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**THE SUITABILITY OF THE
BUSINESS MODEL CURRENTLY
USED IN THE FAMILY BUSINESS,
HEDGE FARM, FOR THE
TRANSITION OF THE BUSINESS
BETWEEN GENERATIONS**

ANNA C CLARK

MAY 2013

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I would like to thank all the members of Hedge Farm for their participation and support in this research. I have very much enjoyed researching family businesses and succession.

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Anna Clark

Abstract

This study considers the research question “The suitability of the business model currently used in the family business, Hedge Farm, for the transition of the business between generations.”

The research aims are:

- a) To understand contemporary literature on family business models.
- b) To understand contemporary literature on succession in family businesses.
- c) To identify the business model used by family business Hedge Farm including the position of the business with respect to the succession process.
- d) To evaluate the business model of family business Hedge Farm for the transition of businesses between generations.
- e) To draw conclusions and make recommendations on the business model for the transition the business between generations. This will be based on analysis of the current observed business model, and the theory, based on the findings of aims a, b, c and d.

This case study research is predominantly interpretive in its philosophy. Both deductive and inductive techniques were used during the research. After a literature review was completed a conceptual model and set of interview questions were developed. The semi structured interviews were conducted with all members of the case study to gain a rich insight into the organisation. The data collected was analysed inductively and grouped into a number of categories.

The findings from the research suggest that a number of aspects relating to the business model at Hedge Farm will need to change as part of the succession process and it is likely that this will occur through a staged process. It was concluded that the incumbent’s reluctance to let go of the business, poor communication between business members and lack of planning for succession were factors resisting succession. Despite these there was shared agreement who will be the successor and some limited evidence that changes were beginning to occur.

Declaration

This work is original and has not been submitted previously for any academic purpose. All secondary sources are acknowledged.

Signed: _____

Date: _____

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1 Chapter 1: Introduction

1.1 Background to the Research

Family businesses contribute significantly to the economy. It is suggested that in the United Kingdom almost two thirds of small and medium sized enterprises, SMEs, are family owned and run, Forum of Private Business (2012).

Within the sphere of family businesses succession is recognised as being one of the largest issues that the business may have to manage, Gimeno et al (2010), Handler (1984).

The organisation studied in this research, Hedge Farm, needs to progress the succession of the business within the next few years. As such this research examines the current business model at Hedge Farm and how that may need to change to enable the succession process.

Hedge Farm is a small family agricultural business with four members within the family actively working on the farm some or all of the time.

1.2 Research Question

Hedge Farm has been operating in a broadly similar way for the last 50 or so years, with the current incumbent being the manager and owner of the business. During this period the incumbent's spouse became joint owner as well as manager/worker at the farm. With the incumbent and his spouse in their early seventies the need to transition the business to the next generation is increasing.

The research question to be considered is “The suitability of the business model currently used in the family business, Hedge Farm, for the transition of the business between generations.”

The research question has been answered by collecting data from the case study, Hedge Farm and through the answering of a number of research aims. The research aims are:

- a) To understand contemporary literature on family business models.
- b) To understand contemporary literature on succession in family businesses.

- c) To identify the business model used by family business Hedge Farm including the position of the business with respect to the succession process.
- d) To evaluate the business model of family business Hedge Farm for the transition of businesses between generations.
- e) To draw conclusions and make recommendations on the business model for the transition the business between generations. This will be based on analysis of the current observed business model, and the theory, based on the findings of aims a, b, c and d.

1.3 Justification for the Research

Research has shown that only 30% of family businesses survive the transition from the first generation to the second, and only 10 to 15% reach the third (Gimeno et al, 2010), (Handler, 1994). This evidence alone highlights the importance of conducting the research on the case study, Hedge Farm.

From a theoretical perspective the research will contribute to the field of family business and succession by the provision of data from a specific case study.

1.4 Methodology

As the research is based on a single small business, a case study strategy has been chosen for this research. As the research involved a small group of individuals and was focussed on a topic which would be heavily impacted by the personal feelings of these individuals a predominantly interpretative research philosophy is used. A set of semi-structured questions were used to interview each member of the business to gain a rich data set.

A deductive approach was used to generate the interview questions based on existing theory from the literature and an inductive approach was used to analyse the data collected. After collection the data was analysed through tabulation and categorisation.

Triangulation of the data was achieved through comparison with the theory reviewed in the literature. The techniques used for the methodology were based on guidance from Yin (2009), Saunders et al (2003), Jankowicz (2005), Gillham (2000) and Miles and Huberman (1994).

1.5 Outline of the MBA Dissertation

Literature Review

This chapter is focussed on building a theoretical understanding of the existing literature applicable to the research topic. A conceptual model which has been developed by the author is also presented in this chapter.

Methodology

This chapter sets out the methodology used to execute the research and explains the research philosophy, approach and execution methods. Justification for the methodology is also given along with limitations and ethical considerations.

Presentation of Findings

In this chapter an overview of the case study and the findings from the data collection process used to execute the research are presented.

Conclusions and Implications

In this chapter the research question and aims are re-visited alongside the data collected during the research process. Through this review conclusions and implications are presented.

Recommendations

This chapter details the recommendations based on the conclusions made in the previous chapter.

1.6 Definitions

A number of terms which have been considered by the author to have the same meaning are given below:

- Incumbent, predecessor and founder - these are used interchangeably within the text. This is because in this case study the current incumbent was also the founder.
- Business, firms and companies – these are used interchangeably within the text.

- Successor, and next generation member – these are used interchangeably within the text.

There are no other specific definitions used in the research which require special definition.

1.7 Summary

An introduction to the research problem and research question has been presented in this chapter. Justification for the research is provided, followed by a brief overview of the methodology. The definitions specific to this research are presented and a brief description of each chapter given. Based on this introduction, the dissertation can proceed with a detailed description of the research.

2 Chapter 2: Literature Review

2.1 Introduction

This chapter is focussed on building an understanding of the existing literature applicable to the research topic. The literature review has considered two main areas. These are 1) business models within family businesses, and 2) succession within family businesses.

2.2 Business Models within Family Businesses

“A business model describes the rationale of how an organisation creates, delivers and captures value,” (Osterwalder and Pigneur, 2010). They go on further to describe how a business model is made up from nine building blocks that show how the business intends to make money. Pettinger (2004) describes a business model as a term which “reinforces the key point that all organisations require their own strategic standpoint and operational systems and processes”.

There has been much analysis of business models within family businesses, Gimeno et al, (2010), Tagiuri and Davies (1982), Pieper and Klein (2007) and Basco and Rodriguez (2011).

Gimeno et al (2010) propose that family business models can be categorised based on their degree of family complexity and degree of business complexity. This leads them to identify six main categories of family businesses. Barry (1989) also developed categorisations for family businesses. Litz (1995) further developed Barry’s work into nine categorisations based on the structural considerations of ownership and managerial control and four categorisations based on an intention based approach. This latter approach considers that business models are not static. Danes et al (2002) studied the Family FIRO (Fundamental Interpersonal Relationship Orientation) model and its applicability to family business.

Lester and Parnell (2006) describe a five stage model for the complete life cycle of a family business, which focuses on how the business changes over time, which is a relative advantage over other models. The proposed stages are existence, survival, success, renewal and decline.

The relationship between the family, the business and the ownership has been described by Tagiuri and Davies (1982) in a three circle model which is widely cited in others work such as Gimeno et al (2010), Stafford et al (1999), Van Buuren (2007), and the Institute for Family Business (2012).

Some of the above models were deemed to be more applicable to the case study and are now reviewed in more detail below.

2.2.1 Three Circle Model (Tagiuri and Davies, 1982)

This model has been widely cited and has value to this research as it is applicable to all family businesses regardless of size.

The three circle model is shown in Figure 1.

Figure 1 – Three Circle Model (Tagiuri and Davies, 1982).

Tagiuri and Davies proposed that family businesses have several unique inherent attributes which they described as “bivalent attributes,” which are the source of advantages and disadvantages within the organisation. These bivalent attributes were identified as:

- Simultaneous Roles
- Shared Identity
- A Lifelong Common History
- Emotional Involvement and Confusion
- The Private Language of Relatives
- Mutual Awareness and Privacy
- Meaning of the Family Company

Taking some of these bivalent attributes in turn, the simultaneous roles identifies that individuals have overlapping roles, such that they can be within one or more of the three areas of owner, manager/employee and family member. This overlapping can be seen from the model in Figure 1. These three roles can work against each other, for example the family member role focuses on keeping the family unit together and the welfare of this unit, whereas the owner will be more concerned with the successful running of the business. Issues arise when these conflicts are mutually exclusive. Equally this dynamic between the members can help bond the members together and provides loyalty, which is also identified in the attributes of shared identity and lifelong common history.

The emotional involvement and confusion is greater in family businesses because the members have the lifelong history and potential for greater love or hate of each other. On the one hand, emotions can surface more easily causing conflict but equally it is not uncommon for family members to hide how they are feeling which can also cause issues within the family business unit.

Again linking into the basis that there is a lifelong history this leads to the development of a private language between the relatives which can enable quicker communications and decision making. Its disadvantage is that it can alienate certain members of the business especially non family members or clients.

There is a greater awareness of each other's circumstances within a family business, versus a non-family business, which gives rise to the attribute Tagiuri and Davies described as mutual awareness and privacy. This can help as families are more able to

help ease pressures or situations on one member but equally it can lead to members feeling over watched and lacking privacy in their lives.

Finally the meaning of the business to the family is a dynamic which are not present in non-family businesses. This is referring to whether the business has emotional value to the members. Conflicts may occur due to different views on the emotional value but it can serve to give the business a unity which would be stronger than in a non-family business.

2.2.2 Family Business Models (Gimeno et al, 2010)

As stated earlier, Gimeno et al (2010) propose that family business models can be categorised based on their degree of family complexity and degree of business complexity. The six main categories of family businesses which resulted from their research are “Captain”, “Emperor”, “Family Team”, “Professional Family”, “Corporation” and “Family Investment Group”. The data for their model was based on data from 2007 from a database of Spanish family businesses. The business complexity aspect of the model was measured using variables such as size, number of workplaces, level of product diversification, level of internationalisation, level of value chain integration, and the type of sector in which the business operates. It can be quickly seen that some of these are not applicable to a smaller family business which does not, for example, have any degree of internationalisation or a number of workplaces. However on reading the categorisations in detail at least three of the categories of the model still have much applicability to Hedge Farm. These are captain, emperor and family team. Much of the attributes of these categories overlaps with the literature on succession and therefore are considered relevant to providing valuable insight into how the case study operates and the impact on the succession process.

2.2.3 Lifecycle Model (Lester and Parnell, 2006)

Lester and Parnell (2006) describe a five stage model for the complete life cycle of a family business. The model does not explicitly identify succession as a part of the lifecycle and although claims to be relevant to all size businesses some of the language used suggests those larger than Hedge Farm are more suited to its applicability. For example it discusses groups of employees and decentralised decision making which would suggest more than 4 members within the business unit. It is however mentioned

briefly as it recognises the passing of time and the changes that occur through time which is a key theme which emerges in section 2.3.

2.3 Succession within Family Businesses

The subject of business succession has been a leading topic in academic research into family businesses (Dyer Jr. and Sanchez, 1998). In order to fully appreciate the theories relating to business models an understanding of some of the key research relating to succession is detailed below.

Handler (1994) gives an overview of the research completed on the topic of succession in family businesses from which multiple further references can be found on this topic. Further discussion on her work can be found in section 2.3.1.

Similarly, Wang et al (2004) identify all the critical factors which influence the succession process and concluded that there were four main categories which overlap with Handler's work.

Work completed by Sharma et al (2001) and Sharma et al (2003) is discussed in section 2.3.3. Their models studied the factors which affects the satisfaction with the succession process. This was considered to be an area of relevance to the case study.

2.3.1 Handler, 1994

Handler highlighted five streams of research in the field of succession in family businesses:

- Succession as a Process
- The Role of the Founder
- The Perspective of the Next Generation
- Multiple Level Analysis
- Characteristics of Effective Successions

Taking each of these areas in turn further analysis is given below.

2.3.1.1 Succession as a Process

Handler found that many researchers concluded that succession could be considered to be a stage wise process. Similar to the Lester and Parnell (2006) model, Handler found that there were many models which proposed phases to the succession process. One such piece of research is the Churchill and Hatten model (as cited in Handler, 1994) which has a stage of owner management, then a training and development stage for the successor, followed by a partnership stage and finally a power transfer stage.

Handler personally proposed a model for the mutual role adjustment between the predecessor and the next generation family member which is shown in Figure 2. In this model the roles of the predecessor and next generation member change through four stages. Initially the predecessor is the sole operator and the next generation member has no role. As the latter becomes a helper the predecessor's roles adjust to monarch. As the helper becomes more experienced they transition to a manager type role and the predecessor steps back into either an overseer or delegator. Finally the next generation becomes the leader, and the predecessor a consultant to them.

Figure 2 - The Succession Process: Mutual Role Adjustment between Predecessor and Next-Generation Family Member, Handler (1994).



2.3.1.2 Role of the Founder

Some of the theories cited by Handler with respect to the role of the founder of the business overlap strongly with the model by Gimeno et al (2010) discussed earlier. The business categories, Captain and Emperor encompass much of the findings of others.

For example, the founder's need for achievement and power, and a reluctance to relinquish the business to others. Many of the researchers that Handler explored concluded that the very nature of entrepreneurs means that they find it difficult to give up what they have created and directed. She cites the work of Sonnenfeld who developed categories for various types of founders. These include monarchs, generals, ambassadors and governors. The former two types will only step aside when forced out. The ambassador leaves willingly and becomes an advisor to the business and the governors rule for a period before pursuing other ventures.

2.3.1.3 The Perspective of the Next Generation

Whilst earlier research into succession tended to focus on the founder and their role, later studies started to explore the role and perspective of the next generation. Some researchers concluded that it was not unusual for this generation to be reluctant to take on the family business and that this was a key factor in the degree of success in the process. Also it was found that there were many advantages to a delayed entry for the successor where they gained experience outside the business prior to taking over.

2.3.1.4 Multiple Level Analysis

This area of research explores the impact of the relationships between the family members, especially the incumbent and the successor, and some of the factors which promote or reduce resistance towards succession. Key researchers in this area are Lansberg and Handler & Kram (both cited in Handler, 1994). Central to both theories is the "belief that the interconnectedness of related subsystems is critical to understanding how the overall system functions." In essence this is similar to the concept described in the Three Circle Model by Tagiuri and Davies (1982). Here understanding the relationship of the overlapping family, ownership and management is pertinent to understanding the family business interactions. Handler's model categorises the factors promoting or reducing family resistance into (1) individual level, which covers items such as health, age; (2) interpersonal group level, which includes communication within the family members, conflict; (3) organisational level, which is encompassing culture and stability of the organisation; and finally (4) the environmental level, which are factors over which the business has little control such as industry requirements or specialists skills. A few examples of factors promoting resistance and reducing resistance are given from the model in Table 1.

Table 1 – Examples of factors promoting resistance and reducing resistance to succession (Handler, 1994).

Level	Factors Promoting Resistance	Factors Reducing Resistance
Individual level	Identity with business	Ability to dissociate from the firm
Individual level	Fear of aging, retirement and death	Opportunity for new life and career planning
Interpersonal group level	Lack of open communication	Honest, informed communication is encouraged
Interpersonal group level	Heir(s) are or appear disinterested, incapable, inexperienced or inappropriate	Heir(s) are actively and capably involved in the business
Interpersonal group level	Family conflicts or issues permeate the business	Family dynamics are separated from business issues
Organisational level	Stability of organisational growth	Impending organisational crisis
Environmental level	Specialised professional requirements	Minimal professional prerequisites

2.3.1.5 Characteristics of Effective Successions

This stream of research explores the concept that some successions are more successful than others and attempts to understand what impacts on the effectiveness. Dyer (1996) proposed that the role of the business, family and board and their cultural configurations is critical to succession and identified conditions that favoured successful succession processes in family businesses.

2.3.2 Wang et al (2004)

Wang et al (2004) identify all the critical factors which influence the succession process and concluded that there were four main categories (1) succession planning, (2)

successor development (3) inter-generational relationships and (4) compensation issues. They completed some empirical research which was valuable to this research as it was used to help develop the questionnaire for the case study personnel.

2.3.3 Sharma et al (2001, 2003)

Sharma et al (2001) developed a conceptual model based on stakeholder theory for the succession process. The model (Figure 3) proposed that there were five factors which determine the satisfaction with the succession process. In a later paper, Sharma et al (2003) tested a number of hypotheses relating to the model and the predictors of satisfaction with the succession process in family firms.

Figure 3 - Determinants of Satisfaction with the Succession Process in the Family Firm (Sharma et al 2001).

The research completed by Sharma et al (2001) involved a questionnaire using a 5-point Likert-type rating scale for all questions to prove or disprove each hypothesis.

It was found that the incumbents and successors differed significantly in their satisfaction with their families' succession processes. The successors' considered that the incumbent's propensity to step aside was essential but their own willingness to take over is not. However the results from the incumbents gave the opposite in that they felt the willingness for the successor to take over was significant is determining satisfaction but their own propensity to step aside was not. Also the incumbents' evaluation of the successor's willingness to take over was higher than the successors' own view of this. This discrepancy between the views of the two key parties in the succession process (the incumbent and the successor) resulted in the proposal that the relationship and communication between these stakeholders is critical and that failure of these could result in the failure of the succession.

It is recognised that most of the data collected from this study was for larger family firms than that of Hedge Farm. Of the firms studied only 9% had a revenue of less than \$1 million, which would be the appropriate category for Hedge Farm. The data was collected from firms which were all members of a nation-wide non profit association of family firms. It could be proposed that members of such a group would be more likely to seek external help for succession and be more proactive in managing it than those which were not members. Despite these limitations the research is still considered to be of value to the case study, Hedge Farm, as it explores the relational aspects between the incumbent and the successor which is important to family businesses of all sizes.

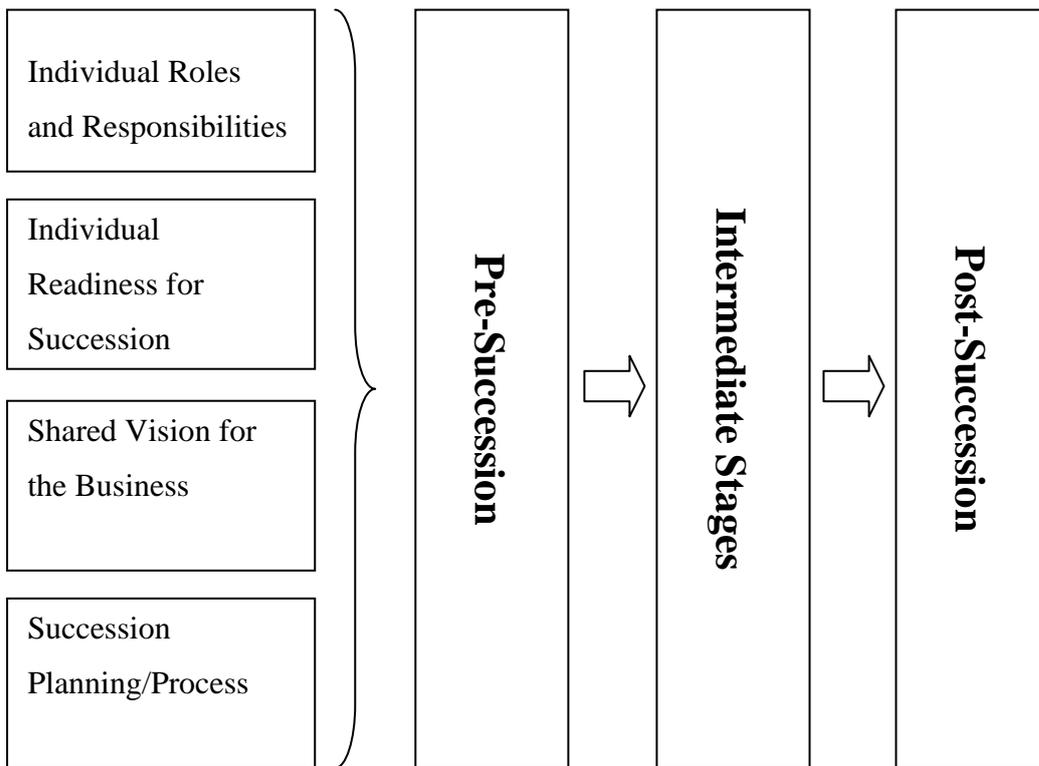
2.4 Conceptual Model

Based on the findings of the literature review as detailed in sections 2.1 to 2.3 four key themes were identified as being particularly relevant to understanding the business model at Hedge Farm and its impact on the succession process. These areas were:

- (1) Individual roles and responsibilities within the business
- (2) Individual Readiness for Succession
- (3) Shared Vision for the Business
- (4) Succession Planning/Process

It was considered that the current position of each of these areas and how they needed to transition as the succession process occurs should be understood to answer the research aims. Figure 4 shows the model.

Figure 4 – Conceptual Model: Transition Process Pre-Succession, During Succession and Post Succession.



A description of each of these key themes, as described by the author, is given in sections 2.4.1 to 2.4.4.

2.4.1 Individual Roles and Responsibilities within the Business

This aspect of the conceptual model is concerned with understanding the roles and responsibilities of the individuals within the business, for example the tasks they complete and decisions they make, and how that links into the business model. This will include consideration of the three models discussed in sections 2.2.1 to 2.2.3 developed by Gimeno et al (2010), Tagiuri and Davies (1982) and Lester and Parnell (2006).

It is proposed that the case study being examined in this research will have a pre-succession status quo and will need to transition to a different post-succession status with potential intermediate stages as roles and responsibilities change.

2.4.2 Individual Readiness for Succession

This theme specifically relates to each of the family business members and their personal readiness for succession. Numerous studies cited in the literature review, such as Gimeno et al (2010), Tagiuri and Davies (1982), Handler (1994), Sharma et al (2001) and Sharma et al (2003) state that the incumbent's position and viewpoint is key to the succession process. Similarly, but less frequently researched, is the position of the successor. Within this theme various aspects of individual's feelings and viewpoints will be explored. As discussed in section 2.3, Handler proposed that significant role adjustment and change is occurring during the succession process which will invoke an emotional time for the individuals within the business.

2.4.3 Shared Vision for the Business

This aspect has been included in the model as it is proposed that whether or not the business members have a shared vision for the future of the business will impact the succession process. It will impact to the outcome of the process, for example, whether succession occurs at all or the business is sold or ceases to operate and the ease with which the transition occurs. Reviewing this area will provide an insight into any underlying conflicts within the business and how they are affecting the business operation. Sardeshmukh et al (2011), Tagiuri and Davies (1982) and Sharma et al (2001) all discuss the impact of conflict on family business operation or/and succession.

2.4.4 Succession Planning/Process

Numerous researchers, such as Handler (1984), Wang et al (2004), and Sharma et al (2001), discuss the relevance of having a process or plan for succession. As such this area is proposed to be the final element of the conceptual model which will address the research aims. An understanding of the extent of the planning and processes in place for the transition of the business between generations will be gained for the case study.

2.5 Summary

A review of the theories and research has been completed on the area of family businesses and succession. Specific research which was considered more relevant to the case study, which is a small family business, has been discussed. Bringing together this existing research, a conceptual model to address the research aims which focuses on four key areas is proposed.

3 Chapter 3: Methodology

3.1 Introduction

This section sets out the methodology used to execute the research. The research philosophy, approach and execution methods are described. Discussion is also given to the chosen research methods and their advantages and disadvantages through a review of method reliability, limitations and ethical considerations.

3.2 Research Philosophy & Principles

The different philosophies for research were explored as part of this study on Hedge Farm with a view to select an appropriate methodology.

Gill and Johnson (2002) proposed that there are two dimensions to a methodological approach which is whether what is being researched has realism or nominalism and the dimension of subjectivity. The consideration of the two dimensions (relevance of human subjectivity and realism versus nominalism) gives the main spectrum of research philosophies and it is from these that the philosophy for this research was selected.

Research where there is no recognition of human subjectivity tends towards positivism and research where there is some or significant recognition of human subjectivity tends towards realist research, critical realism and interpretivism. Interpretivism embraces subjectivity and considers people's views and accounts of how they make sense of the world.

Having reviewed the research philosophies available as summarised above a philosophy which was predominantly interpretative was adopted for this research. Based on the research aims being focused on exploring one organisation a case study strategy has been chosen.

3.3 Selected Methodological Approach

The researcher has developed the methodological approach through reference to academic texts such as Yin (2009), Jankowicz (2005), Fisher (2007), Saunders et al (2003) and Page (2012). Furthermore the researcher has consulted with their academic supervision during the process. Having considered the research aims and the nature of

the organisation being studied the philosophy, approach, and strategy were developed to ensure the aims were met in an effective way.

The author approached the organisation to discuss the research at an early stage to ensure access to data and individuals would be without issue. It was critical to the research validity that all members of Hedge Farm could be accessed. The nature of the business meant that the researcher had to fit the times for access around the business needs which are normally long hours seven days a week. The main constraint which needed to be managed was the time limitations for the dissertation and ensuring access was available early on in the research programme. The research has a cross-sectional time horizon which given the nature of the aims is appropriate.

It was decided that it was critical to involve all four members of Hedge Farm in the sample for the research as it is such a small organisation and that excluding one member could lead to missing key aspects of understanding about the business.

The research approach was initially deductive to help familiarise the researcher with the subject area. Whilst the researcher was familiar with the business to some extent, the researcher decided to conduct a very informal interview with one member of Hedge Farm to understand the background to the organisation in more detail and assess which areas should be explored further in the main interviews. Using the information from the initial interview and the literature review a number of key themes were identified and these themes formed the basis of the conceptual model described in chapter two.

Qualitative data collection in these theme areas was completed through the use of semi-structured interviews. The questions in the interviews became less structured as the interview progressed to attempt to obtain in-depth information from the interviewee. Care was taken to minimise the influence of existing theory or any potential bias from the first stage interview prior to the main data gathering stage.

3.4 Justification for the Chosen Methodological Approach

An interpretive research philosophy was selected as Hedge Farm is a small business with a very small number of individuals whose opinions, feelings, and responses were key to the addressing the research aims. To facilitate the gathering of rich qualitative data to give the insight into these opinions and feelings the researcher chose a semi structured approach to the interviews. The research aims were focussed on gaining an understanding of the business, the impact of its business model and the readiness for

succession on transitioning the business between generations. The researcher was not looking to make generalisations based on the outcome of the data collected which could be transferred to other family businesses.

It is widely recognised that semi-structured or unstructured, in-depth interviews are very effective for research where a deeper insight is required. The deeper insight would not have been gained through structured interviews, questionnaires or surveys. Texts such as Fisher (2007) and Saunders et al (2003) discuss the relative advantages and disadvantages of the techniques. It was also acknowledged that given the limited number of individuals in the business it was possible to conduct more in depth interviews without fear of it being too onerous a task in the timeframe to conduct the research. The interviews were designed to contain some semi-structured questions along with some unstructured questions.

3.5 Data Sources

As there are only four people within the Hedge Farm business, all members were interviewed to ensure that a perspective was gained which is representative. Other sources of data were from literature. Background knowledge on business models was gained through a review of literary publications by Osterwalder and Pigneur (2010) *Business Model Generation*, Pettinger (2004) *Contemporary Strategic Management*, Gimeno et al (2010) *Family Business Models Practical Solutions for the Family Business*, and Carter and Jones-Evans (2006) *Enterprise and the Small Business Principles, Practice and Policy*. The paper written by Handler (1994) *Succession in the Family Business: A Review of the Research*, was used as a starting point for the literature review on succession in family business.

The study was further grounded in literature research on the strategic impact of business models and succession planning focussing on small businesses as noted in related journal articles in: *The International Journal of Entrepreneurial Behaviour and Research*, *Family Business Review*, *Small Business Economics*, *Journal of Small Business Strategy*, and *Journal of Small Business Management*.

3.6 Procedures for Data Collection & Pilot Studies

As stated in section 3.3 the researcher initially completed a very informal interview with one member of Hedge Farm to gain a greater understanding of the business. This

interview, along with some learning from theory, helped set the themes for the main interviews with all the Hedge Farm business members.

For the main interviews the number of interview questions was kept to a minimum and were used as prompts rather than a set list which must be adhered to. Providing the interviewee covered the themes being explored by the study the researcher let the interviewee talk without interruption or further prompts. The interviewee was given the freedom expand on their answers as much as they wished. Where possible open questions were asked or used to follow up on closed questions. The interview questions are included in the appendix.

The interview questions used for the main interviews with all the members of Hedge Farm were piloted prior to use to ensure that they provided the data needed. The semi-structured/in depth interview technique was chosen to allow this to be facilitated as required. Some of the questions were less relevant to some members of the business and as such the interview questions were tailored accordingly.

The interviews were conducted either at the home of the business members or by telephone at a time to suits the needs of the personnel. Two of the interviews were held on a weekend day at the home of the business members and two were conducted on a weekday evening by telephone. All the data was collected in a relatively short time period within two weeks of each other. The face to face interviews were held on 27th January 2013 and the telephone interviews on 4th February 2013. It was decided not to audio record the interviews as it was felt that this would be very intimidating for the participants. The interviewer took notes during the interviews and wrote those up on the same day to ensure accuracy.

It was known that the research topic could be sensitive with individual members and it was therefore important that the other business members were not present during the interviews. The interview process was made as informal and simple as possible. It was felt that the researcher's personal position needed to be conveyed at the start of the interview as not to limit the interviewee's responses. As such the researcher's neutral and non-judgemental position was discussed.

3.6.1 Reliability, Bias, Validity and Triangulation

Reviewing the four threats to reliability, as defined by Robson in Saunders et al (2003) one of the reliability issues may be participant bias. As discussed later in this chapter,

one of the key ethical issues is in inability to maintain anonymity within the research participants. This may have affected some of the answers given by the respondents due to fear of negative impact of this information being shared within the business. The interviewer attempted to mitigate the impact of bias or only partial answers being given by discussing individual concerns at the start of the interview process. This proved to be helpful and the interviewer felt that answers given were without restraint.

Participant error may occur if the interview is conducted at a period of stress within the business. During the interviews there was evidence of periods of conflict within business members. The extent of any impact of the timing was only possible to gauge at the time of the interview during the discussions. As the business runs seven days a week there was seen no particular advantage in choosing a particular day other than one which suited the participants.

Observer error and observer bias are less likely to occur in this research study as there is only one observer conducting the interviews. As stated earlier in section 3.6 the interviewer's neutral and non-judgmental position was conveyed. Guidance was taken from Saunders et al (2003) and Gillham (2000) on the approach to the interviews. For example, the questions were phrased in an open way where possible to limit any bias which could come across from the interviewer, and the interviewer dressed casually for the interviews as this was in line with the dress code of the participants.

The nature of the way the primary data was collected does pose issues with respect to repeatability. Other researchers, for example Marshall and Rossman, (2006) have discussed the issues associated with this. It is recognised that using semi-structured and in depths interviews, which allow a greater degree of flexibility and a deeper insight, means it is not realistic or feasible to repeat in the same way as for highly structured questionnaires or surveys. Enforcing an approach which is repeatable would undermine the advantages of the open approach.

It is not intended that this research will make generalisations about other small businesses looking to transition the business between generations. It is recognised that the data collected is very specific to the case study and generalisations will not be possible.

Triangulation of the research has been achieved by comparison of the case study with theory. The use of observation was considered as a secondary method for data

collection but it was concluded that this would only yield limited cross over, and therefore triangulation, with the interview data.

3.7 Data Analysis

Using guidance from Yin (2009) it was decided to analyse the data inductively, that is, with no preconceived ideas about what might be found. It was considered that this approach would ensure that anything which was outside the four themes from the author's conceptual model used to develop the interviews questions would be identified.

The original interview text was reviewed and categories for the themes that were present in the text were highlighted in different colours and grouped together. The text for each category was then placed into a tabulated format with each category forming the rows and each interviewee forming the columns. The column for each interviewee includes what they said about themselves or others. This approach was guided by reference to Saunders et al (2003), Jankowicz (2005), Gillham (2000), Miles and Huberman (1994) and Yin (2009).

In the process of analysing the data the names of the individual's referred to have been changed from the real names to false names to give some anonymity to the outside world. Where references were made to Mum, Dad and son these have been left as in the original interview text.

3.8 Limitations of the Chosen Methodological Approach

As already discussed it is not feasible to repeat the data collection precisely due to the nature of the open unstructured approach taken. This could be considered the main limitation of the methodology selected. Also as a result of the methodology chosen it is not possible to make generalisations about other organisations based on the findings from this organisation.

The use of Yin's approach as cited in Fisher (2007) of using existing theory to develop the research aims, conceptual model and a framework for data analysis has come under criticism. In particular Bryman, as cited in Fisher (2007), stated that the use of existing theory "tends to be disfavoured because of the possibility of introducing a premature closure on the issues investigated, as well as the possibility of the theoretical constructs departing excessively from the views of the participants in a social setting." However

Yin proposed that a more inductive approach, which would not yield the concerns of Bryman, is a more difficult strategy for an inexperienced researcher, which is the case in this research.

3.9 Ethical Issues

The three principals for ethical considerations as defined by Sales & Foreman, and cited in Page (2012) have been reviewed with respect to this research project. The first consideration of autonomy was addressed by seeking the consent of the individuals to participant in the research. This was achieved through informing the participants of the purpose of the research, including benefits and risks, and gaining their informed consent to participate. The second principal is beneficence, which was addressed by ensuring that the outcome of the research would benefit the business and the participants, and any harm or risk would be minimised. The final principle, justice, was mainly addressed in the same way as beneficence with the additional consideration to ensure that any one or more participant was not to experience a disproportionate amount of benefit or harm versus any other participant.

The single most significant ethical issue with the research is that it is impossible to maintain anonymity between the members of the business. This is due to the business being so small with so few discrete members. This is only considered an issue within the members of the organisation. A consent form which agreed that the business could partake in the research was signed prior to conducting the research. The anonymity of the actual business is being maintained by use of a different business name to that of the real one.

3.10 Summary

In summary this chapter outlines the methodological approach taken for this research project. To answer the research question and aims it was decided to conduct the research using an interpretative philosophy as individual's perceptions and feelings were a key element of the research. Semi-structured, in depth interviews were chosen as the data collection technique to provide data that would be rich with the subjective views of the participants. The interviews were conducted with all members of the business to help the researcher gain a complete insight into the organisation.

The key concern of the methodology is that it is inherently more difficult to repeat this semi-structured research technique compared with, for example, a structured survey or questionnaire. Also the nature of the way the data was collected from the case study means generalisation other family businesses is not possible in the same way that research from a more structured approach could be. Ethical concerns were mainly centred on the inability to maintain anonymity amongst the participants as the business is so small.

4 Chapter 4: Presentation of Findings

4.1 Introduction

Chapter four presents an overview of the case study and the findings from the data collection process used to execute the research. In this section the data is merely presented. The discussion and conclusions drawn from the data is given in chapter 5.

4.2 Overview of the Case Study, Hedge Farm

During the initial informal interview information was gathered on the general history and operation of the business and this is presented here.

Hedge Farm has been run as a family business at its current location for over 70 years. The farm is approximately 100 acres located on the border of Clwyd, Shropshire and Cheshire. The original founder was the (current) incumbent's father who rented the farm. The incumbent, Bob, worked on the farm from an early age. When he was in his early 20's his father died leaving the business to his wife and son. Bob and his mother ran the business until he married in his late twenties. The mother remained involved in the business at the farm and also at a farm shop, which was part of the business at that time. The incumbent's wife, Jill, had worked as a bookkeeping/clerk prior to marriage and was a farmer's daughter herself. The farm's principal activities included growing potatoes, carrots, turnips, rearing sheep, beef cattle and Christmas poultry.

The incumbent and his wife had two children, a son (elder), John, and daughter, Katie. After the children were born the Jill remained at home and worked on the farm whilst bringing up the children. John has spent most of his working life on the farm, apart from a period at agricultural college or working at other farms in his early twenties. Katie pursued a non-agricultural related career. During the 1980's the farm shop was sold and the farm purchased jointly by the incumbent and his wife which remains the current status. After the purchase, the farm started a milking herd and stopped some of the earlier activities such as Christmas poultry. The business also now rents additional land locally to the farm for sheep or cattle grazing. Bob and Jill are now in their early seventies and the John in his early forties. John is now married to Sarah and has a step-daughter, Emily. The farm has a regular helper, Philip, who comes five days a week, and also employs other workers for specific tasks on an adhoc basis.

4.3 Themes Relating to Research Question which were Identified from Interviews

After completing the interviews the data was placed into a tabulated form for analysis. During the analysis the data was categorised into thirteen different theme areas. These themes are listed here:

- Roles and responsibilities (with respect to tasks)
- Short term planning (operational)
- Long term planning (strategic)
- Helping each other / working together
- Health issues
- Suggestion that handover is in progress
- Readiness for letting go
- Conflict / disagreement between members of family or business
- Evidence of planning for the succession
- Consideration for others in business / family
- Evidence of enjoying job
- Capability
- Miscellaneous / General non related comments

4.4 Data from interviews

Table 2 shows the data in this analysed form. Each row represents a theme area as described in section 4.3 and each column a different member of the business. Where it was deemed useful the source question from which the response came is included in brackets.

Table 2 – Analysed data from interviews with members of case study, Hedge Farm.

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
Roles & Responsibilities (Tasks)	<ul style="list-style-type: none"> Milking the cows, Managing the sheep 	<ul style="list-style-type: none"> Book keeping and all financial work such as dealing with the accountant, paying bills, invoicing, employee payments and processes. John does the cow documentation and annual registration for all the other animals. Bob does hardly anything in this area. Feeding calves and helping with other jobs such as milking. 	<ul style="list-style-type: none"> Buying things for farm. Provide labour for farm. Help with milking. Doing more bookwork. Doing more management and less labouring. 	<ul style="list-style-type: none"> I give limited help at the moment. It tends to be at the weekend or evening. I work four days a week elsewhere.
Short Term Planning (Operational)	<ul style="list-style-type: none"> Organising overall work day to day. 	<ul style="list-style-type: none"> Involved in the day to day decisions to some 	<ul style="list-style-type: none"> Day to day management – deciding what to do. 	<ul style="list-style-type: none"> There are too many chiefs.

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
	<ul style="list-style-type: none"> I make most of the decisions if I can although there is a lot of shouting. 	<p>extent.</p>	<p>Solving problems and issues as they arise. For example if an animal is ill or equipment broken. More of a foreman now than before. Philip knows what to do in the morning for routine jobs and then in the afternoon I decide what the plan is. For example do we need to sort some animals or do some fencing.</p> <ul style="list-style-type: none"> Doing more management and less labouring. 	
Long Term Planning	<ul style="list-style-type: none"> I make most of the 	<ul style="list-style-type: none"> Joint decisions for large 	<ul style="list-style-type: none"> Have to bring some new 	

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
(Strategic)	decisions if I can although there is a lot of shouting.	items. For example we have just bought a new tractor.	<p>people in. Things have changed a lot since Dad got the farm. Never used to have so many animals as do now. Staff need to be more skilled. Years ago we'd have loads of people working here. Now it just doesn't pay.</p> <ul style="list-style-type: none"> • Needing to make sure we are making the right decisions for the business. I am reviewing the performance of the farm and making sure it is paying for itself. 	
Helping Each Other /	<ul style="list-style-type: none"> • With the help of John 	<ul style="list-style-type: none"> • John needs some help to 	<ul style="list-style-type: none"> • If I have problems I 	<ul style="list-style-type: none"> • I give limited help at the

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
Working Together	and Jill [comment made when referring to milking the cows]	<p>carry on and as long as we are fit enough to help then I think it's better for us to carry on.</p> <ul style="list-style-type: none"> • Not properly together. Me and John talk about it and how to manage things but it's not easy. [response to question "Have all the family members discussed the handing over of the business together?"] 	<p>know they will be there. They probably want to carry on doing a bit of manual work or bookwork here and there.</p> <ul style="list-style-type: none"> • I think it's better to do our own things anyway. Better to keep separate. She will help out now and then. [response to question "How so you see Sarah's role in the business changing?"] 	<p>moment. It tends to be at the weekend or evening.</p> <ul style="list-style-type: none"> • I have been helping John with planning work and looking ahead – we got a planner for the cows.
Health Issues	<ul style="list-style-type: none"> • I'm not going to fully retire so I'll carry on working as long as I can and I'm well enough to do it. 		<ul style="list-style-type: none"> • Dad is forgetting what he's doing now so I'm having to watch him all the time. 	<ul style="list-style-type: none"> • He isn't well though. Because he's struggling he's working less in the afternoons but he doesn't want to admit it

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
				<p>and probably finds it frustrating. All the arguing and falling out and she's working harder on the farm filling in the gaps. [response to questions "Do you think Bob and Jill are ready to steps aside?"]</p>
Suggestion that Handover is in Progress			<ul style="list-style-type: none"> • More of a foreman now than before. Doing more management now. Ordering stuff now as Dad not doing anymore. Taking over more and more of the running of the farm – he's doing less as time going on. 	

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
			Doing more bookwork.	
Readiness for Letting Go	<ul style="list-style-type: none"> • I'm not going to fully retire so I'll carry on working as long as I can and I'm well enough to do it. • I can't see myself fully retired. I'm going to want to carry on doing something with the farm. • Not yet, no. [response to question "Are you ready to step aside?"] • As I said before I can't see me doing nothing. I fancy having a go at selling a few things on Ebay [response to 	<ul style="list-style-type: none"> • John will run the business. He will do it differently to us but we've had 50-60 years at it and to be honest it needs to be run differently. • In the next five years it will all change [response to question "Do you think Bob is ready to step aside and hand over the business?"] • Not really, John needs some help to carry on and as long as we are fit enough to help then I think it's better for us to 	<ul style="list-style-type: none"> • He does still think he's doing it though. It's quite difficult to manage as he needs to think he's doing it even if he's not. • No – he just doesn't want to let go. I think he should now as his health isn't great but I don't think he's going to. I think Mum is ready to step aside – she was years ago. I think they will still want to be involved in some way and take an interest for their own interest as they have worked here 	<ul style="list-style-type: none"> • Don't think Bob is going to step aside. Think Jill is worn out with it all. [response to question "Do you think Bob and Jill are ready to step aside?"]

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
	<p>question “ What are you plans after the business has been handed over?”]</p>	<p>carry on. I think it is better to be doing something than nothing. Bob is not going to cope with doing nothing. [response to question “Are you ready to step aside?”]</p> <ul style="list-style-type: none"> • Take it easy. I have other interests that I do, sewing, clubs, friends. Bob doesn't do anything else except work on the farm. [response to question “ What are you plans after the business has been handed over?”] 	<p>all their lives. [response to question “ Do you think Dad & Mum are ready to step aside”]</p> <ul style="list-style-type: none"> • Because Dad has run his own business for so long he's not used to working for anyone. 	
<p>Conflict / Disagreement Between Members of the</p>	<ul style="list-style-type: none"> • I make most of the decisions if I can 	<ul style="list-style-type: none"> • Some disagreement on need but in the end a 		<ul style="list-style-type: none"> • Think Jill is worn out with it all. All the

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
Business / Family	<p>although there is a lot of shouting. You just can't talk to John with any sense – he just flies off the handle if you try to talk to him.</p> <ul style="list-style-type: none"> • He just doesn't listen. He's made a right mess of the cows. He bought one which has had mastitis ever since we bought it. 	<p>joint decision [when referring to purchase of a new tractor]</p>		<p>arguing and falling out all the time and she's working harder on the farm filling in the gaps.</p> <ul style="list-style-type: none"> • I'm happier out of it for now with all the shouting and arguing.
Evidence of Planning for Succession	<ul style="list-style-type: none"> • This will depend on when it actually happens. We need some money out of the business to live on [response to question "Have practical aspects 	<ul style="list-style-type: none"> • We expect that we will continue to own the farm until after at least one of us dies. John will have to pay us rent as we need some income. Between now 	<ul style="list-style-type: none"> • They would have to draw on the business in some way as they do now. I've not really thought about what would actually be needed. [response to 	<ul style="list-style-type: none"> • I could go down to working 3 days/week possibly and it would be nice to. I was talking to John that if I want to be more involved I need to know more about it.

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
	<p>such as how finances will be managed been agreed”]</p>	<p>and then we may handover some of the other assets such as the livestock. Some thought in how to do this has been given but it needs more. [response to question “Have practical aspects such as how finances will be managed been agreed”]</p> <ul style="list-style-type: none"> • Not really, at the moment we just keep carrying on. At some point we will need to do something. [response to question “Have any plans been formalised in any way?”] 	<p>question “Have practical aspects such as how finances will be managed been agreed”]</p> <ul style="list-style-type: none"> • Need someone younger to help. Workforce is getting older – both Dad, Mum and Philip. It’s no good as is. Business only as good as the people in it. • I’d like to change the business so it’s easier for me to run. • I have no immediate contingency plan if they [Dad and Mum] suddenly stopped other than reducing the 	

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
		<ul style="list-style-type: none"> • He [John] needs someone to do the bookwork and a different worker who can milk the cows [the worker they have now can't do this]. • It's no good like it is. 	<p>amount of stock quickly. Getting new people in would take longer.</p> <ul style="list-style-type: none"> • In a small way, Yes. Her job is well paid and I can't pay her anything like that so she may as well keep that up [response to question "How do you see Sarah's role in the business changing?"] 	
Consideration for Others in Business / Family			<ul style="list-style-type: none"> • I don't want it to be too much of a burden. If not careful it can be all work. I want to get the family balance right, not like Dad who has done 	

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
			nothing but work all his life.	
Evidence of Enjoying Job			<ul style="list-style-type: none"> It's not like an office job where you can leave it at the end of the day. There is a lot more variety and more job satisfaction. 	
Capability	<ul style="list-style-type: none"> No, he gets himself in a right state over things. Becomes over focused on one thing and then can't let go. [response to question "Do you think John is ready to take over?"] No, it will keep running but it'll be different to now. [response to 	<ul style="list-style-type: none"> Yes, he'll be fine. He'll just do things differently to us. [response to question "Do you think John is ready to take over?"] No, it will be run in a fashion. In the short term there isn't enough people to do all the work if we stop doing 	<ul style="list-style-type: none"> Yes now I'm 40 I'm definitely ready. If I'm not ready now I never will be. It would be different if I were still in my 20s. [response to question "Are you ready to take over?"] Not essential to keeping the business running anymore but I need to 	<ul style="list-style-type: none"> Yes, he's ready. [response to question "Do you think John is ready to take over?"] I was talking to John that if I want to be more involved I need to know more about it. Things like book keeping.

Category	Incumbent (Bob)	Incumbent's Spouse (Jill)	Successor (John)	Successor's Spouse (Sarah)
	<p>question "Do you think your presence is required to keep the business running?"]</p>	<p>what we do. [response to question "Do you think your presence is required to keep the business running?"]</p>	<p>sort out more employees or reduce the size of the business. [response to question "Do you think your Dad and Mum's presence is needed to keep the business running?"]</p> <ul style="list-style-type: none"> • Her [Sarah's] skills are not that suited. [response to question "How do you see Sarah's role in the business changing?"] 	
<p>Miscellaneous / General non related comments</p>			<ul style="list-style-type: none"> • Overall I think there is a big problem in farming but at least there is only one son, that should make it easier. 	

4.5 Business Model and Succession at Hedge Farm

One of the key research aims for this research was to identify the business model used by Hedge Farm. It was also proposed that part of this aim would include an understanding of the position of Hedge Farm with respect to the succession process.

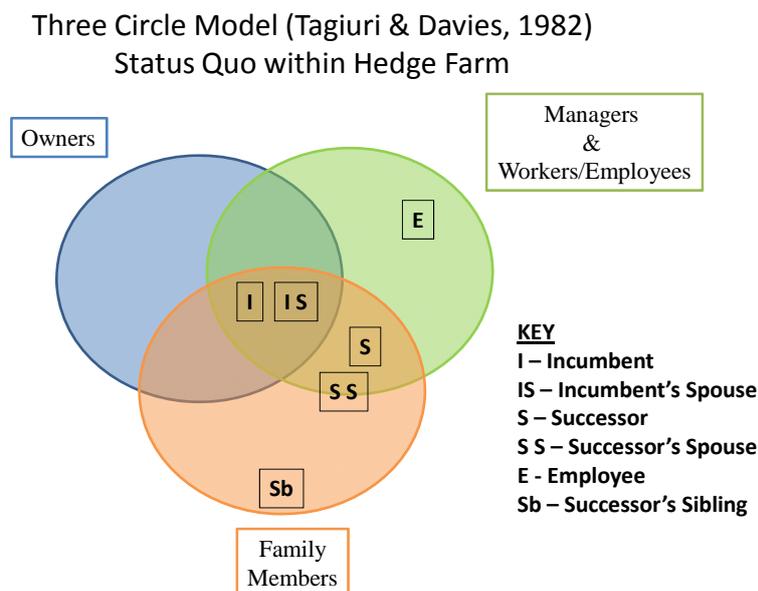
4.5.1 Business Models

In this section a reflection is made on the business models discussed in chapter 2.

4.5.1.1 Three Circle Model, (Tagiuri and Davies, 1982)

Having considered the data collected as part of the initial interview, Hedge Farm can be mapped on the Three Circle Model as shown in Figure 5.

Figure 5 – Hedge Farm shown mapped onto the Three Circle Model (Tagiuri and Davies, 1982).



4.5.1.2 Family Business Models, (Gimeno et al, 2010)

The model proposed by Gimeno et al (2010) resulted in six main categories of family business based on their family and business complexity. By drawing on the data from

the initial interview to understand the family and business complexity and from the individual business members interviews, specifically the answers to questions relating to the categories for Role and Responsibilities, Short Term Planning and Long Term Planning, it is proposed that Hedge Farm fits the “Captain” model. The role of the “Captain” being fulfilled by the incumbent.

4.5.2 Succession

In this section data from the interviews which relates to some of the key themes which arise from the work of Handler (1994), and Sharma et al (2001, 2003) are explored. These are the themes which were identified as part of the conceptual model in Section 2.4.

4.5.2.1 Individual Roles and Responsibilities

The findings relating to this theme have been partly covered in section 4.5.1. From reviewing the responses relating to categories for Roles and Responsibilities, Short Term Planning and Long Term Planning, it is evident that there is a misalignment between the successor and the incumbent with respect to their role in the management activities. Both the incumbent and successor are claiming that they are doing these activities. Further evidence of this can be seen from the response of the successor’s spouse “There are too many chiefs.”

4.5.2.2 Individual Readiness for Succession

The categories in the Table 2 from which data is gathered to explore this area are Health Issues, Suggestion that Handover is in Progress, Readiness for Letting Go, and Capability.

More than once in the interview the incumbent stated that he could not see himself fully retired and he would carry on as long as he was well enough. Likewise the incumbent’s spouse commented that whilst their health was good enough that they should carry on working. When directly asked the question “are you ready to step aside” the incumbent’s response was “Not yet, no”. When other family members were asked whether they thought the incumbent was ready to step aside a similar response was given in that no-one else thought he was going to step aside. With respect to incumbent’s spouse there was some evidence of misalignment. The spouse herself said

she was “not really” ready to step aside, but both the successor and successor’s spouse thought she was.

The questions regarding the capability of the successor resulted in mixed answers from family members. On several occasions during the interview the incumbent made reference to the successor not being capable with comments such as “no, he gets himself in a right state over things”, “he’s made a right mess of the cows” and “he just doesn’t listen”. However all other family members, including the successor himself, felt he was capable.

4.5.2.3 Shared Vision for the Future

Data which explores this area can be found in the categories Helping Each Other / Working Together, Roles and Responsibilities, Long Term Planning, Readiness for Letting Go, Evidence for Planning for Succession and Consideration for Others in Business / Family. There is limited data on how individuals have a shared vision for the future other than that the incumbent’s son will be the successor. There was no suggestion during the interviews that the business may be sold and not passed onto the son. It was indicated by the incumbent, the incumbent’s spouse and the successor that the business would be run differently to now. The successor described how he might change the business (for example in the category Consideration for Others in Business / Family) but there was no shared vision described by the other business members.

4.5.2.4 Succession Planning / Process

The categories which provide data to assess the extent of any succession planning or process are Suggestion that Handover is in Progress, Evidence for Planning for Succession, Consideration for Others in Business / Family. When asked directly “what are your plans after the business has been handed over”, the incumbent responded “As I said before I can’t see myself doing nothing. I fancy having a go at selling things on Ebay.” The incumbent’s spouse responded with a list of things in which she already has interests and commented that her husband does nothing but work. The successor gave evidence that he has given some thought to how he will run the business in the future.

There was no evidence that the business members had discussed together the succession process or any plans with each other has. The only evidence of some discussions between limited members (between the incumbent’s spouse and successor, and

separately between the incumbent's spouse and incumbent) was regarding how the retirees would need to be financed.

4.5.3 Additional themes prevalent in the data

As well as the areas discussed in sections 4.5.1 and 4.5.2 there were some additional themes which require consideration as part of the research findings. These are evidence of conflict and disagreement between business / family members, evidence of prevalent health issues, evidence of job satisfaction, and emotional aspects of family and business being interrelated.

On several occasions in the interviews with the incumbent and the successor's spouse there were comments which suggested that there was regular disagreements occurring as part of the running of the business. Specific references from them which indicate this are "there is a lot of shouting" and "all the arguing and falling out." The incumbent's spouse made a single comment to indicate that a disagreement has occurred in relation to a specific decision. It was noted that the successor made no any references to such issues.

Both the successor and the successor's spouse comment on the failing health of the incumbent and how he is not able to do what he used to do. Whilst the incumbent and the incumbent's spouse discuss them carrying on working whilst their health allows them to they do not mention anything to indicate that there are currently any health concerns.

The successor provided evidence that suggested he enjoys his work and also an awareness of the business impact on his family (spouse and daughter). He specifically says "I want to get the family balance right, not like Dad who has done nothing but work all his life."

4.6 Summary

This chapter has provided the findings from the data collection completed as part of the research. Section 4.4 gives the detailed answers to the interview questions split into categorised themes. Further discussion on the data collected which relate to the areas identified in the conceptual model is provided. This also includes additional themes which were prevalent in the data.

5 Chapter 5: Conclusions and Implications

5.1 Introduction

In this chapter the research question and aims are re-visited alongside the data collected during the research process.

Section 5.2 critically evaluates the adopted methodology for the research. In section 5.3 each of the research aims are discussed and conclusions made based on the data collected during the research process. Sections 5.4 and 5.5 provide the key conclusions and Section 5.6 discusses the limitations of the research. Finally the opportunities for further research are covered in Section 5.7.

5.2 Critical Evaluation of Adopted Methodology

As this research was based on a single small business a case study approach was adopted. The researcher gathered information about the research area through the literature review and developed a conceptual model based on the themes present in the established literature. The researcher also conducted an initial interview with a member of the organisation to gain an understanding of the background to the business and some of the potential areas to be explored further in the main interviews with each business member. The researcher developed a semi structured interview based on the conceptual model.

It was found that the semi-structured interviews worked well to enable the interviewee to adjust the interview accordingly depending on the responses received. In depth information was obtained during the interviews which would have been difficult to obtain by questionnaire or survey techniques.

The interviews were conducted either face to face or by telephone. Both methods worked satisfactorily but it was found that the face to face interviewing enabled the interviewer / interviewee relationship to be established quicker. The researcher considers that this made the interview flow better. In addition observing the body language of the interviewee was possible which enabled the interviewer to sense the response to questions in more ways than just the way their voice sounded. Due to flexibility of timings of the interviews (two were held at the weekend and two in the evening outside normal working hours) all business members were able to be involved

in the interviews. This was considered to be of great importance as the absence of one member from such a small case study would have potentially meant that valuable data would have been absent from the research.

Whilst it is considered that the data collected is of value in answering the research question further triangulation using collected data rather than theory would have been beneficial. This could have been achieved through further follow up interviews.

5.3 Conclusions about the Research Objectives (Aims)

The research aims will be discussed separately and conclusions made based on the results presented in chapter 4.

5.3.1 Research Aim (a): To understand contemporary literature on family business models

The research has explored the literature on family business models and is described in chapter 2.

5.3.2 Research Aim (b): To understand contemporary literature on succession in family businesses.

A review of the literature on succession within family businesses has been completed and is described in chapter 2.

5.3.3 Research Aim (c): To identify the business model used by family business Hedge Farm, which will include the position of the business with respect to the succession process.

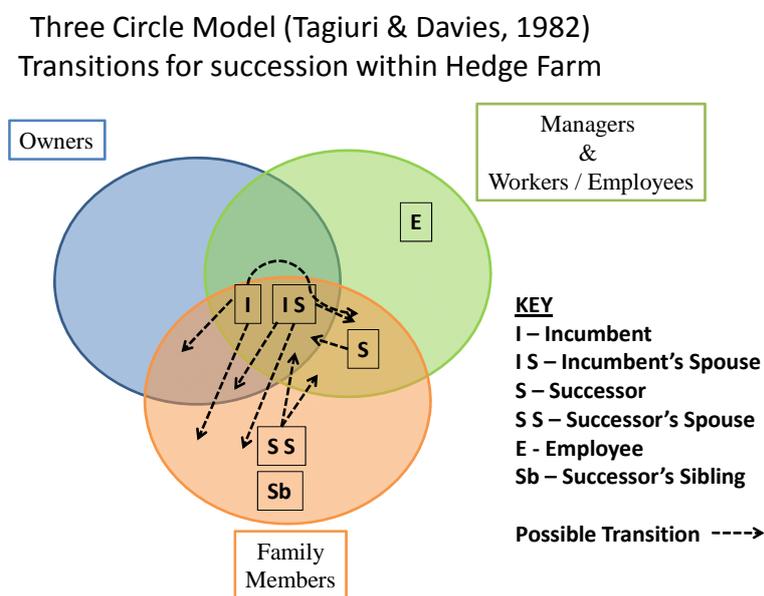
In chapter four, details have been given on how Hedge Farm maps onto the business models cited in this research, and the themes from the researcher's conceptual model. In addition any other areas which were prevalent from the data collected are discussed. To avoid repetition between sections this data will not be repeated here. The next section (5.3.4) refers back to this data and gives an evaluation of the findings from the research.

5.3.4 Research Aim (d): To evaluate the business model of family business Hedge Farm for the transition of businesses between generations.

5.3.4.1 Three Circle Model, (Tagiuri and Davies, 1982)

Hedge Farm is shown mapped onto the Three Circle Model in chapter four. The model shows how currently the incumbent and his spouse are at the centre of the model with ownership, worker/manager and family roles. The successor is shown as being in the worker/manager and family. The successor's spouse has purposely been shown on the edge of the worker/manager circle as there is evidence from the interviews of her providing some help on the farm albeit limited at this stage. Figure 6 shows options for how the model may change during or post succession.

Figure 6 – Three circle Model (Tagiuri and Davies, 1982) showing options for what may occur as part of succession process at Hedge Farm.



From the proposed model for the transition for succession it can be seen that there are many options which could occur. One aspect which is not possible to see from this model, and therefore is a limitation of the model, is the potential timings or order to any of the proposed transitions. The data collected during the interviews suggested that the incumbent and his spouse would not leave the owner position for some time, even if they stopped working at the farm. It was also evident that neither the incumbent nor his spouse intended to stop doing some kind of work on the farm unless their health prevented them. In fact they seemed to be of the opinion it was better for them to do something on the farm than nothing.

5.3.4.2 Family Business Models, (Gimeno et al, 2010)

In Section 4.5.1.2 the data which was used to assess Hedge Farm versus the model proposed by Gimeno et al was presented. This concluded that the business was typical of the “Captain” Model. The implications of this style on the management of the business and on succession processes are described by Gimeno et al and some of these characteristics can be triangulated to the data collected in this case study. Gimeno et al propose that it is necessary for the Captain to reduce the dependence that the business has on him. They note that often the Captain addresses the issue of preparing for succession too late making the handover difficult. It is proposed that there is some evidence of this lateness from the data collected at Hedge Farm. The incumbent, who is now well passed traditional retirement age, states that he is not ready to step aside and other comments suggest he does not think the successor is ready. Taking these factors and the evidence of failing health it would indicate that actions to plan for succession have been limited and could be argued to be tardy.

5.3.4.3 Individual Roles and Responsibilities

Reflecting on the data presented from the interviews and specifically in section 4.5.2.1 it was found that the incumbent and the successor claimed to be doing the same key management and decision making tasks within the business. It is possible that they are both doing elements of these tasks all the time and there is no overlap, for example one is completing the management of certain aspects of the business and the other is completing the management of a different aspect of the business. However based on the evidence from the interviews it would seem that there is much overlap and conflict present in this area. The incumbent suggests that few of the management activities or decisions are done by anyone but himself. The specific quote “I make most of the decisions if I can although there can be a lot shouting” embodies the incumbent’s position. In contrast the successor provides evidence that he is making more and more of the decisions. He does comment that “He (referring to the incumbent) does still think he’s doing it though. It’s quite difficult to manage as he needs to think he’s doing it even if he’s not.” Reflecting on this situation and the work proposed by Handler (1994), as described in chapter 2 it can be seen that the mutual role adjustment shown in Figure 2 is struggling to move forward from the stage of Monarch and Helper to Overseer/Delegator and Manager from the perspective of the incumbent. Some of the potential causes for the stagnation in the succession process are discussed in section 5.3.4.4 which explores the readiness of individuals in the business for succession.

Evidence from the data collected suggest that the incumbent's spouse and successor's spouse have more clearly defined roles and that there is some handover of administrative tasks occurring from the incumbent's spouse to the successor.

Some of the issues caused by this overlapping of roles is also discussed in the section 5.3.4.7 and is exemplified by the successors spouse's quote "There are too many chiefs."

5.3.4.4 Individual Readiness for Succession

On reviewing the data collected which relates to specific questions regarding individual's readiness to progress with the succession process it can be seen that some data triangulates with the theory discussed in chapter two.

There is reluctance, on behalf both the incumbent and his spouse, to step aside. Based on the data collected it appeared that the incumbent's spouse is readily handing some of her work to the successor, but still wanted to be involved to some degree. The reason given by her was that it was "better to be doing something than nothing." For the incumbent, however there was evidence to suggest that he is not relinquishing any responsibilities intentionally. As discussed in section 2.3.1.2, Handler (1994) describes how many previous researchers found that the nature of entrepreneurs is that they have difficulty giving up what they have created. Also she cited the work of Sonnenfeld who defined the retirement types of founders. In this case it can be seen the incumbent at Hedge Farm is either a monarch or a general, neither of which leave until they are forced out.

As already discussed the business has been identified as having a "Captain" business model, Gimeno et al (2010). It is noted that this model infers that the Captain, in this case the incumbent, is likely to be late in planning for succession and finds it hard to give up the power which he has from being in charge. The work by Sharma et al (2001) also found that the incumbent's did not consider their own stepping aside as important a factor as the successor did. Their work generally found much mismatch between the incumbent's and successor's views which would suggest that the situation at Hedge Farm is not that unusual.

In addition to not wanting to step aside the incumbent was critical of his son's readiness to take over in terms of his capability. This in itself may be one way the incumbent is justifying his own actions not to relinquish the business. Whilst ever he can claim his

successor is not ready he can carry on himself with the current status quo. This behaviour was also found to be the case from the research by Handler (1994). Everyone else in the business, including the successor, felt that the successor was ready to take over the business.

The perspective of the next generation was one of the streams of research explored by Handler (1994) and also the readiness of the successor to take over featured in the model by Sharma et al (2001). From the data collected there is much evidence that the successor does want to take over the business, which overcomes one of the barriers to succession.

5.3.4.5 Shared Vision for the Future

In the work completed by Sharma et al (2001) the “agreement to continue the business” was identified as one of five determinants of satisfaction with the succession process. At Hedge Farm there was much evidence to show that there was agreement on this. All the interviewees described that in the future the business would be passed onto the incumbent’s son. No alternative options were quoted by any members during the interviews. Based on Sharma et al’s work the clarity that this agreement brings is of great value to the overall satisfaction that is likely to be achieved from the succession process. It can be seen that a scenario where it wasn’t clear who the successor was could lead to much more confusion and potential anxiety within individuals during the process.

Apart from the above there is limited evidence from the data collected that there is a shared vision for the future of the business or individuals. Individual’s had their own ideas but there was little evidence to indicate that these had been discussed or shared amongst all the business members. At best there was some evidence of discussions between pairs within the business, for example, between the incumbent and his spouse, or the incumbent’s spouse and the successor.

Both the incumbent and his spouse described that they expected the business to change as part of the succession process. However there were no specific details on what or how it may change. The successor, however, provided a number of specific areas which he knew he would have to change within the business in the future. This could suggest that whilst the successor, rightly so, is thinking about what he needs to do within the business when it becomes his, he has not shared any of his thoughts with his parents.

5.3.4.6 Succession Planning / Process

Similar to as described in the last section there was limited evidence that all members had discussed the succession process together. Again it appeared that some discussion has occurred between pairs of individuals within the business. These were generally about very practical aspects of the succession such as how the finances would be managed and not about the more personal or emotional aspects of the transition.

Evidence from the interviews suggested that the incumbent had very few, if any, interests beyond the business. In Handler's model of factors promoting and reducing resistance to succession (1994) she proposes that at the individual level "Identity with business" promotes resistance and "Ability to dissociate from the firm" reduces resistance to succession. In the case of Hedge Farm it could be proposed that the incumbent's identity is heavily associated with the business and this thereby promotes resistance to succession.

5.3.4.7 Additional themes prevalent in the data

In addition to the themes presented in the conceptual model a number of other themes were prevalent in the data which require consideration.

As stated in section 4.5.3 there were statements made by the interviewees indicating that there was regular disagreements occurring as part of the running of the business. A number of the authors cited in this research have conflict as a part of their models. Tagiuri and Davies (1982) discussed the role of emotional involvement and confusion within family businesses and how this may result in conflict. Handler (1994) described that the extent of conflict can be a factor either promoting or reducing resistance to succession, and Sharma et al (2001) considered that failure in the relationship and communication between the incumbent and the successor could lead to failure in the succession process.

The evidence from the interviews suggests that the incumbent's health was impacting on his ability to work on the farm. Handler (1994) has "good health" as a factor which promotes resistance to succession versus "health problems" as a factor which reduces resistance to succession. The interview data from the successor is triangulating with Handler's theory in that it appears that the successor is taking over more of the responsibility and the successor cites his father's health as the reason he's doing this. He specifically states that "Dad is forgetting what he's doing now so I'm having to

watch him all the time.” Contrary to the above the both the incumbent and his spouse gave the impression during the interviews that they see carrying on working as being better for their health than stopping. These feelings may present factors which promote resistance to the succession process.

During the interview the successor specifically comments on how much he enjoys his work. This willingness to be part of the business is positive in terms of the succession process. Both Handler (1994) and Sharma et al (2001) discuss the importance of the successor wanting to be part of the business and the impact this has on succession processes. The successor also shows awareness of some of the concepts proposed by Tagiuri and Davies (1982) such as “emotional involvement and confusion” and “simultaneous roles.” He discusses how he wants to maintain a better family balance than his father and wants the business to be more manageable to achieve this.

5.3.5 Research Aim (e): To draw conclusions and make recommendations on the business model for the transition the business between generations. This will be based on analysis of the current observed business model, and the theory.

The conclusions part of this research aim is answered separately in section 5.4.

The recommendations part of this research aim is answered separately in chapter 6.

5.4 Overall Conclusions about the Research Question

On considering the current business model at Hedge Farm it is evident that a number of aspects will need to change as part of the succession process and it is likely that this will staged as proposed in the conceptual model discussed in section 2.4. The business and individual’s status quo will adjust as the succession progresses in each of the four themes proposed. These areas are:

- (1) Individual Roles and Responsibilities
- (2) Individual Readiness for Succession
- (3) Shared Vision for the Business
- (4) Succession Planning / Process

In addition to these items, a number of further items which will adjust during the process were identified as part of the data collection. These are conflict management,

communication, individual health, and changes to the business structure (for example, changes to enable an improved work/life balance).

The data collected indicates that it appears highly likely that the succession process will occur at Hedge Farm with the incumbent's son being the successor. All members of the business indicated a shared vision for this to occur and the successor provided positive evidence that he enjoyed his work and he wanted to take over the business. All the members of the business apart from the incumbent felt that the successor was ready to take over the business. The incumbent's view of the successor may be linked to his reluctance to let go of the business. It is not evident from the interviews when the succession process may occur. It was suggested during the interviews that it may be a staged process with the successor firstly becoming a manager, with the ownership of the business only being passed over after the death of one or more of his parents.

There was acknowledgement amongst the business members that the business would be run differently after the succession process has occurred. The successor gave evidence that he had given some aspects of what needs to change consideration. The incumbent and his spouse gave no specific details on how they thought the business would change suggesting that the ideas of the successor had not been discussed with them.

The data collected indicated that there was reluctance for the current incumbent and his spouse to let go of the business. This appeared especially acute with the incumbent with him not wishing to relinquish any aspect of the business. The incumbent's spouse was handing knowledge and tasks over to her son but her also stated a desire to carry on working as long as she could. Handler (1994) and Sharma et al (2001) both describe an incumbent's inability to let go and the impact this can have on the business, which in some severe cases can lead to the incumbent destroying what he has created rather than passing it on. Despite this resistance to succession, the incumbent's failing health is working in the opposing direction. The successor describes how he is doing more management activities now due to his father's health.

There is much evidence of conflict and poor communication within the business members. The communication between the incumbent and the successor seems particularly absent and strained. References are made to how short term and long term decisions lead to conflict. Evidence for how this poor communication and conflict is manifesting itself is that both the incumbent and the successor claim to be doing the

same activities on the farm. Also there is no detail for a shared vision for the businesses suggesting that no communication has occurred on the subject.

There was limited evidence of any planning for succession except some consideration to financial aspects by the incumbent and his spouse. With the incumbent currently not wishing to let go of the business it is difficult to see how any planning for succession will actually occur. Without the incumbent's position changing, the succession process is more likely to continue as now with the successor slowly taking over more and more of the activities without any formal acknowledgement that this is actually happening. More formal planning would enable some key decisions to be agreed. It is possible that through discussions it is decided not to transition the business at this time and the incumbent will continue to run the business for a set period. Another alternative is that specific managerial tasks are handed over, such as management of the dairy herd, while other tasks such as management of the sheep herd remain with the incumbent. Enabling these discussions will remove the confusion around roles which is currently present.

5.5 Limitations

The main limitations of this research have been discussed in sections 3.7 and 3.8 and these are briefly summarised here.

It is difficult to make generalisations about the research findings to other organisations as this the research was based on a specific case study and a semi-structured approach was used for the interviews which makes it more difficult for others to repeat the research elsewhere. Triangulation of the data collected through the interviews only occurred with the literature and not with other data collected in the field.

The small size of the case study and focus on only one organisation may have affected some of the answers given as part of the interviews as it was not possible to maintain anonymity between the individuals in the case study.

Finally the approach of using existing theory to develop the research aims and conceptual model has been criticised by some researchers as it is considered that it may lead to premature closure of the issues being investigated rather than a fuller open investigation. The researcher has tried to mitigate this by carrying out the data analysis with an inductive approach to capture anything missed in the initial conceptual model.

5.6 Opportunities for Further Research

It is considered that there are numerous opportunities for further research both within the case study, Hedge Farm and within other organisations on the topic of succession.

Within Hedge Farm the research could continue into a longitudinal study which tracks the progress of the succession process and the stages which the business transitions through. Further work could also be completed to triangulate the data already collected by techniques such as observation or further interviews. Specific areas which arose during the data collection could also be explored, such as conflict management or communication within the business.

The author reviewed some literature by Astrachan and Jaskiewicz (2008) and Sardeshmukh et al (2011) which concerned some of the emotional aspects of family businesses. Due to limitations of the scale of this research these are not been included but they could explored as part of further research.

Beyond this specific case study, the same research could be completed on other family businesses to enable the researcher to build up a broader analysis of succession processes. Also a more positivist methodology could be used to collect data. This would potentially enable generalisations to be made about succession within family businesses if enough case studies were to be completed. These could be limited to the agricultural industry or could be extended to any small businesses depending on the interest of the researcher.

5.7 Summary

In this chapter the conclusions and implications of the research are presented. Each of the research aims are discussed in relation to the data collected during the research. In addition the limitations of the research and opportunities for further research are detailed.

6 Chapter 6: Recommendations

6.1 Introduction

Having drawn conclusions in chapter 5, a number of recommendations are made to the case study, Hedge Farm, in this chapter.

6.2 Recommendations

It is evident from the data collected that one of the key issues that Hedge Farm needs to address for the succession to progress is for the incumbent, and the incumbent's spouse (to a lesser extent) to relinquish their roles of managers in the business. Whilst this is happening to a limited extent due to poor health of the incumbent it appears not to be through any planning or intent on his behalf. He still thinks he is managing the business, although there is evidence that his son is doing more and more. This is causing confusion in roles and conflict issues. Zaleznik and Kets de Vries (1985) proposed that one approach for helping the incumbent release his hold on the business is for them to become more self aware and another approach is for them to find a new venture into which they can invest their time. This thereby removes their focus from the existing business.

The data collected suggested that there is limited communication between the all members within the business. Encouraging communication to occur between all members may enable each other's position and views be shared and knowledge of this may help others feel more comfortable with the succession process. For example if the successor shared some of his ideas for the future in a way that would gain buy in from his parents this may help his parents let go of the business. Also it may help the business make some key decisions on the timings or process which is going to be followed for the succession. It is recognised that improved communications may require a facilitator role or coach, such as a neutral friend or family member as the individuals may find this very difficult without some support or guidance.

One very positive aspect of the current position at Hedge Farm is that there is agreement that succession will occur and the son will at some point take over the business. It is important that the individual's do not lose sight of this end goal as they transition through the process. Some active planning on how or when this end point is reached would be beneficial. Again this is only likely to occur with more open communication

as discussed above about the current status quo and how and when things need to change to transition the business.

It is considered that without embracing the recommendations above Hedge Farm is likely to continue in similar state to now where there is confusion amongst members about roles and responsibilities and where the successor is taking on more and more without it being acknowledged or the transition managed. Whilst this approach will eventually yield a succession it is likely to lead to angst and conflict within the business members throughout the process in a similar way as to that described as occurring now in the data collected.

6.3 Implementation Plan

It is proposed the feedback the findings of the research to the individual members at Hedge Farm within a few months of completing the research. This should enable them to start to think about the recommendations and discuss their views on these.

A key next step is for the business to agree a plan for the succession process in terms of timings and how this may occur. Depending on the outcomes of the succession planning, options for encouraging the incumbent to relinquish his managerial role should be explored in the following few months. The cost implication of implementing the proposed plan is only the impact of the time of the individuals in the business.

6.4 Summary

This chapter provides some recommendations and a proposed implementation plan for these for the case study. In summary these include techniques for helping the incumbent relinquish the business and improving communication and planning processes.

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Appendices

Questionnaire for Case Study, Hedge Farm

Introduction to interview – setting the scene

The purpose of this research is to explore the way the business is operated and the impact that may have on succession processes. The first part of the discussion is to understand about how the business is operated both with respect to longer term (strategic) processes and shorter term day to day (operational) processes.

Assumptions – the history of the business is known.

- 1) Can you talk me through the way the business is organised? (Prompts – who works in the business, who owns it, who does what tasks within the business).
- 2) What is your role and your responsibilities in the business? (Prompt – what do you actually do in the business?)
- 3) On a day to day basis how are tasks organised/split between the family members.
- 4) How does the business review its performance?
- 5) How does the business plan for the future and make longer term decisions? (Prompt – making capital investments in a business area)

The second part of the discussion is focussing on the longer term future of the business.

- 1) How do you see the business being run in the future? E.g 10 years time
- 2) Have any plans been formalised in any way? i.e. It is written/unwritten/agreed/not agreed?
- 3) Have practical aspects such as how finances will be managed (e.g. for the incumbent's retirement) been determined/agreed?

Incumbent/Incumbent's spouse

- a) Do you want to step aside and hand over the management (and/or ownership) of the business?
- b) Do you think that your presence is required to keep the business running? If yes, why?
- c) Are you ready to step aside?
- d) What are your plans after the transition has occurred?
- e) Do you think the successor is ready to take over? If no, what is required to make the successor ready?
- f) What do you think are the main barriers to a successful transition?
- g) How will you know the transition has been successful?
- h) Have practical aspects such as how finances will be managed (e.g. for the incumbent's retirement) been considered?
- i) Have all the business family members discussed the transition process together?

Successor

- a) Do you want to take over the management (and/or ownership) of the business? Why?
- b) Are you ready to take over? If no, what is required to make you ready?
- c) Do you think Dad & Mum (the incumbent and wife) are ready to step aside? If no, Why?
- d) Do you want them to step aside? Why?
- e) Do you think that their presence is required to keep the business running? Why?
- f) What are your plans after the transition has occurred?
- g) How do you see that (your wife's) Sarah's role in the business change? Has this been discussed?
- h) What do you think are the main barriers to a successful transition?
- i) Have practical aspects such as how finances will be managed (e.g. for Dad's retirement) been considered?
- j) How will you know the transition has been successful?
- k) Have all the business family members discussed the transition process together?

Successor's Wife

- a) How do you see yourself involved in the farm in the future? Has this been discussed?
- b) Do you think John (the successor) is ready to take over?
- c) Do you think Dad & Mum (the incumbent(s)) are ready to step aside?
If no, Why?
- d) Do you want them to step aside? Why?
- e) Do you think that their presence is required to keep the business running? Why?
- f) What are your plans after the transition has occurred?
- g) What do you think are the main barriers to a successful transition?
- h) How will you know the transition has been successful?