject remains poorly understood. One reason is that family business succession is rarely a single event (Gersick, Lansberg, Desjardins, & Dunn, 1999; Ibrahim & Ellis, 1994), making it challenging to measure. Further, some have focused on managerial transfer (e.g., Sharma, Chrisman, & Chua, 2003), while others have argued that ownership is the key measure of control in family business (Lansberg, 1999). In fact, as family business is usually defined by the overlap of firm ownership and management by a family (e.g., Sharma, 2004), it can be argued that complete family business succession involves the transfer of both management and ownership control from one generation to the next. As this transition happens over time, movement through the succession process may affect both the management of the business and eventual succession outcomes.

This article aims to shed light on the succession process, describing how relevant businesses succession variables (e.g., confidence in the successor) are associated with the state of generational power sharing in ownership, management, and perceived control. This research question was examined in a sample of 100 family-controlled businesses whose current leaders are at, or beyond, the age where they should be "normatively" planning for their retirement. Building on previous research and models that acknowledge the relevant influence of both the incumbent and successor on this process, data on control measures from both generations within each firm are considered. By examining if different measures of succession readiness are related to objective and subjective measures of control in the business by each generation, this study seeks to reveal how the succession process itself may affect the incumbent and successor, which we hope provides insights on succession that improve outcomes for family businesses.

Literature Review

Family Business Succession

Although theoretical efforts to describe family business have been made (Astrachan & Shanker, 2003; Chua, Chrisman, & Sharma, 1999), no single definition exists (Sharma, 2004). Family businesses come in a range of sizes and legal structures, operate in every industry (Astrachan, Allen, Spinelli, & Whittmeyer, 2003), represent over 90% of businesses, and provide over half the jobs in North America (e.g., Dyer, 1986; Ibrahim & Ellis, 1994). For the purpose of this article, a family business is a company whose ownership and management are concentrated in one family, with at least one member of the family at the helm of the business and another being groomed or considered for eventual leadership.

The intersection of ownership, management, and family found in family business creates challenges for succession (e.g., Gersick, Davis, McCollom Hampton, & Lansberg, 1997). For example, the state of trust and harmony in the family at the time of succession may complicate this transition (e.g., Dyer, 1986; Ward, 1987). In addition, business factors, such as previous experience with a succession and the influence of a board of directors, have been highlighted as elements affecting family business succession (e.g., Le Breton-Miller, Miller, & Steier, 2004).

As incumbent leaders of family businesses (typically the primary owner) can exert a great deal of control over the process of succession (Sharma et al., 2003), much of the research has focused on their unwillingness to cede control (e.g., Dyer, 1986; Sharma, Chrisman, Pablo, & Chua, 2001; Ward, 1987). This resistance of incumbents has been tied to many theories—for example, role loss, as people in positions of work leadership face a steep psychological loss in retirement because their work role affords them a level of respect and admiration they may not easily find elsewhere (Kets de Vries, 2003). Also, some have suggested that the emotional burden of choosing a successor from among their own children plays a part in delaying succession (e.g., Lansberg, 1999). In addition, as most incumbents will rely on income from the business to fund retirement, they may not move forward with succession if they believe the business cannot function without them (Sharma, Chua, & Chrisman, 2000).

There is less knowledge about the successor's experience of succession (Sharma, 2004), which limits our understanding as the interests and abilities of successors have an impact on succession outcomes (Ibrahim, Soufani, Poutziouris, & Lam, 2004; Ventner, Boshoff, & Maas, 2005). In most businesses, successors gain control or authority through experience and demonstrated competence (Tharenou, 2001), though it is unclear if this process would work in the same way in a family business context. Family business research finds that the way the successor experiences the succession process can contribute to his or her satisfaction with work (Sharma et al., 2001) and the extent to which the successor is prepared to take over (Ventner et al., 2005), which could affect outcomes. Finally, some have found that key variables in the succession process can be different across generations (e.g., the successor's career goals vs. the incumbent's confidence in the successor's skills) (Ventner et al., 2005). This implies that it may be important to take separate outcome measures directly from each member of the dyad in businesses under study.

Generational Differences

One of the earliest empirical studies on family business succession considered data from both generations and uncovered differences that should continue to inform research. By applying Levinson's (1986) theory of developmental stages, Davis and Taguiri (1989) found that the age of each member of the dyad affects how they experience succession and whether they are more or less likely to make adaptive progress. For example, at certain life stages it is easier than at others for the senior generation to share its knowledge and be interested in the development of the successor. Likewise, the successor will vary in receptivity to advice and learning from their elders as a normal function of the life stage. Examining how these normal developmental processes interact within family business dyads, the Davis and Taguiri research implies that succession is not always a parallel process between incumbent and successor. Whether the developmental stage at which an incumbent might be more willing to cede authority actually overlaps with a stage when the successor is ready to take on additional responsibilities could be a factor in succession outcomes.

In a more recent study highlighting generational differences in the experience of succession, Sharma et al. (2003) found incumbents are generally more satisfied with the succession process than are their successors. Further, they perceived themselves to be "more ready" to let go of the leadership role than their successors believed to be true—an important difference as the successor's perception of the incumbent's readiness to step aside can predict his or her satisfaction with the succession process. In addition, incumbents reported that their satisfaction with the succession process was a function of the successor's readiness to assume the leadership role, suggesting that each member of a dyad can affect the other (Sharma et al., 2003).

Stages of Succession

As the present study is interested in examining how succession readiness may impact on the incumbent's and successor's control over a business, it is useful to review some of the dominant models of succession. For example, Handler (1990) describes succession as a four-stage transition that occurs over the course of the successor's career. This process is described as a slow, informal role adjustment, involving an evolution in responsibility and decision-making authority for the successor (from helper, to manager, to leader), with a corresponding decline in authority for the incumbent. However, Handler's sample ($N = 32$) included businesses at each of her four stages; therefore, only a small number involved incumbents who might be actively moving away from the day-to-day leadership of the business, the point in the process where problems often emerge. Within this portion of her sample, Handler found that many incumbents struggle to give up their authority, yet her work only permits speculation about what accounts for these struggles, suggesting further research is needed.

Consolidating knowledge acquired over years of applied work, Gersick et al. (1999) developed a theoretical model of leadership transition. This model suggests that developmental pressures, such as aging, generate pressure for change. Once a trigger sets actual change in motion, the authors describe a four-step process of acknowledging the end of the current structure (i.e., making a succession timetable public), considering possible alternatives for the future (i.e., evaluating potential successors), making a selection for leadership going forward, and committing to this new structure. Although this model acknowledges that these steps can occur quickly or take several years, it does not detail what happens inside this process that may facilitate or hinder progress through the steps.

More recently, Le Breton-Miller et al. (2004, p. 318) developed an integrative model of succession, including important contextual variables, such as the competitive environment of the industry, as well as the cultural, social, and family norms in which a business is embedded. The model divides the succession process into four steps: establishing ground rules, nurturing successors, selection, and hand-off/transition. The first two of these steps set the stage for actual choices and changes in authority that occur over the last two. Although Le Breton-Miller et al. explicitly acknowledge how the business context, as well as the needs and abilities of the incumbent and successor, will affect this process, their model does not directly account for how the succession process itself may be affecting the incumbent and successor in return. The model does include a feedback loop within the succession process, acknowledging that progress (or lack thereof) in one phase will affect the next, and/or previous phases, but again, how this progress affects the incumbent's or successor's role in the business as this process is underway is not clear. The present study aims to contribute to this line of research by taking a closer look at how progress with succession may be related to control held by the incumbent and successor.

As the nature of power sharing between two people influences their working relationship

(Davis & Taguiri, 1989), a closer look at the distribution or overlap of authority through the succession process may inform our understanding of family business successions. An overlap in authority in a healthy relationship may facilitate the transition by ensuring some continuity. However, there are risks that may increase with time, as research has found that as they get older, family business incumbents tend to approach succession from a more competitive and less collaborative approach (Marshall et al., 2006). In addition, there could be risks to the business as ambiguity in leadership has been found to adversely affect the financial performance of a company (West et al., 2003). Finally, as incumbents often struggle to let go of their authority, over time an overlap in authority could lead to more frequent conflicts, as the successors' abilities increase and the younger generation feels it has earned its place at the helm.

The Present Study

Building on literature describing family business succession as a slow shift in power and responsibility over time (Handler, 1990) that is differently experienced by the incumbent and successor (Sharma et al., 2003), this study seeks to examine how succession variables are related to levels of control reported by an incumbent leader and successor in a sample of 100 Canadian family businesses at, or approaching, succession. This closer look at the authority held by both generations at this challenging point of transition may provide valuable insight about family business succession. Building on the Le Breton-Miller et al. model (2004), this research involves a closer look at the selection and hand-off/transition steps in the succession process they outline (see Figure 1). Based on this model (for a more comprehensive description of this model, see Le Breton-Miller et al., 2004) and the reviewed literature, it would seem likely that the selection and hand-off phases of the succession process are where changes in authority and control begin to occur. The present research will examine the association between indicators of succession readiness and authority in the business held by both the incumbent and successor. Although this cross-sectional research can provide only a snapshot, it may be suggestive of ways the succession process itself affects how the incumbent and successor are experiencing the business, which may affect the management of the firm and the eventual outcome of the succession itself.

The model tested in the present study used four key indicators of succession readiness to measure how advanced a business was in the succession process. Although outcomes are reported by both generations, leaders serve as the informants for the predictors because research finds they drive this process (e.g., Feltham, Feltham, & Barnett, 2005; Lansberg, 1999) and have the most comprehensive view of the actual state of succession preparedness of the firm.

One early task in succession is identifying a successor. A North American study of family businesses found that of CEOs over the age of 60 who expected to retire within the next five years, 55% had not even chosen a successor (Astrachan et al., 2003). Similarly, a Canadian study found that almost 80% of family businesses expected a turnover of leadership within the next 15 years, yet less than one-third had a mechanism in place to choose a successor (Deloitte & Touche, 1999). Although we asked our incumbents to identify a potential successor for our research (forcing a choice for the study), we also asked about clarity of this choice to differentiate cases where the incumbent is unambiguous about the successor from those where this felt less settled in the mind of the incumbent, and using this as a measure of succession readiness.

A choice of successor is necessary, but it may not be sufficient. Family business advisors report that a written succession plan shared with key stakeholders is an important variable in well-managed successions (Lansberg, 1999), something many fail to do (Astrachan et al., 2003). These plans provide transparency to the process, reducing the uncertainty of succession that may be a source of conflict. Although more family businesses are making these plans (Sharma et al., 2000), it remains far from universal practice. Therefore, clear and public planning for succession may be an indicator of progress toward succession.

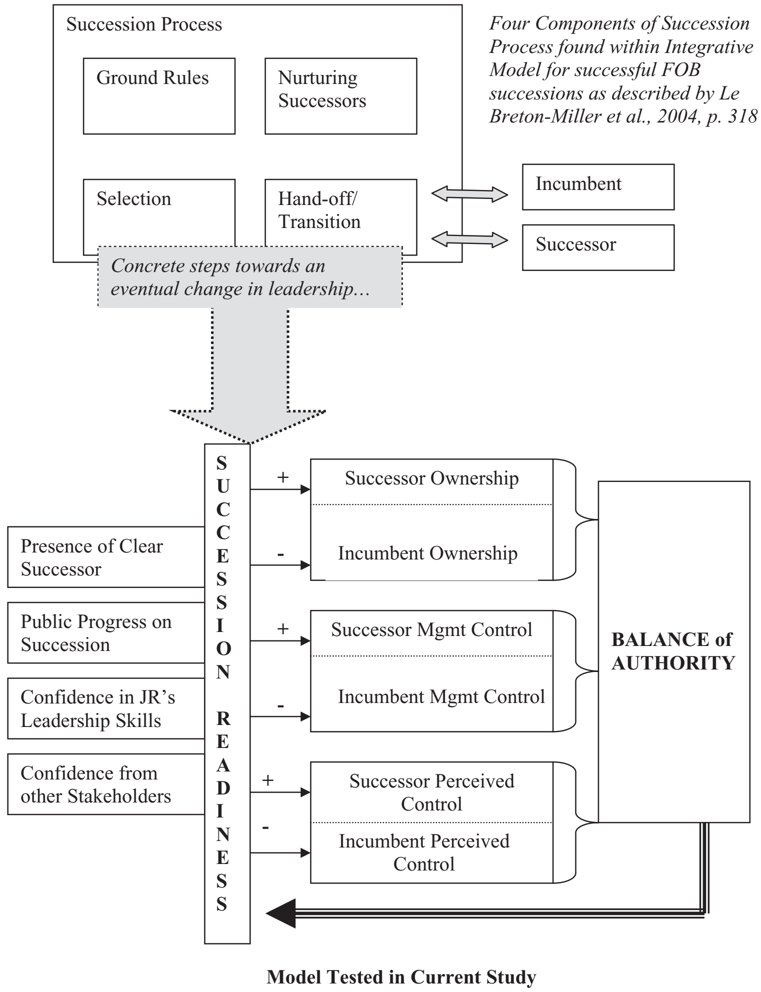

Figure 1 Model Tested in Current Study.

A family business leader may be able to identify a successor; however, this does not guarantee enthusiasm about the choice. The presence of a trusted successor inclined to take over the business is an important variable determining if a firm makes progress toward succession planning (Sharma et al., 2003). Another study identified the successor's capacity to lead, managerial skills, and commitment to take over the business as attributes owners were seeking in successors (Ibrahim et al., 2004). All this suggests that the current leader's confidence in the successor may be a relevant indicator of succession readiness.

Key stakeholders present another set of needs or concerns that must be addressed in a succession. Stakeholders are family members, employees, suppliers, or customers who could resist the succession for professional or personal reasons. For example, the owner's spouse or key employees may have a vested interest in the status quo, and could contribute to the owner's hesitancy to let go because they are afraid of what this change could mean for them (Lansberg, 1999). As anticipated concerns about succession from stakeholders could influence the current leader's approach and commitment to the succession process, this measure is included in our study.

As business succession may be perceived differently by both generations, the control outcomes in this model are measured separately for incumbents and successors. Ownership, management, and perceived control represent different types of control in the business and may all be related to the individual's sense of psychological ownership in the firm, which has been associated with affective and behavioral outcomes in management studies (e.g., Pierce, Kostova, & Dirks, 2001; Pierce, Rubenfeld, & Morgan, 1991). For example, these authors link ownership, managerial authority, and perceived control to organizational commitment, which incumbents value in their successors (Ibrahim et al., 2004), and that has been tied to greater progress toward succession planning (Deloitte & Touche, 1999).

The predictors for each hypothesis incorporate the four indicators of succession readiness described above: clarity on choice of successor, clear and public timetable for succession, confidence in successor's abilities, and stakeholder comfort with succession. As the purpose of this research was to examine the association between these succession indicators and the actual control held by each generation, each hypothesis examines a different control outcome. The first hypothesis examines how succession readiness may be related to levels of ownership of the incumbent and successor. Though much of the research on business ownership comes from studies of employee ownership, this work ties tangible ownership to psychological ownership and to greater authority and influence in a business (Pierce et al., 1991). Further, in North America, ownership confers ultimate legal authority for decisions (Jayaraman, Khorana, Nelling, & Covin, 2000), making this is an important source of authority in a business. Therefore:

Hypothesis 1. The more the leader's responses reflect succession readiness, the more it is expected: (1) the leader would no longer hold a controlling interest (51% or more) in the business, and (2) the successor would hold some shares in the business.

At the same time, the managerial leadership of a business has the best understanding of the daily challenges and opportunities facing the business, which confers on them important authority. Managerial titles confer on individuals in a business the power to influence others by virtue of their position in the decision-making hierarchy (Mintzberg, 1979). Therefore, the second hypothesis addresses managerial authority as defined by title in the business.

Hypothesis 2. The more the leader's responses reflect succession readiness, the more it is expected: (1) the leader would no longer hold the CEO position, and (2) the successor would hold the title of CEO or be part of the executive management team.

Finally, perceived control over the business is considered important because research finds people who perceive high levels of control are more likely to make tangible efforts, whereas low levels of control may result in withdrawal. An individual's subjective sense of control has been found to affect his or her behaviors independent of the actual control the individual has (Skinner, 1996). In addition, because in this population some family members may be given titles that are meaningless (there is no cost for a reluctant incumbent to grant his child the title of "Vice President" if this comes with no real power), the actual control these individuals perceive may be particularly relevant. This leads to the third hypothesis.

Hypothesis 3. The more the leader's responses reflect succession readiness: (1) the lower the current leader's perceived control over the business is expected to be, and (2) the higher the potential successor's perceived control over the business.

Methods

Data Collection

As succession is not just one event (Ibrahim & Ellis, 1994), and developmental life stage has been found to affect succession processes (Davis & Taguiri, 1989), participants were recruited using the incumbent leader's age (at least 50) as a criterion to ensure they should be at least beginning to think of retirement (Neugarten, 1979). Family-controlled enterprises from across Canada whose current leader met our age criteria, and had at least one child working in the business whom the leader identified might possibly eventually take over the company's leadership, were recruited. Incumbent leaders and their designated potential successors were invited to participate between 2003 and 2005, through a number of channels. In some cases, letters were sent from professional organizations (such as PriceWaterhouse Coopers and the Canadian Association of Family Enterprises) to their clients or members who met the study's criteria. Letters were also sent to businesses whose Dunn & Bradstreet listings identified at least three executives or board members with the same family name. Finally, an Internet search was made for family businesses. Letters or emails introducing the study and criteria were sent to these companies, asking them to respond if they qualified and felt they might be interested in participating.

In total, 404 questionnaires were mailed to owners and successors at 189 different companies. From these, 233 questionnaires were returned completed (58% response from sent questionnaires) from 132 different companies. We mailed questionnaires and consent forms with self-addressed and stamped return envelopes to each participant separately, stressing the confidentiality of their responses. The final sample was reduced to those companies where both the current leader and the successor completed and returned their questionnaires ($N = 100$).

Description of Variables and Scales Used in Analyses

Both current leaders and potential successors answered questions about their objective and subjective control over the business. A number of questions captured demographic information, as well as some categorical descriptions of the businesses. Finally, current leaders were asked four questions relating to the succession, which are used as predictors in the analyses. The incumbent is the source for these measures because he or she is expected to have access to the most accurate and relevant answer to these questions. Finally, while most analyses in this study consider measures from single-item questions, a few scales were used and will be described.

Ownership. The outcome measure for ownership of the business was phrased: "What is *your* percentage of ownership?" with response options of: 100%, 51–99%, 15–50%, less than 15%, 0%, coded originally from 1 (100%) to 5 (0%); (Leaders: $M = 2.31$, $SD = 0.96$; Successors: $M = 4.04$, $SD = 0.96$). As these responses do not show a normal distribution (see Figure 2, Panel

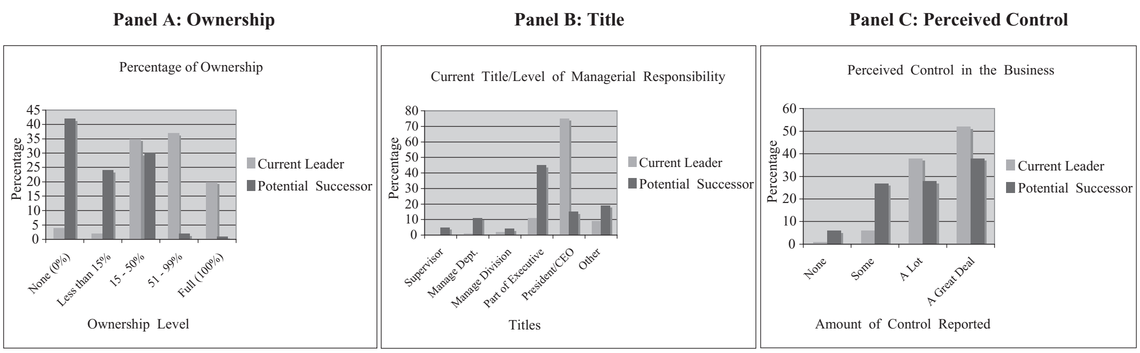

Figure 2 Overview of Current State of Power Distribution.

A), a median split is needed to assess variance in the data for statistical analyses. In the case of share ownership, 57% of leaders reported a controlling interest (51% or more), whereas this level of control was reported by only 3% of successors. Yet, almost half the successors (42%) reported having no shares whatsoever. As a result, the analyses used a median split of leaders' responses: controlling interest (51% or more coded as 1), versus less than a controlling interest (50% or less coded as 0), whereas successors were split between those who had any shares at all (all coded as 1), versus those who reported 0% ownership (coded as 0) (Leaders: $M = 0.58$, $SD = 0.50$; Successors: $M = 0.58$, $SD = 0.50$).

Management. Each respondent was asked to select one of the following titles that most closely applied to them: supervisor, department manager, division manager, part of executive, president or CEO, other; scored from 1 to 6, (Leaders: $M = 4.91$, $SD = 0.61$; Successors: $M = 4.14$, $SD = 1.34$). Similar to the measure of ownership, these responses were not normally distributed (see Figure 2, Panel B), and a median split of the data was made to allow for statistical analyses. In fact, the vast majority of incumbents (75%) identified their title as "president or CEO." As a result, this variable distinguished president or CEO (coded as 1) from all other responses (coded as 0). The median split on successor title was made by grouping those who were either part of the executive (45%) *or* the CEO (15%) (both coded as 1), and comparing these to all other responses, which represent less central roles in the management of the business (coded as 0) (Leaders: $M = 0.77$, $SD = 0.43$; Successors: $M = 0.61$, $SD = 0.49$).

Perceived control. This outcome measure was assessed from both current leader and potential successor, phrasing the question in the same manner for both. The question asked: "How much control do *you* feel you have over the company?" with Likert-type scale response options of: "none, some, a lot, a great deal." These responses were coded from 1 to 4 (Leaders: $M = 3.45$, $SD = 0.66$; Successors: $M = 2.99$, $SD = 0.95$) (see Figure 2, Panel C).

Age. Respondents were asked to report their age (Leaders: $M = 61.76$, $SD = 7.89$; Successors: $M = 33.85$, $SD = 7.75$). As age is normatively related to retirement (Neugarten, 1979), it was important to evaluate if findings held even after controlling for this key variable.

Succession readiness. This included four indicators assessed from incumbents. The first, whether or not a SUCCESSOR HAD BEEN IDENTIFIED was measured with the following question: "Is there a clear successor for leadership of the company?" and had the following response options: "yes, one of my children; yes, someone outside the family (only two cases); co-leadership planned; unsure; no." To conduct statistical analyses with these nonlinear response choices, a binomial split was made between those answers that suggested clarity on the future leadership, without distinguishing who the successor would be (coded as 1), versus respondents who felt unsure or indicated no clarity on the identity of a future leader (coded as 0) ($M = 0.83$; $SD = 0.37$). In the four cases where more than one successor responded, we used the data from the one with the highest managerial rank, most years in the business, and/or highest age for our analyses.

The next succession readiness measure asked whether there was a PUBLIC SUCCESSION TIMETABLE. This was assessed with the question: "If succession is expected, has a date been set and announced?" with four response options of: "no, tentatively, set and announced, set and begun." These responses were then coded from 0 to 3, with 0 representing no clarity on a timetable for succession and 3 indicating that this timetable is clear, public knowledge, and actually underway ($M = 0.65$; $SD = 1.03$).

CONFIDENCE IN SUCCESSOR was assessed with a scale that was adapted from a six-question instrument (Gomez & Rosen, 2001). The leader was asked to respond regarding his or her confidence in the successor's abilities on the following dimensions: "making good business decisions; dealing with employees; maintaining the reputation and health of the business; leadership qualities; putting in the required time and effort; and interpersonal skills." In all cases, response options were on a five-point Likert-type scale, with options of: "not at all, a little, somewhat, a lot, a great deal" ($M = 3.92$, $SD = 0.80$, $\alpha = 0.92$).

Finally, STAKEHOLDER COMFORT was assessed, measuring the incumbent leader's worry about stakeholder resistance with the following questions: "How much resistance or resentment *do you expect* from the following stakeholders during or immediately after the process of succession?" The stakeholders identified were: "other managers, other family members, employees, suppliers, clients," and in each case the incumbent was to check the level of his or her concern: "none, a little, some, a lot." These response options were then coded from 0 to 3 and a sum scale was created to represent the current leader's expectation of stakeholder resistance. To have this predictor numerically consistent with the other predictors (i.e., positively correlated with succession), this sum was converted to a negative value in analyses, ($M = -2.52$, $SD = 2.41$, $\alpha = 0.74$), and labeled a measure of stakeholder comfort with succession.

Brief Sample Description

Although representative sampling techniques were not used to collect these data, the sample does reflect geographic and size variability in keeping with the population from which it was drawn. Specifically, the businesses in this study are located in nine provinces, reasonably mirroring the population distribution of Canada. These companies vary in age, from five to 122 years of operation, with a mean of 43 years in business. This range suggests that while many may be at their first intergenerational succession (56% of the sample incumbents are founders), some companies have been through several. By annual sales, approximately 32% of the sample are very small companies with annual sales of $3 million or less, a further 38% can be considered small to medium by annual sales of between $3–25 million, and the final 27% of the sample are mid-size to larger businesses with annual sales in excess of $25 million (most with more than 100 employees).

Results

One of the goals of this study was to describe the state of power sharing between generations in family-owned businesses where the senior generation was at, or past, a normative age to begin considering retirement (50 or older). As mentioned earlier, the control outcomes were measured separately for the incumbent and successor because recent studies (e.g., Ventner et al., 2005) led us to expect the succession paths of incumbents and successors may not follow the same pattern. To provide some empirical support for this assumption, we conducted a zero-order correlation between the leader's and successor's levels of control (Table 1). If the succession process reflected a direct adjustment between the two generations, the three control outcomes of the incumbent should

Table 1 Zero-Order Correlation Between Outcome Measures by Generation

	Successor's % Ownership	Successor's Title	Successor's Sense of Control in Business
Current leader's % ownership	–0.17	0.04	–0.08
Current leader's title	–0.23*	–0.05	–0.24*
Current leader's sense of control in business	–0.29**	–0.21*	–0.30**

* $p < 0.05$.
** $p < 0.01$.

be highly negatively correlated with these values for the successor. In fact, Table 1 reveals that only the perceived control of each generation was negatively correlated, and this at a relatively low level, $r = -0.30, p < 0.01$. By contrast, no significant associations between generations were obtained for ownership or title. These results demonstrate that the control outcomes are somewhat independent across generations, suggesting they should be analyzed separately.

The study hypotheses sought to evaluate how the variability in control reported by each generation may be associated with the business's "succession readiness." The hypotheses were tested using logistic (for ownership and managerial control) and hierarchical regression analyses (for perceived control), with each analysis including the age of the respondents as a control variable in a first step. The influence of each of the four "succession readiness" predictors was evaluated in the second step of the analyses.

Hypothesis 1 predicted the relation between succession readiness and the percentage of ownership held by each generation. As discussed in the Methods section, the outcome dichotomy considered for the current leaders was controlling ownership versus not (51% ownership or more vs. 50% or less), whereas the successor distinction was between any ownership and none (0% vs. any shares). The results of the analyses are reported in Table 2. In the case of the current leader, age was nonsignificant. However, age of successor was positively associated with share ownership, $Wald = 10.30, df = 1, \beta = 0.10, p < 0.00$.

The results of the main effect analyses of succession readiness on ownership showed that none of these variables were statistically related to whether or not the current leader had a controlling share of the business. However, in the case of the successor, two succession indicators significantly predicted ownership in the business. Specifically, the more clarity the leader expressed about a succession timetable, the greater the chance that the successor had some ownership of the business, $Wald = 5.00, df = 1, \beta = 0.65, p < 0.05$. Further, the more the leader was confident about stakeholders' reaction to succession, the more

Table 2 Logistic Regression Predicting Level of Ownership[a] by Age and State of Succession Progress

Predictor	**Leader: 51% + vs. 50%–**					**Successor: Any Shares vs. No Shares**				
	Chi-Square	**B**	**SE**	**Wald**	**r**	**Chi-Square**	**B**	**SE**	**Wald**	**r**
Sociodemographic	0.38					12.40**				
Age		−0.02	0.03	0.38	−0.06		0.10**	0.03**	10.30**	0.34**
Succession Readiness[b]	2.52					14.33**				
Successor identified		0.27	0.61	0.19	0.05		0.70	0.68	1.08	0.26**
Succession timetable		0.25	0.22	1.30	0.10		0.65*	0.29*	5.00*	0.28**
Confidence in successor		−0.25	0.28	0.80	−0.08		0.25	0.31	0.67	0.13
Stakeholder comfort		0.04	0.09	0.18	0.02		0.25*	0.11*	5.20*	0.28**

[a] Logistic split of outcome variables: Current leader: Controlling ownership versus 50% or less; Potential successor: Any ownership versus none.
[b] Succession variable predictors were all assessed from current business leader.
* $p < 0.05$.
** $p < 0.01$.

likely it was the successor had some shares, $Wald = 5.20, df = 1, \beta = 0.25, p < 0.05$. Although the incumbent's report of clarity on a choice of successor shows a significant correlation, this association does not hold up in the regression, and confidence in the successor's ability was not significantly associated with successor's ownership.

Next, we considered the relation between succession readiness and the managerial titles of the incumbent and successor (CEO vs. all others for the incumbent, and CEO or executive vs. all others for the successor; see the Methods section for more details). In the first step of this analysis, age was introduced and evaluated for significance (see Table 3). For the incumbent, age was unrelated to whether he or she currently held the title of CEO. For the successor, however, age was a significant predictor, indicating that older successors were more likely to hold an executive position than were younger successors, $Wald = 12.47$, $df = 1$, $\beta = 0.13$, $p < 0.00$.

The analysis of main effects revealed that two measures of succession readiness had a statistical association with the leader's current title (see Table 3). Leaders who indicated a more definite and public timetable for succession were less likely to be in the CEO role, $Wald = 5.79$, $df = 1$, $\beta = -0.59$, $p < 0.05$. In addition, stakeholder comfort with succession appeared inversely related to whether the incumbent is CEO, $Wald = 4.01, df = 1, \beta = -0.26, p < 0.05$. Clarity on a choice of successor, and confidence in the successor's ability, were not associated with the leaders' titles. The analysis of main effect for the successor's title demonstrated significant effects of two of the four individual predictors. Specifically, the more clarity the current leader had as to the identity of his or her successor, the more likely the successor was part of the executive team, $Wald = 7.07$, $df = 1$, $\beta = 2.70$, $p < 0.01$. In addition, the successor was more likely to be in an executive position when stakeholders were not expected to resist succession, $Wald = 4.50$, $df = 1$, $\beta = 0.24$, $p < 0.05$. A clear and public timetable for succession, and the incumbent's confidence in the successor, had no associations with the successors' titles.

Table 3 Logistic Regression Predicting Current Title in Business[a] by Age and State of Succession Progress

Predictor	**Leader: CEO vs. All Others**					**Successor: CEO/Executive vs. All Others**				
	Chi-Square	**B**	**SE**	**Wald**	**r**	**Chi-Square**	**B**	**SE**	**Wald**	**r**
Sociodemographics	0.32					15.89**				
Age		−0.02	0.03	0.32	−0.06		0.13**	0.04**	12.47**	0.38**
Succession Readiness[b]	9.20					22.51**				
Successor identified		1.00	0.74	1.82	0.04		2.70**	1.02**	7.07**	0.46**
Succession timetable		−0.59*	0.25*	5.79*	−0.22*		0.41	0.30	1.94	0.24*
Confidence in successor		0.04	0.35	0.02	−0.01		−0.04	0.34	0.01	0.07
Stakeholder comfort		−0.26*	0.13*	4.01*	−0.16		0.24*	0.11*	4.50*	0.33**

[a] Logistic split of outcome variables: Current leader: CEO position versus all others; Potential successor: CEO or part of executive versus all others.
[b] Succession variable predictors were all assessed from current business leader.
* $p < 0.05$.
** $p < 0.01$.

Table 4 Hierarchical Regression Predicting Current Leader and Potential Successor's Perceived Control in the Business by Age and State of Succession Progress

Predictor	Leader's Perceived Control			Successor's Perceived Control		
	R^2	Beta	r	R^2	Beta	r
Sociodemographics	0.07**			0.12**		
Age	0.07**	–0.26**	–0.26**	0.12**	0.35**	0.35**
Succession Readiness[a]	0.11**			0.33**		
Successor identified	0.01	–0.08	–0.15	0.07**	0.29**	0.46**
Succession timetable	0.09**	–0.32**	–0.38**	0.06**	0.26**	0.33**
Confidence in successor	0.00	0.05	0.02	0.04**	0.20**	0.32**
Stakeholder comfort	0.00	0.03	–0.02	0.07**	0.28**	0.40**

[a] Succession variable predictors were all assessed from current business leader.
* $p < 0.05$.
** $p < 0.01$.

The final set of analyses considered how the leader's and successor's perception of their control of the business was affected by the state of succession readiness (see Table 4). In the first step of the analyses, age accounted for a significant amount of variance in this outcome for both. The findings indicate that the older the current leader, the less control he or she perceived over the business, F (1, 97) = 6.90, $R^2 = 0.07$, $\beta = -0.26$, $p < 0.01$. The opposite relation was uncovered for the successors, F (1, 97) = 13.53, $R^2 = 0.12$, $\beta = 0.35$, $p < 0.00$, where older successors perceived more control over the business as compared to their younger counterparts.

The analyses of the main effects showed that only succession progress, F (1, 93) = 10.50, $R^2 = 0.09$, $\beta = -0.32$, $p < 0.01$, was significantly associated with the current leader's perceived control. The further along and more public the succession process, the less control the current leader perceived over the business. Neither clarity in a choice of successor, confidence in that successor's abilities, nor stakeholder comfort with succession were associated with the incumbent's perceived control over the business. This contrasts with the successor, for whom all four individual variables were significantly associated with perceived control. Specifically, the successors reported perceiving significantly more control when there was more clarity on choice for successor, F (1, 93) = 12.21, $R^2 = 0.07$, $\beta = 0.29$, $p < 0.01$; the business was further along with the succession process, F (1, 93) = 9.93, $R^2 = 0.06$, $\beta = 0.26$, $p < 0.00$; the leader had more confidence in the successor's leadership abilities, F (1, 93) = 6.37, $R^2 = 0.04$, $\beta = 0.20$, $p < 0.01$; and there was more confidence about stakeholders' reaction to succession, F (1, 93) = 12.13, $R^2 = 0.07$, $\beta = 0.28$, $p < 0.00$.

Discussion

This study provides some important insights on family business succession. Although illustrating that incumbent leaders continue to control their businesses even when they are approaching, or beyond, a normative age of retirement replicates previous findings (e.g., Sharma et al., 2000; Lansberg, 1999); the current study extends our understanding by highlighting differences in the succession process by generation. In fact, the finding that an increase in the successor's authority in the business is not strongly related to a decline in the incumbent's power (and vice versa; see Table 1) suggests that the process of succession is more complex than a simple adjustment of roles and responsibilities from one generation to another.

Further evidence of the lack of mutuality between generations in the succession process was seen in the analyses of the hypotheses. Specifically, fewer associations between succession readiness and control outcomes were found for the incumbent than for the successor. This difference is particularly compelling because for the successors, the predictor and outcome variables were drawn from different informants, reducing the artificial overlap of method variance. This implies that the four indicators of succession readiness considered here have a greater impact on the control outcomes of successors than incumbents, suggesting that the succession process does not operate in the same way for each generation. Also, there were no associations between any measure of succession readiness and incumbent ownership. As ownership provides undeniable authority (Jayaraman et al., 2000), that none of the succession predictors has any bearing on whether or not the leader holds controlling ownership may be symbolic of the owner's ultimate resistance to letting go, which is so frequently seen in the literature (e.g., Ward, 1987).

Age was significantly associated with all three control outcomes for the successor; however, the incumbent's age was associated only with perceived control. As the age of each member of a dyad is strongly correlated ($r = 0.84$), this discrepant pattern (increasing authority of successor with no offsetting decrease in authority for incumbent) suggests that family businesses at this developmental stage may be experiencing a growing overlap in control. Though this cannot be addressed by our cross-sectional study, these results lead us to wonder if such an overlap in authority could lead to problems over time. Specifically, as the successor begins to occupy more and more of the "leadership space" with an incumbent leader who is not letting go, and who may be approaching succession in an increasingly competitive way (Marshall et al., 2006), the risk of poor outcomes may increase. For one, inadequate clarity in leadership has been found to adversely affect the financial performance of a company (e.g., Conger & Nadler, 2004; Ocasio, 1999; West et al., 2003). In addition, there is evidence that ambiguous leadership situations generate dissatisfaction in family business succession (Sharma et al., 2001).

So, why do we see this pattern? One possible explanation may emerge if we consider the different original vantage point of each generation. When successors join the business, they usually have little authority. Over time, they garner experience, and gain confidence, increasing their control incrementally. In contrast, the incumbents are typically in the position of "maximum" power and control when the successor joins the business. For these individuals, succession is a zero-sum proposition: as they are in the position of having the authority to make all decisions, a shift down from this is not perceived as an incremental change. This difference in vantage points highlights the "cost" of succession for the incumbent and, given the relative freedom family business incumbents have from oversight, may help explain why it is so hard for them to cede any meaningful control, even when their designated successor is gaining in competence and legitimate authority. Finally, as the incumbent is typically the head of the business and the family, this dual role may imbue this position with greater personal and emotional value, making it particularly difficult to abandon (Jayaraman et al., 2000).

However, our data also found that some incumbents had made more progress than others in ceding authority, suggesting that not all businesses run into these problems. Figure 3 provides an illustration of two possible paths of leadership transition. Panel A represents incumbents who are unwilling to cede meaningful authority. The gray box highlights the control overlap that emerges as the successor gains in authority as the succession process moves forward. In this circumstance, both generations are concurrently occupying the space of "business control," perhaps putting their relationship and the business at risk. In contrast, the progressive decline in control of the "optimal succession" incumbent (Panel B) represents a situation where an incumbent is relinquishing control commensurate with the growth in the successor's abilities and authority. This represents the healthier "mutual role adjustment" (Handler, 1990) pattern that succession should theoretically involve, but seems to be often absent in the empirical data.

Although the generational differences in the association between succession readiness and control may be the most interesting result of our

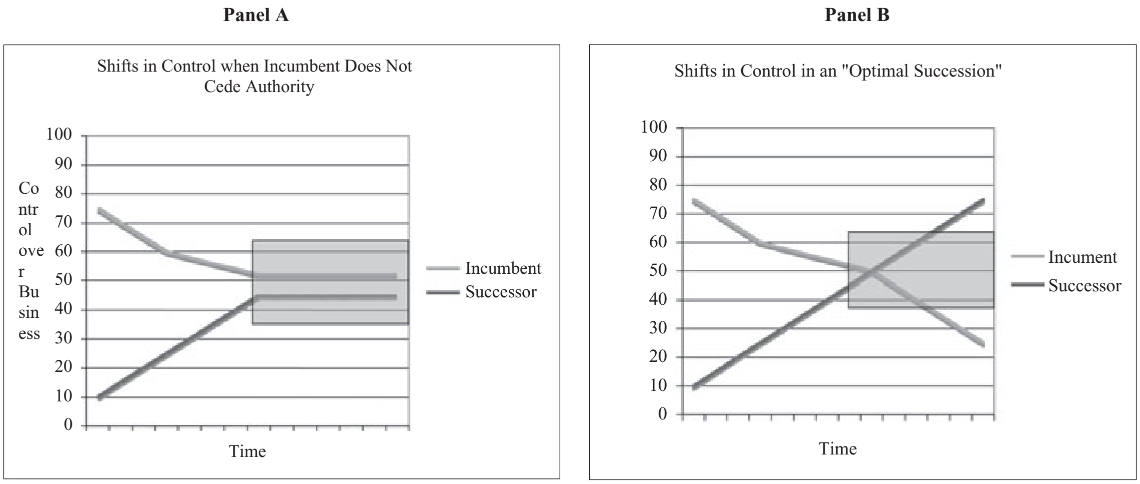

Figure 3 Two Possible Models of Generational Shifts in Control Through Succession.

study, two other patterns in the results are worth underscoring. The first is that stakeholder comfort with succession is important. It was the only predictor significantly associated with an objective marker of power (title) for both generations. This may imply that stakeholders are particularly sensitive to this symbolic marker for power, and that an adherence to the status quo on titles is used to minimize or delay their resistance, if anticipated. Stakeholder comfort with succession was also positively associated with the three control outcomes for successors, supporting the notion that resistance by stakeholders could have a particularly strong influence on successor control. Perhaps successors who want to increase their control in the business would be well served by learning about the concerns of other stakeholders and taking steps to address them.

Second, though previous research has found that a competent successor is a key variable in a successful succession (e.g., Ibrahim et al., 2004), there was no link in these data between the leader's confidence in the successor and the successor's ownership or title. In a merit-based system, executives are promoted because superiors have confidence in their leadership skills. Perhaps this study suggests that confidence in the successor alone is insufficient to lead to shifts in titles or ownership, as these changes may be more influenced by other needs or individuals.

Finally, while this study looked specifically at succession readiness, there are other variables that could influence levels of control, some of which we also assessed to determine if they influenced the outcomes found in the present research. For example, some have argued that business founders are particularly attached to their businesses and may struggle more with succession (e.g., Dyer, 1986; Kets de Vries, 1995), or perhaps the years of experience the incumbent has with the business may play a role. Therefore, we reran our analyses controlling for the status of incumbents (founder vs. those at second generation or higher), or their years of experience, and found no meaningful differences in the overall regression results. Likewise, it may be argued that age or size of the business could affect control outcomes, yet in running our analyses using founding year or annual sales as a control, again no meaningful differences emerge in the overall regression results reported here.

Implications

Although a complete succession will involve a shift in authority between the generations on perceived control, managerial control, and ownership control, our results suggest the ownership dimension may be the most challenging to complete. Perhaps family businesses would be well served to attempt tangible progress on the other two dimensions first, before tackling ownership. This may help the successor feel as though real progress on succession is being accomplished, while mitigating the "cost" to the incumbent.

However, it would be important to ensure that this progress is clear to all parties because, consistent with prior studies, incumbents in our sample perceived more progress on succession than successors. This difference in perspective may contribute to dissatisfaction among successors. For example, while both generations in our sample report good agreement on clarity of successor, and the time left until the incumbent's retirement, only 6% of incumbents report they never intend to retire, while 17% of successors report believing the incumbent in their business will never retire. This response may be indicative of successors who have lost hope in the succession process, which could put their commitment to the business at risk.

Our results also suggest that stakeholders have a bearing on the authority that may be conferred on successors, underscoring the value of considering the needs of all stakeholders in the succession process. In addition, as our results illustrate both the tendency of incumbents to maintain control, and suggest that the succession process itself has limited bearing on their authority in the business, this may argue further for greater oversight of succession by boards or other advisors to help put appropriate pressure on the incumbent to reduce his or her level of control.

Limitations and Future Directions

This study has highlighted generational differences and associations between indicators of succession readiness and control in family business, but it has only begun to scratch the surface of family business succession. The absence of strong predictors for the leaders' control suggests that additional variables must be considered in future research. Further, the significant associations in this study must be considered in light of methodological limitations inherent to this type of research. Specifically, the technical challenges in obtaining a large sample precluded random sampling, and required the use of self-report questionnaires. Care was taken in recruiting to ensure diversity of geography, industry, age, and size of the businesses. Though none of these business characteristics, nor their method of recruitment, was significantly associated with any of the measures of interest to this study, perhaps a larger sample would have permitted further analyses, such as examining if firms at their third or fourth succession exhibit different patterns than those at their first or second. Finally, while self-reported data may be influenced by a desire to present the self or the business in a more positive light, such does not seriously impede the conclusions drawn from the findings, and we note that most questions analyzed here do not lend themselves to a high risk of social desirability bias.

An important limitation of the research is that it uses cross-sectional data; therefore, no causal relations can be assumed. This study provides a snapshot of family businesses that are approaching succession (by virtue of the incumbent's age). For example, while these data found a successor's perceived control was related to succession readiness, it would be useful to evaluate if this sense of control erodes over time if it is not followed by an increase in actual control (title or ownership). Perhaps there is a level of perceived control that the successor attains that will frustrate him or her if the parent has not yet yielded some tangible control? Alternatively, is there a level of control that is attained by the successor that subsequently makes concerns of other stakeholders less relevant? Questions about the presence of such "tipping points" can be addressed only with longitudinal follow-up studies with this sample, which are currently underway.

Not only will these longitudinal assessments enable consideration of reciprocal effects of control measures between the generations, outcomes such as economic performance of the business may provide information about economic risks that stem from impaired successions. Also, a longitudinal examination of these measures may provide valuable information about whether leadership overlap is adaptive or creates problems in family businesses, and under what circumstances. Further, by making longitudinal assessments of the variables considered in this study, some direction of effects may be evaluated. For example, if confidence in the successor's ability at Time 1 is related to a promoted successor at Time 2, perhaps this is an indicator of businesses with a stronger merit-based management philosophy. These associations could then be assessed in conjunction with business performance to yield sophisticated assessments of the interaction between generations and the effect of this on the company.

Differences seen in levels of control held by incumbents might also be better explained with an examination of variables other than those tied directly to succession. For example, as previous research has found that business leaders have a strong psychological connection to their role in the business (Kets de Vries, 2003), future studies should examine personality variables to see what role these may play in their ability to relinquish control. In addition, qualitative data may provide important details about how control is actually exercised and experienced in these situations. Also, as the succession process is typically tied to the incumbent's transition into retirement, an evaluation of expectations or attitudes about retirement may provide insight. Furthermore, assessments of psychological measures for the successors may be of interest. For instance, as previous findings have emphasized both managerial skill and commitment to the business as attributes leaders seek in successors (e.g., Ibrahim et al., 2004), perhaps a measure of the work motivation of the successor would be associated with the leader's level of control.

Conclusion

This study has provided insights on succession, clarifying which components of succession are related to which element of business control; and highlighting the generational differences in these processes. The lack of mutuality in the succession process by generation is a compelling finding and longitudinal followups are currently underway to evaluate how this imbalance affects the process and outcomes over time. In addition, an examination of individual "succession readiness" measures provided a further understanding. Some of these measures, such as confidence in the successor's ability, played a less robust role than businesspeople or practitioners might expect. In addition, these data provide evidence that business stakeholders may have an important effect on the succession process. The next steps will be to look for patterns of change in the longitudinal data being collected, incorporate more psychologically-oriented variables in the analyses, and to consider the impact of these processes on financial outcomes for the businesses, as well as on the health and well-being of the businesspeople involved.

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