EVALUATION FRAMEWORK FOR THE TRANS-GENERATIONAL SUCCESSION PROCESS IN FAMILY BUSINESS

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Abstract

The authors propose and analyze a framework to evaluate the trans-generational succession process in family businesses. The framework is developed and tested, as part of a field project, on a sample of family businesses operating in the auto dealership industry in Italy. The framework proposed is an innovative set of twelve indicators critically described and evaluated according to their impact on the succession process and it is created with the intent of being replicated for the context of any family business, dealing with a succession process. The methodology adopted in this paper is based on a case study approach that allows authors to observe the environment, gain personal contact through interviews, collect data over a period of time and include both the live observations and a retrospective analysis of what happened. The paper further highlights the relevance of evaluating the transition of the growing leadership in family businesses.

Keywords: trans-generational, succession process, evaluation framework, framework indicators.

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INTRODUCTION

In this paper, we refer to succession as the passing of leadership of governance of a family business to a new generation, within the family. The definition of the concept of family business is not always immutable and models incorporate different definitions. A family business is referred to as a specific organizational form (Bornheim, 2000), or a business with a specific ownership structure (Carsrud et al. 1996) and goals (Chrisman et al., 2003). Simplifying the concept of family business, it is possible to define it as any business "in which a majority of the ownership or control lies within a family, and in which two or more family members are directly involved" (Poutziouris, 2001). Moreover, family business is a system composed by the family, the business and the ownership (Tagiuri & Davis, 1996): family members are part of the business, with their emotions and values; the owner often has to manage a double role: father/mother and boss; finally, external managers have to confront themselves with the family members and their values. The relationship between family, business and ownership could represents a unique competitive advantage but also an obstacle for the development of family companies.

Relevant themes are investigated in the area of governance in a family business (Davis, 2001), the entrepreneurship of a family business and its succession planning (Sharma et al., 1997). The issue of succession is researched independently on the type of business and the controlling ownership (Miller, 1993; Rogers et al., 1996). Although it is widely recognized that the succession across generations of a family is significantly more complex (Le Breton-Miller, 2003), the difficulties arise from the fact that the founders perceive the business as an extension of themselves and have enormous reservations in handing over the control. In fact, owners of companies usually use all their energy in the business but with difficulty focus their attention on planning the future (Poutziouris, 2001) causing not few problems for the survival of the company; the succession is a theme that open o series of problems like the conflicts between heiress (e.g. De Massis et al., 2008) and the lack of knowledge and managerial skills of the successor (Jaffe & Brown, 2009), etc.

Consequently, the centrality of the owner-manager (Feltham et al., 2005) and the planning of the succession (e.g. Ibrahim, McGuire, Soufani, 2009), with all the related issues, are considered by researchers two of the main causes of the "dead" of the family companies. The data about the survival of the family companies demonstrate that roughly the 30% of the companies survive into the second generation of family ownership, and about the 15% arrive to the third generation (e.g. Lambrecht, 2004; Blondel, 2005).

In the succession process area, knowledge has been produced on factors preventing intra family succession (De Massis et al., 2008), differences with the first generation and subsequently in planning the succession (Sonfield and Lussier, 2004). Apparently the effective succession plans are based on clarifying the two fundamental issues, the management of the knowledge transfer (Bracci, 2008) and conflicts management (Aronoff, Ward, 1996; Cosier, Harvey, 1998). In particular, conflicts between family members seem to discourage applications for the position (De Massis, 2008) and can have a strong influence on the development of the business. The motivations at the basis of the conflicts are different, here some examples: the founder's sons are not only family member but also subordinates; secondly, when the status position of a certain family member is different from the one covered in the business could be a problem; or, if an external manager is more skilled than the founder's son probably he will be upgraded instead of the family member (Beckhard & Dyer, 1981).

This paper reflects on a framework of indicators for evaluating the succession process in the governance of a family business. It lays focus on a specific conceptualization of the "3 circles" of John A. Davis, and discusses the concept of governance in the light of the "3 circles": *"To effectively manage business, family and ownership concerns requires communication and decision making within and across the family, the business, and the ownership groups."*

In conclusion, the evaluation framework, as a first step to define a policy or a best practice, is applied to a set of family businesses at different stages of their succession processes.

METHODOLOGY

The methodology adopted in this paper is based on a case study approach, enriched with a trial and error theory building. Along the research history of case studies, many authors have written negatively about this methodology, mainly owing to the fact that it is perceived as lacking the rigour of the quantitative approach (Patton and Appelbaum 2003). Each author contributes with their studies to attribute to this methodology a number of important characteristics: it is based on observations and personal contact gained through interviews, it can take place in one organization but can sample more than one person, and the collection of data takes place over a period of time.

The main exponent is Yin (1994), who argued that the main restriction of positivistic case studies was the lack of as strong a rigour as the natural science designs. The author's main concern is to demonstrate that case studies contain the same degree of validity as the positivistic studies, suggesting that in order to avoid any contradiction it is necessary to apply a rigorous process of collecting data, covering: the main research questions, the unit of analysis, the links between data and research question and the procedures of interpreting data. Going forward, Stake (2006), instead of focusing on its validity, argued that the methodology provides a rich picture of particular life and behavior in an organization and that, due to its uniqueness, a case study may or may not be generalized to other contexts. Prieto and Easterby-Smith (2008) introduced to the concept of case studies, the longitudinal case study, which involves studying a case over several years. The study involved the research on the evolution of the unit involved. Siggelkow (2007), defends this methodology, arguing that it is valuable for demonstrating a particular kind of research question, inspires new ideas and illustrates abstract concepts. He also argues that it is possible to destroy a dominant theory with just a single example.

In general, case studies are the preferred method when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context (Yin 2003). Yin (2003) identifies at least four different applications for case studies: to explain the causal links in real-life interventions that are too complex for the survey or experimental strategies; to describe the real-life context in which an intervention has occurred; to evaluate some hypothesis; to explore those situations in which the intervention being evaluated has no clear, single set of outcomes.

The data collection for case studies could be many but only two sources of evidence will be considered in this thesis: interviews and participant observations. As Yin (2003) stated "one of the most important sources of case study information is the interview". Interviews are useful in case studies due to the fact that they consider human aspects and, through interviews, gather data that reveals the opinion of the people involved in the case. This can guide the researcher to more valuable insights, analyses and conclusions.

The theory building is nested in a field project to evaluate the succession processes in 11 family businesses operating as auto dealers. The succession processes considered are of the first or second levels within the family. The framework is designed to use a comprehensive set of indicators, which are mutually exclusive and collectively exhaustive. It is then tested and validated in the family business perspective, by assigning to each business a score, from 1 to 5 (1 low performance, 5 best performance), for each indicator. The scores are assigned by a team of consultants and researchers following rounds of assessments and interviews with the members of family, business and ownership circles. The process is restricted to a specific industry in order to keep a general validity and at the same time avoid distortions infused by environmental variables.

The industry of auto dealers presents some unique and special characteristics in the world of family businesses, making them an ideally suited sample to test trans-generational succession. In the last two decades, the industry has experienced a fierce competition and a consolidation process. The companies in the industry have very often been the result of family start-ups and have registered a very strong growth within a generation in the 60's and 70's. The selection of the sample has been conducted with the agreement of the local brand organization of the car manufacturer distributed by the 11 family businesses. Selection has taken into account geographic representativeness of the samples and relevance to the research, i.e. the family being in a succession process; the sample of 11 family businesses has been selected based on the fact of belonging to three possible statuses:

A. At the very early stage of a succession process: more than 10 years before the current leadership expected or declared retirement

B. In the middle of a succession process: between 2 and 10 years before the current leadership expected retirement

C. Less of 2 years before or immediately after expected retirement of the current leadership

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THEORETICAL BACKGROUND

When assessing the succession process in a family business, reference is often made to the "three circles model" by Tagiuri and Davis (1996), which highlights the three areas influencing the family business' activity: ownership, family and business itself. This model explains the existing links among these areas, which are the distinctive features of family businesses.

The Tagiuri & Davis' "three circles model" (1996) present a certain degree of *over-lapping in any family business*, by definition.

As the ownership is the relevant instrument to exercise authority over any company, it works in any family business scenario. In this context, the risk lies in the ownership becoming an instrument to regulate the other circles, namely the family and the business, where ideally other values, typical of its circle, should have their influence.

The transfer of the firm between generations is a crucial phase in the life of a family business; it requires care and previous preparation, though it can also create important opportunities for future growth and development, thanks to the structural, management and organizational changes it brings about.

The vast literature gives countless definitions of strategy (Rumelt 1980, 1991) and strategic vision. For this paper we retain the definition of strategy as "Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations" (Johnson, Scholes 1999).

If a family business has started and flourished with the founder entrepreneur, the strategic vision certainly has to be part of his or her skills. The vision must adapt continuously to the ever changing environment. The succession process might last for several years, during the course of which, the *new leadership must acquire and improve a strategic vision* in order to steer the family business across the competing landscape (e.g. Beckhard & Dyer, 1981; Venter *et al.*, 2005) and must follow a process of training in order to acquire *managerial and entrepreneurial competences*.

The level of competence acquired by the growing leadership can be considered as a reflection of the probability of the trans-generational succession process to succeed.

While dealing with the measurement of the skills with no clear boundaries, like the managerial competences, difficulties arise in two areas, namely the measurement (Robotham, Jubb, 1996) and in identifying clear definitions for these skills.

Some could argue that the managerial competences might be approximated by business performance. In the existent literature, some remarkable attempts have been made to recognize elementary competences that build a manager and entrepreneur .

Another aspect to be considered is that family businesses often rely on a tacit and informal structure. The founder might have acquired in the business great respect and recognition for a strong leadership (e.g. Lansberg *et al.*, 1988; Jaffe & Lane, 2004; Ibrahim *et al.*, 2009; Caspar *et al.*, 2010). The experience shows that the organization might have grown at a level where directors have been appointed (both among the loyal employee or recruited outside the company), but are often entitled to limited responsibilities and, even though their nominal role as managers, they report for most of the decision making process to the entrepreneur. In the entire organization the delegation and accountability are scarce. The trans-generational continuity process relies strongly on the attitude of the organization to adapt to *a managerial organization structure*. The directors must recognize the role of the leader either in the founder entrepreneur or in the following generations (De Massis *et al.*, 2008). These values in relation to the company structure are fundamental to evaluate the eventual success of the trans-generation continuity.

In this context become very important the climate of an organization defined in literature (Pritchard Karasick 1973) as a result of behaviour of organizational samembers: "Organizational climate is a relatively enduring quality of an organization's internal environment distinguishing it from other organizations; (a) which results from the behaviour and policies of members of organizations, especially top management; (b) which is perceived by members of the organization; (c) which served as a basis for interpreting the situation; and (d) acts as a source of pressure for directing activity."

Any succession process is about a change process: growing and changing a new leadership, changing the organization, changing the ownership, occurring either within the family or inserting new and fresh managers from outside. In this process, resistances to change can easily pose as a significant deterioration of the *internal work climate* with an adverse impact on performances. Recent studies (Mahn Hee Yoon et al., 2001) have shown that the climate variables contribute directly to the job satisfaction and work effort, and indirectly to customers' perceptions of employee service quality.

The work climate might hence be measured directly by conducting surveys among member of organization (OCSII) or indirectly by customers' perceptions.

Studies (Sala, 2003) directly or indirectly relate leadership with work climate. In this paper, we have retained leadership concept as the ability to assist the entire organization achieve collective goals.

The succession process is by definition the creation and training of a new leadership; hence we assume that the measurement of *leadership* is fundamental in order to have a true reflection of the success of the process. This success can be attributed both to the candidate to succession and the first line of managers in the family business.

The trans-generational process pertains to the relationship among successors themselves and current leadership and their rights to inheritance. The complexity is modelled both in qualitative and quantitative aspects. Family businesses represent a natural employment opportunity for a wide number of individuals connected to or in relationship with the family. For the current leadership the employment of these individuals presents the advantage to transfer profits to the family via salary and benefits. The drawbacks include the risk of suboptimal appointment in critical positions for the success of the family business, and generation of expectations in the succession process.

While dealing with a succession process, a number of individuals, formally, legitimately or silently, might claim the right to be considered as a successor to the leadership of the family business (*Quantitative complexity of relations)*

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Relations among elements cannot be represented only by the number of individuals connected by the relations *(Qualitative complexity of relation*s). This representation does not work in chemistry among atoms, leave alone the perspective among individuals. The experience shows that several factors might emphasize the complexity of the relations in a family business (e.g. Davis, 1983; Gersick *et al.*, 1997; De Massis *et al.*, 2008):

1. Conflicts among the candidates.

2. Conflicts among or within the "3 Circles"

3. Fragmentation in the ownership rights of the family business. Although the ownership is only one of determinant of the leadership, it is fundamental in order to assure stability to the leadership.

4. Most suitable candidate not supported by ownership rights.

The vision for a family business is its footprint, the dream that the business transmits to all its stakeholders and the following generations. It is fundamental for this vision to be based on common set of values for the business and family. Strategy, targets and operations might differ and change with the new leadership, but the vision of the family business should not change dramatically as *the vision is the common set of values which makes a family uniquely recognizable* (Donckels & Frohlic, 1991; Lyman, 1991; Tagiuri & Davis, 1996; Pervin, 1997).

However, the succession process for a family business presents many *risks*, like non-existence of offspring, conflicts among candidates and lack of competence and will of candidates.

Moreover must be said that in the early stages of a family business, many resources, not all of which are financial, have been fundamental for the firm to flourish and prosper. The experience shows that the founders, and often the following generations, have poured the family wealth generously into the business to assure the continuity in troubled times. This general approach opens up the possibility of the family wealth being concentrated in the family business. During times of succession, the need for *wealth distribution* creates the risk for an asset break up or a fragmentation of the ownership control of the family firm among conflicting individuals. Both cases lead to failure in the succession process, eventually leading to the failure of the family business as a whole.

Finally, the leader of a family business, being the founder or any manager governing the company has a normal activity cycle related to age, health conditions and retirement expectations. In the timeframe before leaving or *the critical time horizon*, the current leader must plan and implement a succession process. The literature apparently does not define a timeframe to plan and execute a succession process in a family business.

THE FRAMEWORK

Our objective is to validate a model, based on a framework of indicators coming out from the literature and our experience, to evaluate the family business succession process. This framework of indicators should constitute a guide for practitioners in their work of evaluation and identification of critical issues when confronted in real cases of succession process.

The succession process in a business is a transformation path starting with a clear and defined leadership, governing the business, and terminating in a new leadership. In most of the publicly owned businesses, this process is clarified in the shareholders assembly and a board of directors is appointed by the assembly. In a family business, the process is by far, more complicated and more specific, when it involves a trans-generational succession.

The objective of any trans-generational succession process is to make sure that the family business survives the current leadership and prosper with the new leadership.

With a pragmatic approach, we recognize that the arrival point of transition might not be welcomed, considering the business being a family one. Succession might be impossible within the family because of many reasons or might be facing factors preventing intra family succession (e.g. De Massis et others, 2008).

With the intent to capitalize on the knowledge in the literature, a starting point has been identified in the “three circles model” of Tagiuri and Davis (1996). This starting point has led us to consider three areas of relevancy, originating from the three circles, the business, the family and the ownership groups. Within the areas of relevancy, the authors have identified, with the support of the literature, 10 indicators:

1. Strategy and Organizational (Business circle)
    1. Managerial structure of the company
    2. Strategic vision of the new generation
    3. Managerial and entrepreneurial competences of the growing leadership
    4. Work climate
    5. Leadership development of human resources
2. Relations within the family (Family circle)
    6. Quantitative complexity of relations
    7. Qualitative complexity of relations
    8. Accordance of visions among generations
3. Wealth Management (Ownership circle)
    9. Overlapping between wealth of the family and the business

10. Management of the wealth other than the business

These indicators have the objective to clarify the relations of the relevant actors, i.e. members of the family, external managers, employees, within the circle and among the circles.

To add to the above-mentioned three areas, the authors have added indicators in the area of the Risk Management, to evaluate the trans-generational succession. Trans-generational succession deals with delicate matters like unexpected disappearance or incapacity of current leader. This has invoked the need for evaluating the probability of leave of the current leader and stake at risk in case of disappearance.

This consideration has proposed two additional indicators:

1. Management of stake at risk

2. Critical Time Horizon

For each area of relevancy, the authors have established a scale in order to evaluate the answers obtained interviewing the family businesses selected (Table 1).

Table 1. Framework's indicators and scale of evaluation.

Area	Indicator	Scale of evaluation
Strategy and Organizational (Business circle)	Managerial structure of the company	The scale, adopted by the indicator, issues the score of 5 when, a recognized structure of responsibilities is in place, members are held accountable for results, and are given the resources to meet targets along with a proper structure of incentives and recognition of achieved result are in place. The indicator issues the score of 1 when, on the contrary, all responsibilities are centralized around a supreme chief, without a clear and structured delegation, with the members of the organizations not having the resources to meet their targets and there is no system of management by objectives in place.
	Strategic vision of the new generation	In the evaluation scale adopted, the indicator "strategic vision of new generation" issues the score of 5 in case when the new generation candidate expresses with clear statements a strategic vision of the industry and the family business, and positions the family business coherently within the industry. On the other hand, the indicator issues a score of 1 in the case of the candidate lacking in strategic vision and having no understanding of the industry.
	Managerial and entrepreneurial competences of the growing leadership	The indicator of managerial and entrepreneurial competences issues the score of 5, when clear evidences of the three retained basic competences for the purpose are recognized at outstanding level by at least half of the research team. On the contrary, the indicator issues the score of 1 when at least half of the research team recognizes the existence of one or less of the above mentioned basic competences at moderate level.
	Work climate	The team has eventually analyzed the data in terms of 5 categories, according to OCSII methodology and assigned to each category a score in the range from 1 to 5.
	Leadership development of human resources	We adopted an extremely simplified approach in order to answer the question: "Is the manager sought as guidance by co-workers and subordinates?" The answer to this question and consequent investigations provided the perception of the leadership development among the top management, both among candidates in the succession process and ones not in the succession fray. The indicator then issues a score in the range of 1 to 5, based on the perception obtained among the co-workers and subordinates.
Relations within the family (Family circle)	Quantitative complexity of relations	The indicator of quantitative complexity of relations considers the number of candidates originating from the "3 circles", the family, the business and the ownership group. In the evaluation scale adopted, the indicator "quantitative complexity of relation" issues the score of 5 (indicating low complexity) if there is only one candidate in the succession process. On the other hand, the indicator issues the score of 1, when the quantitative complexity is maximum, i.e. if one of the following cases occurs: • the presence of at least one candidate from each of the 3 circles • the presence of at least three candidates from one or more circles A candidate is defined as an individual expressing explicitly or tacitly the intention to lead the family business. The candidature might also be presented by the circle to which the candidate belongs.
	Qualitative complexity of relations	In the evaluation scale adopted, the indicator "qualitative complexity of relation" issues the score of 5(indicating lower complexity) if none of the above mentioned factors occurs. On the contrary, the indicator issues the score of 1 if all the mentioned factors of complexity occur at same time, with wide and recognized severity.
	Accordance of visions among generations	The indicator in the framework measures the accordance of visions for the family business among generations of the family. It is a qualitative evaluation, translated in a scale from 1 to 5, based on perceptions obtained by the research team through interviews and assessments of the family members.
Wealth Management (Ownership circle)	Overlapping between wealth of the family and the business	In this context, the risk lies in the ownership becoming an instrument to regulate the other circles, namely the family and the business, where ideally other values, typical of its circle, should have their influence. The presence and adequacy of each set is evaluated qualitatively with reference to its circle in a scale from 1 to 5.
	Management of the wealth other than the business	In the evaluation scale adopted, the indicator "management of the wealth outside the family business" issues a score of 5 to the context of existence of an appropriate family wealth outside the company and an independent and autonomous management of that wealth. In contrast, the indicator issues the score of 1 to the context, where the wealth of the family is concentrated in the business and managed as a single asset.
Risk management	Stake at risk	The gap in governance of the family business and the potential detriment of the business is evaluated in a scale of 1 to 5.
	Critical time horizon	We define the critical time horizon indicator as the time to the expected hand over of the current leadership. The indicator takes into account the present age and the expressed intention of retirement of the current leader. A limit of 70 years, as a conventional retirement age is set, as beyond that there is an increasing possibility of unexpected inability or disappearance of the senior leadership. The timeframe is than converted into a score ranging from 1 to 5. A score of 5 is assigned in case of 15 years or more of critical time horizon, while a score of 1 will imply 2 years or less of time horizon.

RESULTS

The authors have applied the framework for evaluating the trans-generational succession process in a field project. A sample of 11 family businesses, operating in the auto distribution industry has been selected based on the fact of belonging to three possible statuses:

D. At the very early stage of a succession process: more than 10 years before the current leadership expected or declared retirement

E. In the middle of a succession process: between 2 and 10 years before the current leadership expected retirement

F. Less of 2 years before or immediately after expected retirement of the current leadership

Results, scaled on the mentioned range of 1-5 (1: lowest performance, 5: highest performance) of testing the framework of indicators on the sample of 11 family businesses are presented in Table 2.

Table 2. Results of applying the framework to 11 family businesses.

	Managerial Structure	Strategic Vision of New Generation	Managerial and Entrepreneurial Competences of Growing Leadership	Work Climate	Leadership Development and HR Management	Qualitative Complexitiy of Relations	Quantitative Complexitiy of Relations	According Strategic Vision among Generations	Overlapping among family, business and ownership	Management of the wealth outside the family business	Stake at Risk	Critical Time Horizon	Average of Business Family and Ownership Indicators
	Business					Family			Ownership		Risk Management		
FB1	5	5	5	5	5	5	5	5	5	5	3	5	5.00
FB2	4	4	4	3	2	5	4	5	5	5	4	5	4.10
FB3	4	4	3	4	3	3	2	5	4	4	4	5	3.60
FB4	3	3	3	2	2	5	5	4	4	4	4	5	3.50
FB5	3	5	4	3	4	1	3	3	3	3	2	4	3.20
FB6	3	3	3	4	4	2	3	4	2	3	3	4	3.10
FB7	2	3	3	4	3	4	3	2	3	3	3	4	3.00
FB8	3	2	1	3	4	4	2	3	4	4	3	3	3.00
FB9	2	3	2	3	2	5	3	5	3	3	2	2	3.10
FB10	3	3	2	3	2	3	3	5	3	3	2	2	3.00
FB11	2	2	2	2	3	5	3	2	2	3	2	5	2.60
Average	3.09	3.36	2.91	3.27	3.09	3.82	3.27	3.91	3.45	3.64	2.91	4.00	3.38

Two questions might arise out of a critical observation of any model based on framework of indicators:

1. Are the variables sufficient to describe the phenomenon?
2. Are the variables independent?

Answer to the first question might be difficult because of two reasons: in most of business environments, phenomenons are scarcely repetitive. Hence the prediction capacity in evaluating the succession process might be rendered invalid by a number of other events occurring in the wide timeframe of trans-generational succession process. Providing a sound answer to the second questions might be easier. The authors are evidently looking for an indicator that might be used as a proxy of another indicator because of the direct "cause effect principle" between the two variables or because of imperfect definitions of the indicators. In order to test the independence of the framework variables, the authors have calculated correlation coefficients between couples of variables and the results are illustrated in Table 3. Significance of this test is limited due to the size of the sample (N=11). The Fisher r-to-z transformation provides the 0.95 confidence intervals for rho (the correlation within the general population) around the r (the correlation observed in the sample). Given N = 11 for r = 0.5 the interval for rho is between -0.14 and 0.85. With the goal to obtain an upper limit below 0.66 with 0.95 confidence the size of the sample should exceed N=65.

Table 3. Correlations between variables.

	Managerial Structure	Strategic Vision of New Generation	Managerial and Entrepreneurial Competences of Growing Leadership	Work Climate	Leadership Development and HR Management	Qualitative Complexitiy of Relations	Quantitative Complexitiy of Relations	According Strategic Vision among Generations	Overlapping among family, business and ownership	Management of the wealth outside the family business	Stake at Risk	Critical Time Horizon
	Business					Family			Ownership		Risk Management	
Managerial Structure	1	0.685	0.661	0.554	0.397	0.014	0.391	0.615	0.772	0.833	0.521	0.448
Strategic Vision of New Generation		1	0.888	0.528	0.339	-0.3	0.377	0.428	0.487	0.416	0.16	0.329
Managerial and Entrepreneurial Competences of Growing Leadership			1	0.513	0.345	-0.07	0.634	0.282	0.464	0.504	0.308	0.595
Work Climate				1	0.606	-0.19	0.02	0.296	0.281	0.286	0.169	0.093
Leadership Development and HR Management					1	-0.33	-0.03	-0.23	0.05	0.161	-0.1	0.243
Qualitative Complexitiy of Relations						1	0.463	0.106	0.407	0.465	0.242	0.181
Quantitative Complexitiy of Relations							1	0.266	0.444	0.501	0.271	0.419
According Strategic Vision among Generations								1	0.51	0.469	0.287	-0.14
Overlapping among family, business and ownership									1	0.933	0.634	0.326
Management of the wealth outside the family business										1	0.689	0.522
Stake at Risk											1	0.61
Critical Time Horizon												1

The table 3 shows few noticeable correlations between variables.

The first and most relevant correlation in our sample is between the two indicators:

- Overlapping among family, business and ownership circles
- Management of the wealth outside the family business

Both the variables belong to the ownership circle. Apparently the data reflects the trend of the wealth of the family being mostly concentrated in the family business without an independent management, or even the existence of wealth outside the family business. In such situations, the ownership of the family business assumes priority and dictates "norms, membership rules, value structures and organizational structures" to the other circles, namely family and business. Thus in this scenario, the overlapping among the circles is highest.

The second relevant correlation in the sample is between the two indicators:

- Strategic vision of the new generation
- Managerial and entrepreneurial competences of the growing leadership

Both variables, once again belong to the same business circle. We assumed that managerial and entrepreneurial ability were mostly based on three competences:

1. technical understanding of the industry,
2. creativity, risk taking and innovation,
3. ability to effectively communicate and motivate people,

The data show that the three competences coexist with the strategic vision. This underlines the significance of strategic vision in the technical understanding of the industry: both competences concern the analysis and the planning, while the creativity, risk taking, innovation and ability to communicate concern the execution.

The third correlation is between

- Managerial structure of the company
- Overlapping among family, business and ownership

And the fourth correlation is between

- Managerial structure of the company
- Management of the wealth outside the family business

The correlation among the indicators, managerial structure and the overlapping among the circles, can be explained by the fact that the managerial structure of the company is the way the issue of the overlapping is clarified within the business. A managerial structure defines the set of "norms, membership rules, value structures and organizational structures" that govern the company. We can thus assume that the indicator, managerial structure of the company, is a component of the overlapping among circles indicator.

The fourth correlation is explained indirectly with the correlation between the overlapping among circles indicator and the management of wealth outside the family business indicator.

Representing the framework of indicators

The authors propose a synthetic representation of the results by applying the framework of indicators to a sample of family businesses and drawing the indicators in a three dimensional scope. The ten indicators of the three circles are synthesized by an average, expressing a set of skills, competences and relations of family, business and ownership. The last two indicators, stake at risk indicator and critical time horizon indicator depict the current stage of the trans-generational succession process, exclusively from the point of view of risk and time.

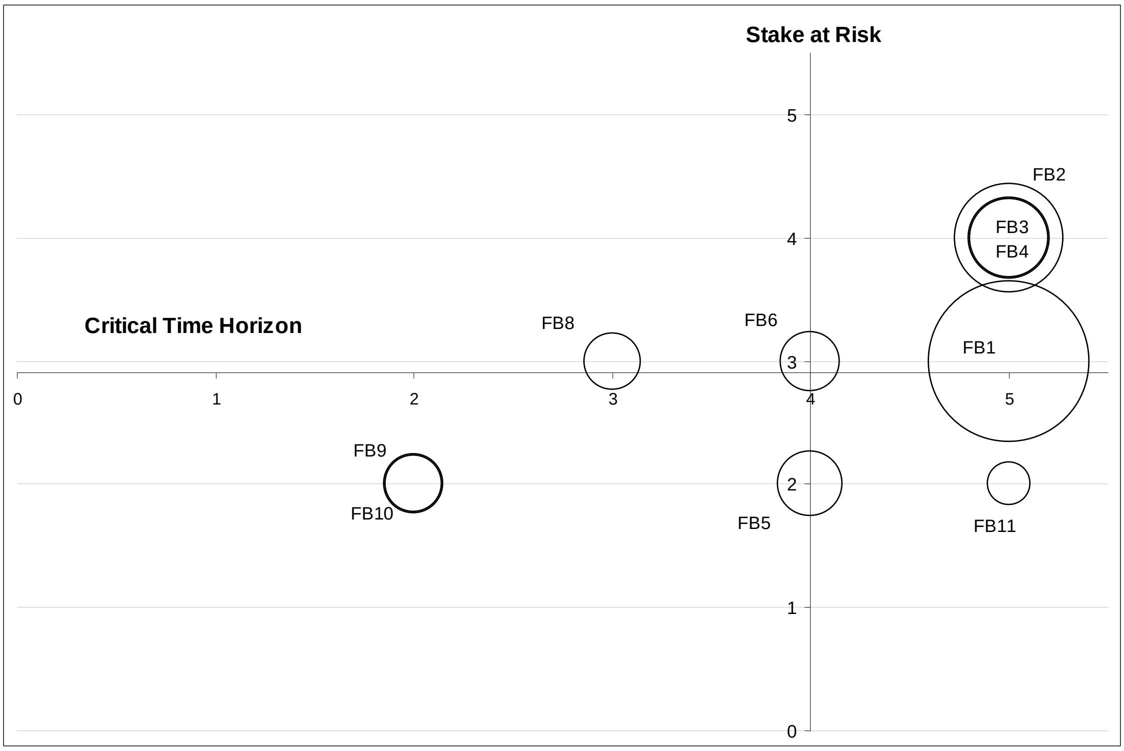

Figure 1. Representing the framework of indicators.

In the Figure 1 each family business (FB) is represented on XY graph with the critical time horizon score on the X axis and stake at risk on Y axis. The size of each FB represents the average of the first 10 indicators, the ones expressing a set of skills, competences and relations of family, business and ownership.

The representation of the framework suggests grouping of the items of our sample into four clusters based on their respective positions on the graph, as represented in Figure 2

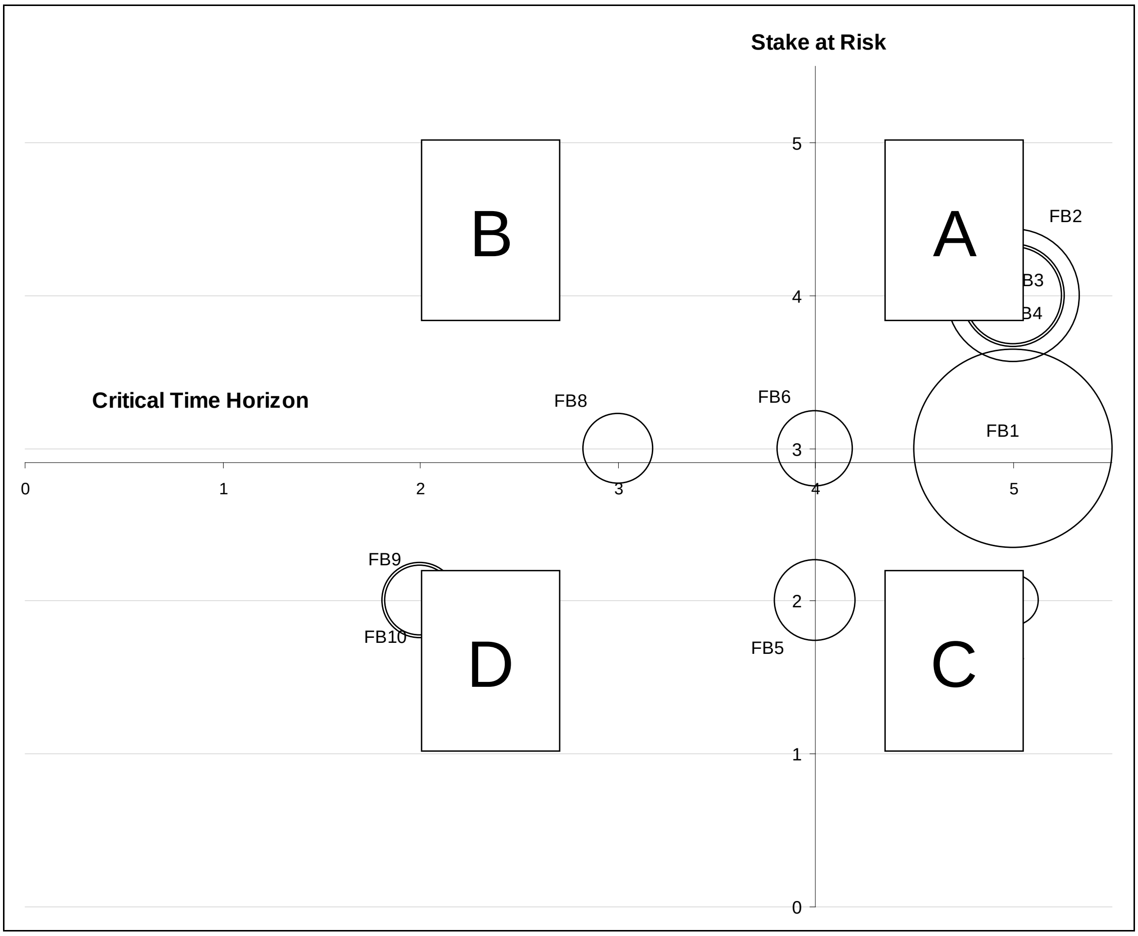

Figure 2. Clustering the sample.

Cluster A includes the family businesses best positioned to succeed the trans-generational succession process. They present simultaneously

- a wide time horizon in order to plan and execute trans-generational succession process
- a low risk in the case of unexpected leave of the current leadership, which also implies better management and family structure

Cluster B includes the family businesses that have in some way approached a succession plan consciously or unconsciously and have reduced the risks by preparing and training offspring to succeed. These businesses present

- a reduced time horizon
- a low risk in the case of unexpected leave of the current leadership

Cluster C includes family businesses that still have time to plan and execute a succession process but already at current stage present the risk of failure because of the lack of offspring. In this context they present

- a wide time horizon
- high risk in the case of unexpected leave of the current leadership
-

Cluster D includes family business that will not follow a trans-generational succession: offspring, if present, does not have competence or willingness to continue the family business and the current leadership does not have time or does not want to engage in a long succession process. These family businesses present

- a reduced time horizon
- a high risk in the case of unexpected leave of the current leadership

The positioning within the four clusters must be amended by the average of the indicators of the three circles, namely set of skills, competences and relationship among family, business and ownership. These can contribute in the process of confrontation during the course of succession. The higher the scores in these indicators, the shorter it takes the family business to better overcome the succession process.

CONCLUSIONS

This paper has the intent to offer a framework that can guide practitioners in evaluating and identifying critical issues in real cases of succession process. Moreover, the framework of indicators has the intent to give a complete and accurate picture of trans-generational process in a family business scenario. It has also introduced the important flexibility to cluster family businesses with respect to their stages of succession and evaluate the assets; the three circles can leverage to overcome the difficulties of the process.
A lot of issues are proposed in literature with regard to the succession process and each one can have a strong influence on the final result, so the difficulties in identifying the most relevant elements is very high.

LIMITS AND FURTHER RESEARCH

Further analyses and research should probably investigate the application of the proposed framework over the entire cycle of the succession process, right from the planning stage to the complete execution and passing the reins. This is probably the only way to test the prediction capacity and the completeness of the framework of indicators. Further research should also focus on establishing the link between the indicators discovered and the current performance of the family businesses and on family businesses involved in different sectors.

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