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Stages of succession planning and factors of transferring management and ownership for the family agribusiness

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STAGES OF SUCCESSION PLANNING AND FACTORS OF TRANSFERRING
MANAGEMENT AND OWNERSHIP FOR THE FAMILY AGRIBUSINESS

A Thesis

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of

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by

Ryan D. Musselman

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ABSTRACT

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Although many family business owners want to maintain family control of the business for future generations, few businesses survive across generations. Neglecting to plan an entry and exit strategy for family members are just two factors that explains why more businesses don't succeed in transferring the business to the next generation in the family. Ordered Probit models and Probit models were used to discover factors that influence the process of family business transfer of management and ownership. Data came from a survey of 736 businesses in four Midwest states.

Four factors were found to be correlated with the transition of both management and ownership of the family business: (1) identification of a successor, (2) discussions of future goals, (3) knowledge of where to start the transfer process, and (4) perception of being prepared for a transfer. Family businesses that had these four factors were found to be further along in the succession process than businesses that did not have these factors. The presence of conflict and tension were found to hinder businesses from progressing in the transfer process.

CHAPTER 1. INTRODUCTION

1.1 Overview

The total or full succession planning process has two components: ownership and managerial leadership (Churchill and Hatten, 1997; Mishra and El-Osta, 2007; Morris, Williams and Nel, 1996). This study focuses on these two components as separate but interrelated processes, as well as the combination of the two to evaluate factors in the full succession planning process. While much research focuses on management or ownership individually for small or large businesses, this study focuses on the full succession process as a combination of the two succession components for small and medium-sized businesses. It is particularly important to study medium-sized businesses because the number of medium-sized businesses is decreasing due to downsizing or mergers and acquisitions into larger businesses (Venter, and Maas, 2005).

A majority of family business owners want control of the business to remain in the family, so planning for the process and completing the transition of the business is critical. However, the interconnectivity of family members' lives makes family businesses complex (Morris, Williams, Allen and Avila, 1997). There are many factors in succession planning such as the business' strategies and planning, conflict and tension, personnel and business demographics, organization and finances, and success that affect the transfer process. It is alarming that 60% of owners between the ages of 55-64 haven't

discussed how they plan to exit from the family business. In most cases it is due to neglecting to plan ahead, avoiding decision making, and waiting until retirement to start planning, which hinders both generations from preparing for a transfer (Ebersole, 2013; Fetsch, 1999; Mishra, El-Osta, and Johnson, 2004).

Having knowledge of where or how to start a transfer, perceiving to be prepared for a transfer, having a successor identified and discussing future business goals were found to have a positive and significant effect on management transfer, ownership transfer and the combination (or full) succession transfer. Relationships play a large part in succession transitions as tension generated from workload distribution, failure to resolve business problems with the confines of the family structure, and compensation levels hinder businesses from progressing in succession. High levels of tension and conflict create an incongruence in the succession plan, preventing businesses from moving through the planning stages of the transfer process (Morris, Williams and Nel, 1996). The education level of family business owners suggested that owners had better training, more knowledge and further development as higher educated owners were more likely to be in the later stages of succession compared to owners with less education.

Businesses that value strategic short-term planning are better at the long-term vision of outlining how ownership and management will be passed to the next generation. Succession plans halt at the aspirations of the incumbent owner until a successor is identified. With constructive criticism and differing opinions welcome, the key to good relational business culture is keeping conflict healthy to the family and business in terms of intensity level, length and frequency. The reality of compromise is a necessity before moving forward when families lack common transfer goals across generations.

1.2 Problem

The problem is that many small and medium sized businesses, specifically family owned farm businesses, don't have a clear, well defined plan to pass the business on to a successor. This may cause setbacks in the process including an extended amount of time to complete the transfer, excessive amounts of preventable taxation, disturbance in the continuity of business, failure to meet present and future goals and deteriorating relationships between the current owner and the successor of the business.

1.3 Objective

The objective of my research is to encourage people to begin the planning process early by discovering transition factors to mitigate problems. Throughout the process addressing these problems can save unnecessary loss of time, money, continuity, objectives, and relationships for all generations in the succession plan. Investigating different stages of estate planning show the implications of each transition factor.

1.4 Hypothesis Statements

1. Family businesses with an identified successor are in later succession transfer stages.
2. Family businesses that often discuss future business goals are in later succession transfer stages.
3. Family businesses that strategically plan more often are in later succession transfer stages.

4. Family businesses that are more profitable are in later succession transfer stages.

Definitions:

Businesses: Family owned businesses in the March 29, 2011 Family Business Succession Survey.

Successor: Person identified by the current owner who is going to take over the business and be the future owner of the business.

Later: Stages 3 or 4 in the transfer process that includes having a written plan, started the transfer process, or finished the transfer process.

Transfer: Moving ownership and management responsibilities over to the successor.

Stages: Barely started planning, if at all; have transfer objectives of what the owner wants to accomplish through the transition of the business; have a plan established; and implementing the plan.

Discuss: Talk to shareholders in passing, formal meetings or shared documents.

Future: Visionary length; long-term, greater than 5 years ahead.

Strategically plan: Planning of marketing strategies, purchasing reports, expenses, cash flows statements, budgets, income statements, employee performance evaluations, goal-setting, position reviews and job responsibilities.

Profitable: Businesses with positive cash flow at the end of the year.

1.5 Organization of Thesis

The remainder of the thesis will be separated into four chapters. First, the literature review will explore the past research on management and ownership succession transfers. Then, the data and methodology chapter will explain from where the data for this research was obtained and the methods used to analyze it. The results chapter presents the findings obtained from the models. Lastly, the conclusion summarizes the research findings.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

Family business owners' strategy for exiting the business is called succession planning. The total or full succession planning process has two subprocesses. The process includes an ownership component in which the financial possession of the business is transferred, and a managerial leadership component in which the management decisions of the business are transferred (Churchill and Hatten, 1997; Mishra and El-Osta, 2007; Morris, Williams and Nel, 1996). While there can be overlap and correlation between the two, these two categories are two distinctly different subprocesses under succession planning. This study focuses on these two processes as separate but interrelated courses of action that combine to make up the full succession planning process.

In the United States over 90% of family business owner-managers desire to have their business passed to the next generation, keeping the control of the business in the family (Calus and Van Huylenbroeck 2015; Dumas, Dupuis, Richer and St.-Cyr, 1995; Sharma, Chrisman and Chua, 2001, Sharma, 2011). However, it is estimated that only 30% of the businesses make it to the second generation and only 10% make it to the third generation (Lambrecht, 2005; Sharma, Chrisman and Chua, 2001). The survival rate of the business' transition to the next generation is low. Intuition would tell you that owners

that desire to keep the business in the family would plan for the transition, but that is not the case. In fact, that misconception has a serious underlying problem: lack of planning ahead. Sixty percent of owner-managers between the ages 55-64 haven't even discussed their exit strategy from the family business (Ebersole, 2013; Mishra, El-Osta, and Johnson, 2004). Most of this is due to neglecting to plan ahead and avoid decision making. Avoiding succession planning until retirement is troubling for the business because neither generation is prepared for a transfer (Fetsch, 1999). In family agribusinesses succession transfer is linked to retirement and reflects the life cycle of the household (Mishra, El-Osta and Shaik, 2010).

A stumbling block in succession planning is knowing the process of what to do and when do to it. The succession process is defined as the actions, events, and developments that affect the transfer of managerial control from one family member to another (Sharma, Chrisman and Chua, 2001). The succession process is a multi-staged process that begins with selecting future leadership management of the business (Davis and Harveston, 1998; Mishra, El-Osta and Shaik, 2010). The next stage is prepare successors for their future roles by providing a variety of challenging experiences. The last stage is the mutual role transition of the incumbent and successor that sees the successor's responsibilities increase as the authority of the incumbent decreases (Caberea-Suarez, 2005; Handler, 1990). All along the way, businesses are encouraged to communicate the decisions to stakeholders in periodic strategic planning meetings (Barach and Ganitsky, 1995; Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007; De Massis, Chua and Chrisman, 2008).

This study uses factors of succession planning that literature has found to be significant to the process. The factors are to explain the management transfer, ownership transfer, transferring management and ownership at the same time, transferring them at different times and differentiating which transfer is lagging. The factors are used to determine which succession transfer stage the business is in. This study surveyed Midwestern US family business owners to determine those stages based on the demographics, organizational methods, strategies, finances and life cycles of the families and businesses.

2.2 Family Business

Family businesses have dynamics like no other. In 2008 Calus, Van Huylenbroeck and Van Lierde defined a family business as “a business where the principals of the business are related by kinship or marriage, business ownership is usually combined with managerial control and control is passed from one generation to the other in the same family.” Being 100% family while being 100% business can be very difficult at times, because family decisions are typically based on business decisions, and business decisions are typically based on family decisions. When examining family businesses, it is important to look at the family and business subsystems individually as well as the whole. The interconnectivity of family members’ lives and proximity that family members live their everyday lives makes the family subsystem crucial (Morris, Williams, Allen and Avila, 1997). The family subsystem is the relational existence of kinship that brings with it a lifetime of emotional bonds (Tagiuri and Davis, 1996, 1992).

The business subsystem is the occupational work that the family members own and manage (Tagiuri and Davis, 1996).

The quality of the familial relationship has large effects on its ability to work together (Davis-Brown and Salamon, 1987; Fetsch, 2014; Sharma, 2011). A family subsystem with a strong functional integrity can buffer tension sustained in the business subsystem (Danes and Lee, 2004). The quality of the incumbent-successor relationship is particularly significant in its effect on the successor's ability to listen and learn and incumbent's ability to patiently communicate and train the successor (Venter, and Maas, 2005). The development into new roles accelerates by the relationship prospering from mutual respect and understanding when there is harmonizing conduct and attitudes between family members (Fetsch, 1999; Sharma, Chrisman and Chua, 2001). The family's interests will be met as their development matures with the realization of personal identity, responsibility and achievement are satisfied (Caberea-Suarez, 2005; Morris, Williams, Allen and Avila, 1997; Venter, and Maas, 2005). Churchill and Hatten found that family relationships grow with the intentionality of dinner table discussions starting at a young age (1997).

Caberea-Suarez (2005) showed that family business management dynamics operate much differently than non-family owned and operated businesses because of the importance placed on the family relationships. A business subsystem with a strong functional integrity can buffer the tensions sustained in the family subsystem, but tension in the family can quickly change the functionality of the business (Danes and Lee, 2004). Family businesses tend to function according to lifecycle processes because of the family relationships and generational aspect that major changes don't come until that next

generation is in place (Caberea-Suarez, 2005). The lifecycle events are major life events for the family such as marriage, divorce, children going to college or children returning home to the family business (Davis-Brown and Salamon, 1987). The business reacts and changes course of action because of these lifecycle events.

Tagiuri and Davis describe the family business as family members that can have three simultaneous, overlapping membership roles: as relatives, as owners, and as managers/employees. As family members they are concerned primarily with the welfare and the unity of the family; as owners they are interested in return on investment and in the viability of the firm; as managers and employees, they work toward the firm's operational effectiveness (1996). The intersection of owner and manager represents the emotional, physical, and financial involvement with the business' operation, control, and direction of the enterprise. The intersection of family and business depicts family members who are involved in the business. The intersection of the owner-manager, business and family represents the activities of the owner-manager, the core of a family business and the involvement of family in the activities (Churchill and Hatten, 1997; Lambrecht, 2005).

Calus and Van Huylenbroeck point to the family business cycle being marked by substantial changes in business size, location and operation practices. When labor supply during these changes fails to meet operational needs, the managers' productivity is hampered by poor workmanship caused by stress from being understaffed to perform business tasks at an optimal level (Weigel and Weigel, 1990). Management teams of these family businesses that aren't over-stretched can make decisions decisively and effectively when the goals of the family, management and ownership groups are

compatible (Harper and Eastman, 1980; Tagiuri and Davis, 1996). Each group and each individual must understand the effect of their actions on all those involved in the business (Caberea-Suarez, 2005). The challenge is maximizing the constructive actions or behaviors and minimizing the detrimental ones (Tagiuri and Davis, 1996). Part of the challenge is the inherent environment that the business operates in is subject to continual change, which could include short or long-term plans like transferring power or ownership. When those transfers do take place, the most important view of the outcome is not on the quantitative measures, but rather the qualitative measures, specifically the quality of the relationships throughout the transfer process as the family remains intact while business aspects change (Churchill and Hatten, 1997; Sharma, 2011).

Family businesses have the immediate owning members with an interest in the viability and return on investment of the business (Lambrecht, 2005). Often a difficulty for owning members is finding a balance between the business and the family (Harper and Eastman, 1980; Zody, Sprenkle, Macdermid and Schrank, 2006). Business decisions are made within the context of the family and family decisions are made within the context of the business (Morris, Williams, Allen and Avila, 1997; Tagiuri and Davis, 1996). There is emotional difficulty for owners to manage family members because of interpreting and reacting on their actions and words. A positive expression mutually benefitting the family and business creates confidence, motivation, loyalty, and trust among family members (Morris, Williams, Allen and Avila, 1997). Conversely, negative expression of emotions creates hostility, guilt, resentment, avoidance, disorganization and disorder in the family and business (Tagiuri and Davis, 1996). In 1996, Tagiuri and Davis studied the bivalent sides of seven attributes help explain conflict and tension in owning

families that show the advantages and disadvantages owners face in managing their business: simultaneous roles, shared identity, lifelong common history, emotional involvement, private language, mutual awareness, meaning of family business.

Simultaneous roles can create loyalty and effectively quick decision-making or confusion and anxiety in the business. Shared identity can create a strong sense of mission within the business or sense of feeling resentment to the family and business. Common history can create a strong foundation to weather adversity by using strengths and complimenting weaknesses or dwell on weaknesses preventing use of differing opinions. Emotional involvement can create positive feelings and trust or hostility and guilt (Morris, Williams and Nel, 1996). Private language can create privacy through efficient communication or distorted communication. Mutual awareness can create greater communication that business decisions support the business, owners, and family or entrapment from exposed privacy. Meaning of “family business” can be harmonious or a unity that has employees on the same mission or disarray and confusion between relatives that have multiple visions of the business (Fetsch, 1999; Sharma, Chrisman and Chua, 2001).

The emotional piece of transferring ownership for these owning members is crucial because a strong emotional foundation can promote a sense of enjoyment that generates a buy-in mentality to the business by the next generation that allows the business to survive in the family (Caberea-Suarez, 2005). The positive emotional influence the owner creates can encourage the next generation to get early exposure to the company through part-time and summer employment in the business that can lead to a greater understanding of the business and its management (Caberea-Suarez, 2005). The early exposure matures the successors that cultivates independence to carry on the

business' mission from previous generations. This is expressed through positive attitudes, sound judgment, and living out aspirations of past, present and future generations of management (Churchill and Hatten, 1997). Owners that established a strong emotional foundation within their businesses promoted good communication that helped suppress some of the biggest tensions in businesses found by Danes and Lee (2007): identity, conflict, unfair workloads, competition for resources, role clarity and unfair compensation.

2.3 Succession Transitions

Ownership responsibility comes with having a controlling financial interest in the business (Brun de Pontet, Wrosch and Gagne, 2007). This gives the owner the opportunity and ability to have the deciding opinion on all matters, specifically monetary decisions. In larger businesses the owner selects and supervises a management team that carries out decision making on the owner's behalf. In smaller businesses the owner may be the manager as well. Barach and Ganitsky (1995) argue that stock ownership of a company must simultaneously parallel the control of power or management of the business. This statement suggests that businesses should be in the same stage of succession planning and have the same percentage of ownership and management transferred (Lambrecht, 2005). A business owner's transfer of management and ownership may not parallel each other depending on the owner's need for resource issues to address personal issues. Resource issues could include ownership, equity, income or capital, while personal issues could include role-responsibility clarifications, workload concerns or shared goals (Danes and Lee, 2004).

The managerial leadership, or authoritative power, of an owner revolves around operational responsibilities, policy making, and goal setting (Churchill and Hatten, 1997). Problems arise over time in transferring a business when incumbent owners neglect to give up decision making authority (Weigel and Weigel, 1990). If successors earn their place in the company, it is important that incumbents recognize this by transitioning out of managerial leadership to give successors more responsibility to prevent creating an overlap in authoritative power. Ambiguous managerial situations are a cause of dissatisfaction among members in the transfer process, especially the successor. Ambiguity leads to dissatisfaction leading to conflict (Brun de Pontet, Wrosch and Gagne, 2007). Founding incumbent owners often neglect to give up decision making authority, which can be linked to personal attachment to the business from the extensive mental, physical and emotional investment of starting the business (Brun de Pontet, Wrosch and Gagne, 2007). Managerial leadership is responsible for developing the talent of potential managers by providing experiences that give exposure to new and challenging problems, mentoring, extensive training, and hands-on problem solving experience (Kaunda and Nkhoma, 2013; Royer, Simons, Boyd and Rafferty, 2008; Salamon, Gengenbacher and Penas, 1986). Once potential successors are developed and it is time for a change, successors are selected from formalized, rational and objective criteria (Glauben, Tietje and Weiss, 2005). Uniformly assessing potential successors to that criteria is crucial in finding the right replacement so that the transition is smooth and continuity of the business can be kept (De Massis, Chua and Chrisman, 2008; Handler, 1990; Salamon, Gengenbacher and Penas, 1986). Regardless of whether the successor is

fully and properly trained, the transfer time is a critical point in the business and is always challenging, demanding and intense (Churchill and Hatten, 1997).

Responsibility and authority in strategic decision making are two things that the incumbent must give up sooner if the business is passed to a relative rather than if they were selling the business outright, to a nonfamily member (Churchill and Hatten, 1997). This helps for a smoother transition (Morris, Williams and Nel, 1996). As opposed to a complete turnover, gradual transition prepares the successor as a more competent, responsible, prepared leader. Gradual transition helps the incumbent let go of authority (Fetsch, 1999). At the time of succession, incumbents must intentionally partner with the identified successor to see a successful transition take place. The responsibility sharing partnership process is for intense development and training for the successor to get educated by the incumbent on a broader scale of the entire business (Dumas, Dupuis, Richer and St.-Cyr, 1995; Salamon, Gengenbacher and Penas, 1986). This process boosts confidence of both generations and encourages growth in trust among them through the completion of assignments (Morris, Williams and Nel, 1996; Sharma, Chrisman and Chua, 2001; Venter, and Maas, 2005). Since this process is gradual, the starting point of shared authority typically starts in the areas where the successor received advanced education or extended work experience. After that point the areas of shared authority can be chosen by personal choice of incumbent and successor (Churchill and Hatten, 1997).

2.4 Succession Process

Succession can take place at any time. Sometimes it is forced by unexpected death or serious health concerns. In order for succession to take place in a planned and healthy

environment, the incumbent owner, successor and business must be ready for the transition. Goals must be set for all three groups. The incumbent must be ready to give up stake in ownership and/or managerial leadership (Fetsch, 1999).

The successor must be ready to accept ownership and/or managerial leadership transferred to them (De Massis, Chua and Chrisman, 2008). The successor must be clearly identified for a successful transition to begin (Mishra, El-Osta, and Johnson, 2004). If a successor is not clearly identified, the long-term continuation of the business is left in a state of uncertainty (Calus, Van Huylenbroeck and Van Lierde, 2008). The business' performance suffers when successors aren't ready to take over because they aren't trained properly (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007). One way that successors are insufficiently developed is little exposure to the business with meaningful experiences in leading and learning (De Massis, Chua and Chrisman, 2008). Successor's readiness can be hindered by the absence of sufficient feedback on their progress and constructive criticism (De Massis, Chua and Chrisman, 2008).

The business must be ready to handle the financial implications of transfer such as tax burdens, liquidation, professional transfer services, changes in business performance, and expansion or downsizing of the business (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007; Calus and Van Huylenbroeck, 2015; De Massis, Chua and Chrisman, 2008). Once the successor is identified, current management can optimize the viability of the business instead of considering liquidation and disinvesting in the business (Calus, Van Huylenbroeck and Van Lierde, 2008). Businesses don't want to disinvest and liquidate if there is a successor to take over the family business; therefore, decisions aren't made on maximizing present value of disposable income or net worth, but on

maintaining control and passing a solid business to the next generation (Calus and Van Huylenbroeck, 2008; Mishra and El-Osta, 2007). The confidence in a successor bestowed by the business' management is a good indication of how ready a business is for the transfer of ownership, management or both (Brun de Pontet, Wrosch and Gagne, 2007).

A successor must be competent and capable, developed, and willing to accept responsibility (Sharma, Chrisman and Chua, 2003; Venter, and Maas, 2005). Successors can gain respect and authority by demonstrating competence through their work experiences (Brun de Pontet, Wrosch and Gagne, 2007). Unprepared successors can be seen as having a low ability, lack the trust of the incumbent, or show dissatisfactory competence through their experience in the business (De Massis, Chua and Chrisman, 2008; Lee, Lim and Lim, 2003). One way the successor can gain ability, confidence, trust and competence is to get external training such as advanced academic education and work experience outside of the family business (Morris, Williams and Nel, 1996). External work experience has increased the probability of the younger generation serving as the successor and primary decision maker (Remble, Keeney and Marshall, 2010). Another way is to seek additional internal training with the objective to learn what the company does in its tasks, what the company stands for in its organizational goals, what type of people partner with and the types of employees of the business (Caberea-Suarez, 2005; Salamon, Gengenbacher and Penas, 1986). Eight percent of incumbents each year report changes in their succession perspectives indicating the incumbent's goal of keeping the business in the family with heir successors is not a mutual goal of the child as their wish to take over the family business (Calus, Van Huylenbroeck and Van Lierde, 2008).

If the successor isn't committed to the succession plan, the business or family, the plan will not be effective (Caberea-Suarez, 2005). Another factor of commitment is displayed in the successor's motivation. The successor's motivation is often driven by the excitement of satisfying of personal and family needs and the fulfillment the family business provides as a means of purposeful work (Caberea-Suarez, 2005; Dumas, Dupuis, Richer and St.-Cyr, 1995; Morris, Williams, Allen and Avila, 1997; Venter, and Maas, 2005). When the incumbent's goal is met by the successor's acceptance of responsibility, the family business' objective becomes much more focused on long-term survival as opposed to maximizing all short-term liquidating propositions (Sharma, Chrisman and Chua, 2001). Choosing the successor can be the catalyst that stimulates the business' investment for long-term survival (Calus, Van Huylenbroeck and Van Lierde, 2008). Without an identified successor, family businesses cannot move forward in the transfer process.

2.5 Strategy and Planning

A plan becomes useful once it is known by those it affects. Brun de Pontet, Wrosch and Gagne (2007) concluded "A written succession plan shared with key stakeholders is important in smooth successions because it provides transparency to the process, reducing uncertainties that cause conflict." It is crucial that the objectives of the plan are established clearly and the plan is transparent to stakeholders (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007; Tagiuri and Davis, 1996). The incumbent can help make the transition of the successor smooth by drawing the "invisible organization chart," identifying the "hidden influential," mentioning the unwritten rules, controlling

the competition in the business, laying the groundwork of a plan, setting a timetable and then execute the plan (Feinberg, 1990). A written plan is not set in stone; it must be subject to change because the succession process is long and new strategies come up that deal with different challenges and scenarios from different angles. The plan should include input from all members affected directly and indirectly. Successful transfers of family business can attribute that success to periodic strategic planning meetings to discuss the future of the business and continually look to improve and update the strategy (Mishra, El-Osta, and Johnson, 2004; Venter, and Maas, 2005). Failure to plan carefully for succession can result in financial insecurity, personal and family dissatisfaction, and unanticipated capital losses (Mishra and El-Osta, 2007). Sometimes great amounts of creativity go into improving strategies, and each additional improvement takes time to implement changes (Barach and Ganitsky, 1995). Early indication of a successor gives an incentive to the business to allow more time planning for transition and strategically operating for transfer processes (Calus and Van Huylenbroeck, 2008). Targeting successors at that early stage also improves the effectiveness of the planned transfer, which may give the business a competitive advantage against those that have an uncertain future leadership (Calus, Van Huylenbroeck and Van Lierde, 2008; Royer, Simons, Boyd and Rafferty, 2008). It is imperative that all family members be actively involved in the planning and execution of the succession transfer if they are to be affected by the change. Many conflicts can be caused in the latter stages of the transfer or after the transfer if members are left out of discussions during the planning and execution of the plan to transfer (Barach and Ganitsky, 1995; Taylor, and Norris, 2000).

Success in succession planning and transfer depends on the goals of the business and goals of the incumbent and successor (Fetsch, 2014; Venter, and Maas, 2005). The ultimate measuring stick of success is the continuity of the business through the transition and after the transfer is complete. Continuity is so important because succession transfer is such a fragile period of time, but it is very essential in allowing the firm to operate as a family business (Barach and Ganitsky, 1995; Handler, 1990). Managerial control is accountable in four operating mechanisms to gauge success and influence. The first mechanism is establishing role clarity through defining authority clearly and creating the extent of delegation for the current and former owner-manager. The second mechanism is establishing a measurable performance criteria to benchmark and track progress. The third mechanism is promptly reporting good information and results through clear, concise communication. The fourth mechanism is a management control system to be fundamentally disciplined in the new roles of the successor and incumbent (Churchill and Hatten, 1997). A criteria for defining success for the family business as a combination of monetary success and nonmonetary objectives, such as self-determination, personal satisfaction with business achievements, reputation, technical accomplishments and family harmony (Churchill and Hatten, 1997; Sharma, Chrisman and Chua, 2001).

The performance of the business is important to stakeholders at all times, but especially during the succession transfer process. The performance shouldn't suffer during the management transition (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007). According to the wishes of the incumbent and successor during the transfer stages, performance dynamics like the scale of the business may change, but performance dynamics like relationships with customers or suppliers shouldn't change (De Massis,

Chua and Chrisman, 2008). Caberea-Suarez (2005) used other business performance factors to evaluate success during transfers such as making profits currently, the effectiveness of the business, allowing the owner financial independence, making quality products, having a good business reputation, providing the owner a challenge and being your own boss (2005).

There are many financial factors that go into the succession process. The business must have the financial resources to pay the cost of professionals, sustain the tax burden, and find resources to liquidate for members' exit payment (De Massis, Chua and Chrisman, 2008). The business must provide the exiting and existing owners with financial security and benefits at the time of the transfer, through the process, and at the completion of the transfer (Tagiuri and Davis, 1996). To alleviate tension on the business employees during succession, financial and ownership resource issues should be worked out at the same time as personal transactions like role clarification, workload distributions and business goals (Danes and Lee, 2004). There are always financial factors associated with viability of the business like maximizing net worth rather than present value, disposable income or liquidating resources (Calus, Van Huylenbroeck and Van Lierde, 2008; Mishra and El-Osta, 2007). Calus, Van Huylenbroeck and Van Lierde (2008) found that businesses that didn't have a successor designated, also, didn't see an increase in assets until the successor was designated. The designation of a successor influenced decision making on investments 10 years before the business was actually transferred (Calus, Van Huylenbroeck and Van Lierde, 2008).

It is beneficial for family businesses to often express goals and objectives openly and clearly so that members can align their actions accordingly (Fetsch, 2014; Harper and

Eastman, 1980). The goals and objectives may be quantitative such as revenue, income, salaries, inventory/storage, equipment levels, sales or size of business, or they may be qualitative such as reputation, family harmony, personal satisfaction, self-determination, pride in business achievements and technical accomplishments (Churchill and Hatten, 1997). An individual's qualitative goals and objectives are usually centered on quality of work life or personal growth (Harper and Eastman, 1980). Goals that a first generation owner-manager with an entrepreneurial frame-of-mind might have include making a profit, financial independence, making quality products to sell, a good public image, presented with a challenge, or being their own boss (Tagiuri and Davis, 1996; Tagiuri and Davis, 1992). Goals are important to a business because progress and performance of current actions, decisions, processes and strategies can be marked, measured and compared to with the past ones. Once a manager makes known what their goals are, it allows a trickledown effect among subordinates throughout the business to assign priorities and stick to a plan effectively making use of utility resources. A business' management team discuss goals and objectives periodically during visionary or future planning meetings to discuss the agreement and disagreement of goals, congruence to the goals, usefulness of the goals and communicating differing opinions that allow for a form of internal audit of the business' direction. Forming goals and objectives can serve as a beacon for family businesses that can powerfully guide the business in a uniform direction (Danes and Lee, 2004).

In the case of many family businesses, owner's objectives often are based around passing a secure and sound business on to the next generation (Salamon, Gengenbacher and Penas, 1986). Transferring the business passing onto the next generation within the

family, the objective of the business is to optimize the viability of that business (Davis and Harveston, 1998). Transferring the business outside the family, the objective of the business is to optimize the liquidation value at the point of transfer (Salamon, Gengenbacher and Penas, 1986). Businesses that are staying in the family, the management team's objectives cannot start optimizing viability of the business until a potential successor has been identified and started to develop. When the transfer is ready to begin, the management team adapts to succession objectives, which could be different than everyday business objectives. Once the successor is recognized, the planning horizon of the business turns from month or years to generations and the focus goes with it from maximizing short-term gains to long-term survival (Glauben, Tietje and Weiss, 2005). This causes potential adjustments for the management team to look at incentives to expand, invest capital and increase output over longer periods of time since the future is more certain under an identified successor (Davis and Harveston, 1998). The owner-manager takes this into account for investment objectives and decisions that affect the long-term future. The designation of a successor stimulates investment, but the objectives of the business are also influenced by the age of the owner-manager and way the business is financed (Calus and Van Huylenbroeck, 2008; Davis and Harveston, 1998).

2.6 Conflict and Tension

The effect conflict resolution has on a family business succession is substantial (Friedman, 1991). De Massis, Chua and Chrisman (2008) wrote that relationships play a pivotal role on family business, arguing that bad interpersonal relationship are the cause of potential conflicts that obstruct succession. The quality of life for the members of a

family business is correlated to conflict resolution styles, severity of conflict and frequency of conflict (Danes, Leichtentritt, Metz and Huddleston-Casas, 2000).

Avoidance of the conflicts negatively impact the quality of the relationships among family members; therefore, impacting the functionality of both the family and business (Danes, Leichtentritt, Metz and Huddleston-Casas, 2000). Conflict crisis can be improved and stability restored when family business members adapt to the stressors and adjust accordingly (Davis-Brown and Salamon, 1987; Taylor, and Norris, 2000; Weigel and Weigel, 1990). Monitor conflict resolution routinely to allow for good team spirit from flourishing relationships (Barach and Ganitsky, 1995). The importance of conflict resolution is highlighted by Danes and Lee (2004) research who show that conflict is the fastest growing concern that affects long-term sustainability for family businesses.

Conflict and tension is completely normal and unavoidable, but for long-term viability, a family business must be successful in managing the amount and severity in a constructive manner that doesn't sever relationships among family members (Danes and Lee, 2004; Davis-Brown and Salamon, 1987, Friedman, 1991; Sharma, 2011). Danes and Lee (2004) provide five areas of conflict unique to family businesses: justice, roles, work and family, identity and succession. Justice conflict is the allocation of resources, specifically compensation and time. Role conflict is the confusion of family members' role in the business. Work and family conflict is the continuum of separating, joining, and combining of the family system with the business system. Identity conflict is the family members' expression of autonomously differentiating from expectations of the family, which often are unresolved due to dealing with it while neglecting to address the conflict. Succession conflict is related to long-term ownership issues and passing the business to

future generations. Within those five areas of conflict, they discovered four factors that added to tensions in the family business listed in decreasing order: having young children, number of stressor events, money transfer from family to business, and a high priority for keeping the business within the family.

Competitiveness in the marketplace is a good thing. Competition among individual family members in the management team is not good for sustainable health of the business, except in moderation (Barach and Ganitsky, 1995). Two areas of competition in family business are among siblings and in between the child and parents. Sibling rivalries are common from an early age (Friedman, 1991). These rivalries are present in the succession process specifically when siblings fight over resources and try to top the other siblings in work, deeds or possessions (De Massis, Chua and Chrisman, 2008; Kaunda and Nkhoma, 2013; Taylor, and Norris, 2000). Competition between the generations occur when the child feels like they have earned entitlement and the parents feel like the child has to work more (De Massis, Chua and Chrisman, 2008; Friedman, 1991; Salamon, Gengenbacher and Penas, 1986). These competitions create conflict that prevent progress from being made in the transfer process (Dumas, Dupuis, Richer and St.-Cyr, 1995).

Communication is key in relationships for families, friends, acquaintances, and definitely in business (Caberea-Suarez, 2005). Barach and Ganitsky (1995) state that clearly communicating and understanding interests of family business stakeholders is vital during the full succession process from the planning to the implementing. Communicating the decisions of the strategic succession objectives must be shared by the incumbent with the successor, family members and all stakeholders (Bennedsen, Nielsen,

Perez-Gonzalez and Wolfenzon, 2007; De Massis, Chua and Chrisman, 2008). Open, honest, and upfront communication helps deal with the three largest tensions: justice conflict, role clarity and work/family conflicts. Communicating personal views of justice differences will help solve issues of compensation, unfair workloads, and allocation of business resources. Communicating role uncertainties will clear confusion for employees and prevent further disarray among management. Working on issues with the balance of work and family life through communicating honestly improves the lives both groups of people in the family and business subsystems (Harper and Eastman, 1980; Zody, Sprenkle, Macdermid and Schrank, 2006). Goal setting is a powerful way of guiding the family business through communication to alleviate conflict. Great communication is necessary when disagreements arise to prevent major conflict and extended tension. The earlier and more often the conflicts are addressed with communicating them appropriately, the easier complex problems are resolved (Danes and Lee, 2004).

After a successor is identified, trained, and begins to assume authority of the business, minimizing avoidable conflict during the transition is crucial (Morris, Williams and Nel, 1996). During the transition one of the biggest conflicts is the overlap in power and authority of the business (Weigel and Weigel, 1990). Incumbents and successors put the business' success on the line and more at risk the longer the overlap exists (Venter, and Maas, 2005). It is naturally a difficult process of change to transition out of authority. Another struggle that incumbents have is perceiving they have given the allotted authority to the successor, and the successor doesn't feel that the incumbent has let go of that power (Brun de Pontet, Wrosch and Gagne, 2007). Since management and ownership transfer does not have to happen at the same time, the perception of control is

different in the eyes of those involved (Weigel and Weigel, 1990). Gaining responsibility of segments of the business before taking responsibility of the whole company helps the successor to see what the incumbent is giving up in power and helps the incumbent to transition completely out of management responsibility. During the transition of responsibility, feedback on task performance facilitates trust and confidence for both sides that helps prevent control from being blurred or perceived differently (Churchill and Hatten, 1997). This helps minimize avoidable, ambiguity-caused conflict in the succession transfer process.

It is important that the role of individual family members be clearly understood by all members to increase the functionality of the family business. One of the highest level of tension generated by business issues among both genders and generations is role clarity (Danes and Lee, 2004). The family member must understand their role in the family and in the business. Caberea-Suarez (2005) discovered that role clarity influences the stage of training a successor for the transfer process. Role clarity prevents conflict from multiple members doing the same tasks with differing opinions not allowing efficient use of time and resources. When members understand their role, they can function as a unit instead of many individuals working independently under their own interpretation of the business' goals and objectives. Altogether, role clarity permits the business to operate efficiently and effectively allowing for operational excellence that promotes an atmosphere that is optimal to consider and execute succession planning.

Healthy relationships among the family members increase the functionality of the family business allowing for operational excellence that promotes an atmosphere optimal for succession planning (Sharma, 2011). Tagiuri and Davis (1996) research centers on

this relational side of family business as they conclude that the expression of love can produce unusual motivation, cement loyalties, and trust among family members. Family members that prevent public conflict can eliminate further compounding conflict generated from public embarrassment. This can comfort family members in public situations, which can assist work relationships. The expression of resentment and sense of guilt can complicate work relationships greatly. Denial of negative feelings can result in suppression of discussions about natural differences of opinion. This leads to hidden expressions of hostility such as undermining each other's confidence, withholding emotional support, avoiding one another and issuing conflicting orders to the organization. The expression of negative feelings toward a family member can damage relationships and greatly disrupt the culture of the business and the home (Tagiuri and Davis 1996). Business decision making ability is affected by close relationships between employees that help prevent rise-to-power struggles, nepotism, lack of professionalism and less than optimum top management behavior (Caberea-Suarez, 2005; Morris, Williams, Allen and Avila, 1997). Barach and Ganitsky's (1995) work shows that fewer conflicts arise when there are good relationships among family members. Family characteristics can affect the family's and individual's commitment to the business (Sharma, Chrisman and Chua, 2003). The quality of relationship that the parents and children have with one another affects the ability to listen, learn and work together (Venter, and Maas, 2005). More specifically the quality of relationship of the incumbent and successor enable the transfer process with complementary and communal administration, respect and understanding (Caberea-Suarez, 2005). A strong emotional foundation should lead to a good relationship (and inversely); strong relationships lead to

good communication (and inversely); strong communication leads to good emotions (and inversely).

Another substantial area of suppressing conflict is understanding the expectations for the family, individual members and the business. Expectations must be communicated to assist in the functionality of the family business and its members. Communicating expectations significantly helps develop the successor during the transfer process of the business. In the planning stage of succession, the habits, skills, and values that are expected of the successor must be communicated and developed in order for the expectations to be carried on in the business under the successor's guidance and leadership (Barach and Ganitsky, 1995).

2.7 Incumbent Demographics

Men and women have significantly different views on in succession planning, specifically tension in the process (Danes, Leichtentritt, Metz and Huddleston-Casas, 2000). When addressing gender differences, Danes, Leichtentritt, Metz and Huddleston-Casas defined these six behaviors: assertion, aggression, withdrawal, submission, denial and adaptation. Women are higher in withdrawal and submission behaviors that halt progress from being made in succession planning. No gender differences were found in happy couples that had healthy marriages (Danes, Leichtentritt, Metz and Huddleston-Casas, 2000). In general women will feel higher levels of tension caused by the business than men for tension like unfair workload distribution, competition of resources, compensation issues, role clarity and unresolved business. Women view family goals as more important than men, and men view business goals as more important than women.

For specific goals, women view good family relationships as most important, followed by profit, and finding family time and work time balance. Men view profit as the most important goal followed by good family relationships, and finding balance between time spent with family and the business (Danes and Lee, 2004).

Husbands that placed a higher importance of passing the business on to the next generation, reported more conflict over ownership and unresolved business conflict (Danes and Lee, 2004). Higher priorities placed on the family subsystem reports less conflict tension among both husbands and wives (Weigel and Weigel, 1990). More specifically, the less tension the wife reports, the more functional integrity of the family unit has. Husbands and wives have reported high conflict tension generated from transferring family resources into the business, presence of young children in the family subsystem, higher number of stressful events occurring in the personal life within the past year and emphasis on keeping the business in family with the next generation.

In family business the age difference between incumbent and successor separates their experiences in the business (Remble, Keeney and Marshall, 2010). The age gap doesn't separate the unity by blood ties and shared family experiences (Caberea-Suarez, 2005). Age of the incumbent and financing methods influence the growth of the business and how it is to be passed to the next generation (Davis and Harveston, 1998). This confirms that there is a succession effect of the incumbent's age and the business' success (Calus and Van Huylenbroeck, 2008). Businesses with incumbents at the age of 57 that haven't identified a successor show disinvesting in the business and preparation for liquidation (Calus, Van Huylenbroeck and Van Liede, 2008).

2.8 Business Demographics

Family businesses with multiple generations in management that see a competitive nature among the generations are more susceptible to poor outcomes in accomplishing transfer objectives (Brun de Pontet, Wrosch and Gagne, 2007). The demographics of the business's ownership team may affect the business' transfer for both management and ownership. Businesses with multiple generations involved in ownership tend to be more likely to transfer ownership of the business down to the next generation sooner compared to businesses with only one generation in ownership (Barach and Ganitsky, 1995; Glauben, Tietje and Weiss, 2005).

If the family business is a production agriculture business, the stage of transfer for management and ownership can be especially difficult (Danes and Lee, 2004). It is challenging for primarily agriculture businesses to follow patterns of non-agriculture businesses because of their differences (Davis-Brown and Salamon, 1987). Identifying a successor is important to investment in family agribusiness production farms, because incumbents start disinvesting in the business and show signs of negative growth starting at the age of 57 if they are without a successor identified (Calus, Van Huylenbroeck and Van Lierde, 2008). Calus, Van Huylenbroeck and Van Lierde's research (2008) showed that succession intentions in family agribusiness start to influence the farm investment decision about 10 years before the farm is actually transferred. In this period farms with a designated successor have a higher increase in Total Farm Assets than farms still uncertain about succession.”

The non-owning family employees are in a unique position because they don't have ownership, and theoretically no power in final decision making, but yet they are

relatives to the owner so they have close relational ties (Tagiuri and Davis, 1996).

Without great communication, it is easy for problems to arise with role clarity, unprofessionalism, and nepotism because of power struggles since this particular group of employees do not have ownership in the business or are not granted decision-making authority (Caberea-Suarez, 2005). The ambitions and opinions of family employees are to be taken into account when making decisions as the owner in order to keep sustainable health in the business to continue to include family as employees (Barach and Ganitsky, 1995; Sharma, Chrisman and Chua, 2003). The decisions that family employees should be considered by the owner is long-term activities like the vision, mission, direction, operational, and control (Churchill and Hatten, 1997).

2.9 Summary

According to research businesses that have identified a successor are further along in the succession transfer process because of the training and development that it takes to identify a successor as competent, capable and qualified takes through planning and preparation (Brun de Pontet, Wrosch and Gagne, 2007; Morris, Williams and Nel, 1996; Royer, Simons, Boyd and Rafferty, 2008; Salamon, Gengenbacher and Penas, 1986). We suggest that businesses that put similar visionary planning with discussing future business goals often will be further ahead in the succession transfer process because the business demonstrates going beyond the call of duty to plan its future will also plan how to pass the business on to the next generation (Churchill and Hatten, 1997; Salamon, Gengenbacher and Penas, 1986). For the same reason we suggest businesses that often plan strategically for marketing, finances, employee performance and setting goals will

be further along in the succession transfer process because businesses that apply strategy to short-term measures will also apply strategy in the transition of its management and ownership to successors (Barach and Ganitsky, 1995; Davis and Harveston, 1998). Literature suggests businesses that sustain profitability continue to be profitable by strategically planning in aspects throughout the business that stimulates being further in the succession transfer process because businesses that get successful financial results from strategically managing the company will use the strategy necessary to be successful in transferring the business' management and ownership (Tagiuri and Davis, 1992; Venter, and Maas, 2005).

CHAPTER 3. DATA AND METHODOLOGY

3.1 Introduction

This chapter explains the data and methodology used in this research. The data for this research is from the 2012 Intergenerational Farm and Non-Farm Family Business Survey. This chapter explains how the data were collected, the survey questions used, and the characteristics of respondents.

3.2 Data

The data used are from the 2012 Intergenerational Farm and Non-Farm Family Business Survey. The 2012 Intergenerational Farm and Non-Farm Family Business Survey was a 30-minutes telephone survey of rural small and medium family businesses. The population for this survey was obtained from a list of 2,163 family businesses in Illinois, Indiana, Michigan, and Ohio who are registered in Food Industry MarketMaker. Registered members of Food Industry MarketMaker tend to be small and medium-sized farms and food businesses. The University of Wisconsin Survey Center conducted the interviews from April 2011-February 2012. To qualify for this study as a family business, one of the following metrics had to be met. At least one other member of the family

besides the respondent had to have ownership interest in the business (86% of the sample). At least one other member of the family besides the respondent had to work at least part-time in the business (92% of the sample). The respondent inherited the business (18% of the sample). The respondent planned to transfer the business to a family member (55% of the sample). These responses are not mutually exclusive. The final sample contains 736 family businesses for an overall response rate of 34%.

The survey was broken down into sections that asked respondents about their business demographics, succession, family business organization, management strategies, business success, family tensions, business and household finances, lifecycle questions, and the respondent's demographics. Business demographic questions included business age, primary purpose, employees, members in management, identified successor, and type of business structure. Succession questions included generation of business, inherited or gifted business, goals, transfer plans, estate plan, and management. Family business organization questions included expectations, preparation for transfer, heir involvement, difficulties in the process, and female involvement. Management strategy questions included performance reviews, responsibilities, separation of family and business time. Business success questions included business goals and perception of business success. Family tension questions included relationships of family members, non-family employees, and business-family balance. Business and household finance questions included gross income, profit, asset values, loan status, cash flow, savings, and investment. Lifecycle questions included major life events since 2010 such as getting married, divorced, children going to college, and children returning home. Respondent

demographic questions included gender, age, education, race, marital status, and if there are any children living in their household.

Responses were discarded if the respondent failed to answer all of the questions used in the models. The sample size of 736 was narrowed to 487 completed surveys. Table 3.1 provides a brief description of respondent demographics and business characteristics such as education, gender, age, marital status, and business legal structure. In the model there are two dummy variables for high school graduates and college graduates. The number of survey respondents that completed high school was 21%. The number of survey respondents that completed collegiate undergrad degrees was 33% and the number of survey respondents that earned a graduate degree was 18%. Female respondents totaled 40%. The largest percentage of respondents were in the 56-65 year old category with 34% of respondents. The mean age of survey respondents was 57.33. Ninety percent of the respondents were married.

Agriculture had the largest category with 69% of survey respondents. The number of limited liability companies and corporations both tallied over 17% of the sample population. The largest category was sole proprietorship businesses representing almost 53% of the sample population. Businesses with less than 3 employees totaled 32% of respondents. Businesses that had three, four or five employees totaled 28% of respondents. Businesses that had between six and ten employees represented another large category with 21% of respondents. The sample mean number of employees was 10.83 employees. Business profits under \$50,000 represented 72% of surveyed businesses. The next largest category had 15% of businesses in the category making

between \$50,000 and \$100,000. In the model there are two dummy variables for medium business profit of \$50,000-\$400,000 and high business profit of greater than \$400,000.

Table 3.1. Respondent Demographics and Business Characteristics

	Frequency	Percentage of Respondents
<u>Education Level Completed</u>		
High School	101	20.74
Some college	138	28.34
4-year college graduate	159	32.65
Graduate degree	89	18.28
<u>Gender</u>		
Male	294	60.37
Female	193	39.63
<u>Age</u>		
26-35	33	6.78
36-45	48	9.85
46-55	118	24.23
56-65	166	34.09
66-75	93	19.10
76-85	25	5.13
86-91	4	.82
<u>Marital Status</u>		
Married	437	89.73
Divorced	16	3.29
Widowed	12	2.46
Separated	3	.62
Never Married	15	3.08
Unmarried Couple	4	.82
<u>Primary Purpose</u>		
Agriculture, Forestry, Natural Resources	337	69.20
Manufacturing	6	1.23
Wholesale Trade	12	2.46
Retail Trade	35	7.19
Education	1	.21
Health Care	1	.21
Entertainment	4	.82
Food Services	47	9.65
Other	44	9.03
<u>Business Structure</u>		
Solely owned	256	52.57
Partnership	45	9.24
LLC	85	17.45
Corporation	85	17.45
Trust	16	3.29
<u>Number of Employees</u>		
0-2	155	31.83
3-5	138	28.33
6-10	104	21.36

Table 3.1 Continued.

11-30	62	12.73
31-100	22	4.52
101-475	6	1.23
<u>Business Profit</u>		
<\$49,000	353	72.48
\$50,000-\$99,000	72	14.78
\$100,000-\$149,000	27	5.54
\$150,000-\$199,000	9	1.85
\$200,000-\$299,000	10	2.05
\$300,000-\$399,000	3	.62
\$400,000-\$499,000	5	1.03
\$500,000-\$599,000	0	0
\$600,000-\$799,000	1	.21
\$800,000-\$999,999	3	.62
\$1,000,000-\$4,999,000	4	.82
>\$5,000,000	0	0

Table 3.2 shows the breakdown of business owners' most important business goal. Making a profit had 24% of respondents. Businesses that wanted to maintain a positive reputation with customers was the largest category with 39% of respondents. Approximately 22% of respondents chose one of the two family relationship goals.

Table 3.2. The Business' Most Important Operational Goal

Goal	Observations	Percentage of Respondents
Profit	117	24.02
A positive reputation with customers	189	38.81
Business survival	75	15.40
Keeping the business in the family	48	9.86
Opportunity to work with family members	58	11.91

A Family-Business first index was created and Table 3.3 shows the breakdown of the index. The index shows the family business' approach to conflict and how often the business comes first or the family comes first. This index shows the family member's

priorities and balance between the business and the family. The index starts with business first as the low numbers and family first as the high numbers. For example, an index of 1, signifying the family members are extremely business focused, has 7 respondents. An index of 9, signifying the family members are extremely family focused, has 17 respondents.

Table 3.3. Family-Business Matrix

Business First	Family First					total
	never	hardly	some	most	all	
never	1	0	0	1	17	19
hardly	0	1	1	12	10	24
some	0	1	48	106	43	198
most	0	5	89	57	27	178
all	7	10	24	14	13	68
total	8	17	162	190	110	487

3.3 Methods

The methods used in this research include Probit regression modeling and ordered Probit regression modeling. The survey question selection, set-up of the models and the definition of the variables will be explained first. Then, the methods utilized will be explained in further detail.

3.4 Survey Question Variable Selection

Business demographic questions were used in the models to profile and classify the respondent's business based on age of the business, specialization, number of employees, members in management, business structure and having a successor identified. Succession questions were used in the models to determine how the businesses

viewed succession planning in terms of planning, goals and investment strategies (Davis and Harveston, 1998; Fetsch, 1999; Harper and Eastman, 1980). These questions were important to this study to learn how short-term planning correlates with long-term planning.

Family business organization questions were used in the models to determine how much knowledge the respondent had about transferring ownership and management, challenges preventing or slowing transfer from taking place, preparation level of the business and its members for a transfer, transfer objectives and female involvement of the management team (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007; Lambrecht, 2005; Mishra, El-Osta and Shaik, 2010). Management strategy questions were used in the models to determine the level of importance the business places on visionary meetings by measuring the frequency of planning discussions for marketing, preparation of financial records such as income statements and cash flow statements, evaluation of employee performance, business goals and reviewing position descriptions and job responsibilities (Barach and Ganitsky, 1995; Calus and Van Huylenbroeck, 2008; De Massis, Chua and Chrisman, 2008). Business success questions were used in the models to determine how successful the respondents perceive the business to be and what the measurement for success is (Churchill and Hatten, 1997; Mishra, El-Osta, and Johnson, 2004; Sharma, Chrisman and Chua, 2003).

Family tension questions were used in the models to determine what kinds of family tension prohibited or limited the family business from transferring management or ownership (Friedman, 1991; Taylor, and Norris, 2000; Weigel and Weigel, 1990). These questions were also used to determine how balanced the family members' lives are with

the business and the family (Davis-Brown and Salamon, 1987; Sharma, Chrisman and Chua, 2001; Zody, Sprenkle, Macdermid and Schrank, 2006). Business and household finance questions were used in the models to determine how much the business' financial success affected the transfer process (Mishra and El-Osta, 2007; Morris, Williams and Nel, 1996; Venter, and Maas, 2005). Lifecycle questions were used in the models to determine if recent life-changing events in the lives of the family members affected the transfer process (Morris, Williams, Allen and Avila, 1997; Royer, Simons, Boyd and Rafferty, 2008; Salamon, Gengenbacher and Penas, 1986). Respondent demographics such as gender, age and education were used in the models as controls (Kaunda and Nkhoma, 2013; Lee, Lim and Lim, 2003; Remble, Keeney and Marshall, 2010).

3.5 Configuration of the Five Models

Succession planning for family businesses can be divided into two categories that can be treated separately and differently. The two categories are management transfer and ownership transfer. The stages of the process are the same for both management and ownership, but they can be handled at different times. The survey outlines six stages of the succession process: 1) not started; 2) have just begun; 3) have an oral agreement; 4) have a written plan; 5) have started implementing the plan; and 6) have finished transferring. For this study we combined the first two stages into one stage and the last two stages into one stage for a total of four stages. This was done because, for the purpose of this study, the difference between the stages "not started planning yet" and "have just begun planning" is minimal. The same can be said in the later survey stages. There is minimal difference between the stages of "started implementing the plan" and

“finished transferring” compared to the four stages in the middle of the survey question. The later stages also had few observations. The way the survey questions laid out the stages before combining, there was very little difference between stage one and two because the owners had essentially not started succession planning either way. In the last two stages, there was very little difference between stages five and six because the owners were essentially implementing the plan that they established. After combining the first two stages and the last two stages, the four stages in the process are as follows: having none or very little succession planning started as stage one, having some succession planning done as stage two, having a documented written succession plan as stage three, executing the succession plan as stage four.

An ordered Probit was used to analyze the four stages of the management transfer process and the ownership transfer process. There are two separate ordered Probit models for management and ownership. These models were split and chosen because much of research is done on either the management transfer of businesses or the ownership transfer of businesses (Barach and Ganitsky, 1995; Churchill and Hatten, 1997; De Massis, Chua and Chrisman, 2008; Calus and Van Huylenbroeck, 2008). Table 3.4 shows the total number of stages for both management and ownership.

Table 3.4. Stages of Succession Planning

Stage of Management	Stage of Ownership				total
	1	2	3	4	
1	271	10	4	1	286
2	32	48	7	9	96
3	13	1	36	8	58
4	18	6	6	17	47
total	334	65	53	35	487

A major focus in this research was combining management and ownership transfer. The Combined model regresses all of the variables in an ordered Probit model on the stage that the family business is in when the transfer of management and ownership is the same stage. This was chosen because there is little research on the combination of management and ownership transfer (Barach and Ganitsky, 1995; Churchill and Hatten, 1997; De Massis, Chua and Chrisman, 2008; Calus and Van Huylenbroeck, 2008). The combination was evaluated in this study first by looking at what stage the businesses were in for management and ownership. If the stage of management transfer matched the stage of ownership transfer, the business was considered to be *matched* for total succession. If the stage for management transfer did not match the stage for ownership transfer, the business was considered to be *unmatched* for total succession. Table 3.5 shows the stages that businesses were in for management and ownership transfer. The diagonal (green boxes) in Table 3.5 show the combination of matched stages.

Table 3.5. Survey's Six Stages of Succession Planning

Stage of Management	Stage of Ownership						total
	1	2	3	4	5	6	
1	191	10	5	4	0	1	211
2	23	47	5	0	0	0	75
3	26	6	48	7	7	2	96
4	11	2	1	36	4	4	58
5	9	5	4	5	12	1	36
6	4	0	2	1	0	4	11
total	264	70	65	53	23	12	487

The Combined model was an interesting way to evaluate the combination because there was a large majority of respondents that were matched signifying that businesses treat the transfer of management and ownership in similar manners in regards to timing of

the transfer. In this study 69% of respondents had management transfer match ownership transfer. Barach and Ganitsky (1995) argue that stock ownership of a company must simultaneously parallel the control of power or management of the business. This simultaneous exchange doesn't always occur, however. This model showed evidence of that because only 338 respondents were in *matching* stages.

Modeling of the full succession planning process with matched and unmatched stages use Table 3.5. The six stages from the survey were used because the concept of matched and unmatched stages is based on the business owner's perception of where they are in the process. Combining into four stages would diminish the effect of the business owner's perception because there would be much fewer observed lags of stages with combining the first two and last two stages.

The Matched-Combined Stages versus Unmatched-Combined Stages model was analyzed using a Probit model. The binary variable designated with a "1" represented businesses that had *matched* stages for the combination. The designation of "0" represented businesses that had *unmatched* stages for the combination with lagging transfers. This was another way to evaluate the combination of management and ownership. This model distinguishes whether the family business is in the same stage for both transfers or has one transfer stage lag behind the other.

The Ownership Transfer Lagging Management Transfer model regresses all of the variables in a Probit model of just the observations of the combination of unmatched stages. This is the last way to evaluate the combination of the management and ownership used because it was thought that ownership usually follows after management transfer. In this model the designation of "1" represents businesses that have the transfer

stage of ownership lagging behind the transfer stage of management. Designation of “0” represents businesses that have the transfer stage of management lagging behind the transfer stage of ownership. This model used only observations of unmatched stages, therefore only 149 observations were used. Table 3.5 shows the combination of unmatched stages in yellow and blue boxes. The blue boxes show management transfer lagging ownership transfer with 50 of the 149 total observations for unmatched stages. The yellow boxes show ownership transfer lagging management transfer with 99 of the 149 total observations for unmatched stages.

3.6 Probit Models

3.6.1 Ordered Probit Regression Models

An ordered Probit model was used to analyze the association between the stage of succession transfer of management and ownership and the factors of family businesses measured in ordinal and discrete values. The Probit models used in this study is based on the models found in Wooldridge (2011, page 504-507). An ordered Probit model is used to estimate relationships between an ordinal dependent variable and a set of independent variables. The dependent variable on the left-hand-side (y) is an ordered response with the values $\{1, 2, 3, 4\}$ for the stage of transfer for the Management and Ownership models. The Combined ordered Probit model has an ordered response with the values $\{1, 2, 3, 4, 5, 6\}$ for the stage of transfer for the combination of the management and ownership stages designated on the survey. In ordered Probit model for y is conditional on explanatory variables x , which is the right-hand-side factors of succession. The y can

be derived from a latent variable model. Assume that a latent variable y^* is determined by $y^* = \mathbf{x}\boldsymbol{\beta} + e$, $e|\mathbf{x} \sim \text{Normal}(0,1)$ where $\boldsymbol{\beta}$ is $K \times 1$ and \mathbf{x} does not contain a constant.

Let $\alpha_1 < \alpha_2 < \dots < \alpha_J$ be unknown threshold parameters, and define

$$y = 0 \quad \text{if } y^* \leq \alpha_1$$

$$y = 1 \quad \text{if } \alpha_1 < y^* \leq \alpha_2$$

...

$$y = J \quad \text{if } y^* > \alpha_J$$

If y takes on the values 0, 1, and 2, then there are two cut points, α_1 and α_2 .

y = Observed stage of transfer

y^* = Unobserved stage of transfer

α = limit level of model

e = error term

Ordered Probit analysis estimates a cumulative density function Φ instead of estimating a function between dependent and independent variables. The independent probability of each succession transfer factor using a conditional distribution of y given \mathbf{x} , given the standard normal assumption for e , each response probability computed:

$$P(y = 0|\mathbf{x}) = P(y^* \leq \alpha_1 | \mathbf{x}) = P(\mathbf{x}\boldsymbol{\beta} + e \leq \alpha_1 | \mathbf{x}) = \Phi(\alpha_1 - \mathbf{x}\boldsymbol{\beta})$$

$$P(y = 1|\mathbf{x}) = P(\alpha_1 < y^* \leq \alpha_2 | \mathbf{x}) = \Phi(\alpha_2 - \mathbf{x}\boldsymbol{\beta}) - \Phi(\alpha_1 - \mathbf{x}\boldsymbol{\beta}) \dots$$

$$P(y = J - 1|\mathbf{x}) = P(\alpha_{J-1} < y^* \leq \alpha_J | \mathbf{x}) = \Phi(\alpha_J - \mathbf{x}\boldsymbol{\beta}) - \Phi(\alpha_{J-1} - \mathbf{x}\boldsymbol{\beta})$$

$$P(y = J|\mathbf{x}) = P(y^* > \alpha_J | \mathbf{x}) = 1 - \Phi(\alpha_J - \mathbf{x}\boldsymbol{\beta})$$

When $J = 1$, we get the binary Probit model:

$P(y = 1|\mathbf{x}) = 1 - P(y = 0|\mathbf{x}) = 1 - \Phi(\alpha_1 - \mathbf{x}\boldsymbol{\beta}) = \Phi(\mathbf{x}\boldsymbol{\beta} - \alpha_1)$, and so $-\alpha_1$ is the intercept inside Φ . For this reason \mathbf{x} does not contain an intercept in this formulation of the ordered Probit model (Wooldridge, 2011). The parameters α and β are estimated by maximum likelihood. For each i , the log-likelihood function is

$$\begin{aligned} \ell_i(\alpha, \beta) = & 1[y_i = 0] \log[\Phi(\alpha_1 - x_i\beta)] + 1[y_i = 1] \log[\Phi(\alpha_2 - x_i\beta) - \Phi(\alpha_1 - x_i\beta)] \\ & + \dots + 1[y_i = J] \log[1 - \Phi(\alpha_j - x_i\beta)] \end{aligned}$$

The marginal effects shows the effect that the variable has on the probability of the unobserved measure of success (Y^*) falling into one of the observed measures of success (Y) categories. The marginal effects of change can be derived by the following equations:

$$\begin{aligned} \frac{\partial P(y = 0|x)}{\partial x} &= -\phi(x'\beta)\beta \\ \frac{\partial P(y = 1|x)}{\partial x} &= [\phi(x'\beta)\beta - \phi(\alpha_1 - x'\beta)]\beta \\ \frac{\partial P(y = 2|x)}{\partial x} &= [\phi(\alpha_1 - x'\beta) - \phi(\alpha_2 - x'\beta)]\beta \\ \frac{\partial P(y = J|x)}{\partial x} &= [\phi(\alpha_{j-1} - x'\beta) - \phi(\alpha_j - x'\beta)]\beta \end{aligned}$$

For each ordered Probit analysis the accuracy of the model was investigated with the Chi-squared test, also reported are the Likelihood Ratio and the Veall-Zimmerman number, a pseudo R^2 measure (Oliver, 2008).

3.6.2 Probit Regression Models

A Probit model was used to analyze the association between the stage of succession transfer and the factors of family businesses measured in ordinal and discrete

values. The Probit models used in this study is based on the models found in Wooldridge (2002, page 531-533). The first Probit model used for this analysis has 1 being matched stages and 0 as unmatched stages. The second Probit model has 1 as ownership lagging management and 0 being businesses with management lagging ownership stages.

In the Probit model, G is the standard normal cumulative distribution function, which is expressed as an integral:

$$G(z) = \Phi(z) \equiv \int_{-\infty}^z \phi(v) dv$$

where $\phi(z)$ is the standard normal density $\phi(z) = \frac{1}{\sqrt{2\pi}} \exp(-z^2/2)$. The G function is an increasing function. Each increases most quickly at $z = 0$, $G(z) \rightarrow 0$ as $z \rightarrow -\infty$, and $G(z) \rightarrow 1$ as $z \rightarrow \infty$. The standard normal cumulative distribution function has a shape very similar to that of the logistic cumulative distribution function. When x_1 is a binary explanatory variable, the partial effect from changing x_1 from zero to one, holding all other variables fixed, is

$$G(\beta_0 + \beta_1 + \beta_2 x_2 + \dots + \beta_k x_k) - G(\beta_0 + \beta_2 x_2 + \dots + \beta_k x_k)$$

This depends on all the values of the other x_j . When y , dependent variable of matched or unmatched, and x_1 is a dummy variable indicating the succession planning process factor, then the change in the probability of having matched stages or ownership lag management depends on characteristics that affect the stages, such as profit, age, education, tension, etc. Note that knowing the sign of β_1 is sufficient for determining whether the explanatory variable had a positive or negative effect. The magnitude of the effect is estimated in the quantity in this equation. This equation can also be used for

discrete variables (such as number of employees). If x_k denotes this variable, then the marginal effect on the probability of x_k going from c_k to $c_k + 1$ is simply

$$G[\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_k (c_k + 1)] - G(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_k c_k)$$

For standard functional forms among the explanatory variables in the model

$P(y = 1|z) = G(\beta_0 + \beta_1 z_1 + \beta_2 z_1^2 + \beta_3 \log(z_2) + \beta_4 z_3)$, the partial effect of z_1 on $P(y = 1|z)$ is $\partial P(y = 1|z)/\partial z_1 = g(\beta_0 + \mathbf{x}\boldsymbol{\beta})(\beta_1 + 2\beta_2 z_1)$ and the partial effect of z_2 on the response probability is $\partial P(y = 1|z)/\partial z_2 = g(\beta_0 + \mathbf{x}\boldsymbol{\beta})(\beta_3/z_2)$, where $\mathbf{x}\boldsymbol{\beta} = \beta_1 z_1 + \beta_2 z_1^2 + \beta_3 \log(z_2) + \beta_4 z_3$. Models are similar with interactions among explanatory variables, including those between discrete and continuous variables (Wooldridge, 2002).

3.7 Empirical Model

Transfer Stage

$$\begin{aligned}
&= \beta_0 + \beta_1 \textit{identified_successor} + \beta_2 \textit{business_goal_planning} \\
&+ \beta_3 \textit{strategic_management} + \beta_4 \textit{Medium_D_Profit} \\
&+ \beta_5 \textit{High_D_Profit} + \beta_6 \textit{age_of_business} \\
&+ \beta_7 \textit{Farm_D_Specialization} + \beta_8 \textit{total_employed} \\
&+ \beta_9 \textit{blood_related_managers} + \beta_{10} \textit{generations_in_management} \\
&+ \beta_{11} \textit{manager_owners} + \beta_{12} \textit{Proprietor_D_BusinessStructure} \\
&+ \beta_{13} \textit{generation_of_business} + \beta_{14} \textit{updated_will} \\
&+ \beta_{15} \textit{invest_bus_personal} + \beta_{16} \textit{prepared_man_tran} \\
&+ \beta_{17} \textit{transfer_objective} + \beta_{18} \textit{lack_common_goals} \\
&+ \beta_{19} \textit{roles_responsibilities} + \beta_{20} \textit{finances_to_implement} \\
&+ \beta_{21} \textit{income_support} + \beta_{22} \textit{starting_knowledge} \\
&+ \beta_{23} \textit{female_manager} + \beta_{24} \textit{fam_bus_success} \\
&+ \beta_{25} \textit{Profit_D_TopGoal} + \beta_{26} \textit{Reputation_D_TopGoal} \\
&+ \beta_{27} \textit{Survival_D_TopGoal} + \beta_{28} \textit{authority_tension} \\
&+ \beta_{29} \textit{ownership_tension} + \beta_{30} \textit{compensation_tension} \\
&+ \beta_{31} \textit{workload_tension} + \beta_{32} \textit{resolve_tension} \\
&+ \beta_{33} \textit{competition_tension} + \beta_{34} \textit{Bus_Fam_index} \\
&+ \beta_{35} \textit{family_business_conflict} + \beta_{36} \textit{child_to_business} \\
&+ \beta_{37} \textit{Male_D_Gender} + \beta_{38} \textit{age} + \beta_{39} \textit{HighSchool_D_Education} \\
&+ \beta_{40} \textit{College_D_Education} + \beta_{41} \textit{Married_D_MaritalStatus} + e
\end{aligned}$$

The model above shows that the independent variables are the same for all five models. However, the dependent variable does change for each model. The dependent variable for the ordered Probit models was the stage of succession that the business was in, but the three models were different. The Management model showed the stage of succession transfer for management only. The Ownership model showed the stage of succession transfer for ownership only. The Combined model showed the stage of both management and ownership if they were the same. The probit models had a binary dependent variable where in the first model, respondents in combined stages were compared to those in lagged stages. In the second probit model respondents where ownership lagged management were compared to respondents that had management lagging ownership.

CHAPTER 4. RESULTS

4.1 Overview

This chapter presents the results from the Ordered Probit models and Probit models that were estimated by using the data from the 2012 Intergenerational Farm and Non-Farm Family Business Survey. Marginal effects are presented for the Combined ordered Probit model and the two Probit models analyzing unmatched stages. The models were analyzed using STATA 13.1

4.2 Ordered Probit Models

Table 4.1 describes the variables, variable definitions and provides descriptive statistics. Table 4.2 shows the results of the Management, Ownership and Combined models using an Ordered Probit regression to predict the likelihood of respondents being in each stage of succession planning process. Having an identified successor was positive and statistically significant in all three models. The positive coefficient means that respondents that have a successor identified are more likely to be in the latter stages of succession planning. We hypothesized that businesses that have identified a successor would have an increased probability of being further along in the transition of the business. The results of the three models support the hypothesis. Future business goal

planning was positive and statistically significant in all three models. If the family discusses future business goals regularly, the business was likely in the latter stages of succession planning. Discussing future business goals frequently and regularly was hypothesized to increase the probability of being further along in the transition of the business. The results in these models support the hypothesis.

We hypothesized that doing frequent strategic planning would increase the probability of being in the later stages of succession planning. However, the results do not support the hypothesis because strategic planning was not statistically significant in either of the three models. We hypothesized that higher profit would increase the probability of being further along in the transition of the business. Medium and high profit were not statistically significant in either of the three models.

The age of the business was positive and statistically significant in the Management model. This explanatory variable; however, was not statistically significant in the Ownership and Combined models. The longer the family business has been in operation, the more likely the business was in the latter stages of the management transfer process. The number of family managers was positive and statistically significant in the Ownership model. Family businesses with more managers that have ownership of the business, the more likely the business was in the latter stages of the ownership transfer process. Business structure was negative and statistically significant in the Ownership model. Family businesses with operational business structures that are sole proprietorships are less likely the business was into be in the latter stages of the ownership transfer process. Indicating that family members were expected to invest in the business before other external investments was negative and statistically significant in

Management model. Therefore, businesses that expect family members to make a priority to invest in the family business before investing in other external personal investments are less likely to be in the latter stages of the management transfer process.

Preparation level for management transfer was positive and statistically significant in all three models. The positive coefficient means businesses that were prepared for a transfer of management were more likely to be in the latter stages of succession planning.

The transfer objective was positive and statistically significant in the Ownership and Combined models. Moreover, knowing where or how to start the transfer process was positive and statistically significant in all three models. Family businesses that have a transfer objective to pass the operating family business down to the next generation of family heir(s) are more likely to be in the latter stages of the ownership transfer process. If the family members proclaim to be knowledgeable about where or how to start the transfer process, the business was more likely in the latter stages of succession planning.

The lack of common goals was negative and statistically significant in Management model. Family businesses that are challenged to transfer the operating family business because of the lack of common goals among family members are less likely to be in the latter stages of the management transfer process. The presence of female managers in a business was positive and statistically significant in Ownership model. Family businesses with more females in active management roles of the business are more likely to be in the latter stages of the ownership transfer process. Business survival as the top goal was negative and statistically significant in the Management model. Family businesses that have a transfer objective to pass the operating family

business down to the next generation of family heir(s) are more likely to be in the latter stages of the ownership transfer process. If the family members proclaim to be knowledgeable about where or how to start the transfer process, the business was more likely in the latter stages of succession planning. Family businesses that are challenged to transfer the operating family business because of the lack of common goals among family members are less likely to be in the latter stages of the management transfer process. Family businesses with more females in active management roles of the business are more likely to be in the latter stages of the ownership transfer process. Family businesses that recognize their most important goal was business survival, the business was less likely to be in the latter stages of the management transfer process.

Tension was statistically significant. Ownership tension was positive and statistically significant in the Ownership model, but was not statistically significant in the Management and Combined models. Businesses with tension among family members generated by unequal ownership of the business are more likely to be in the latter stages of the ownership transfer process. Workload tension was negative and statistically significant in the Management model, but not statistically significant in the Ownership and Combined models. Businesses with tension among family members generated by the workload distribution are less likely to be in the latter stages of the management transfer process. Resolve tension was negative and statistically significant in the Management mode, but was not statistically significant in the Ownership and Combined models. Businesses with tension among family members generated by the failure to resolve business conflicts are less likely to be in the latter stages of the management transfer process. Business-family balance was negative and statistically significant in the

Combined model, but not statistically significant in the Management and Ownership models. Respondents that perceive to have a perfect balance between putting the business first and putting family first are less likely to be in the latter stages of succession planning for *matching* stages.

Some incumbent demographics were significant in the three models. Age was statistically significant in the Ownership model. Gender and education was statistically significant in the Management model. All three demographics had positive coefficients. The older the respondent to the survey was, the business was more likely to be in the latter stages of the ownership transfer process. For family businesses that had male respondents to the survey, the business was more likely to be in the latter stages of the management transfer process. Respondents with completed four-year undergraduate degrees had, businesses that were more likely to be in the latter stages of the management transfer process.

Table 4.1. Variables

Variable	Variable Definition	Input in Model	Mean (Std Dev)
identified_successor	successor	1 if yes; 0 if no	.298 (.458)
business_goal_planning	plan future goals	1 if never; 2 if yearly; 3 if quarterly; 4 if monthly; 5 if all the time	3.298 (1.475)
strategic_management	strategic planning	index; 6-30: 1 if never; 2 if yearly; 3 if quarterly; 4 if monthly; 5 if weekly	17.780 (4.874)
Medium_D_Profit	Medium Profit	1 if \$50000-\$399999; 0 if otherwise	.248 (.433)
High_D_Profit	High Profit	1 if >\$400000; 0 if otherwise	.027 (.161)
age_of_business	business age	Years	27.152 (24.197)
Farm_D_Specialization	Farm	1 if Agriculture, Forestry, Natural Resources; 0 if otherwise	.692 (.462)
total_employed	total employed	number of employees	10.838 (31.980)
blood_related_managers	family managers	number of people	2.265 (1.456)
generations_in_management	manager generations	number of generations	1.544 (.680)
manager_owners	manager owners	number of people	1.823 (1.011)
Proprietor_D_BusinessStructure	Sole Proprietor	1 if sole proprietor business structure; 0 if otherwise	.526 (.500)
generation_of_business	business generations	number of generation	1.521 (.970)
updated_will	updated will	1 if yes; 0 if no	.376 (.485)
invest_bus_personal	personal investments	1 if strongly disagree; 2 if slightly disagree; 3 if neutral; 4 if slightly agree; 5 if strongly agree	3.120 (1.414)
prepared_man_tran	prepared man transfer	1 if yes; 0 if no	.415 (.493)

Table 4.1 Continued.

transfer_objective	transfer objective	1 if yes; 0 if no	.721 (.449)
lack_common_goals	lack common goals	1 if not at all; 2 if slightly; 3 if somewhat; 4 if very much; 5 if extremely	2.287 (1.240)
roles_responsibilities	roles responsibilities	1 if yes; 0 if no	.201 (.401)
finances_to_implement	implement finances	1 if yes; 0 if no	.667 (.472)
income_support	income support	1 if yes; 0 if no	.585 (.493)
starting_knowledge	starting knowledge	1 if not at all; 2 if slightly; 3 if somewhat; 4 if very much; 5 if extremely	2.749 (1.143)
female_manager	female manager	1 if not at all; 2 a little; 3 if about half; 4 if most; 5 if all	3.002 (1.110)
fam_bus_success	fam bus success	1 if very unsuccessful; 2 if somewhat unsuccessful; 3 if somewhat successful; 4 if very successful; 5 if uncertain	3.326 (.668)
Profit_D_TopGoal	Profit TopGoal	1 if profit; 0 if otherwise	.240 (.428)
Reputation_D_TopGoal	Reputation TopGoal	1 if reputation; 0 if otherwise	.388 (.488)
Survival_D_TopGoal	Survival TopGoal	1 if survival; 0 if otherwise	.154 (.361)
authority_tension	authority tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.761 (.851)
ownership_tension	ownership tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.320 (.661)

Table 4.1 Continued.

compensation_tension	compensation tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.398 (.704)
workload_tension	workload tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.982 (.913)
resolve_tension	resolve tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.694 (.867)
competition_tension	competition tension	1 if none at all; 2 if small amount; 3 if moderate amount; 4 if large amount; 5 if extremely large amount	1.624 (.827)
Bus_Fam_index	Bus-Fam index	matrix; 1-9; 1 if never; 2 if hardly ever; 3 if some of the time; 4 if most of the time; 5 if all of the time	5.257 (1.515)
family_business_conflict	fam bus conflict	1 if never; 2 if hardly ever; 3 if some of the time; 4 if most of the time; 5 if all of the time	2.663 (.915)
child_to_business	child to business	1 if yes; 0 if no	.127 (.334)
gender	Male	1 if male; 0 if female	.604 (.490)
age	age	Years	57.329 (12.096)
HighSchool_D_Education	HighSchool	1 if completed grades 9-12 or GED; 0 if otherwise	.201 (.401)
College_D_Education	College	1 if completed college 1-3 years or 4-year college graduate; 0 if otherwise	.610 (.488)
Married_D_MartialStatus	Married	1 if Married; 0 if otherwise	.897 (.304)

Table 4.2. Ordered Probit Estimate Results

Variable	Management		Ownership		Combined	
	Coef	Std. Err	Coef	Std. Err	Coef	Std. Err
successor	0.433***	0.138	0.468***	0.145	0.606***	0.178
plan future goals	0.169***	0.043	0.128***	0.047	0.169***	0.061
strategic planning	-0.007	0.013	0.001	0.014	-0.008	0.017
Medium Profit	0.054	0.145	-0.018	0.159	-0.090	0.196
High Profit	0.222	0.385	0.097	0.379	0.095	0.598
business age	0.005*	0.003	0.002	0.003	0.005	0.004
Farm	-0.203	0.128	-0.066	0.143	-0.277	0.177
total employed	0.000	0.002	0.004	0.003	0.002	0.003
family managers	0.035	0.054	-0.054	0.062	-0.020	0.078
manager generations	-0.107	0.102	0.015	0.108	0.060	0.130
manager owners	0.061	0.067	0.182**	0.074	0.070	0.093
Sole Proprietor	-0.153	0.124	-0.256*	0.136	-0.216	0.170
business generations	0.032	0.071	0.054	0.075	-0.034	0.107
updated will	0.014	0.125	0.131	0.135	0.120	0.166
personal investments	-0.088**	0.043	-0.036	0.046	-0.062	0.060
prepared man transfer	0.244*	0.134	0.307**	0.146	0.299*	0.186
transfer objective	0.189	0.148	0.393**	0.169	0.348*	0.200
lack common goals	-0.089*	0.050	-0.034	0.055	-0.076	0.069
roles responsibilities	0.112	0.155	0.105	0.167	-0.102	0.237
implement finances	-0.154	0.154	-0.013	0.167	-0.076	0.210
income support	0.011	0.152	0.033	0.164	-0.004	0.209
starting knowledge	0.169***	0.059	0.196***	0.067	0.250*	0.085
female manager	0.072	0.062	0.108	0.067	0.065	0.083
fam bus success	-0.042	0.091	-0.069	0.102	-0.081	0.126
Profit TopGoal	0.010	0.176	0.212	0.198	0.099	0.242
Reputation TopGoal	-0.102	0.158	0.174	0.177	-0.190	0.220
Survival TopGoal	-0.322**	0.201	0.192	0.219	-0.275	0.283
authority tension	0.069	0.090	0.049	0.101	0.107	0.127
ownership tension	0.138	0.112	0.236**	0.122	0.204	0.166
compensation tension	0.043	0.109	0.022	0.115	0.228	0.152
workload tension	-0.155**	0.079	-0.034	0.086	-0.052	0.118
resolve tension	-0.073	0.095	-0.191*	0.105	-0.373**	0.146
competition tension	-0.068	0.084	0.003	0.090	-0.012	0.116
Bus-Fam index	-0.047	0.041	-0.062	0.045	-0.131**	0.059
fam bus conflict	-0.047	0.065	-0.075	0.073	-0.090	0.096
child to business	-0.078	0.173	-0.050	0.186	0.074	0.230
Male	0.233*	0.141	-0.123	0.155	0.148	0.194
age	-0.001	0.005	0.014**	0.006	0.012	0.008
HighSchool	0.314	0.200	-0.247	0.218	0.005	0.277
College	0.390**	0.167	-0.019	0.176	0.143	0.225
Married	-0.069	0.195	-0.294	0.210	0.005	0.283
cut1	0.7529	0.7386	2.2968	0.8261	1.6380	1.0539
cut2	1.4539	0.7407	2.8687	0.8286	2.3278	1.0564
cut3	2.0731	0.7422	3.5716	0.8327	3.2168	1.0577
Pseudo R ²	0.1232		0.1652		0.2041	
Log likelihood	-474.7126		-389.4681		-244.0195	
Observations (n)	487		487		338	

Note: Single, double, and triple asterisks (*) denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Reference categories for dummy variables: Low profit business; non-agriculture business; Limited Liability Company, Partnership, Trust or Corporation; work with and keep in family goals; females; Graduate degree; Single, Divorced, Widowed, Separated or Unmarried Couple.

4.3 Marginal Effects for Combined Ordered Probit Model

Table 4.3 shows the results of the marginal effects for the Combined model. A specific demographic was chosen to represent the typical respondent of the survey for the marginal effects. The typical respondent that is profiled for marginal effects has identified a successor, discusses the family's future business goals quarterly, plans strategically quarterly for marketing, finances, personnel and goals, operates a business with the primary purpose of agriculture, forestry or natural resources, has an objective to transfer the business to family heirs, has perfect balance of splitting priority between the family and the business and is a 55 year old male.

Respondents that have identified a successor are 19.6% less likely to be in stage 1 than businesses without an identified successor. Businesses with successors identified are 9.4% more likely to be in stage two, 8.0% more likely to be in stage three and 2.2% more likely to be in stage four than businesses without successors identified. We hypothesized that having an identified successor would be crucial in assisting businesses to be further along in the transition of the business. The results support the hypothesis.

Respondents that discuss future business goals quarterly are 6.4% less likely to be in stage 1 than businesses that do not have future business goal discussions quarterly. Businesses with quarterly future business goal discussions are 2.4% more likely to be in stage two, 2.9% more likely to be in stage three and 1.1% more likely to be in stage four than businesses that do not discuss future business goals every quarter. We hypothesized that discussing future business goals frequently and regularly would be crucial in assisting businesses to be further along in the transition of the business. The results in these models support the hypothesis.

Respondents with a perception that their business is prepared for a management transfer are 11.4% less likely to be in stage 1. Respondents with an objective to transfer the business to family heirs are 12.2% less likely to be in stage 1 than businesses with no objective to transfer the business to family heirs. Businesses planning to transfer to family heirs are 5.4% more likely to be in stage two and 5.2% more likely to be in stage three than businesses that do not plan to transfer to family heirs.

Respondents that claim to have knowledge about where or how to start the transfer process are 9.5% less likely to be in stage 1. Businesses knowledgeable in the transfer process are 3.5% more likely to be in stage two, 4.3% more likely to be in stage three and 1.6% more likely to be in stage four than businesses that are not knowledgeable about the transfer process.

Respondents that have moderate amounts of tension generated by failure to resolve business conflicts among family members are 14.1% more likely to be in stage 1 than businesses that do not have moderate amounts of tension generated by failure to resolve business conflicts among family members. Businesses with a moderate amount of resolve tension are 5.2% less likely to be in stage two, 6.5% less likely to be in stage three and 2.4% less likely to be in stage four than businesses that do not have a moderate amount of resolve tension.

Respondents who claim to have perfect balance between the family and the business are 5.0% more likely to be in stage 1 than businesses that are more family focused. Businesses with balance between business and family life are 1.8% less likely to be in stage two and 2.3% less likely to be in stage three than businesses that do not have good balance between business and family.

Table 4.3. Combined Marginal Effects Estimate Results:

Variable	X	Stage 1		Stage 2		Stage 3		Stage 4	
		dy/dx	Std. Err	dy/dx	Std. Err	dy/dx	Std. Err	dy/dx	Std. Err
successor	1.000	-0.196***	0.064	0.094***	0.029	0.080***	0.031	0.022**	0.013
plan future goals	3.000	-0.064***	0.023	0.024**	0.010	0.029***	0.012	0.011**	0.006
strategic planning	18.000	0.003	0.007	-0.001	0.002	-0.001	0.003	-0.001	0.001
Medium Profit	0.251	0.034	0.073	-0.013	0.028	-0.015	0.033	-0.006	0.012
High Profit	0.018	-0.037	0.232	0.013	0.077	0.017	0.110	0.007	0.046
business age	26.092	-0.002	0.002	0.001	0.001	0.001	0.001	0.000	0.000
Farm	1.000	0.108	0.070	-0.033	0.021	-0.052	0.035	-0.023	0.019
total employed	10.240	-0.001	0.001	0.000	0.000	0.000	0.001	0.000	0.000
family managers	2.249	0.008	0.029	-0.003	0.011	-0.003	0.013	-0.001	0.005
manager generations	1.538	-0.023	0.049	0.008	0.018	0.010	0.022	0.004	0.009
manager owners	1.793	-0.027	0.035	0.010	0.013	0.012	0.016	0.005	0.007
Sole Proprietor	1.000	0.084	0.066	-0.027	0.022	-0.040	0.032	-0.017	0.015
business generations	1.470	0.013	0.041	-0.005	0.015	-0.006	0.019	-0.002	0.007
updated will	0.388	-0.046	0.063	0.017	0.023	0.021	0.029	0.008	0.012
personal investments	3.192	0.024	0.023	-0.009	0.009	-0.011	0.010	-0.004	0.004
prepared man transfer	0.373	-0.114*	0.071	0.040	0.026	0.053	0.034	0.021	0.017
transfer objective	1.000	-0.122*	0.066	0.054*	0.033	0.052*	0.029	0.016	0.011
lack common goals	2.287	0.029	0.026	-0.011	0.010	-0.013	0.012	-0.005	0.005
roles responsibilities	0.169	0.038	0.088	-0.015	0.035	-0.017	0.039	-0.006	0.014
implement finances	0.669	0.029	0.080	-0.010	0.029	-0.013	0.037	-0.005	0.015
income support	0.580	0.002	0.079	-0.001	0.029	-0.001	0.036	0.000	0.014
starting knowledge	2.680	-0.095***	0.032	0.035**	0.015	0.043***	0.016	0.016**	0.009
female manager	3.009	-0.025	0.032	0.009	0.012	0.011	0.015	0.004	0.006
fam bus success	3.325	0.031	0.047	-0.011	0.018	-0.014	0.022	-0.005	0.008
Profit TopGoal	0.231	-0.038	0.093	0.013	0.032	0.017	0.044	0.007	0.018
Reputation TopGoal	0.411	0.071	0.082	-0.027	0.032	-0.032	0.037	-0.012	0.014
Survival TopGoal	0.145	0.100	0.098	-0.041	0.045	-0.044	0.042	-0.015	0.014
authority tension	1.757	-0.040	0.049	0.015	0.018	0.018	0.023	0.007	0.009
ownership tension	1.296	-0.077	0.062	0.029	0.024	0.035	0.029	0.013	0.012
compensation tension	1.376	-0.086	0.058	0.032	0.022	0.039	0.028	0.015	0.012
workload tension	1.926	0.020	0.045	-0.007	0.016	-0.009	0.021	-0.003	0.008
resolve tension	1.666	0.141***	0.055	-0.052**	0.024	-0.065**	0.027	-0.024**	0.014
competition tension	1.615	0.005	0.044	-0.002	0.016	-0.002	0.020	-0.001	0.008
Bus-Fam index	5.000	0.050**	0.023	-0.018**	0.009	-0.023**	0.012	-0.009	0.006
fam bus conflict	2.695	0.034	0.037	-0.013	0.014	-0.016	0.017	-0.006	0.007
child to business	0.124	-0.028	0.088	0.010	0.031	0.013	0.041	0.005	0.017
Male	1.000	-0.055	0.071	0.022	0.029	0.024	0.032	0.008	0.011
age	55.000	-0.004	0.003	0.002	0.001	0.002	0.001	0.001	0.001
HighSchool	0.213	-0.002	0.105	0.001	0.039	0.001	0.048	0.000	0.018
College	0.583	-0.054	0.084	0.020	0.032	0.025	0.039	0.009	0.015
Married	0.899	-0.002	0.107	0.001	0.040	0.001	0.049	0.000	0.018

Note: Single, double, and triple asterisks (*) denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Reference categories for dummy variables: Low profit business; non-agriculture business; Limited Liability Company, Partnership, Trust or Corporation; work with and keep in family goals; females; Graduate degree; Single, Divorced, Widowed, Separated or Unmarried Couple.

4.4 Probit Models

4.4.1 Matched-Combined Stages versus Unmatched-Combined Stages

Table 4.4 shows the Probit results and marginal effects for the model with businesses that had *matched* stages for the combination of management and ownership versus businesses that had *unmatched* stages for the combination of management and ownership. An example of *matched* stages would be a business that is in stage three in both management and ownership because the business has a written plan of transferring management and ownership. An example of *unmatched* stages would be a business that is in stage one of management and stage four in ownership because the business doesn't have plans of transferring management figured out, but is in the process of executing their ownership transfer plan.

Identified successor was not statistically significant in this model. Business goal planning was negative and statistically significant. Families that often discuss future business goals are 3.1% less likely to have matched combined stages compared to those that do not discuss goals. However, strategic management, medium profit, and high profit were not statistically significant.

Preparation level for management transfer was negative and statistically significant. Family businesses that indicated on the survey that perceive themselves to be prepared for a management transfer are 12.8% less likely to have matched combined stages compared to family businesses that do not perceive to be prepared for a management transfer. Confusion over roles and responsibilities was negative and statistically significant. Businesses that have confusion about the roles and responsibilities of the family members involved in the family business are 17.8% less

likely to have matched combined stages compared to family businesses that do not have confusion about the roles and responsibilities of the family members. Workload tension was negative and statistically significant. Businesses that have tension generated by the workload distribution among family members are 6.6% less likely to have matched combined stages compared to family businesses that do not have workload tension. The respondent's age was positive and statistically significant. Increasing the respondent's age by one year increases the probability that the respondent will be in combined by 0.4%.

Business demographics such as age of the business, primary purpose, number of employees, members in management, generations in management, number of owners that are also managers and business structure were not statistically significant. Interestingly, succession variables such as identified successor, generation of the business, having an updated will, investing in the family business prior to external opportunities and transfer objective were not statistically significant. Other family business organization and management were also not statistically significant.

4.4.2 Ownership Transfer Lagging Management Transfer

Table 4.4 also shows the Probit results for the model with businesses with the stage of ownership transfer lagging the stage of management transfer and its marginal effects. In contrast to other models in this study, identified successor, business goal planning, strategic management and high profit were not statistically significant in this model.

The medium profit variable was positive and statistically significant. Businesses that have profits ranging from \$50,000 to \$400,000 are 27.9% more likely to have ownership transfer lag management transfer. In other words, they are more likely to be further along in the transfer of management than in the transfer of ownership.

Family related managers was positive and statistically significant. Businesses that have more family members involved in day to day management of the family business are 18.7% more likely to have ownership transfer lag management transfer. They are more likely to be further in transferring management than they are ownership.

The generations in management, number of manager-owners, generation of the family business, transfer objective, confusion over roles and responsibilities, income necessary to support a transfer and presence of female managers were negative and statistically significant. This means the family business that have more generations involved in day to day management of the family business are 18.1% less likely to have ownership transfer lag management transfer. Businesses that have more family members involved in the day to day management of business that own a share of the business or its assets and businesses that have more generations working together are 28.2% and 11.3% less likely to have ownership transfer lag management transfer, respectively. Businesses that have an objective to transfer the family business to an heir(s) are 18.5% less likely to have ownership transfer lag management transfer. Businesses that have confusion about the roles and responsibilities of family members involved in the family business are 37.5% less likely to have ownership transfer lag management transfer. Businesses that perceive to have enough income to support a change in the business management and ownership are 23.4% less likely to have ownership transfer lag management transfer.

Businesses that have a higher number of female members of the family actively participating in management decisions are 20.6 less likely to have ownership transfer lag management transfer.

The perception of family business success was positive and statistically significant. This means the family business is more likely to be further in the transferring ownership than the transferring of management. Businesses that have a higher perception of success in the family business are 18.9% more likely to have ownership transfer lag management transfer. The top goal of profit and top goal of reputation were negative and statistically significant. This means the family business is more likely to be further in the transferring management than the transferring of ownership. Businesses that have the highest importance placed on profit making potential are 28.1% less likely to have ownership transfer lag management transfer. Businesses with reputation to their customers as the most important goal are 30.8% less likely to have ownership transfer lag management transfer.

Compensation tension were positive and statistically significant. Ownership tension, competition tension were negative and statistically significant. Businesses that have tension generated by the compensation levels of family members are 20.0% more likely to have ownership transfer lag management transfer. Businesses that have tension generated by unequal ownership of the business by family members are 20.5% less likely to have ownership transfer lag management transfer. Businesses that have tension generated by competition for resources between the family and the business are 11.4% less likely to have ownership transfer lag management transfer.

High school graduate-education was positive and statistically significant.

Businesses that had survey respondents with only completed high school diplomas and no further education, the businesses are 26.9% more likely to have ownership transfer lag management transfer. Age of the incumbent was negative and statistically significant. The closer the survey respondent's age is to the mean age of 57.33, the family business was 0.8% less likely to have ownership transfer lag management transfer.

Table 4.4. Probit Estimate Results:

Variable	Combined vs Lag			Own lag Man		
	Coef	Std. Err	mfx	Coef	Std. Err	mfx
successor	0.008	0.161	0.003	0.215	0.493	0.060
plan future goals	-0.091*	0.048	-0.031*	0.163	0.150	0.045
strategic planning	0.007	0.015	0.002	-0.039	0.044	-0.011
Medium Profit	0.196	0.169	0.065	1.462***	0.560	0.279***
High Profit	-0.482	0.443	-0.181	-0.099	0.884	-0.030
business age	-0.002	0.003	-0.001	0.002	0.007	0.001
Farm	0.031	0.144	0.011	-0.397	0.382	-0.102
total employed	0.001	0.003	0.000	-0.014	0.013	0.004
family managers	0.030	0.062	0.010	0.683***	0.238	0.187***
manager generations	0.109	0.117	0.037	-0.663*	0.390	-0.181*
manager owners	-0.031	0.077	-0.011	-1.030***	0.285	-0.282***
Sole Proprietor	0.093	0.137	0.032	-0.312	0.348	-0.085
business generations	-0.076	0.081	-0.026	-0.414**	0.198	-0.113**
updated will	0.080	0.143	0.027	-0.435	0.406	-0.125
personal investments	0.071	0.047	0.024	0.115	0.138	0.031
prepared man transfer	-0.371**	0.152	-0.128**	-0.268	0.396	-0.073
transfer objective	-0.023	0.161	-0.008	-0.822	0.544	-0.185*
lack common goals	0.030	0.056	0.010	-0.168	0.162	-0.050
roles responsibilities	-0.490***	0.170	-0.178***	-1.169***	0.445	-0.375***
implement finances	0.163	0.169	0.057	-0.383	0.464	-0.099
income support	0.032	0.168	0.011	-0.934**	0.453	-0.234**
starting knowledge	-0.090	0.066	-0.031	-0.162	0.193	-0.044
female manager	0.002	0.068	0.001	-0.751***	0.288	-0.206***
fam bus success	0.038	0.100	0.013	0.692**	0.302	0.189**
Profit TopGoal	-0.104	0.195	-0.036	-0.890*	0.544	-0.281
Reputation TopGoal	0.118	0.179	0.040	-1.231**	0.503	-0.380**
Survival TopGoal	0.043	0.219	0.015	-0.344	0.585	-0.103
authority tension	0.070	0.100	0.024	0.014	0.294	0.004
ownership tension	-0.073	0.121	-0.025	-0.749**	0.355	-0.205**
compensation tension	0.092	0.116	0.031	0.730*	0.402	0.200*
workload tension	-0.193**	0.084	-0.066**	-0.144	0.223	-0.039
resolve tension	-0.028	0.103	-0.010	0.402	0.276	0.110
competition tension	0.094	0.093	0.032	-0.416*	0.251	-0.114*
Bus-Fam index	-0.012	0.045	-0.004	-0.014	0.114	0.004
fam bus conflict	0.103	0.073	0.035	0.001	0.202	0.004
child to business	-0.045	0.199	-0.015	0.406	0.443	0.100
Male	-0.083	0.158	-0.028	-0.712	0.530	-0.179
age	0.011*	0.006	0.004**	-0.030*	0.016	-0.008**
HighSchool	-0.216	0.219	-0.076	1.560**	0.691	0.269***
College	-0.285	0.180	-0.096**	0.802	0.572	0.242
Married	0.035	0.212	0.012	0.422	0.587	0.131
cons	0.044299	0.814		7.521	2.329	
Observations (n)	487			149		
Pseudo R ²	0.1232			0.1652		
Log likelihood	-474.7126			-389.4681		

Note: Single, double, and triple asterisks (*) denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Reference categories for dummy variables: Low profit business; non-agriculture business; Limited Liability Company, Partnership, Trust or Corporation; work with and keep in family goals; females; Graduate degree; Single, Divorced, Widowed, Separated or Unmarried Couple.

CHAPTER 5. DISCUSSION

The four variables that were significant across the Management, Ownership and Combined models were not surprising. The four explanatory variables were having a successor identified, often discussing future business goals, perceiving to be prepared for management transfer, and having knowledge of where or how to start the transfer process. This is consistent with literature that found that owners who discuss their goals for the business, perceive to have the knowledge to the start transfer process, have identified a successor and perceive to be prepared to transfer management are going to be further along in the transfer process (Dumas, Dupuis, Richer and St.-Cyr, 1995; Harper and Eastman, 1980; Salamon, Gengenbacher and Penas, 1986).

The older a business is, the more likely it will be further along in the transfer process. This is explained by businesses with multiple generations have a proven track record and experience of how to pass a business to the next generation. This experience helps businesses to know how to plan out succession and pass it on again (Lambrecht, 2005). Our analysis shows that businesses with more managers that own a stake in the business are further along in the transfer process due to the fact that there are more family members in management that have a financial interest in the business and rely on it for their long-term compensation, not just a salary (Davis and Harveston, 1998). These owner-managers are more likely to plan out into their future to see that their investment

remains good. This reason can also support why ownership may lag management because the incumbent owners select trained and capable successors to manage the business and increase the profitability of the incumbent's investment. If the liquidation of the business isn't a necessity, immediate exit of ownership is potentially not desired. This move also shows confidence in the competence of the successor to continue to grow the incumbent's investment (Bennedsen, Nielsen, Perez-Gonzalez and Wolfenzon, 2007; Venter, and Maas, 2005).

Sole proprietors are less likely to be further along in the ownership transfer process. This can be explained by the informal organizational structure of the business. Since sole proprietors work for themselves as the lone boss, they aren't required to share responsibilities, planning, management or ownership with someone else like formal organizational structured businesses do. Formal organizational business structure offers suitable autonomy and mentoring, with distinct career paths possible for successors (Barach and Ganitsky, 1995). This can lead to being unprepared for a transition due to the lack of experience in sharing the responsibilities of the business.

One of the surprises in this analysis was finding that businesses that expected family members to invest in the business before external opportunities were less likely to be further along in the transfer process (Davis-Brown and Salamon, 1987; Morris, Williams, Allen and Avila, 1997). It was thought before this study that family members that kept money in their business would be more likely to be dedicated to the business in the short and long-term. The long-term would include after the business is transferred and the process to get to that point. This dedication is explained by family members being willing to or actually putting all available resources into the business to ensure business

survival. It was thought that business owners willing to do whatever necessary to make the business function would end up having a business that was more functional and better managed.

The transition of the business was stimulated in the ownership and combined transfer process by the transfer objective to pass the business to the next generation. The business was more likely to be in the later stages of ownership and combined transfers. This suggests businesses that want to transition the business' management and ownership to the next generation of family members have an idea of who is going to take over or how the transfer might take place (Sharma, Chrisman and Chua, 2001). This would be similar to the explanatory variable of having a successor identified, which is a major catalyst in being further along in the succession plan. The lack of common goals in the transfer process between the generations decreases the probability of the business from being further along in the management transfer process. This is explained by incumbents and successors not being able to agree on the terms of the process, which keeps the business from moving forward in the management process (Fetsch, 1999). The more input females had in managing the daily activities of the business, the further along in the management transfer process that business was in than ownership transfer. We suggest that females could be helping keep healthy, positive relationships that foster productive planning that allows businesses to be further along in the management transfer process than ownership.

Businesses that made business survival their top priority and focus were less likely to be further along the management transfer process. It is suggested that businesses with the focus of merely surviving every year are struggling financially to make a profit

or at least concerned whether they will or not. With this an assumption is made that businesses that are struggling financially are neglecting to strategically plan their business or are unsuccessful at planning, which carries over to succession planning and transferring the business to the next generation (Davis and Harveston, 1998).

The only kind of tension or conflict in the data predicted to be more likely to be further in either management or ownership transfer was authority tension. The mean score of this survey question suggests that there was very little confusion about authoritative power in the business. This means family members were aware of who was calling the shots in the business with less conflict in the terms of succession plan allowing for the business to be further along in transfer. Workload tension had a higher mean score so there is more confusion on the distribution of work among the business any other tension or conflict. Workload distribution tension suggests that family members are unhappy with the amount of work they personally are working or the lack of work others are working. The more tension and conflict creates an incongruence with the succession plan and preventing the business from moving through the stages to be further along in the transfer process (Morris, Williams and Nel, 1996; Taylor, and Norris, 2000). Workload tension seems to decrease the probability of being further along in the management and combined processes. Resolve tension indicated in the survey means family members fail to resolve business problems within the confines of the family structure. This suggests the tension created prevents the terms of the succession plan from being agreeable and hinders the business from moving along the ownership and combined transfer process (Sharma, Chrisman and Chua, 2001). Overall the ordered Probit models and Probit models had the same number of tensions significant, but the

Ownership Lagging Management model had three of the six as significant. Those three were ownership, compensation and competition tensions. Authority tension was the only factor of tension that was not significant in any of the models.

The results indicate that families that slightly favor the family over the business are less likely to be further along in the transfer process. This was a surprise because the data shows a balance between family and business. Being slightly family oriented means more importance is placed on the family. More importance on the family suggests more importance on healthy relationships, which suggests the family members being in good harmony that it takes to be further along in the transfer process (Zody, Sprenkle, Macdermid and Schrank, 2006). In the Combined model families with business-family balance predicted to be less likely to be further along in the transition of management and ownership than families that are either business focused or family focused.

Male respondents were more likely to be in the later stages of the succession planning process. This is supported by literature that suggests that women are often perceived to only have a labor role not a role in management, and women aren't viewed as or groomed to be successors (Marotz-Baden, 1994). The older the respondent was, the more likely the business was to be in the later stages of transfer. This suggests that the respondent is closer in their approach retirement or exit of the company; therefore, has more knowledge of the succession planning process or experience of seeing other businesses with similar demographics go through succession transfer (Mishra, El-Osta and Shaik, 2010; Remble, Keeney and Marshall, 2010). The more education the respondent completes, the more likely they were to be in the later stages of succession. This suggests that the respondent had better or more training and development as they

became a decision maker than respondents with less education, which affects the transfer process and how the incumbent passes the business to the next generation by training the next generation (Churchill and Hatten, 1997). This is a catalyst for being further in succession.

CHAPTER 6. CONCLUSIONS

6.1 Overview

This chapter will discuss the conclusions from this study beginning with a summary of the research, then discussing the hypotheses and ending by summarizing the results. The main objectives of the study was to determine demographic, organizational method, strategy, finance and life cycle variables that impact succession planning; differences between management and ownership transfer; how the explanatory variables affect the stage of the succession plan; and use the explanatory variables to determine how to help family business owners be more successful in transferring their business to the next generation.

6.2 Study Review

Previous family business studies have focused on transfer of management or ownership. This left a gap in the literature to study both management and ownership transfer separately and combined as a full succession process. The results demonstrate that there are factors that influence transfer of management and transfer of ownership differently.

This research found that family businesses with a successor identified were in later stages of the succession transfer process. The business is 8% more likely to have a

written plan of succession with the existence of an identified successor. The first hypothesis is supported by this analysis. The research found that family businesses that often discuss future business goals were in later stages of the succession transfer process. The business is 3% more likely to have a written plan of succession with frequent discussions had on the future of the business. The second hypothesis is supported by this analysis. Strategic planning of the entire family business was thought to be important to the business' succession plan. However, this analysis failed to support the third hypothesis. Family business' profit level was thought to be important to the succession plan, but this analysis failed to support the fourth hypothesis.

Management showed significance in business age, investment strategy, goals, workload distribution, gender and incumbent's education. Ownership showed significance in the number of owner-managers, business structure, transfer objectives, female managers, unequal ownership, failure to resolve tension and incumbent's age. Only four variables were significant in both models that are talked about in the summary. The model that combined management and ownership only had a total of seven significant variables, including the four that were shared in each of the two singular models. The combined transfers showed these factors to be significant: transfer objective, failure to resolve tension and business-family balance. Another interesting part of this study is the differences between businesses that are in the same stage for both transfers versus in different stages and businesses with ownership transfer stages that are lagging behind the stage of transferring management. The model of the combination of similar stages versus the combination of different stages has only five variables that are statistically significant. This model showed significance in future business goal planning,

preparation level for transfer, confusion over roles and responsibilities, workload distribution and incumbent's age. The model of the combination of different stages that differentiates which transfer is lagging has sixteen variables that are statistically significant. This model showed significance in profit, related managers, generations in management, number of owner-managers, generation of the business, confusion of roles and responsibilities, having enough income to support a transfer, female managers, success, priorities, unequal ownership, compensation, competition of resources, incumbent's age and incumbent's education.

6.3 Summary

There are three main implications of this research. First, identifying a successor is one of the most important things a family business can do to proceed in the succession transfer process. Secondly, discussing the future of the business and knowing where or how to start the transfer process are the two things that this research predicted to be the furthest in the succession transfer process. Lastly, negative relational aspects, such as tension, conflict and confusion, are the most consistent factors that can hinder the business from moving forward with the succession transfer process.

The framework of this research was done to give implications to family business stakeholders with factors of a full analysis of discrete likelihoods of helping or hindering the succession planning process. The implications were to ultimately help the stakeholders in keeping the business in the family with succession planning assistance. Identifying who is going to take the business over next is really significant in succession planning. The succession plan isn't able to continue to move forward passed the wishes

of the incumbent owner until a successor is identified. Businesses that value strategic planning short term plans are better at planning the long term future of the business and how it will be passed on to the next generation.

Perfect harmony in any business is not possible. Moreover, there are benefits to constructive criticism and differing opinions. However, minimal tension in the business is the most conducive environment to succession planning. In business there will be differing opinions and general tension that is necessary to grow and inspire improvement, but excessive turmoil and conflict give resistance to moving along in succession planning. The key is keeping the conflict healthy to the family and business in terms of intensity level, length and frequency. The lack of common transfer goals among the generations make the reality of comprise a necessity before moving forward. In this research failing to have the financial capability of implementing the transfer was an impediment to progressing through the plan. When planning the succession transfer, it is important to strategize for the implementing costs and securing enough income to support the families once the transfer is completed.

With the completion of this analysis, there are some suggested future opportunities in line with this work. Most of the suggestions are in the framework of the survey to understand the demographics of the business and family subsystems. Future surveys could capture the length of time that businesses spend in the stages of succession to tie together the age of the business, age of the respondent, education and figure out if the business is in the correct stage based on the other explanatory variables. A future survey should capture where the business owners want to be in succession planning and where they think they should be to discover if the lack of desire to be further in

succession planning is the factor hindering the business most. Along with that, asking the respondents what the biggest challenges to succession planning and advancement of the plan would help tie the challenges to the underlying problems impeding progress. Asking the business owner's perception of success of each factor in our models would help show the capabilities of the business and if the business is operating to its full potential. It would be really interesting to ask more questions surrounding the balance of the family-business to discover clearer priorities.

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APPENDIX

APPENDIX: 2012 INTERGENERATIONAL FARM AND NON-FARM FAMILY
BUSINESS SURVEY

P9699 – Family Business Succession Survey

March 29, 2011

Version 5c

[#Section] Business Demographics

>BD1< [##label=YEAR BUS BEGAN]

Based on the answers you just gave, your business qualifies for this important study. I would like to start with some basic questions. What year did [fill name] begin operation?

ENTER YEAR: <1900-2010>
 <-8888> DON'T KNOW
 <-9999> REFUSED

>BD2< [##label=BUS PRIMARY PURPOSE]

What is the primary purpose of your business?

(INT: CODE FROM Rs RESPONSE, READ ONLY IF NECESSARY)

<1> Agriculture, Forestry, Natural Resources
<2> Mining, Oil and Gas Extraction
<3> Construction
<4> Manufacturing
<5> Wholesale Trade
<6> Retail Trade
<7> Professional Services such as finance and real estate
<8> Education
<9> Health Care
<10> Entertainment
<11> Food Services
<12> other [specify]

<-8888> DON'T KNOW
<-9999> REFUSED

>BD3_A< [##label=PRIME EMPLOY PRIN OPTRS]

Is the primary employment of the principle operator or operators of your family business the business itself, employment outside of the family business or is the principle operator or operators not in the paid workforce?

<1> FAMILY BUSINESS [goto BD4]

<2> EMPLOYMENT OUTSIDE OF THE FAMILY BUSINESS [goto BD4]

<3> NOT IN THE PAID WORKFORCE

<-8888> DON'T KNOW [goto BD4]

<-9999> REFUSED [goto BD4]

>BD3_B< [##label=PRIN OPTRS RET
INC] [#NOTE: ONLY ASK IF BD3_A
ABOVE IS "3"]

If not in the paid workforce, is one, or more, of the principal operators receiving a pension or retirement income as a major source of household income?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BD4< [##label=EMPLOYEES FT]

Currently, how many of the employees working for [fill name] are **full-time**?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-8888> DON'T KNOW

<-9999> REFUSD

>BD5< [##label=EMPLOYEES PT]

Currently, how many of the employees working for [fill name] are **part-time or seasonal**?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-8888> DON'T KNOW

<-9999> REFUSD

>BD6< [##label=EMPLOYEES RELATIVE]

How many of the **total employees** are relatives?

ENTER NUMBER: <0> NONE
 <1-9999> 1 to 9999

 <-8888> DON'T KNOW
 <-9999> REFUSD

>BD7< [##label=FAM MBRS IN MNGMNT]

How many **total family members** including yourself are involved in the day to management of your family business?

ENTER NUMBER: <0> NONE
 <1-9999> 1 to 9999

 <-8888> DON'T KNOW
 <-9999> REFUSD

>BD8< [##label=SPOUSE IN MNGMNT]

Is your spouse involved in the day to day management of the family business?

<1> YES
 <0> NO
 <3> SINGLE - DO NOT HAVE A SPOUSE

 <-8888> DON'T KNOW
 <-9999> REFUSD

>BD9< [##label = GENS IN DAY2DAY MGT]

How many generations of family members, including yourself, are involved in the day to day management of the family business?

ENTER NUMBER: <1-9999> 1 to 9999

 <-8888> DON'T KNOW
 <-9999> REFUSD

>BD10< [##label=FMM: BY MARRIAGE]

How many of the people related to you by marriage are involved in the day to day management of your family business [fill only if BD8 does NOT equal 3], other than your spouse, [endif]?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSD

>BD11< [##label=UNRELATED MNGMNT]

How many individuals **unrelated** to you share in the day to day management of the family business?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSD

>BD12< [##label= MNGMNT OWNERS]

Now I have some questions about individuals that own the business and/or the assets of the business such as land or equipment.

Among the family members involved in the day to day management of the business, how many own a share of the business or its assets?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSD

>BD13< [##label= NONMNGMNT OWNERS]

Among family members **not involved** in the day to day management of the business, how many own a share of the business or its assets?

ENTER NUMBER: <0> NONE

<1-9999> 1 to 9999

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSD

>BD15< [##label= NOT RELATED OWNERS]

How many individuals who are **not** related to you share in the ownership of the family business?

ENTER NUMBER: <0> NONE [goto BD17]
 <1-9999> 1 to 9999

<-7777> DOES NOT APPLY [goto BD17]
 <-8888> DON'T KNOW [goto BD17]
 <-9999> REFUSD [goto BD17]

>BD16< [##label= OWN: NOT
 RELATED] [#ONLY ASKED IF
 >BD15< ABOVE IS >= "1"]

Are these non-related individuals majority owners, equal owners, or minority owners
 in the business?

<1> MAJORITY OWNERS
 <2> EQUAL OWNERS
 <3> MINORITY OWNERS
 <4> OTHER (IF VOLUNTEERED) [specify]

<-8888> DON'T KNOW
 <-9999> REFUSD

>BD17< [##label= MNGT AUTHORITY OR VR ON OWNER]

Is managerial authority in the business or voting rights in the business directly related to
 the amount of business ownership?

<1> Yes
 <0> No

<-8888> DON'T KNOW
 <-9999> REFUSD

>BD18< [##label= ID A SUCCESSOR]

Has the family business identified a successor or successors? The successor or
 successor does not have to be a family member.

<1> YES
 <0> NO [goto BD20]

<-8888> DON'T KNOW [goto BD20]
 <-9999> REFUSED [goto BD20]

>BD19< [##label= HAD SUCCESSFUL MNGT TRNSFR]

Has your family business had at least one transfer of management that you consider
 successful?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BD20< [##label = TYPE OF BUSINESS]

Is your current business solely owned, a partnership, a limited liability company (LLC), a corporation, or a trust?

<1> SOLELY OWNED [goto END OF THIS SECTION]

<2> PARTNERSHIP

<3> LIMITED LIABILITY COMPANY (LLC)

<4> CORPORATION

<5> TRUST

<-8888> DON'T KNOW [goto END OF THIS SECTION]

<-9999> REFUSED [goto END OF THIS SECTION]

>BD20_A< [##label = MULTIPLE ENTITIES]

Is your business divided into multiple business entities?

<1> YES

<2> NO [goto END OF THIS SECTION]

<-8888> DON'T KNOW [goto END OF THIS SECTION]

<-9999> REFUSED [goto END OF THIS SECTION]

>BD20_B< [##label = NUM MULTIPLE ENTITIES]

How many business entities are included in your current business structure?

<1> 1 [goto END OF THIS SECTION]

<2> 2

<3> 3

<4> 4 OR MORE

<-8888> DON'T KNOW

<-9999> REFUSED

>BD21< [##label= OPERATING ENTITY]

What type of entity do you regard as the **operating entity** for your family business?

(INTERVIEWER: READ RESPONSE OPTIONS BELOW IF NECESSARY. MOST BUSINESSES OPERATE UNDER ONE SO R

MUST CHOOSE ONE)

- <1> LLC OR LIMITED LIABILITY COMPLANY
- <2> SOLE PROPRIETORSHIP
- <3> PARTNERSHIP
- <4> TRUST
- <5> REGULAR CORPORATION
- <6> S-CORPORATION
- <7> ANOTHER ENTITY [specify]

<-8888> DON'T KNOW

<-9999>REFUSED

>BD22< [##label= NEW ENTITIES FOR NEW FAM]

Have you created one or more new business entities in order to bring new family members into the family business?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999>REFUSED

>BD23_A< [##label=ENTITIES FOR ASSEST PROTECT]

Is your family business comprised of multiple entities primarily for asset protection?

<1> YES

<0> NO

<3> R VOLUNTEERS ONLY ONE ENTITY [goto end of this section]

<-8888> DON'T KNOW

<-9999>REFUSED

>BD23_B< [##label= ENTITIES MNG RISK]

Is your family business comprised of multiple entities primarily to manage risk exposure?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999>REFUSED

>BD23_C< [##label= ENTITIES LIMIT LIABILITY]

Is your family business comprised of multiple entities primarily to limit liability?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999>REFUSED [END OF SECTION]

[#Section] Succession

>S1< [##]label= WHAT GENERATION IS R]

Are you a first or founding generation, a second generation, a third generation, a fourth generation or a fifth or more generation owner?

<1> FIRST OR FOUNDING GENERATON [goto S3_A]

<2> SECOND GENERATION

<3> THIRD

<4> FOURTH

<5> FIFTH OR MORE GENERATION

<-8888> DON'T KNOW

<-9999>REFUSED

>S2< [##]label= INHERIT OR GIFT OF BUS]

Did you inherit the business or an interest in the business from a relative or did you receive the business or interest in the business as gifts?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999>REFUSED

>S3_A< [##]label= HOW OFTEN DISCUSS GOALS]

Now I have a few questions about succession planning.

How often does your family discuss future business goals: never, yearly, quarterly, monthly, or all the time?

<1> NEVER

<2> YEARLY

<3> QUARTERLY

<4> MONTHLY

<5> ALL THE TIME

<-8888> DON'T KNOW

<-9999> REFUSED

>S3_B< [##label= MNGMNT TRNFR PLAN]

Which of the following best describes the stage of the planning process your management transfer plan is in currently: you have not started yet, you have just begun, you have an oral agreement, you have a written plan, you have started implementing your plan, or you have finished transferring management?

- <1> NOT STARTED
- <2> HAVE JUST BEGUN
- <3> HAVE AN ORAL AGREEMENT
- <4> HAVE A WRITTEN PLAN
- <5> HAVE STARTED IMPLEMENTING THE PLAN
- <6> HAVE FINISHED TRANSFERRING MANAGMENT

<-8888> DON'T KNOW

<-9999> REFUSED

>S3_C< [##label= OWNERSHIP TRNFR PLAN]

Which of the following best describes the stage of the process your ownership transfer plan is in currently: you have not started yet, you have just begun, you have an oral agreement, you have a written plan, you have started implementing your plan, or you have finished transferring ownership?

- <1> NOT STARTED
- <2> HAVE JUST BEGUN
- <3> HAVE AN ORAL AGREEMENT
- <4> HAVE A WRITTEN PLAN
- <5> HAVE STARTED IMPLEMENTING THE PLAN
- <6> HAVE FINISHED TRANSFERRING OWNERSHIP

<-8888> DON'T KNOW

<-9999> REFUSED

>S3_D< [##label= EXPECT OUTSIDE MOST CRITICAL]

Now please think about at which stage of the succession planning process would you expect assistance from outside experts, such as attorneys and accountants, to be most critical to your success. Would it be in identifying alternatives, evaluating alternatives, deciding among alternatives, assessing your proposed plan or implementing your plan?

- <1> IDENTIFYING ALTERNATIVES
- <2> EVALUATING ALTERNATIVES
- <3> DECIDING AMONG ALTERNATIVES
- <4> ASSESING YOUR PROPOSED PLAN
- <5> IMPLEMENTING YOUR PLAN

<-8888> DON'T KNOW

<-9999> REFUSED

>S3_E< [##label= EVER DISCUSS ESTATE PLAN]

The next series of questions are about estate planning.

Have you ever met with an accountant, financial planner, lawyer, or business consultant to discuss estate planning?

<1> YES

<0> NO [goto S3_G]

<-8888> DON'T KNOW [goto S3_G]

<-9999> REFUSED [goto S3_G]

>S3_F< [##label= STAGE OF ESTATE PLAN]

Which of the following best describes the stage of the estate planning process you are in currently: you have just begun, you have an oral agreement, you have a written plan, you have started implementing your plan, or you have finished your estate planning process?

<1> HAVE JUST BEGUN

<2> HAVE AN ORAL AGREEMENT

<3> HAVE A WRITTEN PLAN

<4> HAVE STARTED IMPLEMENTING THE PLAN

<5> HAVE FINISHED THE PROCESS

<-8888> DON'T KNOW

<-9999> REFUSED

>S3_G< [##label= UPDATED WILL SINCE 2005]

Since January of 2005, have you made or updated your will?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>S4_A< [##label= RSP: HEALTH]

Please tell me whether or not each of the following reasons would prompt you or has already prompted you to think about succession planning.

Have any health reasons prompted or would health reasons prompt you to think about succession planning?

<1> YES

<0> NO

<-8888> DON'T KNOW
<-9999>REFUSED

>S4_B< [##label= RSP: RETIRE]
Has your want to retire prompted or would it prompt you to think about succession planning?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999>REFUSED

>S4_C< [##label= RSP: NEW GENERATION]
Has your want to bring a new generation into the business prompted or would it prompt you to think about succession planning?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999>REFUSED

>S4_D< [##label= RSP: TAKE OVER]
Has your want to take over the family business prompted or would it prompt you to think about succession planning?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999>REFUSED

>S4_E< [##label= RSP: OTHER]
Have any other reasons not already mentioned prompted or would they prompt you to think about succession planning?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999>REFUSED

>S5<

The next series of questions ask about your level of agreement with a series of statements. These statements are about family businesses in general and not specifically about your business. For each statement please tell me whether you strongly disagree, slightly disagree, neither agree nor disagree, slightly agree or strongly agree.

>S5_A1< [##label= A/D: HEIRS SHARE EQUALLY]

Each heir should share equally in business ownership even if this distribution of ownership is not the most profitable for the business. Do you strongly disagree, slightly disagree, neither agree nor disagree, slightly agree or strongly agree?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

>S5_A2< [##label= A/D: MOST ABILITY LARGE ROLE]

The heir with the most ability should have the largest management role even if all heirs have chosen the family business as a career.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

>S5_A3< [##label= A/D: HEIRS RIGHT TO MNGMNT]

Each heir has the right to join the management team of the family business regardless of their qualifications.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE

- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_A4< [##label= A/D: MNGNT TASKS SAT BUS OBS]

Management tasks should be distributed among family members to satisfy business objectives rather than personal interests.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_A5< [##label= A/D: DISCOVER HEIRS PREFER]

Discovering an heir's preferences regarding plans for the transfer of family business assets to the next generation will increase the likelihood of a successful transfer.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_B1< [##label= A/D: KEY MNGMNT HELD BY FAM]

Key management positions should be held by family members even if a non-family employee may be more qualified.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED, THESE ARE ABOUT FAMILY BUSINESSES IN GENERAL NOT THE Rs SPECIFIC BUSINESS)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE

- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONGLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_B2< [##label= A/D: FAM BUS PRIORITY INV EST]

Family members should make it a priority to invest in the family business first and then finance other personal investments.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONGLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_B3< [##label= A/D: FAM MORE ACCESS INFO]

Family members should have more access to information about the business than non-family managers.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE
- <5> STRONGLY AGREE

- <-8888> DON'T KNOW
- <-9999> REFUSED

>S5_B4< [##label= A/D:LAYOFFS BASED ON PERFORM]

Business layoffs should be based on performance, not family status.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> STRONGLY DISAGREE
- <2> SLIGHTLY DISAGREE
- <3> NEITEHR DISAGREE NOR AGREE
- <4> SLIGHTLY AGREE

<5> STRONGLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

>S5_C1< [##label= A/D: TRANSFER EXISTING ENTITY]

Transfer of the existing family business operating entity is preferable to adding a new operating entity, even if adding the new entity makes buying in more affordable for the successor.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED, THESE ARE ABOUT FAMILY BUSINESSES IN GENERAL NOT THE R_s SPECIFIC BUSINESS)

<1> STRONGLY DISAGREE

<2> SLIGHTLY DISAGREE

<3> NEITEHR DISAGREE NOR AGREE

<4> SLIGHTLY AGREE

<5> STRONGLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

>S5_C2< [##label= A/D: WORRY ABOUT HEIRS AFFORDING]

The next two statements are specifically about your family business.

I worry about whether my heirs or successors can afford to purchase my family

business. (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> STRONGLY DISAGREE

<2> SLIGHTLY DISAGREE

<3> NEITEHR DISAGREE NOR AGREE

<4> SLIGHTLY AGREE

<5> STRONGLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

>S5_C3< [##label= A/D: PLAN TRANSFER TO FAM]

I plan to transfer the family business to a family successor even if it puts my own personal wealth and livelihood at increased risk.

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> STRONGLY DISAGREE

<2> SLIGHTLY DISAGREE

<3> NEITEHR DISAGREE NOR AGREE

<4> SLIGHTLY AGREE

<5> STRONGLY AGREE

<-8888> DON'T KNOW

<-9999> REFUSED

[# END OF SECTION]

[#Section] Family Business Organization

>FB1< [##label= DISTRIB FAM BUS EXPECT]

Please tell me which of the following approaches to distributing your family business to the next or future generation best describes what you **expect** to happen: the business will be sold to someone outside the family; the business will be sold or given to family successors; or the business assets will be liquidated?

<1> THE BUSINESS WILL BE SOLD TO SOMEONE OUTSIDE FAMILY

<2> THE BUSINESS WILL BE SOLD/GIVEN TO FAMILY SUCCESSORS

<3> THE BUSINESS ASSETS WILL BE LIQUIDATED

<-8888> DON'T KNOW [goto FB3]

<-9999> REFUSED [goto FB3]

>FB2< [##label = FB1 EXPECT DESIRED]

Is this your desired outcome?

<1> YES

<2> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB3< [##label= DEFINE FAMILY FAIRNESS]

Which of the following best describes how you define fairness in your family: you treat each member according to their needs, you treat each member according to their contribution, you treat all the same regardless of need or contribution, or do you not have a definition of fairness in your family?

<1> TREAT EACH ACCORDING TO THEIR NEEDS

<2> TREAT EACH ACCORDING TO THEIR CONTRIBUTION

<3> TREAT ALL THE SAME REGARDLESS OF NEED OR CONTRIBUTION

<4> DO NOT HAVE A DEFINITION OF FAIRNESS IN FAMILY

<-8888> DON'T KNOW

<-9999> REFUSED

>FB4_A< [##label= PREPARED FOR MNGMNT SUC]

The following questions are about your family's transfer preparedness.

If it were to happen today, is your family prepared for management succession?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB5_A< [##label= PRESERVE SENTIMENTAL ASSEST]

Please tell me whether or not each of the following describes an objective of your family business transfer planning.

Is the preservation and protection of assets with sentimental value such as land or buildings, so that these assets will benefit future generations, an objective?

<1> YES

<0> NO

<-3> DOES NOT HAVE A BUSINESS TRANSFER PLAN (VOL.) [goto FB6_A]

<-8888> DON'T KNOW

<-9999> REFUSED

>FB5_B< [##label= TRANSFER FAM BUS TO HEIRS]

Is the transfer of an operating family business to heirs or successors an objective?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB5_C1< [##label= BUILD A FAM BUS FOR HEIRS PART]

To what extent would you like to build a family business in which many of your children, grandchildren and so forth could participate if they had the ability and interest: not at all, slightly, somewhat, very much, or extremely?

<1> NOT AT ALL

<2> SLIGHTLY

<3> SOMEWHAT
 <4> VERY MUCH
 <5> EXTREMELY

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB5_C2< [##label= BUILD A FAM BUS BENEFIT ALL FAM]

To what extent would you like to build a family business which would benefit all of your family including both those in the business and those who are not?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NOT AT ALL
 <2> SLIGHTLY
 <3> SOMEWHAT
 <4> VERY MUCH
 <5> EXTREMELY

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB5_C3< [##label= TRNSFR FAM BUS TO CHILD]

To what extent would you like to transfer your family business to those of your children who are interested in continuing it and provide the other children with other assets of similar value?

<1> NOT AT ALL
 <2> SLIGHTLY
 <3> SOMEWHAT
 <4> VERY MUCH
 <5> EXTREMELY

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB6_A< [##label= SENIOR GEN HEIRS PREFER]

Now I am going to read you a series of statements about how the senior members of your family business have involved the heirs or successors in planning for the intergenerational transfer of the family business. If you are the first generation then you are the senior member of the family business.

To what extent has the senior generation attempted to explore or discover the preferences of the heirs as part of the planning process: not at all, slightly, somewhat, very much, or extremely?

<1> NOT AT ALL
 <2> SLIGHTLY
 <3> SOMEWHAT
 <4> VERY MUCH
 <5> EXTREMELY

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB6_B< [##label= SENIOR GEN GIVE CONTROL TO HEIRS]
 To what extent is the senior generation prepared to give up control of the family business by delegating management to heirs or successors?

(INT: REPEAT CATEGORIES AS NEEDED)

<1> NOT AT ALL
 <2> SLIGHTLY
 <3> SOMEWHAT
 <4> VERY MUCH
 <5> EXTREMELY

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB6_C< [##label= SENIOR GEN DISCUS TRANS PLAN]
 Has the senior generation actively engaged in discussing possible transfer plan alternatives with heirs or successors?

<1> YES
 <0> NO

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB6_D< [##label= SENIOR GEN DEVO SCU PLAN]
 Has the senior generation developed a succession plan and shared the plan with heirs or successors?

<1> YES
 <0> NO

<-8888> DON'T KNOW
 <-9999> REFUSED

>FB7< [##label= FAMILY HAVE BUY-SELL AGREE]

Currently, does your family have a buy-sell agreement?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB8_A< [##label= LACK COMMON GOALS]

How challenging to the successful transfer of your business is the lack of common goals among family members: not at all, slightly, somewhat, very much or extremely?

<1> NOT AT ALL

<2> SLIGHTLY

<3> SOMEWHAT

<4> VERY MUCH

<5> EXTREMELY

<-8888> DON'T KNOW

<-9999> REFUSED

>FB8_B< [##label= ANY CONFUSION OF ROLES]

Is there any confusion about the roles and responsibilities of the family members involved in the family business?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB8_C< [##label= ENOUGH CAPITAL]

Is there enough capital or money to implement the transfer of the business?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>FB8_D< [##label= ENOUGH INCOME]

Is there enough income to support a change in the business management and ownership?

<1> YES

<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>FB8_E< [##label= KNOW TO START TRANS PROCESS]

How knowledgeable are you about where or how to start the transfer process: not at all, slightly, somewhat, very much or extremely?

<1> NOT AT ALL
<2> SLIGHTLY
<3> SOMEWHAT
<4> VERY MUCH
<5> EXTREMELY

<-8888> DON'T KNOW
<-9999> REFUSED

>FB9< [##label= ASSERT PROTECT LIMIT OWNERSHIP]

The next question is about asset protection strategies for your family business. Assets include land and buildings. Do concerns about asset protection limit who can join the ownership of your family business?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>FB10_A1< [##label= ANY GENDER ROLES]

Now I have a few questions for you about whether or not gender influences your family business.

Do you associate different roles in the family business with gender?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>FB10_A2< [##label= ACCOUNTING BY FEMALE MEMBERS]

Currently, how much of the accounting or record keeping are female members of your family doing: none at all, a little, about half, most, or all?

<1> NONE AT ALL
<2> A LITTLE
<3> ABOUT HALF
<4> MOST
<5> ALL

<-8888> DON'T KNOW
<-9999> REFUSED

>FB10_A3< [##label= PHYS LABOR BY FEMALE MEMBERS]

Currently, how much physical labor are female members of your family doing: none at all, a little, about half, most, or all?

<1> NONE AT ALL
<2> A LITTLE
<3> ABOUT HALF
<4> MOST
<5> ALL

<-8888> DON'T KNOW
<-9999> REFUSED

>FB10_A4< [##label= ACTIVE MNGMNT BY FEMALE MEMBERS]

Currently, how much are female members of your family actively participating in management decisions: none at all, a little, about half, most, or all?

<1> NONE AT ALL
<2> A LITTLE
<3> ABOUT HALF
<4> MOST
<5> ALL

<-8888> DON'T KNOW
<-9999> REFUSED

>FB10_A5< [##label= HIRING BY FEMALE MEMBERS]

Currently, how much are female members of your family actively participating in hiring decisions: none at all, a little, about half, most, or all?

<1> NONE AT ALL
<2> A LITTLE
<3> ABOUT HALF
<4> MOST
<5> ALL

<-8888> DON'T KNOW

<-9999> REFUSED [END OF SECTION]

[#Section] Management Strategies

>M1<

The next series of questions are about management practices in your family business. For each question please tell me whether you practice a management strategy within your business never, yearly, quarterly, monthly, or weekly.

(INTERVIEWER: PRESS ENTER TO CONTINUE)

>M1_A< [##label= PLAN MARKETING STRATEGIES]

How often do you plan marketing strategies: never, yearly, quarterly, monthly, or weekly? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M1_B< [##label= EST COSTS & EXPENSES]

How often do you estimate costs and expenses for the

business? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M1_C< [##label= PREPARE FINANCIAL RECORDS]

How often do you prepare or have prepared financial records such as cash flow

statements? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M1_D< [##label= EVAL EMPLOYEE PERFORMANCE]

How often do you evaluate employee performance?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M1_E< [##label= SET GOALS FOR BUSINESS]

How often do you set goals for the business?

(INTERVIEWER: REPEAT CATEGORIES AS

NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M1_F< [##label= REVIEW POSITION DESCRIPTS]

How often do you review position descriptions and job responsibilities?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> YEARLY
- <3> QUARTERLY
- <4> MONTHLY
- <5> WEEKLY

- <-7777> DOES NOT APPLY
- <-8888> DON'T KNOW
- <-9999> REFUSED

>M2< [##label= DEVO PROCEDURES MNGMNT ACCNT]
Have you developed procedures that hold individuals accountable for management responsibilities?

- <1> YES
- <0> NO

- <-7777> DOES NOT APPLY
- <-8888> DON'T KNOW
- <-9999> REFUSED

>M3_A< [##label= SEPARATE FAM BUS & FAM TIME]
To what extent do you seek ways to separate family business and family time: not at all, slightly, somewhat, very much or extremely?

- <1> NOT AT ALL
- <2> SLIGHTLY
- <3> SOMEWHAT
- <4> VERY MUCH
- <5> EXTREMELY

- <-8888> DON'T KNOW
- <-9999> REFUSED

>M3_B< [##label= FAM BUS TRAIN FAM BUS MNGRS]
To what extent does the family business provide training for family business managers: not at all, slightly, somewhat, very much or extremely?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NOT AT ALL
- <2> SLIGHTLY
- <3> SOMEWHAT
- <4> VERY MUCH

<5> EXTREMELY

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M3_C< [##label= YOUNG GEN ENCOURAGED EXPERIENCE]

To what extent is the younger generation encouraged to obtain business experience outside the family business prior to joining the business?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NOT AT ALL

<2> SLIGHTLY

<3> SOMEWHAT

<4> VERY MUCH

<5> EXTREMELY

<-7777> DOES NOT APPLY

<-8888> DON'T KNOW

<-9999> REFUSED

>M3_D< [##label= FAM BUS ORG CULTURE OF DIFFERENCES]

To what extent has your family business developed an organizational culture that values differences of opinion?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NOT AT ALL

<2> SLIGHTLY

<3> SOMEWHAT

<4> VERY MUCH

<5> EXTREMELY

<-8888> DON'T KNOW

<-9999> REFUSED [END OF SECTION]

[#Section] Business Success

>BS1< [##label= GEN BUS SUCCESSFUL]

Overall, would you say that, so far, your family business is very unsuccessful, somewhat unsuccessful, somewhat successful, very successful, or are you uncertain?

- <1> VERY UNSUCCESSFUL
- <2> SOMEWHAT UNSUCCESSFUL
- <3> SOMEWHAT SUCESSFUL
- <4> VERY SUCESSFUL
- <5> UNCERTAIN

- <-8888> DON'T KNOW
- <-9999> REFUSED

>BS2<

I am going to read you five goals that **might** be important to your family business. Please tell me which goal is the most important to you. The five goals are: profit, a positive reputation with customers, business survival, keeping the business in the family, and the opportunity to work with family members.

(INTERVIEWER: PRESS ENTER TO CONTINUE)

>BS2_A< [##label= MOST IMPORT GOAL]
What is **the most important** goal to your family business?

(INTERVIEWER: REPREAT CATEGORIES AS NEEDED)

- <1> PROFIT
- <2> A POSITIVE REPUTATION WITH CUSTOMERS
- <3> BUSNIESS SURVIVAL
- <4> KEEPING THE BUSINESS IN THE FAMILY
- <5> OPPORTUNITY TO WORK WITH FAMILY MEMBERS

- <-8888> DON'T KNOW
- <-9999> REFUSED

>BS2_B< [##label= SECOND IMPORT GOAL]
What is the **second** most important goal to your family business?

(INTERVIEWER: REPREAT CATEGORIES AS NEEDED)

[#NOTE: AS OPTIONS ARE CHOOSEN BY R THEY ARE REMOVED]

- <1> PROFIT
- <2> A POSITIVE REPUTATION WITH CUSTOMERS
- <3> BUSNIESS SURVIVAL
- <4> KEEPING THE BUSINESS IN THE FAMILY
- <5> OPPORTUNITY TO WORK WITH FAMILY MEMBERS

- <-8888> DON'T KNOW
- <-9999> REFUSED

>BS3< [##label= SUCCESS AT MOST IMPORT GOAL]

[SKIP THIS QUESTION IF THE ANSWER TO BS2_A IS DK OR REFUSED]
 [if BS2_A eq <-1> OR<-2>][goto FT1][endif]
 How successful do you think your business has been in achieving your most important goal of [fill answer to BS2_A] so far: very unsuccessful, somewhat unsuccessful, somewhat successful, very successful, or are you uncertain?

- <1> VERY UNSUCCESSFUL
- <2> SOMEWHAT UNSUCCESSFUL
- <3> SOMEWHAT SUCESSFUL
- <4> VERY SUCESSFUL
- <5> UNCERTAIN

<-8888> DON'T KNOW
 <-9999> REFUSED

>BS3_2< [##label= SUCCESS AT 2ND IMPORT GOAL]
 [SKIP THIS QUESTION IF THE ANSWER TO BS2_B IS DK OR REFUSED]
 [if BS2_B eq <-1> OR<-2>][goto FT1][endif]
 How successful do you think your business has been in achieving your goal of [fill answer to BS2_B] so far: very unsuccessful, somewhat unsuccessful, somewhat successful, very successful, or are you uncertain?

- <1> VERY UNSUCCESSFUL
- <2> SOMEWHAT UNSUCCESSFUL
- <3> SOMEWHAT SUCESSFUL
- <4> VERY SUCESSFUL
- <5> UNCERTAIN

<-8888> DON'T KNOW
 <-9999> REFUSED [END OF SECTION]

[#Section] Family Tensions

>FT1<

Now we would like to ask about the ways the business may affect the relationships of family members. For each of the following issues please tell me the amount of tension that each issue generates in your home life on the following scale: none at all, a small amount, a moderate amount, a large amount or an extremely large amount.

(INTERVIEWER: PRESS ENTER TO CONTINUE)

>FT1_A< [##label= TENSION: CONFUSE OVER AUTHORITY]
 How much tension is generated by confusion over who has authority to make business

decisions: none at all, a small amount, a moderate amount, a large amount, or an extremely large amount?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT1_B< [##label= TENSION: UNEQUAL FAM OWNERSHIP]

How much tension is generated by unequal ownership of the business by family

members? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT1_C< [##label= TENSION: FAM COMPENSATION LEVELS]

How much tension is generated by the compensation levels of family members?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT1_D< [##label= TENSION: CAN'T RESOLVE BUS CONFLICTS IN FAM]

How much tension is generated by failure to resolve business conflicts among family

members? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT1_E< [##label= TENSION: FAM WORKLOAD DISTRIBUTION]
How much tension is generated by the workload distribution among family

members? (INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT1_F< [##label= TENSION: FAM VS BUS RESOURCES]
How much tension is generated by competition for resources between the family
and the business?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NONE AT ALL
- <2> SMALL AMOUNT
- <3> MODERATE AMOUNT
- <4> LARGE AMOUNT
- <5> EXTREMELY LARGE AMOUNT

<-8888> DON'T KNOW

<-9999> REFUSED

>FT2<

Now, I will ask several questions about you and those who work for [fill name], including both family and non-family workers. For each statement, please tell me if you are satisfied with the following aspects of your work situation: never, hardly ever, some of the time, most of the time, or all of the time.

(INTERVIEWER: PRESS ENTER TO CONTINUE)

>FT2_A1< [##label= SATISFIED: TURN TO PEOPLE WHEN TROUBLED]
 How often are you satisfied that you can turn to people at home and work for help when something is troubling you: never, hardly ever, some of the time, most of the time, or all of the time?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NEVER
 <2> HARDLY EVER
 <3> SOME OF THE TIME
 <4> MOST OF THE TIME
 <5> ALL OF THE TIME

<-8888> DON'T KNOW
 <-9999> REFUSED

>FT2_B< [##label= SATISFIED: OTHERS ACCEPT YOUR IDEAS]
 How often are you satisfied that others in your family and business accept and support your ideas or thoughts?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NEVER
 <2> HARDLY EVER
 <3> SOME OF THE TIME
 <4> MOST OF THE TIME
 <5> ALL OF THE TIME

<-8888> DON'T KNOW
 <-9999> REFUSED

>FT2_C< [##label= SATISFIED: SHARE TIME IN FAM AND BUS]
 How often are you satisfied with the way others in your family and business share time together?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

<1> NEVER
 <2> HARDLY EVER
 <3> SOME OF THE TIME
 <4> MOST OF THE TIME
 <5> ALL OF THE TIME

<-8888> DON'T KNOW
 <-9999> REFUSED

>FT3_A< [##label= BUSINESS COMES FIRST]

For each of the following approaches to conflict please tell me whether it applies to your family: never, hardly ever, some of the time, most of the time, or all of the time?

How often does the business come first?

- <1> NEVER
- <2> HARDLY EVER
- <3> SOME OF THE TIME
- <4> MOST OF THE TIME
- <5> ALL OF THE TIME

- <-8888> DON'T KNOW
- <-9999> REFUSED

>FT3_B< [##label= FAMILY COMES FIRST]

How often does the family come first?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> HARDLY EVER
- <3> SOME OF THE TIME
- <4> MOST OF THE TIME
- <5> ALL OF THE TIME

- <-8888> DON'T KNOW
- <-9999> REFUSED

>FT3_C< [##label= DECIDE BTWN FAM & BUS]

How often do conflicts arise where a decision has to be made in favor of what is best for the family versus the family business?

(INTERVIEWER: REPEAT CATEGORIES AS NEEDED)

- <1> NEVER
- <2> HARDLY EVER
- <3> SOME OF THE TIME
- <4> MOST OF THE TIME
- <5> ALL OF THE TIME

- <-8888> DON'T KNOW
- <-9999> REFUSED

>FT3_D< [##label= AGREEMENT TO ACHIEVE BALANCE]

To what extent has the family developed a process, policy, or family agreement to achieve a balance between the needs of the family and the business: not at all, slightly,

somewhat, very much or extremely?

- <1> NOT AT ALL
- <2> SLIGHTLY
- <3> SOMEWHAT
- <4> VERY MUCH
- <5> EXTREMELY

- <-8888> DON'T KNOW
- <-9999> REFUSED

>FT4< [##label= SATISFIED R ROLE IN BUSINESS]

To what extent are you satisfied with your role in the business: not at all, slightly, somewhat, very much or extremely?

- <1> NOT AT ALL
- <2> SLIGHTLY
- <3> SOMEWHAT
- <4> VERY MUCH
- <5> EXTREMELY

- <-8888> DON'T KNOW
- <-9999> REFUSED [END OF SECTION]

[#Section] Business and Household Finances

>BHF1<

The next few questions are about the gross income of your family business. I remind you that anything you say on the survey is strictly confidential.

(INTERVIEWER: PRESS ENTER TO CONTINUE)

>BHF1_A< [##label= BUS GROSS INCOME 2010]

I will read you a list of ranges, please stop me when I get to the range that best covers your answer. In 2010, what was the **gross income** of your business: was it...

(INTERVIEWER: READ UNTIL R INTERRUPTS)

- <1> \$49,000 or less
- <2> \$50,000 – \$99,000
- <3> \$100,000-\$149,000
- <4> \$150,000 – \$199,000
- <5> \$200,000 - \$299,000
- <6> \$300,000 - \$399,000
- <7> \$400,000 - \$499,000
- <8> \$500,000 - \$599,000

- <9> \$600,000 - \$799,000
- <10> \$800,000-\$999,999
- <11> \$1,000,000 - \$4,999,000
- <12> \$5,000,000 or more

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF2_A< [##label= BUS PROFIT 2010]

Now I will ask you about the profit of your family business. In 2010, what was **the profit** of your business: was it... (INTERVIEWER: READ UNTIL R INTERUPTS)

- <1> \$49,000 or less
- <2> \$50,000 – \$99,000
- <3> \$100,000-\$149,000
- <4> \$150,000 – \$199,000
- <5> \$200,000 - \$299,000
- <6> \$300,000 - \$399,000
- <7> \$400,000 - \$499,000
- <8> \$500,000 - \$599,000
- <9> \$600,000 - \$799,000
- <10> \$800,000-\$999,999
- <11> \$1,000,000 - \$4,999,000
- <12> \$5,000,000 or more

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF3< [##label= SHARE BUS R OWNS 2010]

As of December 31, 2010, what percentage of the family business did you own?

ENTER PERCENTAGE: <0>NONE
 <1-100> 1 to 100 PERCENT

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF4< [##label= BUS TOTAL ASSETS 2010]

In 2010, what were the **total assets** of the business? Please stop me when I get to the range that best covers your answer. Was it...?

(INTERVIEWER: READ UNTIL R INTERUPTS)

- <1> \$49,000 or less
- <2> \$50,000 – \$99,000
- <3> \$100,000-\$149,000
- <4> \$150,000 – \$199,000

<5> \$200,000 - \$299,000
<6> \$300,000 - \$399,000
<7> \$400,000 - \$499,000
<8> \$500,000 - \$599,000
<9> \$600,000 - \$799,000
<10> \$800,000-\$999,999
<11> \$1,000,000 - \$4,999,000
<12> \$5,000,000 or more

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF5< [##label= BUS LOAN WORRED 2010]

In 2010, were you ever worried, even once, about how the family business would make a loan payment?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF6< [##label= FAM MEMBER OWE \$ TO BUS 2010]

As of December 31, 2010, did any family member owe money to the business?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF6_A< [##label= BUS OWE \$ TO FAM 2010]

As of December 31, 2010, did the business owe money to the family?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF7< [##label= BUS CASH FLOW PROBS 2010]

During 2010, did the business have cash-flow problems?

<1> YES
<0> NO [goto BHF8_A]

<-8888> DON'T KNOW [goto BHF8_A]
<-9999> REFUSED [goto BHF8_A]

>BHF7_A< [##label= BCFP: DELAY BILL PAY]
In 2010, did you handle your business cash flow problems by delaying paying bills?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF7_B< [##label= BCFP: HOUSEHOLD SAVINGS]
In 2010, did you handle your business cash flow problems by using household savings?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF7_C< [##label= BCFP: HOUSEHOLD INCOME]
In 2010, did you handle your business cash flow problems by using household income to meet business needs?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF7_D< [##label= BCFP: BORROW \$ EXTEND FAM]
In 2010, did you handle your business cash flow problems by borrowing from members of your extended family?

<1> YES
<0> NO

<-8888> DON'T KNOW
<-9999> REFUSED

>BHF7_E< [##label= BCFP: CREDIT CARDS]
In 2010, did you handle your business cash flow problems by increasing use of credit cards?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF7_F< [##label= BCFP: APPLY BANK LOAN]

In 2010, did you handle your business cash flow problems by applying for a bank loan?

<1> YES

<0> NO [go to BHF8_A]

<-8888> DON'T KNOW [go to BHF8_A]

<-9999> REFUSED [go to BHF8_A]

>BHF7_G< [##label= BCFP: RECEIVE LOAN]

Did you receive the loan?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF8_A< [##label= HH INCOME 2010]

The next questions are about your **household's** total income from all sources.

During the year 2010, what was the household's total income from all sources: was it... (INTERVIEWER: READ UNTIL R INTERRUPTS)

<1> \$19,000 or less

<2> \$20,000 - \$29,000

<3> \$30,000 - \$39,000

<4> \$40,000 - \$49,000

<5> \$50,000 - \$99,000

<6> \$100,000-\$149,000

<7> \$150,000 - \$199,000

<8> \$200,000 - \$299,000

<9> \$300,000 - \$399,000

<10> \$400,000 - \$499,000

<11> \$500,000 or more

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF9_A< [##label= SHARE OF HH INCOME 2010 FROM BUS]

During the year 2010, what percent of household income came from the family

business: was it...

(INTERVIEWER: READ UNTIL R INTERUPTS)

- <1> 0 PERCENT
- <2> 1 TO 10 PERCENT
- <3> 11 TO 24 PERCENT
- <4> 25 TO 49 PERCENT
- <5> 50 TO 74 PERCENT
- <6> 75 TO 89 PERCENT
- <7> 90 PERCENT OR MORE

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF10< [##label= FAM SAVE \$ 2010]

During 2010, were you and your family able to save or invest any money?

<1> YES

<0> NO [goto BHF12]

<-8888> DON'T KNOW [goto BHF12]

<-9999> REFUSED [goto BHF12]

>BHF11< [##label= AMOUNT FAM SAVE \$ 2010]

During 2010, how much were you and your family able to save or invest: was it... (INTERVIEWER: READ UNTIL R INTERUPTS)

- <1> \$4,000 or less
- <2> \$5,000 - \$9,000
- <3> \$10,000 - \$19,000
- <4> \$20,000 - \$29,000
- <5> \$30,000 or more

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12< [##label= CASH PROBLEM IN HH 2010]

During 2010, was there a cash-flow problem in the household?

<1> YES

<0> NO [goto L1]

<-8888> DON'T KNOW [goto L1]

<-9999> REFUSED [goto L1]

>BHF12_A< [##label= CFP: DELAY BILL PAY]

In 2010, did you ever meet your family's cash flow problems by delaying payment of

bills?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12_B< [##label= CFP: HH SAVINGS

In 2010, did you ever meet your family's cash flow problems by using household savings intended for other purposes?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12_C< [##label= CFP: BUS INCOME]

In 2010, did you ever meet your family's cash flow problems by using business income to meet household needs?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12_D< [##label= CFP: BORROW EXT FAM]

In 2010, did you ever meet your family's cash flow problems by borrowing from members of your extended family?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12_E< [##label= CFP: CREDIT CARDS]

In 2010, did you ever meet your family's cash flow problems by increased use of credit cards?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>BHF12_F< [##label= CFP: BORROW BUSINESS]

In 2010, did you ever meet your family's cash flow problems by borrowing from the business?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED [END OF SECTION]

[#Section] LIFECYCLE QUESTIONS

>L1_A< [##label= MARRIED IN 2010]

The last few questions I have are about you so we have a better understanding of the people running family businesses. I will ask about important events that **might** have occurred in your life recently. Please tell me whether or not any of the following events occurred since January 1, 2010.

Since January 1, 2010, did you get married?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>L1_B< [##label= DIVORCE IN 2010]

Since January 1, 2010, did you get a divorce?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>L1_C< [##label= KID TO COLLEGE IN 2010]

(Since January 1, 2010,...)

...did you have a child leave to go to college?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>L1_D< [##label= ADULT KID RETURN HOME IN 2010]

(Since January 1, 2010,...)

...did you have an adult child return to live at home?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>L1_E< [##label= ADULT KID WORK FAM BUS IN 2010]

(Since January 1, 2010,...)

...did you have an adult child return to work in the family business?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>D1< [##label= R GENDER]

(INTERVIEWER: ENTER SEX OF RESPONDENT)

(IF NECESSARY: I need to confirm, are you male or female?)

<1> MALE

<2> FEMALE

<-9999> REFUSED

>D2< [##label= YEARBORN]

In what year were you born? (ENTER FOUR-DIGIT YEAR)

<1892-1992> YEAR OF BIRTH

<-8888> DON'T KNOW

<-9999> REFUSED

>D3< [##label= EDCOMP]

What is the highest grade or year of school you completed?

- <1> Never Attended School Or Only Attended Kindergarten
- <2> Grades 1 Through 8 (Elementary)
- <3> Grades 9 Through 11 (Some High School)
- <4> Grade 12 Or Ged (High School Graduate)
- <5> College 1 Year To 3 Years (Some College Or Technical School)
- <6> 4-year college graduate
- <7> Graduate degree

<-8888> DON'T KNOW

<-9999> REFUSED

>D5< [##label= HISPANIC]

Are you Hispanic or Latino?

<1> YES

<0> NO

<-8888> DON'T KNOW

<-9999> REFUSED

>D4< [##label= RACE]

Which one of the following best describes your race: Asian, Black or African American, Native Hawaiian or some other Pacific Islander, American Indian or Alaska Native, White, or something else?

<1> ASIAN

<2> BLACK OR AFRICAN AMERICAN

<3> NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER

<4> AMERICAN INDIAN, ALASKA NATIVE

<5> WHITE

<6> SOMETHING ELSE [specify]

<-8888> DON'T KNOW

<-9999> REFUSED

>D6< [##label= MARTIAL STATUS]

Are you married, divorced, widowed, separated, never married or a member of an unmarried couple?

<1> MARRIED

<2> DIVORCED

<3> WIDOWED

<4> SEPARATED

<5> NEVER MARRIED

<6> A MEMBER OF AN UNMARRIED COUPLE

<-8888> DON'T KNOW

<-9999> REFUSED

>D7< [##label= ANY KIDS UNDER 18]

Currently, are there any children, eighteen years of age or younger, living in your household?

<1> YES

<0> NO [goto D7_C]

<3> SOMETIMES (E.G. SHARED CUSTODY) -- VOL.

<-8888> DON'T KNOW [goto D7_C]

<-9999> REFUSED [goto D7_C]

>D7_A< [##label= KIDS UNDER 6]

Currently, how many children in your household are under 6 years of age?

ENTER NUMBER: <0> NONE

<1-9> 1 to 9

<-8888> DON'T KNOW

<-9999> REFUSED

>D7_B< [##label= KIDS 6 TO 18]

Currently, how many children in your household are between the ages of 6 and 18 years old?

ENTER NUMBER: <0> NONE

<1-9> 1 to 9

<-8888> DON'T KNOW

<-9999> REFUSED

>D7_C< [##label= KIDS ATTENDING COLLEGE]

Currently, how many children living in your household are attending a college?

ENTER NUMBER: <0> NONE

<1-9> 1 to 9

<99> THERE ARE NO CHILDREN LIVING HERE

<-8888> DON'T KNOW

<-9999> REFUSED

>thnk< [no data]

Those are all the questions I have for you. Thank you for your participation. Good-bye.

[END OF SURVEY]