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SUCCESSION IN FAMILY OWNED BUSINESSES:
THE INFLUENCE OF SUCCESSION PLANNING AND
DEMOGRAPHIC CHARACTERISTICS ON SUCCESSION SUCCESS

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in

The School of Human Resource Education
And Workforce Development

by

Steven Thomas Perret
B.S., University of Phoenix, 2008
M.B.A., Louisiana State University, 2010
M.S., Louisiana State University, 2015
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ABSTRACT

The primary purpose of this study was to determine the influence selected aspects of succession planning and selected demographic characteristics had on the level of success in the succession of family owned businesses (FOB's) in south Louisiana. To achieve this, the researcher designed a survey instrument to collect data. A total of 61 FOB's responded indicating they completed succession; however, only 23 or (38%) completed a planned succession to the next generation. An important finding was that having a high quality succession plan had a positive influence on the perceptions of family owned business owners and managers.

Another important finding was respondents perceived that planning for succession was important. Perceptions were measured based on a four point Likert-type scale, indicating mean values with a range from 3.52 (strongly agree) to 2.61 (agree). It was based on these findings that the researcher recommended this study be replicated with a larger sample size to further determine the influence that quality of plan has on perceptions of succession planning. In addition, the researcher recommended that organizations that provide consulting services, professional development and support to family businesses, such as family owned business centers connected with universities, local chambers of commerce, and corporate accounting firms, add programs that will educate family business owners and managers on the importance of succession planning and the steps necessary for preparing a quality succession plan. It was based on these findings that the researcher recommended this study be replicated to determine if perceptions of FOB owners and managers regarding their agreement with successful succession items can be confirmed.

Also, that “Planning for succession early is important to a successful succession” and “Planning had a positive effect on the overall succession process” report mean values ≥ 3.50 . In addition, structured qualitative studies should be conducted to understand the perceptions of why planning is important in family owned business and how and why it increases success.

CHAPTER I: INTRODUCTION

“Thinking is the hardest work there is, which is probably the reason why so few engage in it.” – Henry Ford

Rationale

Family owned businesses (FOB's) are the backbone of the American economy. According to Poutziouris, Smyrniotis, and Klein, “Their importance parallels socio-cultural advances, technological advances, and the so-called new market order associated with globalization” (Poutziouris, Smyrniotis, & Klein, 2006, p. 1). There are over 5.5 million family owned businesses in the United States that contribute 57% of the U.S. Gross Domestic Product (GDP), or an average of \$8.3 trillion, and employ over 63% of the workforce (USA, 2011). Galiano and Vinturella state, “According to the National Family Business Association, 90 percent of U.S. businesses are family controlled, producing half of the GDP and employing half of the workforce” (Galiano & Vinturella, 1995, p. 178). Members of the Family 500 index, a list of the largest family owned businesses worldwide based on revenue, contribute \$6.5 trillion in annual sales to the U.S. and employ nearly 21 million people (Withorn, 2015). Some of the largest family owned businesses in the United States include companies such as Bechtel Group (\$30 billion), Comcast (\$37 billion), Koch Industries (\$100 billion), Ford Motor Co. (\$128 billion), and Walmart (\$421 billion) (Weinmann & Groth, 2011).

Small businesses employ over half of U.S. workers, and a majority of those are family owned (Business, 2015). In 2015, the U.S. Small Business Administration (SBA) released a Louisiana Small Business Profile that showed that there are 424,475 small businesses, 78,720 small businesses with employees, and 345,755 small businesses

without employees (nonemployers) operating in Louisiana. In Louisiana, small businesses employ 892,125 individuals, making up 97.3% of all employers. Small businesses with fewer than 100 employees employ 54% of Louisiana's workforce. Businesses with 1-19 employees represent 18% of the Louisiana workforce, 20-29 employees represent 20%, 100-499 employees represent 16%, and 500+ employees represent 46% (Office of Advocacy U.S. Small Business Administration, 2015).

Despite the importance of family owned businesses and the positive economic impact they have on the U.S. economy, their longevity is often short. According to Scott, "The average life expectancy of such a business is roughly 25 years" (Scott, 2000, p. 80). Many factors can influence the longevity of the family firm, such as poor business planning, lack of financial understanding, under capitalization, operational inefficiencies, dysfunctional management, and a declining market (Monk, 2000). One factor that is often identified as critical in the success of a family owned business, especially a small FOB, is succession from one generation to the next. Many American family owned businesses have vanished due to the lack of adequate succession planning (Galiano & Vinturella, 1995). According to Poutziouris et al., "Past research suggests that there are many reasons such successions fail. They include unclear succession plans, incompetent or unprepared successors, and family rivalries" (Poutziouris et al., 2006, p. 372). Although management succession is a common issue within many types of businesses, family owned businesses have far more challenges to overcome than do nonfamily owned businesses. For example, the size of the candidate pool and the personal relationships that exist between the incumbent and successor when transferring leadership to a family member complicate the succession process (Long & Chrisman, 2013). As explained by

Barach and Ganitsky, “Successful succession of CEOs is a critical goal for family firms: without the next generation’s leadership and direct management, the firm cannot survive as a family firm, let alone maintain its character” (Barach & Ganitsky, 1995, p. 131). Multigenerational successions in family owned businesses do not have an impressive record of accomplishment. “Only a third of family owned businesses survive into the second generation, and only about 10-15% make it into the third generation (Birley, 1986; Ward, 1987). Poor successions are often the source of the problem (Miller, Steier, & Breton-Miller, 2003)” (Isabelle Le Breton-Miller, 2004, p. 305).

The literature suggests that there are gaps in our understanding of family business succession planning. Although interest in family business research has grown over the last decade, little attention has been given to succession planning and factors that influence successful succession (Barbara & Alberto Ivo, 2009). Researchers include the absence of planning as a top reason for failed succession; however, little is known about how or why planning increases success (Long & Chrisman, 2013). Van der Merwe, Venter, and Ellis describe the issue as follows:

One of the most significant factors determining the continuity of the family business from one generation to the next is whether the succession process is planned (Neubauer and Lank, 1998). The failure to plan for succession is one of the greatest threats to the survival of the family business (Venter and Boshoff, 2005; Venter, 2003; Bjuggren and Sund, 2001; Malinen, 2001). (Van der Merwe, Venter, & Ellis, 2009, p. 4)

Researchers have focused on factors such as motivation for succession, characteristics of the incumbent, characteristics of the successor, and other elements of the succession process. However, Avila, Avila, and Naffziger (2003, p. 85) suggest that little has been

written on business succession *planning*, which could be a factor in the number of family owned businesses that do not survive through subsequent generations.

Despite their significance, few organizations track statistics on family owned businesses. The SBA collects demographic data such as gender, race, industry, minority owned, and veteran owned, but does not record whether the business is family owned. In Louisiana, two universities have established family business institutes. They are the Levy-Rosenblum Institute at Tulane University Family Business Center and the Centenary College of Louisiana Center for Family Owned Businesses. Both maintain a membership list of approximately 25–50 family owned businesses; however, they only track limited information. Furthermore, few studies that focus on family owned business succession planning have been conducted in south Louisiana. Of these studies, John Cater, Brent Beal, and Robert T. Justis have conducted the majority of the work, focusing on leadership transitions within family owned businesses and development of the successor from follower to leader. Also, Alanna Galiano and John Vinturella have conducted a study in New Orleans on the implications of gender bias in family owned businesses.

A review of the literature shows that there have been no studies conducted to determine the influence of succession planning and demographic characteristics on the success of succession in south Louisiana family owned businesses. This study focused on the influence of succession planning and hopefully will serve as a basis for improving the success and longevity of family owned businesses.

Purpose of the Study

The primary purpose of this study was to determine the influence selected aspects of succession planning and selected demographic characteristics have on the level of success in the succession of family owned businesses in south Louisiana.

Dependent Variable

The dependent variable of this study is the perception of successful succession by family owned business owners and managers.

Objectives

The researcher formulated the following objectives to guide the study:

1. Describe family owned businesses in south Louisiana in terms of the following characteristics:
 - a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.
2. Determine how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning:
 - a) Degree to which a firm commitment to successful succession was signaled to stakeholders throughout the planning process;

- b) Degree to which the leadership began the succession planning process in a timely manner;
 - c) Degree to which the incumbent and successor learned throughout the planning process;
 - d) Degree to which stakeholders were satisfied with the succession process;
 - e) Degree to which family members were harmonious during and after the succession process;
 - f) Degree to which planning contributed to a successful transition.
3. Determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the following variables:
- a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.
4. Determine if a model exists that explains a significant portion of the variance in the perception of family owned business owners and managers in south Louisiana regarding selected aspects of succession planning from the following variables:
- a) Age of the family owned business based on number of years in business;

- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

Significance of the Study

This study makes a significant contribution to the existing scholarly body of knowledge regarding successful succession planning in family owned businesses. Although scholarly researchers have focused on family owned business succession for decades, much of the research has focused on factors such as motivation for succession, characteristics of the incumbent, characteristics of the successor, and other elements of the succession process. In contrast, this study expands our understanding to include consideration of how planning, in particular, increases successful succession in family owned businesses. Specifically, the study assessed the perceptions that family business owners and managers in south Louisiana have on selected aspects of succession planning and certain demographic characteristics. Based on a review of the literature on family owned businesses, the researcher created two scoring systems to better understand the quality of the succession plan and the level of succession success. These scores are reported based on the results of selected items on the researcher-designed survey instrument.

Family owned businesses are the backbone of the American economy and families take great pride in continuing their legacy into the next generation. However, the literature suggests that often family owned businesses fail to successfully transfer the business from one generation to the next due to the lack of planning. This study provides information that allows both researchers and practitioners to better understand how planning facilitates success in family owned business succession, as well as identifies opportunities for future research.

CHAPTER 2: REVIEW OF LITERATURE

Much of the literature on firms focuses on the activities, planning processes, and effectiveness of large firms. Although little attention has been given to family owned businesses in the past, more recent research has begun to recognize their importance. Family owned business emerged as a field of study in the early 1980's with the creation of *Family Business Review*, a refereed academic journal published quarterly since 1988. Since then, the study of family owned businesses has become a prominent area of investigation for researchers (Ibrahim, Angelidis, & Parsa, 2008). One of the most important issues for family owned businesses is succession planning, which has received less attention. In this chapter, the researcher defines succession planning and family owned businesses, briefly reviewing the literature on both.

What Is Succession Planning

The term *succession planning* has been used to describe a wide variety of activities involving planning for a leadership transition within an organization. Rothwell (2001) defines succession planning as a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, to retain and develop intellectual and knowledge capital for the future, and to encourage individual advancement. The practice of succession planning has existed since the beginning of recorded history in one form or another. Documented history shows that succession planning was used in the transition of power within family networks, for example, within royal families and family owned business empires (Garman & Glawe, 2004). Gray has stated, "Succession planning can be identified as a process for identifying and developing key leaders within your company. The primary purpose is to create increased

engagement and retention by providing a career ladder” (Gray, 2014, p. 35). Redman provides an additional, comprehensive definition:

Leadership succession planning consist[s] of assessing and planning for future leadership needs in the organization. It is a long-term business strategy that requires both strategic thinking and action to ensure that leadership needs in the organization will be anticipated and leadership competencies will be sufficiently developed in those who have potential for leadership roles in the future. (Richard W. Redman, 2006, p. 292)

The purpose of succession planning is not so much to select a candidate for a specific vacancy, but to identify candidates with strong management training, knowledge, skills, and attitudes for future leadership vacancies (Quinn, 2002). Succession planning is viewed as a process of identifying potential successors to the incumbent and preparing them to assume a new role (Garman & Glawe, 2004).

The need for succession planning is equally critical in large corporations and small to mid-size enterprises (SMEs). Larger corporations have a wide range of potential successors for executive and leadership roles, while SMEs have rather flat organizational structures and the personal stakes for the entrepreneur are significantly more. A well-defined succession plan communicated properly within the organization will boost confidence among stakeholders, reducing the risk of losing key employees (Krishnan, 2012). In addition, a well-defined succession plan combines succession planning and leadership development, because the two tasks are natural allies sharing a vital and fundamental goal: getting the right skills in the right place (Conger & Fulmer, 2003). A generic approach to succession planning, at a minimum, would include an assessment of the position in detail, the skills and education needed, and other individual qualities required to perform at a satisfactory level. In addition, it would require a systematic

assessment of the individuals currently employed to determine their leadership capabilities and potential for moving into leadership positions, if available (Richard W. Redman, 2006).

Succession planning is a topic every organization must face, but it is often overlooked due to lack of resources or ability to conduct the succession planning process. In fact, a recent survey conducted by the Stanford Graduate School of Business found that of the 20 organizations surveyed, only 46% had a formal succession plan prepared for key executives. Most organizations do not know who is next in line to fill senior executive positions.

Companies do not know who is next in line to fill senior executive positions. Organizations often do not make the connection between the skills and experience required to run the company, and the individual candidates – both internal and external – that are best-suited to eventually assume senior positions. (Larcker & Saslow, 2015, p. 1)

A generic approach to succession planning identified by Success Labs, a leadership and organizational development consulting firm in Baton Rouge, focuses on five factors: (1) assess your critical people and positions, (2) assess key skills and information, (3) identify key talent, (4) assess key talent, and (5) create individual development plans (Lemoine, 2015). This approach is similar to the generic model described by Redman (2006).

Importance of Succession Planning

According to Berchelman, “Succession planning may seem like an essential process for long-term success, but far too many organizations jeopardize results by hoping that the right person is available for promotion when positions become available unexpectedly” (Berchelman, 2005, p. 11). Corporate leaders suggest that succession is as

important today as it has been in the past. Research shows that organizations that plan for succession tend to out perform those who do not plan (Larcker & Saslow, 2015). Garman and Glawe (2004) conducted a survey to better understand the results of succession planning and to determine whether firms received a return on investment for adopting the planning process. In their 2004 article, Garman and Glawe listed six outcome studies relevant to succession planning. The first study, authored by Worrell and Davidson (1987), studied a sample of 60 companies whose CEOs passed away unexpectedly. The results of the study concluded that organizations fared better if they could immediately name an internal successor. Huselid (1995) sampled 968 human resource (HR) executives from publicly traded U.S. firms, concluding that a portfolio of high-performance work practices (including elements of succession planning) was associated with employee retention, productivity, and organizational financial performance. Ciampa and Watkins (1999) studied a sample of 94 publicly traded U.S. firms that had appointed a new CEO during 1992. The results of the study concluded that five years later, only 25% of candidates brought in from outside were nominated as planned. Axelrod, Handfield-Jones, and Welsh (2000) examined a sample of 56 large and mid-sized U.S. companies, finding that companies in the top quintile of talent management practices were associated with a 22% higher return to shareholders than their industries' means. Shen and Cannella (2003) sampled 114 heir appointments in publicly traded U.S. companies, concluding that while heir promotion did not affect share value, internal non-heir promotion had a negative effect. The final study, conducted by Sharma, Chrisman, and Chua (2012), studied 604 family owned Canadian firms. The results of the study concluded that succession planning improves satisfaction with outcomes (Garman & Glawe, 2004).

The results from Garman and Glawe's survey show that succession planning has impacted firms in a positive manner (2004). In particular, as it relates to this study, the Sharma, Chrisman, and Chua survey of 604 Canadian family owned businesses showed that succession planning improved satisfaction with outcomes (2003). Other than the studies surveyed by Garman and Glawe, little research is available on succession planning practice. What little research is available is primarily comprised of case studies, typically examining about a dozen companies and their succession planning processes (Garman & Glawe, 2004).

Definition of Family Owned Business

No business can escape the fact that at some point a spouse, child, or other trusted family member influenced the decisions of the owner or CEO of a company (Chua, Chrisman, & Sharma, 1999). The definition of a family owned business varies from firm to firm. Although knowledge about family businesses has grown over the last decade, there is still no widely accepted definition of family business in the literature either (Littunen & Hyrsky, 2000). According to Chua, Chrisman, and Sharma, "It is generally accepted that a family's involvement in the business makes the family business unique; but the literature continues to have difficulty defining the family business" (Chua et al., 1999, p. 19). While a general definition of family business does not currently exist, many of the definitions have similarities. Chua et al. reviewed 250 scholarly papers in the family business literature (1999). They excluded papers that did not define a family business explicitly and those that did not differentiate between family owned and non-family owned businesses. This screening process resulted in 21 definitions of *family owned business*. These definitions then were compared with three possible combinations

of the concepts of ownership and management: *family owned* and *family managed*, *family owned* but *not family managed*, and *family managed* but *not family owned*. Each of the 21 definitions identified agreed with the combination *family owned* and *family managed*, but disagreed with the remaining two combinations (Chua et al., 1999).

Attempts have been made to establish both conceptual and operational definitions; however, there is no definition universally accepted in teaching, consulting, the public, or even family businesses (Van der Merwe et al., 2009). Creating an established definition of family business would assist in building a cumulative body of knowledge over time. Researchers have made numerous attempts to understand and articulate the common components of existing definitions by reviewing and consolidating the many definitions that exist today. One definition holds that family business enterprises are controlled by members of the same family, and policy is determined and ownership is dominated by members of the same kinship group (Barbara & Alberto Ivo, 2009). Another often cited definition of family owned business refers to management, governance, family contribution, and sustainable transgenerational succession:

The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. (Chua et al., 1999, p. 25)

A general definition of family business is unlikely to materialize, but the multiple definitions do have similarities (Barbara & Alberto Ivo, 2009). Table 1 shows additional definitions of family owned business that have been derived in the literature between 2002 and 2007. For the purposes of this study, the 2007 Miller et al. definition of family

owned business listed in Table 1 was used when defining the population and sample and creating the researcher-designed *FOB Perception of Successful Succession Inventory*.

Table 1 Family Owned Business Definitions (Barbara & Alberto Ivo, 2009)

Author(s)	Year	Definition
Claessens et al.	2002	Firm where there is the presence of a group of people related by blood or marriage with large ownership stakes
Anderson and Reeb	2003	Firm where there exists fractional equity ownership of the founding family and/or the presence of family members serving on the board of directors
Barontini and Caprio	2005	Firm where the largest shareholder owns at least 10 percent of ownership rights and either family or largest shareholder controls more than 51 percent of direct voting rights or controls more than the double of the direct voting rights of the second largest shareholder
Fahlenbrach	2006	Firm where the CEO is the founder or co-founder
Miller et al.	2007	Firm in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time

Family Owned Business and Its Impact

Despite the difficulty of clearly defining exactly what a family owned business is, it is important to understand the contribution that family owned businesses make to the overall economy in America. According to Montgomery and Sinclair, “Family businesses, the leading form of business enterprise here and throughout the world, are central to America’s economy” (Montgomery & Sinclair, 2000, p. 3). Family owned businesses comprise 80-90% of all businesses in the U.S. (Sharma, Chrisman, Pablo, & Chua, 2001). Family businesses are prominent players both in the world economy and in regional economic development. They continue to gain significance because they create new jobs, incubate new businesses, and drive entrepreneurial activities within communities (Vozikis, Weaver, & Gibson, 2009). The 2011 Annual Family Business

Survey reported that family businesses have a dramatically positive impact on their communities, and are the driving force of the American economy. With over 5.5 million family owned businesses in the U.S., these family establishments are credited for contributing 57% of the Gross Domestic Product and employ over 63% of the workforce (USA, 2011). Furthermore, studies have shown that 35% of Fortune 500 companies are family controlled (Office of Advocacy U.S. Small Business Administration, 2015).

Small businesses employ over half of U.S. workers, and a majority of small businesses are family owned (Business, 2015). Out of 119.9 million non-farm private sector workers in 2006, small and mid-size firms with fewer than 500 employees, as defined by the SBA, employed 60.2 million individuals, while large firms employed 59.7 million. Firms with less than 20 employees employed 21.6 million (Zellweger, Nason, & Nordqvist, 2012). However, despite their importance to the economy, research shows that only a third of family businesses survive into the second generation, and only about 10-15% last until the third generation (Birley, 1986; Ward, 1987). Poor successions are often the source of the problem (Miller et al., 2003).

The SBA released a Louisiana Small Business Profile in February 2013. The profile documented the number of businesses in Louisiana and the impact of small businesses on the Louisiana economy. Small businesses represented 97.4% of all employers and employed 54.5% of the private sector workforce in Louisiana. Louisiana small businesses, a majority of which were firms with 20-499 employees, employed 871,369 workers and there were 76,168 small employers in 2010 (see Table 2). Most of Louisiana's small businesses employ relatively few individuals; in fact, 80.7% have no employees and most have fewer than 20. Furthermore, the economic climate for

Louisiana small businesses is improving. During 2011, the number of establishments opening was higher than the number closing and the employment turnover was positive (Office of Advocacy U.S. Small Business Administration, 2013).

Based on the information identified in Table 2, there are over 60,000 family owned businesses employing fewer than 500 employees operating in Louisiana. Sixty thousand is a significant number of businesses creating employment opportunities and overall economic growth within the Louisiana economy. Because of the importance of family owned business, it is critical to study succession planning to understand the impact planning has on successful succession.

Table 2 Small Business Profile (Office of Advocacy U.S. Small Business Administration, 2013)

Louisiana Small Business Facts (2013)			
Number of Businesses	2010	2009	2000
Small Employers (<500 employees)	79,168	79,403	79,569
Large Employers (500+ employees)	2,131	2,138	2,100
Non-employers	340,627	321,932	234,114

Succession Planning in Family Owned Businesses

Bigliardi and Dormio state, “During recent years, there has been a growing interest in the study of FBs [Family Businesses]. Notwithstanding, little attention has been paid to succession planning, and only [a] few studies tried to identify which factors influence its success” (Barbara & Alberto Ivo, 2009, p. 44). Much of the literature on family businesses suggests that their high failure rate can be reduced by improving the succession process that transitions leadership from one generation to the next. As stated earlier, there is a 30% attrition rate of family businesses from one generation to the next, and only 10% of the firms survive into a third generation (File & Prince, 1996).

One of the central problems facing a family owned business is ensuring that competent family leadership is available to transition the firm across generations (Isabelle Le Breton-Miller, 2004). However, succession planning is one of the most overlooked areas in a family business. When the leadership in a family owned business experiences an unexpected event such as a sudden death, disability, partner retirement, or unresolved family conflict, the business is likely to lose everything if it has not planned for succession (Avila et al., 2003). Succession is more of a process than an event due to the planning needed to prepare for a transition of leadership (Duh, 2012). That succession planning process is very similar in family owned and non-family owned businesses, the main difference being that the family owned business has a limited pool of qualified candidates, all of whom have personal and delicate family relationships (Long & Chrisman, 2013).

Planning for succession is one of the most challenging tasks facing family owned businesses today. The failure to plan for leadership transition within a family owned business is one of the greatest threats to the survival of the firm. Sharma, Chrisman, and Chua claim that “Succession planning is believed to increase the probability of a successful succession” (Sharma, Chrisman, & Chua, 2003, p. 3). Consequently, family business literature shows that, in general, 20% of family owned businesses have a written succession plan prior to the succession process. A study analyzing a database of 673 family owned businesses stated, “Consistent with other studies, the findings indicated that only 20 percent had a written succession plan.” (Lee, Jasper, & Goebel, 2003, p. 31). Organizations that carefully plan for leadership succession positively impact their ability to be successful (Pollitt, 2005). As Richards states, “Effective leadership is

fundamental to corporate success” (Richards, 2008, p. 446). However, the literature suggests that there is still much to do to better understand family owned business succession. Long and Chrisman describe the current state of research on succession planning as follows:

Beginning with succession planning, although investigators place its absence among the top reasons for failed successions, little is know about why or how planning increases success. Questions regarding how much of its impact is a function of the actual plan, the learning that occurs through the process of planning, or the commitment to succession signaled to stakeholders by the fact that planning is attempted have yet to be answered. (Long & Chrisman, 2013, p. 258)

Longevity of Family Owned Businesses

One of the more commonly cited statistics on the the longevity of family owned businesses is provided in John Ward’s (1987) seminal study, which states that 30% of firms survive through the second generation, 13% survive the third generation, and only 3% survive beyond that (Zellweger et al., 2012). The average life span of these types of businesses is 25 years (Scott, 2000). Many factors affect the longevity of family owned businesses, including owner’s education, capital structure, age of the owner, operational effectiveness, dysfunctional management, and family relationship. In addition, many external factors play a role, such as a declining market, political stability in the country, and overall economic condition (Monk, 2000; Williams & Jones, 2010). Researchers place the absence of succession planning among the top reasons for failed succession (Long & Chrisman, 2013). As File and Prince state,

A major focus of family business studies has been the effect of succession planning on family business continuity; and specifically on the association between inadequate succession planning and family business failure. This focus is appropriate given the incidence of family business failure and the importance of family businesses within the US economy. Much of the

literature suggests that the incidence of failure can be reduced with improved management of the leadership transition from one generation to the next—the process in the life of the business and the family customarily referred to as succession (File & Prince, 1996, p. 171)

Define Successful Succession in Family Owned Business

Succession planning is central to the continuity and longevity of family owned businesses. Although much of the literature focuses on succession issues, little attention has been given to the planning of the succession and identifying the factors that influence success (Barbara & Alberto Ivo, 2009). The process of a successful succession begins many years before the selected family member takes over as CEO of the the family firm (Barach & Ganitsky, 1995). Planning for succession is the longest strategic planning process a family firm will undertake, and the process is designed so that the old CEO can help the new develop as a leader and understand the overall operations of the business. It is critical for family owned businesses to identify qualified family memebers capable of providing leadership within the business. Without qualified next generation leadership, the business cannot survive, much less maintain its unique family business character (Barach & Ganitsky, 1995). Barbara Bigliardi and Alberto Ivo Dormio (2009) identified several criteria and related indicators for a successful succession. For their first criterion, “objective criteria for results,” they list sales volume, profits, financial indicators, and market share as indicators (Cabrera-Suarez, 2005; Dyer, 1986; Handler, 1991). The second criterion, “level of satisfaction of the parties involved,” is indicated by heir’s/family business member's commitment; conflict among family business members; and decline in relationships with customers, suppliers, and banks (Cabrera-Suarez, 2005; Handler, 1991; Sharma et al., 2001). Lastly, the indicators for the criterion “success in

succession” are the subsequent positive performance of the firm, the ultimate viability of the business, and the satisfaction of the stakeholders with the succession process (Cabrera-Suárez et al., 2000; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001 (Barbara & Alberto Ivo, 2009, p. 46). Van der Merwe et al. offer another definition of a successful succession: “If the leadership transition is so smooth that the change does not disrupt the family or the business, then the succession can be labelled highly successful” (Van der Merwe et al., 2009, p. 7).

In addition, Vozikis et al. have discussed two dimensions that characterize a successful succession (2009). The first dimension is the satisfaction of all parties with the process and the second, the effectiveness of the process. The satisfaction dimension represents how the families feel about the process while it is occurring, while the effectiveness dimension represents the impact of the process on the performance of the firm (Vozikis et al., 2009). Figure 1 illustrates the two dimensions and how they affect successful successions

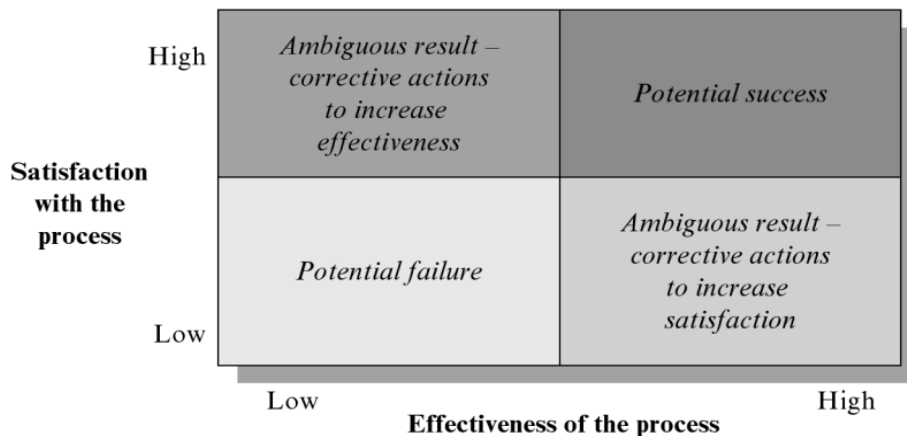


Figure 1 Satisfaction, Effectiveness, and Successful Succession
Source: (Pyromalis, 2006, p. 430)

After conducting an extensive review of literature on succession in family owned businesses, Le Breton-Miller, Miller, and Steier have suggested that the following measures are among the most important for successful succession (2004):

- The subsequent positive performance of the firm and ultimate viability of the business
- The satisfaction of stakeholders with the succession process (Cabrera-Suarez et al., 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001)

Other indicators of successful succession identified in the family owned business literature include both objective and subjective measurements. Objective measurements include sales volume, profits, financial indicators, and market share; whereas more subjective measurements include the commitment of heirs and family business members, conflict among family business members, and a decline of relationships with customers or suppliers (Barbara & Alberto Ivo, 2009).

Components of a Succession Plan

The literature suggests that a business will gain immense value from a formal written succession plan that communicates a step-by-step approach to managing the practical and psychological aspects of the transition process. The basic concepts of a written succession plan should include the actions, events, and mechanisms by which the leadership and ownership is transferred to the next generation (Van der Merwe et al., 2009). The most common components discussed in articles deal with technical issues such as tax, financing, and legal aspects of the transaction. This focus is largely due to the fact that businesses typically turn to trusted advisors such as certified public accountants and lawyers for advice on succession planning. Consequently, soft issues

such as long-term personal and family goals, shared vision and communication with employees and stakeholders, development of the successor, and anticipated roll of the incumbent after succession are often overlooked and remain unplanned (Bruce & Picard, 2006).

Succession within a family owned business requires the following three components: a leader willing to transfer the leadership role, a successor willing to take over the role, and a mechanism by which the transition takes place [*succession plan*] (Sharma et al., 2001). Miller, Steier, and Breton-Miller developed the Integrative Model For Successful FOB Successions after reviewing over 40 articles and seven books, including empirical, theoretical, and anecdotal articles based on positive succession experiences. The researchers focused on two components of the model: Ground Rules & 1st Steps and Nurturing/Development of successor(s). Ground Rules & 1st Steps identify specific criteria that should be included in a successful succession plan. These components include: governance guidelines (rules for ownership, board, council), selection criteria, rules for choice (primogeniture, etc.), range of candidates (family, in-laws, external), succession task force (key people, major stakeholders), and career plan for bypassed non-family members and family members. The second component includes nurturing/development of the successor(s). This component includes criteria such as previous employment with the business and establishing gaps between FOB needs and prospective successors abilities (Isabelle Le Breton-Miller, 2004).

Summary

This chapter defined succession planning and family owned businesses based on a review of the literature. The term *succession planning* has been used to describe a wide

variety of activities involving planning for a leadership transition within an organization. Literature suggests that succession planning is critical not only in large organizations, but also in small and medium-sized enterprises [SME]. Although this process is critical in ensuring the longevity of an organization, according to Berchelman, “Succession planning may seem like an essential process for long-term success, but far too many organizations jeopardize results by hoping that the right person is available for promotion when positions become available unexpectedly” (Berchelman, 2005, p. 11).

Many definitions of family owned business can be found in the literature, and this chapter identified those that are most widely cited. Despite the difficulty in clearly defining family owned business, the contributions they make to the overall economy are significant. With over 5.5 million family owned businesses in the U.S. generating over 57% of the Gross Domestic Product and employing over 63% of the nation’s workforce, family owned businesses are a significant population. However, research shows that succession within family owned business has a low success rate of transferring leadership from generation to generation. Only a third of family businesses survive into the second generation, and only about 10-15%, until the third (Isabelle Le Breton-Miller, 2004). Thus, this study focused on the succession planning process conducted within family owned businesses.

CHAPTER 3: METHODOLOGY

Purpose of the Study

The primary purpose of this study was to determine the influence selected aspects of succession planning and selected demographic characteristics have on the level of success in the succession of family owned businesses in south Louisiana.

Dependent Variable

The dependent variable of this study is the perceptions of family owned business owners and managers regarding successful succession.

Objectives

The researcher formulated the following objectives to guide the study:

1. Describe family owned businesses in south Louisiana in terms of the following characteristics:
 - a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.
2. Determine how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning:

- a) Degree to which a firm commitment to successful succession was signaled to stakeholders throughout the planning process;
 - b) Degree to which the leadership began the succession planning process in a timely manner;
 - c) Degree to which the incumbent and successor learned throughout the planning process;
 - d) Degree to which stakeholders were satisfied with the succession process;
 - e) Degree to which family members were harmonious during and after the succession process;
 - f) Degree to which planning contributed to a successful transition.
3. Determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the following variables:
- a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.

4. Determine if a model exists that explains a significant portion of the variance in the perception of family owned business owners and managers in south Louisiana regarding selected aspects of succession planning from the following variables:
 - a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.

Research Design

This study used a survey research design. In survey research, the researcher asks the participants a series of questions in order to answer the research objectives. Questions may be administered in several formats, including personal interviews, telephone interviews, mailed questionnaires, and electronic questionnaires (Totten, Panacek, & Price, 1999). The survey questionnaire provides a snapshot of the current state of affairs in a group or population and consequently, survey research is often referred to as descriptive work. The primary concern encountered in survey research is ensuring the representativeness of the sample, or that the group surveyed is representative of the population of interest (Marín, 2012).

Population and Sample

The population in this study was family owned businesses located in south Louisiana who had undergone a planned succession. The researcher identified businesses that employ two or more employees, using multiple sources to compile the sample. These sources included, but were not limited to, the LexisNexis Academic database, Baton Rouge Business Report subscription list, LSU Innovation Park database, Tulane Family Business Center membership, and Exceleant customer list. Family owned businesses were described using the following demographic characteristics: (1) age of the firm, (2) incumbent's educational level, (3) successor's educational level, (4) number of employees on payroll, (5) type of business, (6) existence or not of a written succession plan, and (7) subsequent positive revenue performance or not. In addition, the researcher determined the perceptions of successful succession held by the businesses' owners and managers. The following perceptions were measured: (1) degree to which commitment was signaled to stakeholders throughout the planning process, (2) degree to which leadership prepared early for succession, (3) degree to which learning occurred throughout the planning process, (4) degree to which stakeholders were satisfied with the process, and (5) degree to which conflict arose among family members.

Instrumentation

The researcher collected data on family owned businesses in south Louisiana using a researcher-designed instrument called the *FOB Perception of Successful Succession Inventory*. The instrument was designed to measure the perception held by the family owned business successor regarding succession planning and success. The instrument was developed based on a review of literature and factors that are believed to

contribute to successful succession. These factors include the following: Early Preparation (Barach & Ganitsky, 1995); Commitment to Succession (Long & Chrisman, 2013); Learning that Occurs (Long & Chrisman, 2013); and Quality of the Plan (Long & Chrisman, 2013). In addition, the instrument was used to measure the perception held by owners and managers of family owned businesses on succession success based on a review of literature and factors of success. These factors include the following: Positive Performance of the Firm (Isabelle Le Breton-Miller, 2004; Cabrera-Suarez, 2005; Dyer, 1986; Handler, 1991); Satisfied Stakeholders (Cabrera-Suarez et al., 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001); and Harmonious Family Members (Handler, 1991).

The researcher-designed instrument *FOB Perception of Successful Succession Inventory* underwent a content validation process, in which a panel of five experts, both academic and industrial, reviewed the instrument to ensure it allowed the researcher to accomplish the purpose and objectives of this study. Based on input from the panel of experts, the researcher made appropriate modifications.

Successful Succession Score

The researcher also established criteria for a successful succession score, using the following items on the researcher-designed survey instrument:

- Item 10 – Financial performance of the firm after the succession process was maintained or increased;
- Item 18 – Employees were informed throughout the succession process;
- Item 19 – Employees were engaged throughout the succession process;

- Item 20 – Leadership demonstrated commitment to a successful succession throughout the succession process;
- Item 31 – Family members have defined roles within the firm;
- Item 32 – Effective communication among family members exists within the business;
- Item 33 – Family members’ relationships have improved or remained the same after succession.

Each item, except for Item 8, is measured using a forced-choice Likert-type scale offering four possible responses. Item 10 solicits a yes or no answer, for which Yes = 1 point and No = 0 points. Items 18, 19, 20, 31, 32, and 33 solicit a value ranging from 1–4, for which Strongly Disagree = 1 point; Slightly Disagree = 2 points; Slightly Agree = 3 points; Strongly Agree = 4 points. The succession score ranges from 6-25 points, and the higher the point value, the greater the success in succession. Below is an illustration of the scale.

6	10	15.5	21	25
Unsuccessful Succession				Successful Succession

The researcher used the Qualtrics Research Suite to build, administer, and report data collected. Each item in the survey was coded to reflect the appropriate score as outlined above. Upon reviewing scores from the seven identified items, the researcher determined if the family owned business experienced a successful succession based on the criteria suggested in the review of family owned business literature.

Succession Plan Quality Score

The researcher designed a Succession Plan Quality Score based on seven selected aspects of the Integrative Model for Successful FOB Successions designed by Miller, Steier, and Breton-Miller (2004). The planning aspects used in this study were formulated based on the Ground Rules & 1st Steps and Nurturing/Development of Successors portion of the successful succession model. The selected aspects include the following:

- Defined selection criteria of a successor;
- Range of candidates (family and external);
- Governance guidelines (rules for ownership, boards, and councils);
- Leadership transition plan;
- Ownership transition plan;
- Defined time frame for succession completion;
- Development of the successor (education, training, career development);

Each item is measured using a Yes (1 point) or No (0 points) response. Based on seven questions, the respondent has the opportunity to score between 0 and 7 points. The higher the point value, the higher the quality of the succession plan. Below is an illustration of the scale.

0	1	2	3	4	5	6	7
Low Quality Plan							High Quality Plan

The researcher used the Qualtrics Research Suite to build, administer, and report data collected. Each item in the survey was coded to reflect the appropriate score as outlined

above. Upon reviewing scores from the seven identified items, the researcher determined the quality of the succession plan based on the selected criteria suggested in the review of family owned business literature.

Data Collection

An introduction letter was sent electronically (via email) to each subject to explain the purpose of the study as well as explain that participation was both voluntary and confidential. The letter also specified the time available for completing the survey and provided the online survey link and contact information for questions. Using Cochran's sample size determination formula, the researcher determined that 96 usable responses were required to maintain the established margin of error. The survey remained open for four weeks and, if a response was not collected after the first week, a follow-up email with a link to the survey was sent reminding non-responders of the online survey. This procedure was repeated in weeks two, three, and four to ensure the highest number of responses within the sample were collected. Once the electronic survey ended in week four, the collected usable responses made up the dataset for this study. The survey was administered electronically utilizing the Qualtrics Research Suite website, <https://lsu.qualtrics.com>. The data obtained through LexisNexis Academic database includes company name, title, address, and other company specific information; however, the remaining sources distributed the survey internally and only the results were submitted to the researcher via Qualtrics for analysis. When the data was received, the researcher deleted all personal identifiers prior to importing the data into the SPSS program for analysis. Therefore, when the data was analyzed, there was no potential to connect individual responses to specific respondents. Even if individual subjects self-

identified, the personal identification information was deleted prior to analysis. The researcher completed the Institution Review Board (IRB) training through Louisiana State University and filed the proper IRB application prior to administering the electronic survey.

Data Analysis

The first objective in the study was descriptive and was analyzed using descriptive statistics such as frequency and percentages. The second objective was to determine perceptions, which was summarized by computing the mean and standard deviation of scores. In addition, the researcher conducted a factor analysis on the six identified planning and success factors to determine if the items in each factor effectively grouped together. In the third objective, Spearman's rank-order and Point Biserial correlation coefficients were used to determine if a relationship exist between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the independent variables. Objective four was examined using bivariate correlation and multiple regression analysis to determine if a model exist explaining a significant portion of the variance in the perceptions of family owned business owners and managers and the independent variables.

CHAPTER 4: RESULTS

Purpose of the Study

The primary purpose of this study was to determine the influence selected aspects of succession planning and selected demographic characteristics have on the level of success in the succession of family owned businesses in south Louisiana. Findings of this study are presented by objective in the following sections.

Objective One Results

The first objective of this study was to describe family owned businesses in south Louisiana in terms of the following characteristics:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

The researcher collected 136 total responses from the FOB Perception of Successful Succession Inventory survey. The survey included three screening questions requiring a “Yes” answer to continue the survey. The screening questions included: 1) are you a family owned business, 2) has your company completed a leadership succession to the next generation, and 3) was a written succession plan prepared. Of the 136 respondents, 105 were identified as a family owned business. Of the 105 family owned

business respondents, 61 or 58.1% had completed a succession and 44 or 41.9% had not. Lastly, 29 or 27.6% had prepared a written succession plan and 76 or 72.4% of the family business respondents had not. Overall, 23 respondents answered a “Yes” to all three screening questions and subsequently completed the survey. The results for each of the variables identified in the objectives are as follows:

Age of the Family Owned Business

The first variable on which family owned businesses in south Louisiana were described was age of the family owned business defined as the number of years in operation. To report this variable respondents were asked to select the appropriate business age category. Of the 23 study participants who provided usable data, the largest group (n = 17, 73.9%) reported an age of 20 or more years. The business age categories of 1-2 years and 3-5 years contained zero participants, while the 6-10 year category contained two participants (see Table 3).

Table 3 Age of Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Age of FOB	Frequency	Percent
1-2 Years	0	0.0
3-5 Years	0	0.0
6-10 Years	2	8.7
11-20 Years	4	17.4
20 + Years	17	73.9
Total	23	100

Incumbent's Educational Level

The second variable examined was the level of the incumbent's (retired leader) education. The largest group of respondents (n = 9, 39.1%) indicated that the incumbent had earned a bachelor's degree, while the second largest group (n = 7, 30.4%) had earned a high school diploma. Only one participant (4.3%) reported a degree beyond a bachelor's degree. Six or 26% of the participants reported having completed some college, with one of these participants (4.3%) obtaining an associate degree (see Table 4).

Table 4 Incumbent's Educational Level within Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Incumbent's Education	Frequency	Percent
High School Diploma	7	30.4
Some College	5	21.7
Associate Degree	1	4.3
Bachelor's Degree	9	39.1
Master's Degree	1	4.3
Doctoral Degree	0	0.0
Total	23	100

Successor's Educational Level

The third variable examined was the level of the successor's (new leader) education. The largest group of respondents (n = 13, 56.5%) reported that the successor had earned a bachelor's degree, while the second largest group (n = 4, 17.4%) had earned a master's degree. Categories including high school diploma, some college, associate degree, and doctoral degree had frequencies, between 1 and 2, and made up a combined total 26% of the respondents (see Table 5).

Table 5 Successor’s Educational Level within Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Successor’s Education	Frequency	Percent
High School Diploma	1	4.3
Some College	2	8.7
Associate Degree	2	8.7
Bachelor’s Degree	13	56.5
Master’s Degree	4	17.4
Doctoral Degree	1	4.3
Total	23	100

Number of Employees on Payroll

The fourth variable examined was the number of employees on payroll.

Respondents were asked to select the appropriate category of number of employees. The largest group (n = 8, 34.8%) indicated the category “1-10” employees on payroll. The categories that were selected by the second largest number of respondents were “26-50” employees and “101 or more” employees (n = 5, 21.7% each) (see Table 6).

Table 6 Number of Employees on Payroll within Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Number of Employees	Frequency	Percent
1-10	8	34.8
11-25	3	13.0
26-50	5	21.7
51-100	2	8.7
101 +	5	21.7
Total	23	100

Type of Business

The fifth variable examined was the type of business. Respondents from many industries completed the FOB Perception of Successful Succession Inventory survey. The respondents were provided with eight business types from which to select, with an option for reporting "Other". The largest group of respondents (n = 6, 26.1%) reported that their family owned business was in the service industry. The type of business reported by the second largest group (n = 5, 21.7%) was "Other". Of the types of businesses, manufacturing was reported by the third largest group of respondents (n = 4, 17.4%) (See Table 7).

Table 7 Type of Business within Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Type of Business	Frequency	Percent
Service	6	26.1
Other	5	21.7
Manufacturing	4	17.4
Oil and Gas	2	8.7
Retail	2	8.7
Healthcare	2	8.7
Restaurant	1	4.3
Industrial	1	4.3
Total	23	100

Whether or not Leadership Prepared a Quality Succession Plan

The sixth variable examined was whether or not leadership prepared a quality succession plan. The researcher selected seven components to determine the quality of plan score. Of the seven components, the largest group (n = 20, 87.0%) answered "Yes"

to component 5: the plan included an ownership transition plan. The second largest “Yes” response (n = 17, 73.9%) indicated component 4: the plan included a leadership transition plan. The smallest group (n = 10, 43.3%) reported both component 2: range of candidates – family or external and component 3: the plan included governance guidelines (see Table 8).

Table 8 Quality of Plan Score Components by Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Plan Score Component	Frequency & Percent	
	Yes / %	No / %
Component 5: The plan included an ownership transition plan	20 / 87.0%	3 / 13.0%
Component 4: The plan included a leadership transition plan	17 / 73.9%	6 / 26.1%
Component 6: The plan included a timeframe for succession completion	15 / 65.2%	8 / 34.8%
Component 1: The plan defined selection criteria of a successor	14 / 60.9%	9 / 39.1%
Component 7: The plan addressed development of the successor	12 / 52.2%	11 / 47.8%
Component 3: The plan included governance guidelines	10 / 43.5%	13 / 56.5%
Component 2: Range of candidates – family or external	10 / 43.3%	13 / 56.5%

Note. (n=23)

The researcher designed a Succession Plan Quality Score based on seven selected aspects of the Integrative Model for Successful FOB Successions designed by Miller, Steier, and Breton-Miller (2004). The planning aspects used in this study were formulated

based on the Ground Rules & 1st Steps and Nurturing/Development of Successors portion of the successful succession model. The selected aspects include the following components: 1) defined selection criteria of a successor, 2) range of candidates (family and external), 3) governance guidelines (rules for ownership, boards, and councils), 4) leadership transition plan, 5) ownership transition plan, 6) defined time frame for succession completion, and 7) development of the successor (education, training, career development). Each item was measured using a “Yes” (1 point) or “No” (0 points) response. Based on seven questions, each respondent has the opportunity to score between 0 and 7 points. The higher the point value, the higher the quality of the succession plan.

The researcher established an Interpretive Scale to report quality of the plan scores. The quality of the plan score ranges from 0 -7 points and the quality scale is partitioned as follow: 0-1 Points = Low Quality (LQ), 2-3 Points = Moderate Low (ML), 4-5 Points = Moderate High (MH), and 6-7 Points = High Quality (HQ). Three respondents (N = 3, 13%) received a quality score of 7, meaning the prepared plan was of high quality. Five respondents (N=5, 21.7%) received a quality score of 6, meaning the prepared plan was of high quality. No respondent received a zero score; however, three respondents (N = 3, 13%) received a quality plan score of 1, which indicates that a low quality plan was prepared (see Table 9).

Table 9 Quality of Plan Scores of Family Owned Businesses in South Louisiana that had Completed a Succession and had a Written Succession Plan

Quality Score	Frequency	Percent	Interpretive Category ^a
1	3	13.0	LQ
2	2	8.7	ML
3	4	17.4	ML
4	2	8.7	MH
5	4	17.4	MH
6	5	21.7	HQ
7	3	13.0	HQ
Total	23	100	

^aInterpretive Scale was coded: 0-1 Points = Low Quality (LQ), 2-3 Points = Moderate Low (ML), 4-5 Points = Moderate High (MH), and 6-7 Points = High Quality (HQ)

Whether or not there was a Positive Revenue Performance Subsequent to Succession

The seventh and final variable examined in objective one was whether or not there was a positive revenue performance subsequent to succession. Of the 23 respondents, 20 (87.0%) reported “Yes” and 3 (13.0%) reported “No”.

Objective Two Results

The second objective was to determine how family owned business owners and managers in south Louisiana perceive the following selected aspects of succession planning:

- a) Degree to which a firm commitment to successful succession was signaled to stakeholders throughout the planning process;
- b) Degree to which the leadership began the succession planning process in a timely manner;

- c) Degree to which the incumbent and successor learned throughout the planning process;
- d) Degree to which stakeholders were satisfied with the succession process;
- e) Degree to which family members were harmonious during and after the succession process;
- f) Degree to which planning contributed to a successful transition.

Objective two was to determine the perceptions family owned business owners and managers have regarding succession planning and success. This analysis begins with determining the mean and standard deviation of each perception item measured in the FOB Perception of Successful Succession Inventory survey. Participants rated their level of agreement based on a 4-point Likert-type scale with the following descriptors: Strongly Disagree = 1, Disagree = 2, Agree = 3, and Strongly Agree = 4. The mean of the item scores range from 2.65 to 3.53. These ratings are determined from the completion of 19 perception items grouped into six perception factors. The perception factors include Commitment to Stakeholders, Early Preparation, Learning that Occurs, Satisfied Stakeholders, Harmonious Family Members, and Planning and Success.

Family owned business owners and managers showed the highest level of agreement was with the statement “Planning for succession early is important to successful succession” (Mean = 3.74, SD = .541). The second highest level of agreement is with the statement “Planning had a positive effect on the overall succession process” (Mean = 3.52, SD = .846). The lowest level of agreement was indicated with the statement “Employees were engaged throughout the succession process” (Mean = 2.61, SD = .941).

The researcher established an Interpretative Scale to link the reported mean scores to the level of agreement statements Strongly Disagree (SD), Disagree (D), Agree (A), and Strongly Agree (SA). Of the 19 perception statements, the level of agreement was Agree (A) on 17 items and Strongly Agree (SA) on two items. The two items with Strongly Agree (SA) include “Planning for succession early is important to successful succession” and “Planning had a positive effect on the overall succession process” (see Table 10).

Table 10 Perception of Succession Planning as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Mean ^a	Standard Deviation	Interpretive Category ^b
Planning for succession early is important to successful succession	3.74	.541	SA
Planning had a positive effect on the overall succession process	3.52	.846	SA
The successor learned throughout the succession planning process	3.48	.790	A
Customer relationship improved or remained the same after succession	3.48	.730	A
The succession process at my company was successful	3.43	.843	A
Vendor relationship improved or remained the same after succession	3.39	.722	A
Leadership demonstrated commitment to a successful succession through the succession process	3.36	.902	A
The succession plan placed the needs of the organization at the forefront	3.30	.974	A
The incumbent learned throughout the succession planning process	3.30	.822	A

(Table 10 continued)

Perception Statement	Mean ^a	Standard Deviation	Interpretive Category ^b
Planning for the succession began well before the process actually began	3.26	.864	A
The transition of leadership was smooth and there were no disruptions in the business	3.26	.752	A
Family members have defined roles within the firm	3.22	.902	A
Employee turnover improved or remained the same after succession	3.17	.778	A
Family members' relationship has improved or remained the same after succession	3.09	1.083	A
There was effective communication among family members throughout the succession planning process	3.09	1.041	A
Employees were informed throughout the succession process	2.96	.878	A
Employees learned throughout the succession planning process	2.78	.795	A
Regular meetings were conducted to discuss the succession process	2.65	1.071	A
Employees were engaged throughout the succession process	2.61	.941	A

Note. n = 23

^aMean: Response scale used was: 1 = Strongly Disagree; 2 = Slightly Disagree; 3 = Slightly Agree; and 4 = Strongly Agree

^bInterpretative Scale was coded: 1.0 – 1.5, Strongly Disagree (SD); 1.51 – 2.5, Disagree (D); 2.51 – 3.5, Agree (A); 3.51 – 4.0, Strongly Agree (SA).

To further examine the perceptions of family owned businesses in south Louisiana regarding succession planning success, the researcher conducted a factor analysis on each of the six factors identified, which include, commitment to stakeholders, early preparation, learning that occurs, satisfied stakeholders, harmonious family members, and planning and success. It is acknowledged that the numbers were too small to do a global factor analysis. Therefore, each design factor was analyzed separately to

determine if the items in that factor effectively grouped together. To do this, the researcher entered the items in each factor into a factor analysis and forced the number of factors to extract to one. The component factor loadings were then examined to determine if all loadings met the criteria for satisfactory inclusion levels ($\geq .40$) (Hair, Black, Babin, & Anderson, 2006). These loadings for each factor are presented in Tables 11-16. All loadings on all factors exceeded .50; therefore, they met the criteria and the items in each factor were judged to be appropriately grouped together.

Table 11 Perception of Commitment to Stakeholders as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
Employees were informed throughout the succession process	.897
Employees were engaged throughout the succession process	.857
Leadership demonstrated commitment to a successful succession through the succession process	.775

Table 12 Perception of Early Preparation as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
Planning for the succession began well before the process actually began	.901
Regular meetings were conducted to discuss the succession process	.857
Planning for succession early is important to successful succession	.577

Table 13 Perception of Learning that Occurs as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
The successor learned throughout the succession planning process	.878
The incumbent learned throughout the succession planning process	.814
Employees learned throughout the succession planning process	.641

Table 14 Perception of Satisfied Stakeholders as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
The succession plan placed the needs of the organization at the forefront	.960
Employee turnover improved or remained the same after succession	.955
Vendor relationships improved or remained the same after succession	.877
Customer relationships improved or remained the same after succession	.841

Table 15 Perception of Harmonious Family Members as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
Family members have defined roles within the firm	.837
There was effective communication among family members throughout the succession planning process	.821
Family members' relationship has improved or remained the same after succession	.715

Table 16 Perception of Planning and Success as Reported by Family Owned Businesses Located in South Louisiana

Perception Statement	Loadings
Planning had a positive effect on the overall succession process	.929
The succession process at my company was successful	.820
The transition of leadership was smooth and there were no disruptions in the business	.812

Based on these results, the researcher computed a factor score for each of the six factors in succession planning. Each score is computed using the respondent's level of agreement as measured in the FOB Perception of Successful Succession Inventory survey. Measurements were based on a 4-point Likert-type scale with the following descriptors: Strongly Disagree = 1, Disagree = 2, Agree = 3, and Strongly Agree = 4. The factor score analysis reported PAS Factor as the highest mean score ($M = 3.40$, $SD =$

.696). The factor with the lowest mean score was CTS Factor (M = 2.97, SD .758) (see Table 17).

Table 17 Computed Factor Scores Based on Six Factors in Succession Planning

	CTS Factor	HFM Factor	LTO Factor	EP Factor	SS Factor	PAS Factor
N	23	23	23	23	23	23
Mean	2.97	3.13	3.18	3.21	3.33	3.40
Std. Deviation	.758	.802	.626	.671	.725	.696

Note. Computed factors: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success

Objective Three Results

The third objective was to determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the following variables:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll ;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

Age of the Family Owned Business Based on Number of Years in Business

The first step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of

succession planning and the age of the family owned business. Data for this variable was collected by asking respondents to select the appropriate business age category. Categories included “1-2 Years”, “3-5 Years”, “6-10 Years”, “11-20 Years”, and “20 + Years”. Data for family owned business perceptions include the six sub-scale scores identified in objective two. Because the age data was ordinal data and the perceptions were continuous, the researcher chose the Spearman’s rank-order correlation coefficient technique to analyze the relationship between the two variables. Of the six aspects of succession planning examined, “satisfied stakeholders” had a computed coefficient of $r_s = .44$, ($p = .03$); therefore, based on Davis’ Descriptors, a moderate positive relationship was found between age of family owned businesses and perceptions of satisfied stakeholders (Kotrlík, Williams, & Jabor, 2011). So family owned business owners and managers of older businesses tended to have more positive perceptions regarding the items in the “satisfied stakeholders” scale. The remaining five factors were not found to significantly relate to the age of the family owned businesses (see Table 18).

Table 18 Relationship Between Age of Family Owned Business and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r_s^a	p
SS Factor	23	.44	.035
PAS Factor	23	.21	.349
HFM Factor	23	.18	.409
EP Factor	23	.17	.432
LTO Factor	23	.08	.702
CTS Factor	23	.05	.807

Note. Aspects of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success
 r_s^a Moderate association based on Davis’ Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Incumbent's Educational Level

The second step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and the incumbent's educational level. To report this variable, respondents were asked to select the appropriate education category. Categories included "High School Diploma", "Some College, No Degree", "Associate Degree", "Bachelor's Degree", "Master's Degree", "Doctorate Degree", and "Other". Because the education data was ordinal in nature and the perception data was continuous, the researcher chose the Spearman's rank-order correlation coefficient technique to analyze the relationship between the two variables. Of the six aspects of succession planning examined, "learning that occurs" had a computed coefficient of $r_s = -.46$, ($p = .03$); therefore, a moderate negative relationship was found between the incumbent's educational level and "learning that occurs". In other words, incumbents with higher levels of education tend to have a more negative perception regarding the items in the "learning that occurs" sub-scale. The remaining five factors were not found to significantly relate to the incumbent's educational level (see Table 19).

Table 19 Relationship Between Incumbent's Educational Level and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r_s^a	p
LTO Factor	23	-.46	.028
HFM Factor	23	-.36	.093

(Table 19 continued)

Aspect of Succession Planning	n	r_s^a	p
SS Factor	23	-.30	.157
EP Factor	23	-.18	.419
CTS Factor	23	-.03	.899
PAS Factor	23	-.01	.988

Note. Aspect of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success

r_s^a Moderate association based on Davis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Successor's Educational Level

The third step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and the successor's educational level. To report this variable, respondents were asked to select the appropriate education category. Categories included "High School Diploma", "Some College, No Degree", "Associate Degree", "Bachelor's Degree", "Master's Degree", "Doctorate Degree", and "Other". Because the education data was categorical and the perception data was continuous, the researcher chose the Spearman's rank-order correlation coefficient technique to analyze the relationship between the two variables. Of the six aspects of succession planning examined, early preparation had a computed coefficient of $r_s = -.51$, ($p = .01$), and satisfied stakeholders had a computed coefficient of $r_s = -.48$, ($p = .02$). Therefore, a moderate negative relationship was found between the incumbent's educational level and both perceptions of "early preparation" and "satisfied stakeholders". In other words, successors with higher levels of education tend to have a more negative perception regarding the items in

the early preparation and satisfied stakeholders sub-scales. The remaining four factors were not found to significantly relate to the successor's educational level (see Table 20).

Table 20 Relationship Between Successor's Educational Level and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r_s^a	p
EP Factor	23	-.51	.014
SS Factor	23	-.48	.020
CTS Factor	23	-.40	.060
LTO Factor	23	-.24	.265
HFMF Factor	23	-.17	.450
PAS Factor	23	-.13	.566

Note. Aspect of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success
 r_s^a Moderate association based on Davis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Number of Employees on Payroll

The fourth step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and the number of employees on payroll. To report this variable, respondents were asked to select the appropriate number of employee's category. Categories included "1-10", "11-25", "26-50", "51-100", and "101 +". Because the number of employees' data was ordinal in nature and the perception data was continuous, the researcher chose the Spearman's rank order correlation coefficient technique to analyze the relationship between the two variables. Of the six aspects of succession planning examined, no significant relationship was found between number of employees on payroll and perceptions of selected aspects of succession planning (see Table 21).

Table 21 Relationship Between Number of Employees on Payroll and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r_s^a	p
LTO Factor	23	.31	.145
SS Factor	23	.17	.442
EP Factor	23	.12	.584
PAS Factor	23	.04	.841
CTS Factor	23	.01	.955
HFM Factor	23	-.24	.277

Note. Aspect of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success

r_s^a Moderate association based on Davis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Type of Business

The fourth step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and the type of business. Due to the low sample size for each response for the type of business variable, the researcher was unable to make a comparison based on the type of business (see Table 7).

Whether or Not Leadership Prepared a Quality Succession Plan

The sixth step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and whether or not leadership prepared a quality succession plan. To report this variable, respondents were asked to select "Yes" or "No" for seven items on the FOB Perception of Successful Succession Inventory. These items included selected successful planning components identified in family owned business literature. The quality of plan score, from objective one, was correlated with the six perception sub-scale

scores. Because both variables were continuous, the researcher chose to use the Pearson r correlation coefficient method to analyze the relationship between the two variables. Of the six aspects of succession planning examined, “early preparation” had a computed coefficient of $r = .54$, ($p = .01$), “commitment to stakeholders” had a computed coefficient of $r = .50$, ($p = .01$), and “harmonious family members” had a computed coefficient of $r = .50$, ($p = .02$). Therefore, a moderate positive relationship was found between whether or not leadership prepared a quality succession plan and perceptions of early preparation, commitment to stakeholders, and harmonious family members. In other words, family owned businesses that prepared a quality succession plan tend to have a more positive perception regarding the items in the “early preparation”, “commitment to stakeholders”, and “harmonious family members” sub-scales. The remaining three factors were not found to significantly relate to whether or not leadership prepared a quality succession plan (see Table 22).

Table 22 Relationship Between Quality of the Plan and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r^a	p
EP Factor	23	.54	.008
CTS Factor	23	.50	.014
HFM Factor	23	.50	.016
PAS Factor	23	.41	.052
LTO Factor	23	.35	.107
SS Factor	23	.34	.118

Note. Aspect of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success
 r^a Moderate association based on Davis’ Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Whether or Not There Was a Positive Revenue Performance Subsequent to Succession

The seventh step for this objective is to examine if a relationship exists between how family business owners and managers in south Louisiana perceive selected aspects of succession planning and whether or not there was a positive revenue performance subsequent to succession. To report this variable, respondents were asked to select “Yes” or “No” for a single item on the FOB Perception of Successful Succession Inventory. Because this information was measured as a dichotomous variable and the other variable was continuous, the researcher chose to use the Point Biserial correlation coefficient method to analyze the relationship between the two variables. Of the six aspects of succession planning examined, “planning and success” had a computed coefficient of $r = .48$, ($p = .02$), and “harmonious family members” had a computed coefficient of $r = .45$, ($p = .03$). Therefore, a moderate positive relationship was found between maintaining positive revenue performance subsequent to succession and perceptions of “planning and success” and “harmonious family members”. In other words, family owned businesses that maintained positive revenue performance subsequent to succession tend to have a more positive perception regarding the items in the “planning and success” and “harmonious family members” sub-scales. The remaining four factors were not found to significantly relate to whether or not leadership prepared a quality succession plan (see Table 23).

Table 23 Relationship between Subsequent Positive Revenue Performance and Perceptions of Selected Aspects of Succession Planning

Aspect of Succession Planning	n	r ^a	p
PAS Factor	23	.48	.019
HFM Factor	23	.45	.032
EP Factor	23	.33	.130

(Table 23 continued)

Aspect of Succession Planning	n	r ^a	p
SS Factor	23	.32	.136
CTS Factor	23	.22	.320
LTO Factor	23	-.23	.286

Note. Aspect of Succession Planning: CTS = Commitment to Stakeholders; EP = Early Preparation; LTO = Learning that Occurs; SS = Satisfied Stakeholders; HFM = Harmonious Family Members; and PAS = Planning and Success
r^a Moderate association based on Davis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

Objective Four Results

The fourth objective was to determine if a model exists that explains a significant portion of the variance in the perception of family owned business owners and managers in south Louisiana regarding selected aspects of succession planning from the following variables:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll;
- e) Whether or not leadership prepared a quality succession plan;
- f) Whether or not there was a positive revenue performance subsequent to succession.

To accomplish this objective, each of the perception sub-scale scores was used as the dependent variable in a separate multiple regression analysis with the selected demographic characteristics used as the independent variables. Stepwise entry of the variable was used due to the exploratory nature of this study. The first step in each regression was to examine the bivariate correlations between the demographic variables

and the respective perception sub-scale scores. If any of the demographic variables had a significant relationship with the perception sub-scale, the bivariate correlation analysis was followed by a multiple regression analysis to determine the model that best explained the perception sub-scale under analysis. Each of the perception sub-scales are presented separately in the following sections.

Commitment to Stakeholders (CTS Factor)

The first factor sub-scale analyzed was commitment to stakeholders (CTS). In this model, the CTS factor was the dependent variable and the demographic characteristics in the study were treated as independent variables. Of the six variables, only one had a significant correlation, quality of plan ($r = .50, p = .01$). This correlation was described as a substantial association based on Davis' Descriptors for the magnitude of correlation coefficients. The remaining five variables reported either low, moderate, or negligible associations (Kotrlík et al., 2011) (see Table 24).

Table 24 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale CTS and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
Quality Plan	.50	23	.007	Substantial
Successor Education	-.31	23	.073	Moderate
Maintained Revenue	.22	23	.160	Low
FOBAge	.10	23	.322	Low
Incumbent Education	-.05	23	.406	Negligible
Number of Employees	.03	23	.445	Negligible

Note. Dependent variable: CTS Factor (commitment to stakeholders)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

A stepwise multiple regression analysis was then conducted utilizing the demographic variables noted above as the independent variables and the commitment to

stakeholders (CTS) as the dependent variable. The results of the regression analysis showed that quality of plan was the only variable that entered the model explaining a significant portion of the variance in the CTS sub-scale score $F(1,21) = 7.13, p = .01$. The standardized beta coefficient was .50 for quality of plan, indicating that a higher quality succession plan, tended to be associated with a higher CTS factor score. The variable quality of plan explained 25% of the variance in the CTS sub-scale (see Table 25).

Table 25 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Commitment to Stakeholder Scores from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.21	1	3.21	7.13	.014 ^a
Residual	9.44	21	.45		
Total	12.65	22			

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
Quality of the Plan	.50 ^a	.25	.25	7.13	1,21	.014	.50

Excluded Variables

Model	t	Sig.
Successor Education	-.76	.458
Maintained Revenue	.66	.514
Number of Employees	-.45	.658
FOBAge	-.45	.658
Incumbent Education	.16	.877

Note. N =23, Dependent Variable: CTS Factor (commitment to stakeholders)

^aPredictors: Quality of the Plan

Early Planning (EP Factor)

The second factor sub-scale analyzed was early planning (EP). In this model, EP factor was the dependent variable and the demographic characteristics in the study were

treated as independent variables. The bivariate analyses revealed that only one characteristic had a significant correlation, quality of plan ($r = .54, p = .01$). This correlation was described as a substantial association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining five variables reported either moderate, low, or negligible association (see Table 26).

Table 26 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale EP and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
Quality Plan	.54	23	.004	Substantial
Successor Education	-.43	23	.020	Moderate
Maintained Revenue	.33	23	.065	Moderate
FOBAge	.22	23	.160	Low
Incumbent Education	-.19	23	.193	Low
Number of Employees	.15	23	.246	Low

Note. Dependent variable: EP Factor (Early Preparation)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

A stepwise multiple regression analysis was then conducted utilizing the demographic variables noted above as the independent variables and early preparation (EP) as the dependent variable. The results of the regression analysis showed that quality of plan was the only variable that entered the model, explaining a significant portion of the variance in the EP sub-scale score $F(1,21) = 8.71, p = .01$. The standardized beta coefficient was .54 for the quality of plan, indicating that the higher the quality of the plan, the greater the EP factor score. The variable quality of plan explained 29% of the variance in the EP sub-scale (see Table 27).

Table 27 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Early Planning Scores from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.91	1	2.91	8.70	.008 ^a
Residual	7.00	21	.33		
Total	9.91	22			

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
Quality of the Plan	.54 ^a	.29	.29	8.71	1,21	.008	.54

Excluded Variables

Model	t	Sig.
Successor Education	-1.43	.168
Maintained Revenue	1.27	.219
Incumbent Education	-.80	.436
FOBAge	.76	.456
Number of Employees	.15	.880

Note. N =23, Dependent Variable: EP Factor (Early Preparation)

^aPredictors: Quality of the Plan

Learning that Occurs (LTO Factor)

The third factor sub-scale analyzed was learning that occurs (LTO). In this model, LTO factor was the dependent variable and the demographic characteristics in the study were treated as independent variables. The bivariate analyses revealed that only one characteristic had a significant correlation, incumbent education ($r = -.49, p = .01$). This correlation was described as a moderate association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining five variables reported either low or moderate association (see Table 28).

Table 28 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale LTO and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
Incumbent Education	-.49	23	.009	Moderate
Quality Plan	.35	23	.053	Moderate
Number of Employees	.24	23	.130	Low
Maintained Revenue	-.23	23	.143	Low
Successor Education	-.23	23	.149	Low
FOBAge	.02	23	.468	Low

Note. Dependent variable: LTO Factor (Learning that Occurs)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

A stepwise multiple regression analysis was then conducted utilizing the demographic variables noted above as the independent variables and learning that occurs (LTO) as the dependent variable. The results of the regression analysis showed that incumbent education was the only variable that entered the model, explaining a significant portion of the variance in the LTO sub-scale score $F(1,21) = 6.70, p = .02$. The standardized beta coefficient was $-.49$ for incumbent education, indicating that the higher the education level of the incumbent, the lower the LTO factor score. The variable incumbent education explained 24% of the variance in the LTO sub-scale (see Table 29).

Table 29 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Learning that Occurs Scores from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.09	1	2.09	6.70	.017 ^a
Residual	6.54	21	.31		
Total	8.63	22			

(Table 29 continued)

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
Incumbent Education	.49 ^a	.24	.24	6.70	1,21	.017	-.49

Excluded Variables

Model	t	Sig.
Number of Employees	1.95	.066
Quality Plan	1.67	.107
Maintained Revenue	-1.25	.226
FOBAge	-.32	.753
Successor Education	-.29	.772

Note. N =23, Dependent Variable: LTO Factor (Learning that Occurs)

^aPredictors: Incumbent Education

Satisfied Stakeholder (SS Factor)

The fourth factor sub-scale analyzed was stakeholder satisfaction (SS). In this model, SS factor was the dependent variable and the demographic characteristics in the study were treated as independent variables. The bivariate analyses revealed that three demographic variables had a significant correlation, FOBAge ($r = .46, p = .02$), incumbent education ($r = -.36, p = .05$), and successors education ($r = -.44, p = .02$). This correlation was described as a moderate association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining three variables reported either moderate or negligible association (see Table 30).

A stepwise multiple regression analysis was conducted utilizing the demographic variables noted above as the independent variables and satisfied stakeholders (SS) as the dependent variable. The results of the regression analysis showed that FOBAge and

Table 30 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale SS and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
FOBAge	.46	23	.015	Moderate
Successor Education	-.44	23	.018	Moderate
Incumbent Education	-.36	23	.046	Moderate
Quality Plan	.34	23	.059	Moderate
Maintained Revenue	.32	23	.068	Moderate
Number of Employees	.08	23	.352	Negligible

Note. Dependent variable: SS Factor (satisfied stakeholders)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

successor education were the only variables that entered the model, each explaining a significant portion of the variance in the SS sub-scale score $F(2,20) = 5.50, p = .01$. The standardized coefficient for FOBAge in the final model was .404, indicating that the higher the FOBAge level, the greater the SS factor score when successor education is held constant. The standardized beta coefficient for successor education in the final model was -.388, indicating that, as the educational level of the successor increased, the SS Factor score decreased when age of business is held constant. The variables FOBAge and successor educational level explained 36% of the variance in the SS sub-scale (see Table 31).

Table 31 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Stakeholder Satisfaction Scores from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.11	1	2.05	5.50	.012 ^b
Residual	7.47	20	.37		
Total	11.58	22			

(Table 31 continued)

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
FOBAge	.46 ^a	.21	.21	5.47	1,21	.029	.45
Successor Education	.60 ^b	.36	.29	4.60	1,21	.045	-.39

Excluded Variables

Model	t	Sig.
Maintained Revenue	1.29	.213
Incumbent Education	-1.12	.276
Quality of Plan	.83	.417
Number of Employees	-.35	.734

Note. N =23, Dependent Variable: SS Factor (satisfied stakeholders)

^aPredictors: FOBAge

^bPredictors: FOBAge, Successor Education

Harmonious Family Members (HFM Factor)

The fifth factor sub-scale analyzed was harmonious family members (HFM). In this model, HFM factor was the dependent variable and the demographic characteristics in the study were treated as independent variables. The bivariate analyses revealed that two variables had a significant correlation, quality of plan ($r = .50, p = .01$) and maintained revenue ($r = .45, p = .02$). The quality of plan correlation was described as a substantial association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining five variables reported either low or moderate association (see Table 32).

A stepwise multiple regression analysis was then conducted utilizing the demographic variables noted above as the independent variables and harmonious family

Table 32 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale HFM and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
Quality Plan	.50	23	.008	Substantial
Maintained Revenue	.45	23	.016	Moderate
Incumbent Education	-.30	23	.086	Moderate
FOBAge	.21	23	.170	Low
Number of Employees	-.21	23	.172	Low
Successor Education	-.15	23	.245	Low

Note. Dependent variable: HFM Factor (Harmonious Family Members)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

members (HFM) as the dependent variable. The results of the regression analysis showed that quality of plan was the only variable that entered the model, explaining a significant portion of the variance in the HFM sub-scale score $F(1,21) = 6.85, p = .02$. The standardized beta coefficient was .50 for the independent variable, indicating that the higher the quality of plan, the greater the HFM factor. The variable quality of plan explained 25% of the variance in the HMF sub-scale (see Table 33).

Table 33 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Harmonious Family Members Score from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.48	1	3.48	6.85	.016 ^a
Residual	10.68	21	.51		
Total	14.16	22			

(Table 33 continued)

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
Quality of the Plan	.50 ^a	.25	.25	6.85	1,21	.016	.50

Excluded Variables

Model	t	Sig.
Maintained Revenue	2.06	.052
Number of Employees	-1.82	.083
Incumbent Education	-1.38	.183
FOBAge	.72	.478
Successor Education	.14	.894

Note. N =23, Dependent Variable: HFM Factor (Harmonious Family Members)

^aPredictors: Quality of the Plan

Planning and Success (PAS Factor)

The sixth factor sub-scale analyzed was planning and success (PAS). In this model, PAS factor was the dependent variable and the demographic characteristics in the study were treated as independent variables. The bivariate analyses revealed that two variables had a significant correlation, maintain revenue ($r = .48, p = .01$) and quality of plan ($r = .41, p = .03$). These correlations were described as moderate association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining four variables reported low, moderate, or negligible association (see Table 34).

A stepwise multiple regression analysis was then conducted utilizing the demographic variables noted above as the independent variables and planning and success (PAS) as the dependent variable.

Table 34 Relationship Between the Perception Regarding Successful Succession Planning in Family Owned Business Sub-scale PAS and Selected Demographic Characteristics

Independent Variable	r	n	p	Descriptor ^a
Maintained Revenue	.48	23	.010	Moderate
Quality Plan	.41	23	.026	Moderate
FOBAge	.26	23	.115	Low
Successor Education	-.16	23	.315	Low
Incumbent Education	-.13	23	.280	Low
Number of Employees	-.05	23	.414	Negligible

Note. Dependent variable: PAS Factor (Planning and Success)

^aDavis' Descriptors (.01 to .09 = Negligible association, .10 to .29 = Low association, .30 to .49 = Moderate association, .50 to .69 = Substantial association, .70 or higher = Very strong association)

The results of the regression analysis showed that maintained revenue was the only variable that entered the model, explaining a significant portion of the variance in the PAS sub-scale score $F(1,21) = 6.42, p = .02$. The standardized beta coefficient was .484 for maintained revenue, indicating that if revenue was maintained or increased, the greater the PAS factor score. The variable maintained revenue explained 23% of the variance in the PAS sub-scale (see Table 35).

Table 35 ANOVA Summary Table and Model Summary for Stepwise Multiple Regression Predicting Planning and Success Scores from Demographic Factors

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.50	1	2.50	6.42	.019 ^a
Residual	8.16	21	.39		
Total	10.66	22			

(Table 35 continued)

Model Summary

Model	R	R Square	R Square Change	F Change	df	Sig. F Change	Standardized Coefficient Beta
Maintained Revenue	.48 ^a	.23	.23	6.42	1,21	.02	.48

Excluded Variables

Model	t	Sig.
Quality of Plan	1.80	.088
FOBAge	.88	.389
Incumbent Education	-.65	.522
Successor Education	-.43	.674
Number of Employees	.15	.880

Note. N =23, Dependent Variable: PAS Factor (Planning and Success)

^aPredictors: Maintained Revenue

CHAPTER 5: SUMMARY

Summary of Purpose and Specific Objectives

The primary purpose of this study was to determine the influence that selected aspects of succession planning and selected demographic characteristics have on the level of success in the succession of family owned businesses in south Louisiana.

The following objectives were developed to facilitate this study:

1. Describe family owned businesses in south Louisiana in terms of the following characteristics:
 - a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.
2. Determine how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning:
 - a) Degree to which a firm commitment to successful succession was signaled to stakeholders throughout the planning process;
 - b) Degree to which the leadership began the succession planning process in a timely manner;

- c) Degree to which the incumbent and successor learned throughout the planning process;
 - d) Degree to which stakeholders were satisfied with the succession process;
 - e) Degree to which family members were harmonious during and after the succession process;
 - f) Degree to which planning contributed to a successful transition.
3. Determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the following variables:
- a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;
 - d) Number of employees on payroll;
 - e) Type of business (retail, service, manufacturing, etc.);
 - f) Whether or not leadership prepared a quality succession plan;
 - g) Whether or not there was a positive revenue performance subsequent to succession.
4. Determine if a model exists that explains a significant portion of the variance in the perception of family owned business owners and managers in south Louisiana regarding selected aspects of succession planning from the following variables:
- a) Age of the family owned business based on number of years in business;
 - b) Incumbent's educational level;
 - c) Successor's educational level;

- d) Number of employees on payroll;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

Summary of Methodology

The target population for this study was family owned business owners and managers who completed a planned succession of leadership to the next generation. The sample was defined as family owned businesses located in south Louisiana with multiple members of the same family involved as major owners or managers, either contemporaneously or over time. Potential subjects were identified using the LexisNexis Academic database, Baton Rouge Business Report, LSU Innovation Park, Tulane Family Business Center membership, and Excelerant customer list.

The researcher developed the instrument used in this study to collect data. The instrument included 33 items that measured demographics, quality of the plan, and perceptions using Yes/No, category selection, and Likert-type questions. Content validity was established by having a panel of experts, including both faculty and industry experts, review the instrument. Based on the feedback provided, the researcher made appropriate adjustments to the instrument. The electronic survey was approved by the Institutional Review Board (IRB) prior to its administration.

The first objective of the study was to describe the business using certain characteristics which then were analyzed using descriptive statistics such as frequency and percentages. The second objective was to determine perceptions, which were

summarized by computing the mean and standard deviation of scores. In addition, the researcher conducted a factor analysis on the six identified planning and success factors to determine if the items in each factor grouped together effectively. For the third objective, Spearman's rank-order and Point Biserial correlation coefficient's were used to determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the independent variables. Objective four was addressed using bivariate correlations and multiple regression analysis to determine if a model existed that explained a significant portion of the variance in the perceptions of family owned business owners and managers based on the independent variables.

Summary of Major Findings

The researcher collected 136 total responses from the FOB Perception of Successful Succession Inventory survey. The survey included three screening questions requiring a "Yes" answer to continue the survey. The screening questions included: 1) are you a family owned business, 2) has your company completed a leadership succession to the next generation, and 3) was a written succession plan prepared. Of the 136 respondents, 105 were identified as a family owned business. Of the 105 family owned business respondents, 61 or 58.1% had completed a succession and 44 or 41.9% had not. Lastly, 29 or 27.6% had prepared a written succession plan and 76 or 72.4% of the family business respondents had not. Overall, 23 respondents answered a "Yes" to all three screening questions and subsequently completed the survey.

The major findings of this study are discussed by objective.

Objective One

To meet the first objective, respondents were asked to describe their family owned businesses in south Louisiana using the following characteristics:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

Of the 23 family owned business owners and managers who responded, the majority indicated that the age of business was 20 + years (n = 17, 73.9%). The second largest group (n = 4, 17.4%) indicated a business age of 11-20 years. The business age categories of 1-2 years and 3-5 years received zero responses, while the 6-10 year category received two.

The largest group of respondents (n = 9, 39.1%) bachelor's degree as the incumbent's education category, while the second largest group (n = 7, 30.4%) had earned a high school diploma. Only one participant (4.3%) reported a degree beyond a bachelor's degree.

With respect to the successor's educational, the largest group of respondents (n = 13, 56.5%) had earned a bachelor's degree, and the second largest group (n = 4, 17.4%) had earned a master's degree.

Respondents were asked to select the appropriate category for number of employees. Of the 23 respondents, the largest group (n = 8, 34.8%) indicated there were “1-10” employees on payroll. Two categories were selected by the second largest number of respondents: “26-50” employees and “101 or more” employees (n = 5, 21.7%).

The type of business was reported; however, the frequency level for each category was low due to the fact that 23 respondents selected from eight business types. The business type “service” (n = 6, 26.1%) represented the largest group, while “other” (n = 5, 21.7%) made up the second largest group.

The final variable examined was whether or not leadership had prepared a quality succession plan. Based on the review of literature, the researcher identified seven planning components to determine the quality of plan score. Of the seven components, the largest group of respondents (n = 20, 87.0%) answered “Yes” to component 5: the plan included an ownership transition plan. The second largest “Yes” response (n = 17, 73.9%) indicated component 4: the plan included a leadership transition plan. Two components, component 2: range of candidates – family or external and component 3: the plan included governance guidelines, were selected by the smallest group of respondents (n = 10, 43.3%).

Objective Two

The purpose of the second objective was to determine how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning:

- a) Degree to which a firm commitment to successful succession was signaled to stakeholders throughout the planning process;

- b) Degree to which the leadership began the succession planning process in a timely manner;
- c) Degree to which the incumbent and successor learned throughout the planning process;
- d) Degree to which stakeholders were satisfied with the succession process;
- e) Degree to which family members were harmonious during and after the succession process;
- f) Degree to which planning contributed to a successful transition.

The researcher examined the owner/manager perceptions of family owned businesses by conducting a factor analysis on each of the six factor sub-scales identified, including, commitment to stakeholders (CTS), early preparation (EP), learning that occurs (LTO), satisfied stakeholders (SS), harmonious family members (HFM), and planning and success (PAS). The sub-scale reported with the highest mean score was PAS Factor ($M = 3.40$, $SD = .696$), while SS Factor ($M = 3.33$, $SD = .725$) reported the second highest mean score. The factor with the lowest mean score was CTS Factor ($M = 2.97$, $SD = .758$).

Objective Three

The purpose of the third objective was to determine if a relationship exists between how family owned business owners and managers in south Louisiana perceive selected aspects of succession planning and the following variables:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;

- d) Number of employees on payroll;
- e) Type of business (retail, service, manufacturing, etc.);
- f) Whether or not leadership prepared a quality succession plan;
- g) Whether or not there was a positive revenue performance subsequent to succession.

The researcher collected data for the age of the family business by asking respondents to select the appropriate business age category. Of the six planning factor sub-scales examined, satisfied stakeholders had a computed coefficient of $r_s = .44$, ($p = .03$); therefore, a moderate positive relationship was found between age of family owned businesses and perceptions of satisfied stakeholders. The remaining five factors were not found to significantly relate to the age of the family owned business.

Respondents also were asked to select the appropriate educational level category for the incumbent. Of the six planning factor sub-scales examined, learning that occurs had a computed coefficient of $r_s = -.46$, ($p = .03$); therefore, a moderate negative relationship was found between the incumbent's educational level and learning that occurs. The remaining five factors were not found to significantly relate to the incumbent's educational level.

In addition, respondents were asked to select the appropriate educational level category for the successor. Of the six planning factor sub-scales examined, early preparation had a computed coefficient of $r_s = -.51$, ($p = .01$), and satisfied stakeholders had a computed coefficient of $r_s = -.48$, ($p = .02$). Therefore, a moderate negative relationship was found between the incumbent's educational level and both perceptions

of early preparation and satisfied stakeholders. The remaining four factors were not found to significantly relate to the successor's educational level.

To report on the number of employees, respondents were asked to select the category that best represents the number of employees on payroll. Due to the low sample size for each response to the type of business variable, the researcher was unable to make a comparison based on type of business.

To determine whether or not leadership had prepared a quality succession plan, respondents were asked to select "Yes" or "No" for seven items on the FOB Perception of Successful Succession Inventory. Of the six planning factor sub-scales examined, early preparation had a computed coefficient of $r = .54$, ($p = .01$), commitment to stakeholders had a computed coefficient of $r = .50$, ($p = .01$), and harmonious family members had a computed coefficient of $r = .50$, ($p = .02$). Therefore, a moderate positive relationship was found between whether or not leadership had prepared a quality succession plan and perceptions of early preparation, commitment to stakeholders, and harmonious family members. The remaining three factors were not found to significantly relate to whether or not leadership had prepared a quality succession plan.

The final variable examined for this objective was whether or not there was a positive revenue performance subsequent to succession. Respondents were asked to select "Yes" or "No" for a single item on the FOB Perception of Successful Succession Inventory. Of the six planning factor sub-scales examined, planning and success had a computed coefficient of $r = .48$, ($p = .02$), and harmonious family members had a computed coefficient of $r = .45$, ($p = .03$). Therefore, a moderate positive relationship was found between maintaining positive revenue performance subsequent to succession

and perceptions of planning and success, and harmonious family members. The remaining four factors were not found to significantly relate to whether or not leadership had prepared a quality succession plan

Objective Four

The aim of the fourth objective was to determine if a model exists that explains a significant portion of the variance in the perception of family owned business owners and managers in south Louisiana regarding selected aspects of succession planning from the following variables:

- a) Age of the family owned business based on number of years in business;
- b) Incumbent's educational level;
- c) Successor's educational level;
- d) Number of employees on payroll;
- e) Whether or not leadership prepared a quality succession plan;
- f) Whether or not there was a positive revenue performance subsequent to succession.

The first factor sub-scale analyzed was commitment to stakeholders (CTS). Of the six variables, only one had a significant correlation, quality of plan ($r = .50$, $p = .01$). This correlation was described as a substantial association based on Davis' Descriptors for the magnitude of correlation coefficients. The remaining five variables reported low, moderate, or negligible associations.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that quality of plan was the only variable that entered the model explaining a significant portion of the variance in the CTS sub-scale score $F(1,21)$

= 7.13, $p = .01$. The standardized beta coefficient was .50 for quality of plan, indicating that a higher quality succession plan, tended to be associated with a higher CTS factor score. The variable quality of plan explained 25% of the variance in the CTS sub-scale.

The second factor sub-scale analyzed was early planning (EP). The bivariate analyses revealed that only one characteristic had a significant correlation, quality of plan ($r = .54$, $p = .01$). This correlation was described as a substantial association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining five variables reported moderate, low, or negligible associations.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that quality of plan was the only variable that entered the model, explaining a significant portion of the variance in the EP sub-scale score $F(1,21) = 8.71$, $p = .01$. The standardized beta coefficient was .54 for quality of plan, indicating that the higher the quality of the plan, the greater the EP factor score. The variable quality of plan explained 29% of the variance in the EP sub-scale.

The third factor sub-scale analyzed was learning that occurs (LTO). The bivariate analyses revealed that only one characteristic had a significant correlation, incumbent education ($r = -.49$, $p = .01$). This correlation was described as a moderate association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining five variables reported either low or moderate association.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that incumbent education was the only variable that entered the model, explaining a significant portion of the variance in the LTO sub-scale score $F(1,21) = 6.70$, $p = .02$. The standardized beta coefficient was $-.49$ for incumbent

education, indicating that the higher the educational level of the incumbent, the lower the LTO factor score. The variable incumbent education explained 24% of the variance in the LTO sub-scale.

The fourth factor sub-scale analyzed was stakeholder satisfaction (SS). The bivariate analyses revealed that three demographic variables had a significant correlation, FOBAge ($r = .46, p = .02$), incumbent education ($r = -.36, p = .05$), and successors education ($r = -.44, p = .02$). These correlations were described as moderate associations based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining three variables reported either moderate or negligible associations.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that FOBAge and successor education were the only variables that entered the model, each explaining a significant portion of the variance in the SS sub-scale score $F(2,20) = 5.50, p = .012$. The standardized coefficient for FOBAge in the final model was .404 and -.388 for successor education. The variables FOBAge and successor educational level explained 36% of the variance in the SS sub-scale.

The fifth factor sub-scale analyzed was harmonious family members (HFM). The bivariate analyses revealed that two variables had a significant correlation, quality of plan ($r = .50, p = .01$) and maintained revenue ($r = .45, p = .02$). These correlations were described as a substantial association based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining four variables reported either low or moderate association.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that quality of plan was the only variable that entered the

model, explaining a significant portion of the variance in the HFM sub-scale score $F(1,21) = 6.85, p = .02$. The standardized beta coefficient was .50 for the independent variable, indicating that the higher the quality of plan, the greater the HFM factor. The variable quality of plan explained 25% of the variance in the HMF sub-scale.

The sixth factor sub-scale analyzed was planning and success (PAS). The bivariate analyses revealed that two variables had a significant correlation, maintain revenue ($r = .48, p = .01$) and quality of plan ($r = .41, p = .03$). These correlations were described as moderate associations based on Davis' Descriptors magnitude of correlation coefficients guidelines. The remaining four variables reported low, moderate, or negligible associations.

A stepwise multiple regression analysis was then conducted. The results of the regression analysis showed that maintained revenue was the only variable that entered the model, explaining a significant portion of the variance in the PAS sub-scale score $F(1,21) = 6.42, p = .02$. The standardized beta coefficient was .484 for maintained revenue, indicating that if revenue was maintained or increased, the PAS factor score would be greater. The variable maintained revenue explained 23% of the variance in the PAS sub-scale

Conclusions, Implications, and Recommendations

Based on the findings of this study, the following conclusions and recommendations were drawn by the researcher.

Conclusion One

1. The majority of respondents did not prepare a written succession plan prior to completing the succession process.

This conclusion is based on the following findings from the study. Of the total 105 respondents who completed the three screening questions, 61 or 58% completed a succession to the next generation. Only 23 or 38% of the respondents prepared a succession plan prior to completing the succession process.

The family business literature shows that only 20% to 30% of family owned businesses have a written succession plan prior to the succession process. In their study analyzing a database of 673 family owned businesses, Lee, Jasper, and Goebel stated, “Consistent with other studies, the findings indicated that only 20 percent had a written succession plan.” (2003, p. 31). Another study conducted by Avila et al. (2003) found that, of 101 survey respondents, 56 family businesses had a prepared plan and 45 businesses did not. Therefore, 55% of firms surveyed had a succession plan. The findings in the current study found that 38% of the respondents prepared a succession plan prior to succession, a finding that aligns with the literature.

Based on these findings and conclusions, the researcher recommends that organizations that provide consulting services, professional development and support to family businesses, such as family owned business centers connected with universities, local chambers of commerce, or corporate accounting firms, add programs that will educate family business owners and managers on the importance of succession planning and the steps necessary for preparing a quality succession plan. Programs that assist business owners and managers in understanding the succession process and the preparation of a quality plan should enhance the ability of next generation leadership to continue the family business successfully while maintaining or growing revenue.

Conclusion Two

2. Generally, the respondents in the study prepared high quality succession plans.

This conclusion is based on the following findings from the study. Of the 23 respondents, 14 or 34% received a quality of plan score of high quality, meaning that their score ranged from 6-7 points. In addition, 6 respondents or 26% received a quality of plan score of moderate high, meaning that their score ranged from 4-5 points.

Together, these two categories account for 61% of the scores reported, which indicates that a majority of the respondents prepared moderate high to high quality plans. The quality of plan score was based on seven items measured with a “Yes” or “No” question on the FOB Perception of Successful Succession Inventory survey. Twenty respondents or 87% indicated that they included an ownership transition plan in the prepared succession plan. Furthermore, 17 respondents or 74% indicated that they included a leadership transition plan in the succession plan.

Based on these findings and conclusions, the researcher recommends further quantitative studies utilizing the FOB Perception of Successful Succession Inventory with a larger sample size. In addition, the researcher recommends structured qualitative studies in which family business owners who completed a planned succession process can share their experiences regarding the components of the succession plan and which aspects contributed to success. From a practitioner perspective, the researcher recommends that FOB owners and managers enroll in succession planning training courses and workshops offered through organizations such as family owned business centers connected with universities, local chambers of commerce, and corporate

accounting firms to learn how to prepare a high quality succession plan and to learn the influence that quality planning has on success.

Conclusion Three

3. Respondents perceived that planning for succession was important.

This conclusion is based on the following findings from the study. Based on a four point Likert-type scale ranging from 1 (strongly disagree) to 4 (strongly agree), respondents agreed with all perception items listed on the FOB Perception of Successful Succession Inventory survey. Twenty-three respondents completed 19 items measuring perception of succession planning. Of these responses, the item “Planning for succession early is important to a successful succession” had a mean of 3.74, indicating strongly agree. The item “Planning had a positive effect on the overall succession process” had the second highest score, with a mean of 3.52, indicating strongly agree. The item with the lowest mean score was “Employees were engaged throughout the succession process” with a mean of 2.61, which still indicates agreement.

Many American family owned businesses have vanished due to the lack of adequate succession planning (Galiano & Vinturella, 1995). According to Poutziouris et al., “Past research suggests that there are many reasons such successions fail. They include unclear succession plans, incompetent or unprepared successors, and family rivalries” (2006, p. 372).

Based on these findings and conclusions the researcher recommends further research utilizing the FOB Perception of Successful Succession Inventory survey to better understand the succession planning perception factors. In particular, this study should be replicated with a larger sample size to determine if the findings regarding

agreement with all of the items can be confirmed. More specifically, this research would be used to determine if the items “Planning for succession early is important to a successful succession” and “Planning had a positive effect on the overall succession process” can be confirmed as having the highest level of agreement. In addition, structured qualitative studies should be conducted to understand the perceptions among FOB owners and managers regarding why planning is important in family owned businesses and how and why it increases success. This study should include those who were highly successful and those who experienced lower levels of success to see the difference that exist in these groups.

Conclusion Four

4. The FOB Perception of Successful Succession Inventory is a well-designed instrument.

This conclusion is based on the following findings from the study. The factor structure of the instrument used in the study (FOB Perception of Successful Succession Inventory) was supported by the data collected. Due to the low number of respondents ($n = 23$) in this study, the researcher ran a factor analysis to determine the factor loading on each of the six planning sub-scales rather than a global factor analysis. “Loadings $\pm .50$ or greater are considered practically significant. Loadings exceeding $+ .70$ are considered indicative of well-defined structure and are the goal of any factor analysis.” (Hair et al., 2006, p. 128). Of these factors, four had a minimum loading greater than $.70$ and two had minimum loadings of $>.50$. Therefore, 4 of 6 sub-scales met Hair’s criteria for a well-defined structure. “Planning and success” had the highest loading, which included, “Planning had a positive effect on the overall succession process” (.929), “The succession

process at my company was successful” (.820), and “The transition of leadership was smooth and there were no disruptions in the business” (.812). The second highest factor loadings were found for “stakeholder satisfaction”, which included “The succession plan placed the needs of the organization at the forefront” (.960), “Employee turnover improved or remained the same after succession” (.955), “Vendor relationships improved or remained the same after succession” (.877), and “Customer relationships improved or remained the same after succession” (.841) (see Tables 11-16).

Based on these findings and conclusions the researcher recommends continued research utilizing the FOB Perception of Successful Succession Inventory survey. In particular, this study should be with a larger sample size to determine if the planning sub-scales continue to report acceptable loading scores ($\geq .40$) and if the items in each factor continue to group together. Although the sub-scales in this study hold together, the researcher acknowledges that the results reported could be suspect due to the limited sample size. However, based on the current study results the FOB Perception of Successful Succession Inventory is a well-designed instrument.

Conclusion Five

5. Family owned business owners and managers of older businesses tend to have a more positive perception regarding satisfied stakeholders.

This conclusion is based on the following findings from the study. Data for this variable were collected by asking respondents to select the appropriate business age category. Categories included “1-2 Years”, “3-5 Years”, “6-10 Years”, “11-20 Years”, and “20+ Years”. Of the six perception sub-scales examined, satisfied stakeholders had a computed correlation coefficient of $r_s = .44$, ($p = .03$), indicating a moderate positive

relationship between age of family owned businesses and perceptions of satisfied stakeholders.

Success in succession includes subsequent positive performance of the firm, the ultimate viability of the business, and the satisfaction of the stakeholders with the succession process (Cabrera-Suárez et al., 2000; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001) (Barbara & Alberto Ivo, 2009, p. 46). A majority of the respondents (n = 17, 73.9%) reported the age of the business as 20+ years. One implication is that the owners and managers of older businesses better understand the needs of employees, customers, and the supply chain as compared to younger companies. When businesses focus on keeping stakeholders satisfied throughout the succession process, the opportunity for success is greater. Older businesses have the benefit of creating long-term relationships with employees, vendors and other stakeholders which in return, allows business owners to fully appreciate the value of a satisfied stakeholder.

Based on these findings and conclusions, the researcher recommends additional research designed to understand why family owned business owners and managers of older businesses tend to have a more positive perception regarding satisfied stakeholders. This might be done by a series of focused interviews. These interviews should include the owners and managers of both older and younger businesses utilizing guided questions to understand their succession processes. In addition, the researcher recommends that practitioners enroll in continuing education courses that focus on customer satisfaction, employee satisfaction and retention, and supply chain management. Understanding stakeholder satisfaction, as defined in the literature, is an important factor for successful succession (Barbara & Alberto Ivo, 2009, p. 46).

Conclusion Six

6. Having a high quality succession plan had a positive influence on the perceptions of family owned business owners and managers.

This conclusion is based on the following findings from the study. A moderate positive relationship was found between whether or not leadership prepared a quality succession plan and “early preparation” $r = .54$, ($p = .01$), “commitment to stakeholders” $r = .50$, ($p = .01$), and “harmonious family members” $r = .50$, ($p = .02$). Family owned businesses that prepared a high quality succession plan tended to have a more positive perception regarding the items in the “early preparation”, “commitment to stakeholders”, and “harmonious family members” sub-scales compared to those who had a lower quality plan. In addition, three of the six planning sub-scales reported a significant contribution of quality of the plan to the explanatory regression models. The first sub-scale CTS had a significant correlation with quality of plan ($r = .50$, $p = .01$), with quality of plan explaining 25% of the variance in the CTS sub-scale. EP also had a significant correlation with quality of plan ($r = .54$, $p = .01$), with quality of plan explaining 29% of the variance in the EP sub-scale. Lastly, HFM had a significant correlation with quality of plan ($r = .50$, $p = .01$), with quality of plan explaining 25% of the variance in the HFM sub-scale.

Based on these findings and conclusions the researcher recommends continued research utilizing the FOB Perception of Successful Succession inventory survey. Because quality of plan entered the regression model for three of the six sub-scales, one recommendation is that this study be replicated with a larger sample size to further determine the influence that quality of plan has on perceptions of succession planning.

The researcher reiterates the recommendation from the first conclusion, that organizations that provide consulting services, professional development and support to family businesses, such as family owned business centers connected with universities, local chambers of commerce, and corporate accounting firms, add programs that will educate family business owners and managers on the importance of succession planning and the steps necessary for preparing a quality succession plan. The researcher further recommends that these organizations recruit family business owners who prepared a high quality plan to serve as collaborators in the design and conduct of educational workshops. Training family owned businesses to prepare high quality succession plans is important to the longevity of family firms. Based on recent research on family business, the absence of planning is one of the top reasons for failed succession, although little is known about how or why planning increases success (Long & Chrisman, 2013).

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APPENDIX A: IRB CONSENT FORM AND REQUEST FOR PARTICIPATION

ACTION ON EXEMPTION APPROVAL REQUEST



TO: Steven Perret
SHREWD

FROM: Dennis Landin
Chair, Institutional Review Board

DATE: August 14, 2015

RE: IRB# E9445

TITLE: Succession in Family Owned Businesses: The Influence of Succession Planning and Demographic Characteristics on Succession Success

Institutional Review Board
Dr. Dennis Landin, Chair
130 David Boyd Hall
Baton Rouge, LA 70803
P: 225.578.8692
F: 225.578.5983
irb@lsu.edu | lsu.edu/irb

New Protocol/Modification/Continuation: New Protocol

Review Date: 8/14/2015

Approved Disapproved

Approval Date: 8/14/2015 Approval Expiration Date: 8/13/2018

Exemption Category/Paragraph: 2a

Signed Consent Waived?: Yes

Re-review frequency: (three years unless otherwise stated)

LSU Proposal Number (if applicable):

Protocol Matches Scope of Work in Grant proposal: (if applicable)

By: Dennis Landin, Chairman 

PRINCIPAL INVESTIGATOR: PLEASE READ THE FOLLOWING –

Continuing approval is **CONDITIONAL** on:

1. Adherence to the approved protocol, familiarity with, and adherence to the ethical standards of the Belmont Report, and LSU's Assurance of Compliance with DHHS regulations for the protection of human subjects*
2. Prior approval of a change in protocol, including revision of the consent documents or an increase in the number of subjects over that approved.
3. Obtaining renewed approval (or submittal of a termination report), prior to the approval expiration date, upon request by the IRB office (irrespective of when the project actually begins); notification of project termination.
4. Retention of documentation of informed consent and study records for at least 3 years after the study ends.
5. Continuing attention to the physical and psychological well-being and informed consent of the individual participants, including notification of new information that might affect consent.
6. A prompt report to the IRB of any adverse event affecting a participant potentially arising from the study.
7. Notification of the IRB of a serious compliance failure.
8. **SPECIAL NOTE:** When emailing more than one participant, make sure to use bcc.

*All investigators and support staff have access to copies of the Belmont Report, LSU's Assurance with DHHS, DHHS (45 CFR 46) and FDA regulations governing use of human subjects, and other relevant documents in print in this office or on our World Wide Web site at <http://www.lsu.edu/irb>

APPENDIX B: FOB PERCEPTION OF SUCCESSFUL SUCCESSION INVENTORY

INSTRUCTIONS:

The purpose of this survey is to collect pertinent information that will assist Louisiana State University researchers in contributing to the body of knowledge in family owned business studies. Attached is a Likert-type scale survey instrument designed to better understand the perceptions family owned businesses located in south Louisiana have on succession. Please carefully read and answer each of the following items by checking the appropriate box that best describes your answer. Thank you for taking time to complete this survey and advancing family owned business research.

Screening Questions

1. Are you a family owned business [FOB] (Members of the same family are involved as owners or managers)	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. My company has completed the succession process (where another family member took	<input type="checkbox"/> Yes <input type="checkbox"/> No

over the leadership of the business)	
3. A written succession plan was prepared prior to the succession process	<input type="checkbox"/> Yes <input type="checkbox"/> No
Demographic Questions	
4. Your Title with the business	<input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Both <input type="checkbox"/> Other
5. Age of the FOB based on number of years in business	<input type="checkbox"/> 1 – 2 Years <input type="checkbox"/> 3 – 5 Years <input type="checkbox"/> 6 – 10 Years <input type="checkbox"/> 11 – 20 Years <input type="checkbox"/> 20 + Years
6. Highest level of education the incumbent (retired leader) completed	<input type="checkbox"/> High School Diploma <input type="checkbox"/> Some college, no degree <input type="checkbox"/> Associate Degree <input type="checkbox"/> Bachelor’s Degree <input type="checkbox"/> Master’s Degree <input type="checkbox"/> Doctorate Degree <input type="checkbox"/> Other

<p>7. Highest level of education the successor (new leader) completed</p>	<ul style="list-style-type: none"> <input type="checkbox"/> High School Diploma <input type="checkbox"/> Some college, no degree <input type="checkbox"/> Associate Degree <input type="checkbox"/> Bachelor's Degree <input type="checkbox"/> Master's Degree <input type="checkbox"/> Doctorate Degree <input type="checkbox"/> Other
<p>8. Number of employees on payroll</p>	<ul style="list-style-type: none"> <input type="checkbox"/> 1 – 10 <input type="checkbox"/> 11 – 25 <input type="checkbox"/> 26 – 50 <input type="checkbox"/> 51 – 100 <input type="checkbox"/> 101 +
<p>9. Type of business</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Consultant <input type="checkbox"/> Healthcare <input type="checkbox"/> Industrial <input type="checkbox"/> Manufacturing <input type="checkbox"/> Oil and Gas <input type="checkbox"/> Retail <input type="checkbox"/> Restaurant <input type="checkbox"/> Service <input type="checkbox"/> Other

<p>10. Maintained or increased financial performance (sales/profits/cash) of the business after the succession process was complete</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>Quality of the Plan</p>	
<p>11. The plan defined selection criteria of a successor</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>12. The plan included a range of candidates (family or external)</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>13. The plan included governance guidelines (rules for ownership, board, council)</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>14. The plan included a leadership transition plan</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>15. The plan included an ownership transition plan</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>16. The plan defined a time frame for succession completion</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

17. The plan addressed development of the successor (education, training, career development, etc.)	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Perception Characteristics – Commitment to Stakeholders				
18. Employees were informed throughout the succession process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
19. Employees were engaged throughout the succession process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
20. Leadership demonstrated commitment to a successful succession throughout the succession process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
Perception Characteristics – Early Preparation				
21. Planning for the succession began well before the process actually began	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>

22. Regular meetings were conducted to discuss the succession process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
23. Planning for succession early is important to successful succession	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
Perception Characteristics – Learning that Occurs				
24. The successor learned throughout the succession planning process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
25. The incumbent learned throughout the succession planning process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
26. Employees learned throughout the succession planning process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>

Perception Characteristics – Satisfied Stakeholders				
27. The succession plan placed the needs of the organization at the forefront	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
28. Employee turnover improved or remained the same after succession	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
29. Vendor relationships improved or remained the same after succession	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
30. Customer relationships improved or remained the same after succession	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
Perception Characteristics – Harmonious Family Members				
31. Family members have defined roles within the firm	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
32. There was effective communication among family members throughout the succession planning process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>

33. Family members' relationship has improved or remained the same after succession	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
Perception Characteristics – Planning and Success				
34. Planning had a positive effect on the overall succession process	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
35. The succession process at my company was successful	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
36. The transition of leadership was smooth, and there were no disruptions in the business	Strongly Disagree <input type="checkbox"/>	Slightly Disagree <input type="checkbox"/>	Slightly Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>

VITA

Steven Thomas Perret has served as president of Letterman's, his family business based in Baton Rouge, Louisiana, since 2005. Letterman's is Louisiana's largest privately owned full-service reprographics company, offering custom document management and technology solutions to the design and construction industry.

While working in the family business, he has continued his education by pursuing pertinent graduate degrees. He earned a Master of Business Administration degree at Louisiana State University (LSU) in 2010 and is a candidate to receive his Ph.D. in Human Resource and Leadership Development in May 2016. In combination, these degrees focus on two aspects of an organization: the management of operations and the management of human capital, giving him a depth of understanding and insight into both aspects.