Dr. Christina Bockel. Literature review

Families' Specific Challenges in the Succession Process

Family businesses are a major source of social wealth in the German as well as in other economies (Schlippe et al, 2008). They offer significant advantages for those involved: Many of them are appreciated for their values and attitude of humanity, often expressed as special care for employees in a positive familiar atmosphere. However, these businesses are also faced with serious challenges (Dalpiaz et al, 2014). A particular moment of conflict often arises when it comes to the question of whether the company will be taken over by family members and if so, how. (Koffi et al, 2014).

This topic has been widely addressed by researchers, consultants and other business practitioners (Dalpiaz et al, 2014). Nevertheless, problems within family businesses demonstrate that good processes for transferring the business from one generation to the next are still rare (Stalk and Foley, 2012). Thus, the shining humanity of family business is quite often combined with hidden harm – for instance, discussions of business matters at the kitchen table can destroy a comfortable and protected atmosphere at home, but they can also lead to subtle expectations towards the children. In some families, children find their own ways within or apart from the family business. In other cases children bitterly fail in struggles with their parents' company situation (Schlippe et al, 2008) –harming the children as well as the whole family. This also weakens the family business and therefore affects all stakeholders (Graven, 2013).

What has be described as 'hidden harm' and its risks as well as its opportunities will be at the center of the planned research. First, the focus will be laid on potential traps, opportunities and risks resulting from the fact that in succession processes it is always a family member or a number of family members that are partners in negotiations (Grant and Nicholson, 2008). That means negotiations can be expected to be biased by power and authority aspects resulting from family roles (Litz and Turner, 2013) much more than they impact negotiations between external partners who are not bound by a family relationship. As a result, successions may end up with solutions which weaken the family business and / or the family itself. Such weakening may result from purely material disadvantages such as an overpayment for the business by the successor. However, it may also be driven by individual family members' perceptions of unfairness. It is assumed that sensitivity towards potentially unfair solutions is higher in family relationships than towards external partners – blood relations may therefore cause serious burdens or even psychological stress in family businesses (Schlippe et al, 2008). Moreover, family members usually want or in certain regards simply have to keep (good) relationships after a succession. In contrast to external business take-overs, there are less opportunities to avoid the person(s) who seem to have cheated or created what may be perceived as an unfair outcome. *"… .Fortunately, my father died one year after I joined the firm."* (Barnes and Hershan, 1976, p. 105). This underlines the dilemma of family businesses in the interactions between family and business. Succession is therefore a dilemma of conflicting pressures – to act in a constructive manner for the family and also for a sustainable business.

Thus, whereas family businesses have many advantages including human values which make them such a reputed business form, there are critical risks (Gordon and Grant, 2008). The latter can be recognised by the fact that a significant number of family businesses lack successors coming from inside their families. In addition, failure rates in family business successions are significant (Dalpiaz et al (2014) with reference to Miller et al (2003)). Moreover, even if businesses succeed, there still remains the issue that often families suffer from weaknesses in succession agreements. These difficult situations within the family may also reflect on business and even block healthy business development.

A first literature review has revealed that the area of tensions and conflicts in family businesses has already been investigated by both theorists and business practitioners (Bracci and Vagnoni, 2011). However, despite intense debates and investigations, analyses still seem to be incomplete in terms of recommendations for families and those being integrated into family businesses with respect to sustaining competitiveness, business success and a functional and good family. Much of the literature takes a conceptual approach and does little to theorize the nature of this problem.

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