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INTRODUCTION

Definitions of Family Business

Family business has represented a predominant form in the world of business (Beckhard & Dyer, 1983a, 1983b; Stern, 1986). The observable dominance of family business in many countries has also been encouraging scholarly researches in family business (Klein, 2000; Morck & Yeung, 2003; Astrachan & Shanker, 2003; Sharma, 2004). Despite numerous studies on the subject so far, an unresolved issue still remains that no general consensus has been made regarding the definition of the family business.

Some researchers argued the degree of ownership and managerial involvement by family members as the essential criterion for the family business (Daily & Dollinger, 1992; Dunn, 1996; Sharma et al., 1997). Recently, more criteria has turned up to define the family business, such as ownership percentage, voting power, power over strategic direction, involvement of multiple generations, and active management by family members. According to the degree of family involvement in the additional criteria, Shanker and Astrachan (1996) defined the family business into three groups: broad, middle and narrow definitions. The broadest and most inclusive definition requires that the family has some degree of effective control over strategic directions and that the business is at least intended to remain in the boundary of family. The family is generally known to have an indirect effect on their business by voting through board membership. When defined by a middle scope, the founder or descendent, usually a few family members, dominates the control of the firm and its activities. In case of the narrowest definition, usually more than one family member from multiple generations involves with management; and they are responsible for all managerial decisions. By this definition, a majority of large companies, which was initially categorized as non-family business, should be actually included in the category of family business. From the above perspective, family business is a type of firm that is directly owned and managed by a family; at the same time, it can be indirectly controlled by a family and taken over by one generation to another as well.

Family businesses are described as having a unique culture (Dyer, 1986). It also seems to develop more informal and personal relations of trust than non-family organizations do (Fiegener et al., 1994) due to the more organic ties between the family and the firm. Family and firm are generally managed by different values, but family business itself tends to produce a unique form that is neither a business system nor family system (Whiteside & Herz-Brown, 1991). The common understanding of family business is that the key attributes derive from the overlap of the three dimensions of family, management, and ownership (Davis & Tagiuri, 1989). Nevertheless, it seems appropriate to see that the family business also integrates the distinct organizational characteristics of both family and business. The most studies on the definition of family business so far have focused on distinguishing the family business from non-family business. Although the family business contains these two aspects of somewhat contradictory values (Whiteside & Herz-Brown, 1991), there is an argument that family business must be viewed as a single system and the whole as greater than the mere sum of its separate parts (Hollander and Elman, 1988; Whiteside & Herz-Brown, 1991). Based on the concept of organizational life cycle, Gersick, et al. (1997) emphasized the uniqueness of family business through the intersection of business goals and family goals throughout the process of management.

Contributions of Family Business

Family business is also essential to the concept of free enterprise system. They exemplify the economic principle of private property, the political principle of pluralism, and the social principle of family (Ward, 1997). The family-owned businesses are rapidly emerging as a dominant form of business enterprises in both developing and developed economies and thus their influences, as well as their numbers, are expected to be increasing unprecedentedly (Ryan, 1995). The family business is normally characterized to make more consistent investment (Ward, 1983) because its owners tend to be motivated by intangible factors greater than tangible outputs expected such as profit and growth and are not so pressed to show the brilliant profit each quarter, which is different from the firms in professional management (O'Farrell & Hitchen, 1988).

Regarding the aspect of employment, family business remains the most influential contributor concerning job creation in virtually every country (Sharma, 1997; Tan & Fock, 2001; Ward, 2004; Dyer, 1986; Lank, 1995; Miller et al., 2003). They create more than two thirds of all jobs and tend to employ more female, young, and old, and part-time workers (American Institute of Certified Public Accountants, 1984). In terms of innovation, they create two and a half times as much innovation as large firms on a per capita employed basis (Small Business Administration, 1983).

The Meaning and Impacts of Succession

Succession is a reciprocal interaction that occurs between the predecessor and successor throughout the transferring process of leadership (Churchill & Hatten, 1987; Handler, 1989) and a common organizational contest to ensure the survival of incumbent firms in operation. It is more than an event and a multi-staged development that continues over time (Churchill & Hatten, 1987; Handler, 1990; Longenecker & Schoen, 1978). The succession requires the in-depth analysis from a holistic perspective of family, management, and ownership systems in order to adequately understand the interests of the different stakeholders (Brochhaus, 2004).

It has been debated that three most significantly confronting themes regarding any family business are succession, succession, and succession. To remain as a family business, each generation must be taken over by next, which is the ultimate managerial challenge for owners, successors, family members and other stakeholders (Miller et al., 2003; Anroff et al., 2002). Succession imposes a wide variety of considerable changes over the present family business: the current family relationship should be rectified; the traditional managerial initiative should be redistributed; and the enduring structure of governance must give way to a new form. This can lead to a conclusion that succession affects the founder, the successor, the family, the managers, the owners, the stakeholders via inevitable development of new family relationship, redistribution of influence patterns, management and ownership structure (Lansberg, 1988). Since the significance of successful transfer of business leadership is so considerable, approximately one third of the family business literatures have identically dealt with the issues of succession (Sharma et al., 1996; Sharma et al., 2000).

Success in business succession has two important implications such as the performance of the firm and the satisfaction of its stakeholders relevant to the context of succession (Sharma et al., 2003). A successful succession can sustain tacit knowledge that family members have inherently accumulated and maintain comparative advantages over non-family firms (Sharma et al., 2003). However, it is reported that the business performances after succession have not been always satisfactory (Birley, 1986; Ward, 1987; Davis & Harveston, 1998). Miller et al. (2003, p. 514) mention that “many intergenerational successions in the USA failed soon after the second generation took control”. The failure in succession tends to derive from vague succession plan, incompetent or unprepared successors, and discords among family members. Mattew et al. (1999) also argues that the failure in succession is one of the key causes that many family firms fail to perpetuate and ensure family control. This implies the significance as well as the complexity in the practice of business succession. In order to ensure organizational continuance, many studies (e.g., Ward, 1987; Nam, 2002, 2005) highlighted the importance of succession planning. For the purpose of the sustainability of family firms, their successful succession of leadership proves essential. Accordingly, strategic preparation of succession planning turns out to be a crucial institutional foundation for the practice of succession. Furthermore, the effectiveness of succession closely concerns the sustaining of firm competitiveness and satisfactions of the stakeholders. It has been estimated that, in the international perspective, merely 30% of family business survive in the second generation, while fewer than 14% make it beyond the third generation (Flemming, 1997; Matthew et al., 1999). One of the main reasons for the high rate of failure comes from their managerial incapacity to cope with the complicated (and unavoidably emotional) procedure of passing over ownership as well as leadership (Matthew et al. 1999).

Despite the obvious significance of succession in business practice, there has been lack of academic interests among researchers in South Korea (hereafter, Korea). For instance, although a large number of family firms are in operation in Korea, few universities organize academic courses or research programs on family business, and more seriously, the official statistical records in relation to the incumbent family business still remained underdeveloped (Nam, 2002, 2005). Nam (2005) also argues that such academic nonchalance to family business in Korea may concern a negative stereotype that succession of family firms has been misunderstood as inheriting founders' (both personal and corporate) wealth to their offspring. Recently, however, there is a sign that the interest in family firms is gradually soaring in Korea. In the process of the remarkably rapid industrialization through the 1970s and 1980s, a majority of small and medium-sized startups in Korea received the Korean government's financial subsidies and technical supports. Now, the founders of the early firms have been inevitably confronting an increasing challenge in the practice of business succession. It is thus rather apparent that the issue of business succession has been one of the vital concerns in the present Korean economy (Joongang- ilbo, 27 July 2007).

Objectives of the research

This paper aims to examine how owners and successors in Korean family firms perceive the importance of succession context. Under the assumption that succession is an important pre-condition for sustainability of family business and firms for ready for succession are more likely to survive, the purpose of this research is to examine what factors are influencing the succession context of the family-owned firms. In doing research into family businesses, some researchers (e.g., Brockhaus, 2004; Morris et al., 1997) argue that it is important that current dependence on anecdotal evidence, case studies, and small scale descriptive studies be replaced by quantitative studies that employ large samples and provide empirical tests of relationships between key variables. Thus, our major concern is to empirically test the relationships between both of the management practices and the characteristics of family and succession context, which remain little investigated thus far.

Of many succession issues, the managerial approach to manage succession and avoid conflict in family businesses is critically needed (Barnes & Hershon, 1976; Ambrose, 1983; Lansberg, 1988). There are many anticipated barriers that deter the smooth transfer from predecessor to successor in the process of transition (Massis, et al., 2008). In this sense, this research emphasizes that family feud is one of the most critical barriers for intergenerational transfer in family business. Based on this concept, we are trying to suggest the factors which, in cases of lack of them, could cause frictional situation during the period of intergenerational transition. Conversely, these factors can contribute to desirable context in terms of family collaborations for successful succession, which means that the family relation and the family business don't be disrupted through and by the processes and results of the intergenerational transition (Santiago, 2000).

The underlying premise of this research is that there must be a certain contextual condition which keeps the intergenerational transition implemented smoothly and functionally with no conflicts among key stakeholders and therefore make it possible to maintain the sustainability of the family business. More specific objectives of the research are as followings;

- ☐ to suggest the factors which create the successful implementation climate and environment(context), which is commonly acceptable by stakeholders during and after transition process and so that the intergenerational transition does not split the family relation and havoc the business.
- ☐ to test the relationships between some antecedents and the variables which are composing of the successful implementation environment(context).

- ☐ to suggest a hypothetical model for further research on succession context of family business in terms of establishing the pre-stage of selecting the successor and handing over the leadership to next generation.

Through the extensive review on the existing literatures and measurement scales on the successful succession, we conducted survey using a questionnaire and as a result four variables were identified to create a climate and environment(context) on which succession processes can be implemented without much conflicts in terms of needs and expectations among stakeholders and thus can bring about successful succession(perceived success of succession process). These four factors, which are dependent ones, include succession autonomy, communication for succession, role clarification for the outgoing CEO after succession, and succession justice. Given the four variables, we further seek to find the antecedents of these four factors and test the relationships between these two variable groups.

LITERATURE REVIEW AND HYPOTHESES

Succession, which is defined as "the transfer of leadership from one family member to another" (Sharma et al., 2003, p.669), can be understood as a whole process that an owner officially retires from her/his business (Churchill & Hatten, 1987; Barnes & Hershon, 1976). Broadly, the succession is described as the interactions that take place between the predecessors and successors during the transition process (Churchill & Hatten, 1987; Handler, 1989; Logenecker & Schoen, 1978). In an attempt to explain family business succession, as a theoretical base, some researchers (e.g., Sharma et al., 2003; Barach & Ganitsky, 1995; Le Breton-Miller et al., 2004) adopt the premises of stakeholder theory which involves different groups of actors, while others take a life-cycle approach (Barnes & Hershon, 1976; Gersick et al., 1999; Holland & Boulton, 1984; Holland & Oliver, 1992; Murray, 2003; Peiser & Wooten, 1983). Santiago (2000) found that succession in family businesses in the Philippines takes a different approach in comparison with that in Western countries. However, it seems that there is still a long way to go to crystallize and integrate the findings of the previous studies. Lack of a clearly or well-established theory in guiding research seems to be due to inherent problems in studies of family firms, researchers' prescriptive propensity and difficulties of generalization of findings across studies (Smyrnios et al., 2003).

The conceptual base of the research model in this paper is derived from the theory of planned behavior, which is an extension of the theory of reasoned action (Ajzen, 1991). The theory of planned behavior, known as the Ajzen-Fishbein model of behavioral intentions (Ajzen & Fishbein, 1969), has been used in various academic arenas including social psychology, marketing, and entrepreneurship (Krueger & Carsrud, 1993). In family business research, Stavrou (1999) used this approach in order to explain the owners' intention in the process of succession. According to the theory of planned behavior (Ajzen, 1991), the stronger the intentions to be engaged in a behavior, the more likely should be the targeted behavior. In turn, the intention is postulated to be predicted by such three conceptually independent determinants as attitude toward behavior, subjective norm and perceived behavioral control. Both personal attitude toward outcomes of the behavior and perceived social norms are associated with the perceived desirability of performing the behavior. The perceived behavioral control reflects the degree of subject's perception that she/he can control the planned behavior, the perceived feasibility of performing behavior or subjects' perceptions of personal situational competence (Krueger & Carsrud, 1993).

The three antecedents of the intention can be applied in understanding a process of succession in family business. In a sense, most initiators in a succession process are the owners or the incumbents. When an owner intends to perform succession, s/he perceives that a form of family firm through succession is desirable. Additionally, the owner, other family members, and other stakeholder groups make a degree of consensus that family firms should remain competitive to sustain; it is related to the importance of interaction among all family members in the succession process (Sharma et al., 2003, p.670). Finally, the owner perceives that s/he is able to implement the succession process and hold controlling power that can influence the process. In this regard, Sharma et al. (2003) also assume that the owner possesses sufficient controlling power over the succession process as most families have a majority of ownership of the firm.

Based on such a theory of planned behavior and previous research findings (Ajzen, 1991; Krueger & Carsurd, 1993; Stavrou, 1999), this paper attempts to examine whether both management practices and family characteristics have influences on succession context. The succession context is the perceived requirements of preconditioned situations producing no conflict during and after succession process.

Succession context

We next verify the four constructs which compose the succession context in a more detailed manner.

Role clarification of predecessor. The sound relationship between the incumbent and the successor is central to the success of intergenerational transition. The perspectives on the role of outgoing owner managers vary. Some assert the definitive withdrawal from the firm (Churchill & Hatten, 1987; Gersick et al. 1999; Handler, 1989; Holland & Boulton, 1984; Holland & Oliver, 1992; Longenecker & Schoen, 2002) or very limited role during and after the successor's appointment (Dyck, et al., 2002), but others argue that the outgoing owner manager should be given some new pertinent roles (Malinen, 2001; Cabera-Suarez, 200 Chung & Yuen, 2003; Feltham et al., 2005; Cadieux,2007). As an advisor, the retired founder can transfer his or her tacit knowledge and network of contacts to their successors (Malinen, 2001).

According to process of transition, the expected role from the predecessor might be a supervisory role during joint-reign phase and consultant role during withdrawal phase (Handler, 1989). Even a founder predecessor with an entrepreneurial profile could become a new mentor if he or she personally is involved in the process of training and integrating the successor (Cadieux, 2007). The relations with the form can be maintained by overseeing firm's strategic decisions (Cabera-Suarez, 2005; Chung & Yuen, 2003; Feltham et al., 2005), making contacts with organizations as honorary positions, joining the board of directors, and acting as a firm's ombudsman (Cadieux,2007). Thus, it is important to help the predecessor become more self-aware to seek another role out of the firm (Hall, 1986). This is particularly critical to family firms, in that the incumbent's resistance to give up the current status and power may be one of the severe barriers in accomplishing a smooth transition between one generation and the next because the founder fears losing control and is concerned that retiring from the firm will mean a demotion in his or her role even within the family (Lansberg, 1988).

Succession Autonomy. A successor must be regarded as one of the most important stakeholders who influence the results of succession. The argument is that if a designated successor is reluctant to take over the family business, the succession is less likely to be successful (Venter et al., 2005). When a current owner-manager feels doubt about the ability and credibility of a successor, not only is the predecessor not likely to hand over completely, but wants to continue to take control of firms’ decision processes even after the succession.

Therefore, it may be worthwhile that a successor needs to be consulted with a former owner-manager before the initial succession decision.

If a potential successor does not find the discretions in management after the succession, the willingness of the potential successor to take over the family business may be less. In case of that the succession process has no other choices but to select a certain person as the successor, the succession processes may be worse-than-expected or even fail. Handler (1989) was the first to undertake a systematic and comprehensive study of the range of influences associated with next generation family members. Handler argues that a successful succession depends on leaving the successor to make his or her own decisions. Goldberg and Woolridge (1992) suggest that the successor must take control of succession process. Shepherd and Zacharskis (2000) stress the successor's decision making processes. Interestingly, a study of successfully completed intergenerational transfer in Canada shows that successors are willingly asked to take over, contrary to other cases in general (Cadieux, 2007).

The quality of relationship between the outgoing leader and successor is of great importance to the success of succession process (Brockhaus, 2004; Chrisman et al., 1998; Dickson, 2000; Lansberg & Astrachan, 1994). The high quality relationship is characterized by a high level of trust, mutual support, open and earnest communication, and acknowledgement of each other's achievement (Harvey & Evans, 1993; Neubaur & Lank, 1998).

Succession Communication. Studies of failed succession show that dispute among family members is frequently due to a lack of ground rules of selection. Minimal criteria relating to selection of prospective successor must be set in advance and acknowledged to all the concerned. The rules of the game and processes for the succession must be communicated early and clearly (Ambrose, 1983; Ward, 1997). In this sense, it should be clearly communicated to all concerned for the participants in the succession task force, selection criteria, procedures for continual evaluation and selection, time frame, and timing of succession and population of candidates (Breton-Miller et al., 2004). As mobilizing the succession planning process means to deal with the ambivalence of different stakeholders (Lansberg, 1988), lack of both communication and trust may confound the whole process of succession (Handler, 1994). Thus, it may be assumed that the high quality of succession occurs when mutual respect, understanding, and communication between generations exist in the process of succession planning so that the family unit can feel an informed decision was made (Harvey & Evans, 1995).

Succession Justice. For the family business facing succession issues, justice relating to transition process should be taken importantly into account to maintain the relationships among stakeholders including family members other than the predecessor and the successor (Ayres, 1990). The succession justice derives from recognition of stakeholders in terms of ability and fairness in selection process. The new successor in the family business is necessary to be confirmed by a majority of stakeholders, including key employees, investors, bankers, suppliers, and distributors (Harvey & Evans, 1995). If the successor sets in the new leadership position but is reluctantly or even not recognized as an appropriate person by the stakeholders, the successor are less likely to effectively take control of the business with little authority. Given this importance and characteristics of the succession justice, thus, firms that prepare business succession should pay a great deal of attention to it.

Taking account of the variables for succession context mentioned above, we develop a hypothesized model that is focused on the influences of the management practices and family characteristics on the succession context. To examine management practices, we employ three variables: fair HRM practices, external governance practices, and family members' involvement in management. With regard to the characteristics of family firms, we employ three variables: family harmony, family relationship, and acceptance of changed role. Our hypotheses are briefly discussed below.

Many of the empirical research support that such human resource management (HRM) practices as recruitment, selection, development, compensation, and performance appraisal help firms improve their competitive advantages, productivity, and profitability (Conway & Monks, 2008; Den Hartog & Verburg, 2004). Examining whether or not those practices in family firms are critical Astrachan and Kolenko (1994) argue that the effective use of HRM practices helps the family firms succeed and survive in the competitive product markets and appears to be crucial to the longevity of the family firms.

They also suggest that such firm governance practices as strategic planning, board of directors, and families' participation in business activities appear to be of importance to long-term survival and success of family firms. Despite their significant contributions to research into family firms, firm governance practices have tended to be too broad to be regarded as one critical factor. Ayres (2002) states that as family firms continue to grow and expand their size and employment, the board of directors certainly comes to include management and independent directors as well as family members. That is, given the distinct characteristic of family firms, we may split up such a broad concept into two separate dimensions such as external governance and family members' involvement. Therefore, from the literature review, we can expect that in family firms, sound HRM practices, external governance, and family's involvement practices influence succession planning.

H1: Management practices will be positively related to succession planning.

1-1-1: Sound HRM will be positively related to succession autonomy.

1-1-2: External governance will be positively related to succession autonomy.

1-1-3: Family involvement will be positively related to succession autonomy.

1-2-1: Sound HRM will be positively related to communication for succession.

1-2-2: External governance will be positively related to communication for succession.

1-2-3: Family involvement will be positively related to communication for succession.

1-3-1: Sound HRM will be positively related to role of outgoing CEO after succession.

1-3-2: External governance will be positively related to role of outgoing CEO after succession.

1-3-3: Family involvement will be positively related to role of outgoing CEO after succession.

1-4-1: Sound HRM will be positively related to succession justice.

1-4-2: External governance will be positively related to succession justice.

1-4-3: Family involvement will be positively related to succession justice.

Contrary to non-family firms, family ones have one distinct aspect, i.e., familiness. Due to its importance, even there have been crucial academic debates on the relative weight of family in terms of precedence in family businesses. Sharma (1997) summarizes that early rational theorists argue that family businesses have two separate sub-systems, i.e. family and business. On the other hand, later theorists refute that the two sub-systems coexist but the relative power of the systems should be considered importantly. These theoretical debates commonly suggest that further discussion of family characteristics is necessary in order to gain a greater understanding of the extent to which family influences in business (Sharma, 1997).

Family harmony promotes the establishment of trust, mutual understanding and share of knowledge and helps an owner implement successfully succession planning (Churchill & Hatten, 1987; Handler, 1990). The family harmony also encourages the members of family to develop a shared vision which suggest firm's directions after succession (Sharma et al., 2001). In order that a firm makes a successful succession, it is of great necessity to help the founder overcome fears of losing control and retiring from a firm and become more self-awared (Kaplan, 1987; Zaleznik & Kets de Vries, 1985) and take other opportunities outside the firm. Malone (1989) argues that family harmony has a positive impact on succession planning in family firms. Lansberg and Astra (1989) and Lansberg and Astrachan (1994) argue that commitment of family to continue do its business influences the succession process.

Owners or founders exert significant influences on board members (Alderfer, 1988), determining culture in family firms (Dyer, 1988) and types of families (Reiss, 1982). After succession, however, these owners who put their full energies and spend most of their times on their business can have psychological and emotional uneasiness due to the loss of their influence and authority (Kets de Vries, 1988; Handler, 1989). In an attempt to tackle these problems that may be the biggest obstacle for a successful succession (Christensen, 1953), they have tendency to seek to have an initiative for the purpose of leading a succession process (Lansberg, 1988). Thus, in succession planning, it is crucial for the current owners to prepare for defining their roles after retirement.

H2: Family firm characteristics will be positively related to succession planning.

2-1-1: Family harmony will be positively related to succession autonomy.

2-1-2: Family relationship will be positively related to succession autonomy.

2-1-3: Owner's roles after retirement will be positively related to succession autonomy.

2-2-1: Family harmony will be positively related to communication for succession.

2-2-2: Family relationship will be positively related to communication for succession.

2-2-3: Owner's roles after retirement will be positively related to communication for succession.

2-3-1: Family harmony will be positively related to role of outgoing CEO after succession.

2-3-2: Family relationship will be positively related to role of outgoing CEO after succession.

2-3-3: Owner's roles after retirement will be positively related to role of outgoing CEO after succession.

2-4-1: Family harmony will be positively related to succession justice.

2-4-2: Family relationship will be positively related to succession justice.

2-4-3: Owner’s roles after retirement will be positively related to succession justice.

RESEARCH METHOD

Sample and collection

There is no national list regarding family firms in Korea. To identify family-own businesses and collect data, we developed a sampling framework which comes from the list of publication published by the Chamber of Commerce and Industry in Daegu-Gyeongbook province in Korea. As the perceptions of owners and successors may differ (Sharma et al., 2003, p. 674), we gathered data from both owners and successors to reduce potential bias that may hamper the results of the present study. To increase a response rate, we sent a stamped self-addressed return envelope with a questionnaire. Additionally, we separately encouraged them to cooperate by ringing and, where possible, by visiting potential respondents. As a result, 208 responses in total were received, giving a response rate of 19.6%. Of the 208 responses, 117 came from owners (16.7%) and 91 from successors (13.0%), respectively. However, 2 owners and 3 successors did not respond to all of the questions and thus these were excluded from data available to test the hypotheses, producing a final sample size of 203.

Operational Definition and Measurement

Succession context. Succession context includes succession autonomy, communication for succession, role clarification of outgoing CEO after succession, and succession justice. Each of operational definition is as follows:

- ☐ Succession autonomy: the extent of discretionary powers of a successor in relation to running business
- ☐ Communication for succession: the extent of the communication of owner’s succession plan to a stakeholders
- ☐ Role clarification of outgoing CEO after succession: the extent of clarification of the position of the CEO after retirement
- ☐ Succession justice: the extent of justice of succession based on a succession plan agreed by other stakeholders

Items to measure all the variables were developed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), based on items used by Hume (1999) and Sharma (1997).

Management Practices. Management practices include three variables: sound HRM, external governance, and family involvement. Operational definitions of the three variables are as follows:

- ☐ Sound HRM: the extent of perceptual implementation of such practices as achievement evaluation of family members, achievement-based promotion, individual-based achievement responsibility, and compensation based on market value
- ☐ External governance: the extent of perceptual implementation of such practices as allowing outsiders to go into a top management team, recruiting them to a board of directors, and seeking outside advice on an important decision
- ☐ Family involvement: the extent of perceptual implementation of such practices as making family got involved in setting strategies and goals of the business, seeking their agreements, and planning for career development

Items to measure the variables were developed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), based on ones used by Hume (1999).

Family Firm Characteristics. Family characteristics are understood as types of relationships among family members on the management affaires. The construct includes family harmony, commitment and loyalty to family business, and competition between the family members. Operational definitions of the three sub-variables are as follows:

- ☐ Family harmony: the extent of trust between family members, good relationship, and informal communication, refraining from condemnations and excessive competition each other., reasonable resolution of conflicts, good family relationship
- ☐ Expectations for family sustainability: extent of encouraging to get involved in business, the extent of commitment of family unit to business, sharing responsibility
- ☐ Acceptance of changed role: the extent of non-involvement, when retired and changed in position, looking forward to outside activities, no control right after retirement.

Items to measure each variable were developed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), based on items used by Hume (1999) and Sharma (1997).

Reliabilities and factor analysis

Prior to performing multiple regression analysis to test the hypotheses, reliability and validity analysis were conducted using SPSS 14.0 to confirm internal consistency and factor loadings of variables. Table 1 reports that the Cronbach's α values of the variables exceeded the 0.70 standard cited by Nunnally (1978) as being acceptable, except 'Acceptance of changed role (α=0.643)'.

<Table 1> Reliability Analysis

Construct	Variable	Item	Cronbach's α
Family firm characteristics	Family harmony	9	0.908
	Expectation for firm sustainability	4	0.710
	Acceptance of changed role	4	0.643
Management practices	Sound HRM	7	0.857
	External governance	4	0.786
	Family involvement	3	0.721
Succession context	Succession autonomy	6	0.832
	Communication for succession	5	0.808
	Role clarification of outgoing CEO	4	0.823
	Succession justice	5	0.834

To check for validity of the variables, we performed an exploratory factor analysis (EFA) using a principal components factor analysis with a variamax rotation. As shown in Table 2 to 4, results of the EFA exhibit that each of construct was split up as expected and each of items of variables was loaded properly, with discriminant validity and convergent validity to be acceptable.

<Table 2> EFA results for 'Family Firm Characteristics'

Variable	Item	Factor Loadings		
		Factor 1	Factor 2	Factor 3
Family harmony	Reasonable resolution to conflict	**.889**	.018	.104
	Side-splitting	**.880**	.010	.187
	Competition and accusation restraint	**.802**	.109	.153
	Communicated openly with each other	**.715**	.239	.265
	Commitment to family business	**.702**	.098	.170
	Exclusion of decision-making effects of family who are not	**.691**	.079	.204
	involved in the business	**.609**	.325	.085
	In harmony with each other	**.601**	.415	.126
	Authority sharing	**.539**	.387	.048
	Good family relationship			
Expectation for family firm sustainability	Encouragement successors to get involved in business	.073	**.743**	.209
	Commitment of outsiders to business	-.044	**.729**	.288
	Commitment of family to business	.198	**.704**	.031
	Decision-making responsibility sharing	.397	**.566**	.183

Acceptance of changed role	Only involved in activities outside the context of the business after retirement	.159	.089	**.780**
	The appropriate educational background of the successor for the business	.133	.079	**.623**
	No control right after retirement	.192	.139	**.621**
	Looking forward to the pursuit of activities outside the business	.170	.299	**.566**
Eigen-value		5.024	2.534	2.100
Cronbach's α		.908	.710	.643

<Table 3> EFA results for 'Management Practices'

Variable	Item	Factor Loadings		
		Factor 1	Factor 2	Factor 3
Sound HRM	Achievement-based promotion	**.809**	.007	.227
	Achievement assessment for family	**.751**	.155	.198
	Achievement responsibility of family	**.703**	.360	.052
	Compensation based on market value	**.661**	.112	.318
	Position based on experience and ability	**.547**	.498	.098
External governance	A board of directors consisting of outsiders	.108	**.775**	.227
	Top management consisting of outsiders	.468	**.703**	-.093
	Having a board of directors	.157	**.693**	.403
	Consulting from experts outside	.062	**.573**	.416
Family involvement	Setting up strategic goals for family	.207	.113	**.805**
	Agreement to direction for the firm	.155	.190	**.759**
	Setting up the extent of career development	.369	.257	**.485**
Eigen-value		3.373	2.751	2.210
Cronbach's α		.857	.786	.721

<Table 4> EFA results for Succession Planning

Variable	Item	Factor Loadings			
		Factor 1	Factor 2	Factor 3	Factor 4
Succession autonomy	Transfer of substantial management power to the successor	**.775**	.258	.015	-.018
	Practical effort for training to be a successor	**.639**	.155	.361	.105
	Ownership structure's clarification after succession	**.630**	.232	.317	.238
	Ability-based decision for a successor	**.582**	.138	-.039	.419
	Plan for CEO's activities after succession	**.549**	.067	.307	.156
	Plan for property inheritance	**.521**	.406	.106	.325
Communication for succession	Perception of family on succession plan	.208	**.771**	.100	.114
	Written succession plan	-.013	**.705**	.255	.135
	Agreement to retirement plan	.192	**.676**	.027	.350
	Family consensus on succession plan	.395	**.660**	.146	.193
	Official announcement of succession	.331	**.469**	.282	.121
Role clarification of outgoing CEO	Official plan of CEO's role after succession	.117	.199	**.811**	.153
	Succession clarification	.428	.118	**.691**	.151
	Notification of the successor	.081	.416	**.566**	.084
	Setting up business goals after succession	.503	.141	**.508**	.254
Succession justice	Family consensus on change plan of ownership	.175	.434	.153	**.706**
	Documentation of ownership change	.063	.370	.216	**.648**
	Explicit succession criteria	.220	-.026	.504	**.596**
	Family agreement on time for the management transition	.248	.432	.049	**.586**
	Preparation for a succession plan	.508	.007	.287	**.537**
Eigen-value		4.521	7.297	11.637	18.602
Cronbach's α		.832	.808	.823	.834

The factor loadings of most of the items were generally acceptable. However, one item's factor loading on family involvement and communication for succession, respectively, and two items in external governance were less than 0.50.

Results and hypothesis testing

The descriptive statistics and correlations between the variables are presented in Table 5. The correlations between two control variables (firm size and sex) and all the variables were insignificant, with the exception of the negative correlation between family harmony and sex. However, correlations between all the variables were positively significant, with the exception of the low negative correlation between expectation for family business sustainability and external governance. Given Pearson's correlation coefficients between the measures, none of the correlations appeared to be large enough to warrant concern about multicollinearity (Hair et al., 1995).

Multiple regression analysis was used to test hypotheses. Results from the analysis are reported in Table 6. In terms of explanatory power of independent variables for the dependent ones, the findings indicate that the independent variables used in this study had the highest explanatory power for succession autonomy (R^2=.284, F=9.586, p<.01), while having the lowest explanatory power for succession justice (R^2=.122, F=3.995, p<.01). Specifically, family harmony (β=.317, p<.01), acceptance of changed role (β=.239, p<.01), and sound HRM (β=.205, p<.01) significantly influenced succession autonomy, thus supporting for hypothesis 2-1-1, 2-1-3 and 1-1-1. The significant explanatory power was also found in the relationships of independent variables to communication for succession (R^2=.254, F=8.345, p<.01). Specifically, family harmony (β=.447, p<.01), family involvement (β=.158, p<.05), expectation for family business sustainability (β=.139, p<.10), and sound HRM (β=-.139, p<.05) were all significant predictors of the dependent variable, thus providing support for hypothesis 1-2-3, 2-2-1, and 2-2-2. However, hypothesis 1-2-1 was rejected with a negative influence on the dependent variable.

The findings exhibited the reasonable explanatory power by the independent variables for role clarification of outgoing CEO (R^2=.217, F=7.003, p<.01). Three predictor variables, i.e. expectation for family business sustainability (β=.304, p<.01), family involvement (β=.232, p<.01), and acceptance of changed role (β=.174, p<.05), had significant effects on the dependent variable, supporting hypothesis 2-3-2, 1-3-3, and 2-3-3. Lastly, the significant explanatory power from the results supported influence of some independent variables on succession justice (R^2=.122, F=3.995, p<.01). Specifically, expectation for family business sustainability (β=-.286, p<.01), sound HRM (β=.155, p<.05), and family harmony (β=.130, p<.10) had significant effects on the consequence. Hence, hypothesis 2-4-2, 1-4-1, and 2-4-1 were all supported.

<Table 5> Descriptive Statistics and Correlations

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Family harmony	4.13	1.07	1										
2. Family relationship	3.43	1.17	.227**	1									
3. Owner’s roles of after retirement	3.65	.99	.247**	.175**	1								
4. Succession justice	4.07	.96	.284**	.185**	.278**	1							
5. Communication for succession	3.71	1.09	.335**	.266**	.198**	.302**	1						
6. Clarification of outgoing CEO’s roles	3.81	1.00	.198**	.333**	.256**	.382**	.309**	1					
7. succession autonomy	3.86	.99	.309**	.245**	.203**	.327**	.410**	.301**	1				
8. Sound HRM	4.20	.83	.228**	.104**	.099**	.213**	.123**	.146**	.197**	1			
9. External governance	4.01	.94	.178**	-.001	.247**	.211**	.159**	.187**	.205**	.320**	1		
10. Family involvement	3.79	.96	.248**	.172**	.179**	.276**	.281**	.249**	.234**	.345**	.267**	1	
11. Firm size (Sales)	469.27	1785.80	-.010	.008	-.039	-.031	-.053	-.101	.011	-.097	.069	.091	1
12. Sex	1.32	3.44	-.145*	-.106	-.115	.017	.050	.068	-.023	-.113	-.019	-.059	-.021

*, ** : Correlation is significant at the 0.05 and 0.01 level (2-tailed), respectively.

<Table 6> Results of Regression Analysis

Variable	Succession autonomy			Communication for succession			Clarification of outgoing CEO's roles			Succession justice		
	β	t	p	β	t	p	β	t	p	β	t	p
Sales	.142	2.114	.036	.132	1.925	.056	.071	1.014	.312	.033	.440	.661
Sex	-.185	-2.814	.005	-.022	-.326	.745	.025	.364	.717	.098	1.346	.180
Family harmony	.317	4.675	.000	.447	6.314	.000	-.121	-1.169	.097	.130	1.689	.093
Family willingness	-.015	-.223	.824	.139	1.957	.052	.304	4.195	.000	.286	3.723	.000
Owner's roles after retirement	.239	3.290	.001	.054	.723	.471	.174	2.281	.024	.080	.991	.323
Sound HRM	.205	3.043	.003	-.139	-2.020	.045	-.068	-.959	.339	.155	2.075	.040
External governance	.062	.891	.374	.055	.767	.444	.038	.527	.599	.123	1.588	.114
Family involvement	.037	.514	.608	.158	2.166	.032	.232	3.103	.002	-.087	-1.104	.271
R^2	.284			.254			.217			.122		
F	9.586^{***}			8.345^{***}			7.003^{***}			3.995^{***}		

*** : Statistically significant at 0.01.

CONCLUSION AND DISCUSSIONS

Summary and implications

The objective of this study was to investigate predictors which influence succession planning of family firms and their causal relationships in the context of Korea. Through an extensive review of past studies on family business succession, two key constructs, i.e. management practices and family characteristics, were set up and each of construct was expected to consist of three variables. For Korean family businesses, succession autonomy, communication for succession, role clarification of outgoing CEO after succession, and succession justice were identified as the most essential components of the succession context. Besides, they were also recognized as the pre-stage for successful succession, which is required to implement the successful succession.

Controlled for firm size and gender, a multiple regression analysis was performed to test hypotheses. Findings revealed that succession autonomy was a function of some antecedents: family harmony, acceptance of changed role, and sound HRM. Of the three factors, family harmony proved to have the greatest influence on succession autonomy. Thus, if the relationships between family members remain sound on the basis of mutual trust and of sharing informal information, the predecessor and the successor are more likely to trust each other; and this leads to the predecessor's recognition that the successor deserves to manage their business in his/her own way. Communication for succession denotes that a firm has a written succession plan, and all the family members, involved with the business, agree with the succession plan and make an official announcement about it. The results indicated that the communication for succession can be facilitated by a high degree of family harmony, expectation for family business sustainability, and family involvement. Particularly, family harmony was found to be the most influential on the succession context. On the contrary, sound HRM significantly but negatively affected the communication for succession. It is possible to infer that most employees including a potential successor in family businesses are likely to perceive that a future successor will be appointed on the basis of her/his managerial capabilities once sound HRM practices are working well. This could make a CEO and a potential successor feel little need of communication for succession plan. Since succession planning is emotionally very sensitive issue in most family-run organizations, calling for more communications for succession may damage the family relationships even when fair, sound HRM practices are well-built to implement.

The higher expectation for sustainability of family business, the higher family involvement and the more acceptable the role change, the more importantly the clarification of the role of outgoing CEO after succession is considered. When the family members make every effort to maintain their family business longer, they will be involved with family businesses at all times and every member will accept the role change. In addition, new roles for the former CEO after succession should be taken into account as noteworthy. This could make the outgoing CEO unconcerned about his/her future identity. It is anticipated to substantially reduce the possibility of any post-succession conflict. Considering that higher expectation for sustainability of family business had the greatest positive effect on succession context, longing for sustainability for the family business does not drive out the retired, but even seeks to use the accumulated knowledge the former CEO possesses. When family members ardently want their family business to be maintained longer under their control, they may seek the way making their family relationship long-lasting. In a highly probable manner, they may in advance prepare the retired CEO for maintaining his/her identity in family. Finally, succession justice was a function of expectation for sustainability of family business, sound HRM, and family harmony. Once family members perceive the high expectation for sustainability of the family business, they must make it important for the succession process to be justified by all the stakeholders.

Despite the importance of succession issue, virtually all of the past studies in this area have thus far paid their key attention to descriptive researches with a small size of samples or case studies, in approaching to succession problems (Brockhaus, 2004; Morris et al., 1997). In comparison with the previous studies taking a conceptual approach, our research intends to make a methodological contribution by testing causal relationships between the variables that influence succession planning of family firms. Especially, the development and purification of measures provide a foundation for future empirical research.

This study provides several other implications as well. Firstly, two constructs used in this study, i.e. management practices and family characteristics, proved to be of great importance to succession planning of family businesses. It confirms that both managerial factors and family factors are enmeshed with family businesses. Such factors as family harmony, expectation for sustainability of family business, and acceptance of the changed role found to be essential to preparing the successor for managing her/his own business in his/her own way, leading to successful succession. Additionally, it was confirmed that both family involvement in the business and sound HRM's application to the family were significant factors for succession context. However, no linkage between external governance and any of succession context's sub-factors was found. Family firms' founders or potential successors in Korea seem to take little account of the external governance as a key success factor for the firm to be sustained. Although the sample used in this research is limited to small- and medium-sized enterprises, the findings provide an implication that succession-related issues in family businesses should be dealt with inside family rather than with such outsider groups as a board of directors, showing a low level of recognition to the importance of external governance.

Secondly, issues of succession planning should not be developed as a one-off event, but be carefully implemented as part of a long-term project. To enable family firms to improve business performance and lead to sustainable growth, a successor is required to take control to a considerable extent in decision-making process. To do so, factors including selection of a well-qualified successor, on-the-job training after the selection, family harmony, and clarification of roles of the outgoing CEO after retirement should be taken into consideration in advance. Managing inter-generation conflicts also should be paid much more attention. These series of procedures all place emphasis on systematic succession planning. Since most of the issues relating to succession in family firms are politically sensitive, lack of preparation for them may cause unprecedentedly serious problems such as family feud or intervention of judiciary judgment. According to the survey carried out for this study, additionally, approximately 50% of respondents ticked on 'no succession planning'. Particular attention needs to be paid to recognition's turnaround and a design of succession planning, before it works, which best fits for the characteristics of each of family firm, in that business succession should be dealt with in the process of a detailed plan.

Thirdly, the overall image of succession of family-owned firms in general is somewhat socially negative, despite their certain contributions to economic growth and job creation in Korea. This seems owing to the burden of an inheritance of wealth from the former generation to the next. From the resource-based viewpoint, a family firm has more competitive advantage than a non-family firm. Factors that create and enhance family businesses' competitiveness hardly can be accumulated without a smooth succession planning and its process. Therefore, it implies that a great emphasis should be placed on a successful transfer of former CEO's tacit knowledge to the successor.

Fourthly, recognition of a specific relationship between the predecessor and the successor must be cautiously taken into account in order to promote a transfer of inter-generation knowledge. A transfer of leadership denotes that privacy- and family-related predicaments may arise, going beyond business matters. Hence, a successor is required to accept accumulated knowledge in the time of the former and to take a positive stance on the managerial achievements of the predecessor.

Limitations and suggestions for future research

Several limitations of this research must be denoted as well. Firstly, the generalizability of the findings is limited as the research was conducted with the data collected from the respondents in operation in the limited regions in Korea. All the analyses were carried out with the collected data through a series of questionnaires. Nonetheless, we also took no measure to avoid common method bias. Additionally, we could not handle sufficient industry effects in testing hypotheses. However, it is likely that certain industry conditions influence succession planning of family-run firms, thus indicating that the plan for succession may be affected by the industry conditions in which the firm is involved (Brockhaus, 2004). This leads to our suggestion that future research should investigate the linkage between industry and succession. Secondly, this research focuses completely on the factors of managerial and individual level concerning succession planning of family firms, consistent with many of past studies. Thus, it would be beneficial to take account of other significant factors such as organizational culture, government policy, social norms, family values. This could help take a holistic approach to business succession and construct a more comprehensive conceptual framework. Thirdly, complete dependence on the perceptions of the respondents might overlook the real side of a story in the succession process. For instance, it needs further investigation into how the former CEO's valuable know-how and accumulated tacit knowledge are transferred to the successor from various perspectives, in light of which the CEO still can play a crucial role in forming a cooperative relationship between the predecessor and the successor after succession. Hence, a fine-grainer in-depth approach to gain qualitative information will be of use to support the findings of this research. Lastly, this study only focuses on investigating the relationships between succession context and its antecedents. However, further research is necessitated to proceed with exploring other possible linkages between a degree of succession satisfaction and business performance for family firms after succession over the past 5 or 10 years. Carrying out a concurrent survey of three parties, i.e. owner, successor, and employee, would provide a good starting point in this regard.

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