

An Investigation into the Underperformance of Family Run and Owned SMEs related to factors caused by Intergenerational Transfer: In the Context of Irish Retailers

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## **ABSTRACT**

### **An Investigation into the Underperformance of Family Run and Owned SMEs related to factors caused by Intergenerational Transfer: In the Context of Irish Retailers**

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**Purpose** - The purpose of this thesis is to investigate whether the underperformance of family Small and Medium Sized Enterprises (SMEs) is the result of the leadership and ownership succession to the younger generation.

**Methodology** – Multiple case studies were used in order to obtain all the primary data. This data was collected by conducting seven personal interviews at five family run and owned SMEs.

**Findings** – The study revealed that treating the succession process in an informal manner did not result in underperformance. It was also found that micro-sized and small-sized family businesses do not differ in terms of having to treat the succession process any differently. There were no findings to suggest that educational qualifications were a requirement to successfully run the family business but it was found that work experience gained outside of the family business in a similar industry was highly advantageous. A situation whereby a small family business had to accommodate all siblings with employment opportunities was seen as being very problematic along with having siblings as partial owners of a business in which they were not involved in the day to day running of.

**Conclusions** – This study has invited other researchers to take a more holistic approach when undertaking future research by examining a greater number of family businesses which operate outside of the retail sector and which are also larger in size.

## **Submission of Thesis and Dissertation**

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**Appendix 2** Example of letter sent to each family SME requesting their participation in order to conduct primary research.

**Appendix 3** Example of statement provided to all the interviewees before commencing with the interview

## **Lists of Abbreviations**

**CEO's** = Chief Executive Officer's

**ISMEA** = Irish Small and Medium Enterprises Association

**SME** = Small and Medium Sized Enterprise

**UK** = United Kingdom

**US** = United States

# **Chapter 1: Introduction**

## **1.1 Dissertation Outline**

### **Chapter 1: Introduction**

The ‘Introduction’ chapter will start off by providing the reader with a ‘Dissertation Outline’ which has been provided in order to give a brief summary of each chapter which has been included in the dissertation. It will then move to the problem which is to be investigated, an explanation as to why this problem is worthy of research and a description of how this problem will be investigated. Finally, a look at what the key literature has said will finish the first chapter off.

### **Chapter 2: Literature Review**

This chapter will start off with an introduction intended to give the reader a brief idea about where the origins of succession lie. It will then guide the reader in a sequential manner through the last number of decades to show how it has evolved to become a much thought about area in the business management field. It is also intended to bring the readers’ attention to the fact that small family businesses are an important fabric in modern society and share unique characteristics which are not found in bigger corporations. Finally, it is highlighted that small family businesses in Ireland have not been a major research area but that it is these organisations which contribute most to the islands economy. This short history which also makes reference to the benefit of Ireland’s retail sector sets the scene for the ‘Literature Review’ which follows and will hopefully give the reader an better appreciation of the importance of such a study.

The ‘Literature Review’ which acts as the main body for this chapter looks at a number of areas directly related to the ‘Research Objectives’ in order to get a variety of perspectives from numerous different academics who have contributed to the whole are of family business research. The existing literature is critiqued by highlighting all the strengths and weaknesses of the published material as well as taking note of the numerous limitations.

This chapter will be drawn to a close with a conclusion which aims to draw the readers' attention to all the information gaps which have been discovered as a result of undertaking the extensive literature review. The purpose of this is to provide direction for the primary research which will be undertaken.

### **Chapter 3: Research Questions**

This chapter outlines the overall research objective for this research. Four more sub objectives are provided and are intended to shape the entire work including the literature review and the primary research undertaken by the researcher

### **Chapter 4: Methodology**

This chapter is the 'Methodology' and has been included to justify to the reader why the research has been undertaken in the manner in which it has. It is also included to point out to the reader that all research undertaken is going to have limitations in some form or another and that this study is no different.

### **Chapter 5: Findings**

The 'Findings' chapter highlights the most important information which was gathered from all the family businesses which agreed to partake in this research. These five cases studies are presented individually as follows: Conns Cameras, Brady's Butchers, McDowell's Jewellers, JW Weldon Antiques and Fitzpatricks Shoes.

### **Chapter 6: Analysis**

The 'Analysis' section has drawn all the relevant findings from the case studies into a coherent framework with the aim of trying to identify trends which existed between all of the family businesses which were used as research subjects.

### **Chapter 7: Discussion**

This chapter is the 'Discussion'. The purpose of this was to relate all the findings from the primary research back to the 'Literature Review' which was conducted in chapter two with the aim of discovering if they add support or contradict all the previous research which has been conducted up until this point in time.

## **Chapter 8: Conclusions**

The main ‘Conclusions’ bring this study to an end. Each of the sub objectives in chapter three are referred back to in order to summarise for the reader what exactly was found out by conducting all the research. Further limitations are also acknowledged and a ‘Recommendations’ section makes some suggestions as to where future researchers should look to investigate. The entire work is drawn to a close by trying to establish an audience who may benefit from this investigation which has been undertaken and also pointing out the practical implications of any future research which may need to be considered.

### **1.2 Problem**

It is reported by Gersick, Davis, McCollum-Hampton and Lansberg (1997) that only two-thirds of first generation family firms survive the second generation of family ownership. Kets de Vries (1993) even goes on to say that only 15 percent of family business will survive into the third generation. This research aims to address the factors which are causing the underperformance of family businesses as they are passed on down to subsequent generations.

### **1.3 Why this research is worthy of study**

The identification of these factors is a worthwhile investigation as Shanker and Astrachan (1996) reveal that there are more family owned businesses than any other type in the world. They go on to say 80 percent of all firms are family owned or controlled and that 12 percent of the Gross Domestic Product and 15 percent of the entire workforce in the United States (US) come from these family businesses. This study which has focused in on family businesses operating in the SME sector is of further importance as the European Commission (cited in Birdthistle 2007) reveals that 70 percent of SMEs in Europe are that of family businesses and Riehle also (cited in Birdthistle) confirms that the majority of businesses in Ireland are in fact SMEs.

## **1.4 How it will be investigated**

This research aims to investigate this by carrying out an extensive literature review and looking for gaps in the existing research which can be followed up on. Primary research will then be conducted by using a case study approach to study five SMEs which are family run and owned and who all operate in the retail sector.

## **1.5 What the key literature says**

Ismail and Mahfodz (2009) say that planning the succession process will not increase business performance. Baur (2013) doesn't agree and says that it will. He also has the support of Van der Merwe, Venter and Ellis (2009) who warn that the biggest risk for the survival of small and medium-sized family businesses comes from not planning succession.

There are different opinions by the academics as to when the process of succession planning should begin. Van de Merwe et al. (2009) think that it should start early and the best time to begin the process is when the younger generation first enter the family business. Mejibri and Affes (2012) on the other hand advise that it should start even earlier and stress that the process should begin when the family business is first set up. It has to be noted that the work by Van der Merwe et al. (2009) has paid a lot of attention to the earlier generations which has resulted in the need to examine a greater mix of generations from the third generation and beyond.

Bjuggren and Sund (2001) do not focus on management succession but pay a lot of attention to the ownership transition to the next generation. They are of the view that policies enacted by the government can be unfavourable and that it is because of this that the younger generation are not given the opportunity to take over the family business at an opportune time. However, the investigations by Ip and Jacobs (2006) discredit this and say that favourable policies have in fact benefited small businesses. Neither of these studies investigated fiscal laws or family businesses in Ireland which makes it necessary for primary research in an Irish context.

Sharma, Chrisman and Chua (2003) think that the first generations engage in strategic planning more than the later generations and also claim that these later generations compete in easier business environments. There is another disagreement here as Sondfield and Lussier (2004) argue the exact opposite by alleging that it is the later generations who do more planning. However, there is a lack of previous research by other academics that actually back Sondfield and Lussier (2004) up. Further study is needed as a result in order to investigate whether the business climate which later generations compete in can counter argue the claim made by Sharma et al. (2003)

Berman Brown and Coverley (1999) discover that small businesses show a greater awareness towards succession planning than larger businesses and express astonishment at this due to their opinions that it is more complex for larger businesses. Others however have found that family businesses are unique and pinpoint this as the reason. For example, Banegil Palacios, Barroso Martinez and Tato Jimenez (2013) mention that family considerations such as the desire to accommodate all family members within a small family business can cause business efficiency to be overlooked.

Birdthistle who has investigated Irish SMEs has found that micro family businesses which have less than ten employees differ from that of bigger family businesses in that they lack systems to react to changes in the marketplace. She has also found that it is those family businesses who can react to changes which occur are the ones which remain competitive. She mentions that there is also a preference for informal learning strategies in Irish family SMEs but notes these businesses do not have adequate resources at hand to benefit from these. Further research will attempt to examine family businesses of different sizes to investigate the implications of size on successor performance as well as the pros and cons of engaging in either formal or informal succession planning.

Chirico (2008) notes that family members can develop skills to increase their knowledge which can be gained by working outside the family business in other companies. He mentions that this can then be brought back to the family business in order to innovate. Brockhaus (2004) is also in agreement and says that working outside the family business and getting a promotion is important. Kellermanns and

Eddleston (2004) point out that a problem in family businesses is that family members can occupy positions which they are not qualified for.

Filser, Kraus and Mark (2013) and Massis and Chua (2008) agree that sibling rivalry can be negative for the family business. The insights from Baur (2013) suggest that the successful family businesses are the ones whereby each of the siblings understands how each should be involved. He also puts forward the idea that there should only ever be the one decision maker at the top of the business and that having siblings who are shareholders but not involved in the day to day management of the business can hugely problematic. Researching family members who are jointly running the family business will try and establish whether sharing decision making especially with siblings is considered unfavourable for the business and the opinions of successors will be sought in relation to issues concerning other siblings who do not take an active role in the family business.

## **Chapter 2: Literature Review**

### **2.1 Introduction**

The whole practice of succession can be traced back a long time. Garman and Glawe (2004) state that its origins go back to recorded history and that the best documented roots of succession relate to power transitions which occurred within family networks such as royal families and family-owned business empires.

A lot of the early work by academics in relation to business succession started to take hold in the 1950's and 1960's. For example, it was proposed over fifty years ago by Trow (1961) that the lack of planning will be followed by decreased performance. He acknowledged during this period that there was still uncertainty as to what the various factors were which inhibited planning but a number of proposals were put forward. One of these was size as it was felt that the smaller the firm the harder it was to support the successor. He also indicated that smaller firms were more likely to be owned and managed by families and claimed that this made succession even more difficult as there might not be an available successor within the family.

Fast forward to the 1970's and Bulloch (1978) reported that small owner-managed firms were going into demise. He said that this was disheartening and spoke of small businesses as having qualities which the giant corporations at the core of our present society lack. He went on to say that it was the small family firms which distribute power and control more broadly and also provided more visible and genuinely accessible opportunities within their communities with respect to creating local jobs and purchasing from local suppliers.

He went on to endorse management succession and mentioned that it was an important but neglected subject. It was argued that governments added to the problem especially in the fields related to tax and legal matters. It was pointed out that governments in general had a long way to go in order to understand a climate conductive to the survival of small business.

Two decades later it was reported by Gibb (1997) that the theories and methods in the whole field of organizational development still had a history of being based on large organizations. He made reference to the work which has been carried out by such pioneers as Kurth Lewin and Douglas McGregor. It was recognised however that the vast majority of the firms in the world today were small and that the past decade had seen a rise in the number of entrepreneurial firms. The question arose as to whether things such as change processes are as similar for small firms as they are for large corporations.

During the last decade Birdthistle and Fleming (2007) indicated that little to no research had attempted to examine family businesses in Ireland with regards to such things as their structure and composition, their management or any training initiatives which have been undertaken by them. She identified that a function of the family business has been to act as a source of employment for family members. Her findings also revealed that they are characterised as being managed only by family members.

According to the Small Firms Association there are a greater number of family SMEs in Ireland when compared to non-family SMEs (Small Firms Association, cited in Birdthistle and Fleming 2007).

Birdthistle and Fleming (2007) noted that the formal education system in certain countries is not aligned to the needs of family SMEs and as a result learning and training initiatives must be adopted. She highlighted however that family businesses in Ireland find it hard to source training programmes and that very few of these programmes are designed specifically for family businesses.

The study by Birdthistle and Fleming (2007) also found that most of the family businesses from Ireland said that the current owner / manager will be succeeded by another family member. The results found however that a significant portion have not discussed or agreed a plan. She found this extremely worrying.

Dekimpe and Morrison (1991) pointed out that there was not much existing information with regards to the life expectancy of small retail firms. Collins and Burt (2001) did highlight however that over the previous twenty five years there has been

an appreciation of the importance of this particular sector in Ireland in relation to the contribution which it made to both the economy and employment.

## **2.2 The Planning Process**

Ismail and Mahfodz (2009) inform us that their findings indicate that there is only a small association between planning the leadership transition process from one generation to the next and business performance but Baur (2013) comes to a different conclusion and claims that there is actually evidence that when successors are involved in the whole succession process, effective succession will result. It must be stated that the methodology used by the researchers was also different. Ismail and Mahfodz (2009) undertook a mixed method approach. The quantitative element of this involved using Cronbach's Alpha while Baur (2013) decided to focus solely on qualitative studies and carried out some problem-centred interviews.

Ismail and Mahfodz (2009) focus on three variables (1) preparedness of the successor (2) family relationships and (3) planning and control in order to explore how Malaysian firms can be better sustained. The research carried out has its limitations by the way Malaysian firms are the sole focus. The research by Baur (2013) takes a different approach by way of the research focusing entirely on those successors who had outperformed.

Ismail and Mahfodz (2009) came to the conclusion that while there was a strong association between planning and enhanced family relationships, there was only a moderate association between the planning process and business performance. Baur (2013) on the other hand found that effective succession will be fostered when the successors themselves are involved in the whole planning process.

Applying dissimilar methodologies could be a factor in the both sets of research contrasting with each other. It is therefore necessary to examine some drawbacks. As mentioned, the theory which came to the conclusion that the planning process enhances performance with the involvement of the successors took a qualitative approach. Baur (2013) acknowledges himself that this approach by its very nature has its limitations as it cannot clearly measure preconditions. The problem-centered

interviews undertaken for data collection also brought to light seventeen propositions some of which were novel ideas about effective succession.

However, the theory put forward by Ismail and Mahfodz (2009) is also restricted when it is taken into consideration that their findings were the result of examining successors of which over half the respondents had worked for less than five years in their respective family firms. It may therefore be a weak argument to suggest that there is only a moderate relationship between the planning and preparation of successors and business performance. A timeframe of less than five years may not be a reasonable length of time served in the family firm to determine this as Bruce and Picard (2006) propose than an adequate amount of time must be spent not just planning but also executing the succession. It is not revealed how much time is needed but they do dispute suggestions that succession can occur over a relatively short period of time. It is also not revealed by Ismail and Mahfodz (2009) what portion of time the successors they studied had actually spent post succession stage actually running the family business. However, Bruce and Picard (2006) reveal that of the Canadian Small SMEs which they studied that an inadequate amount of time spent on these issues was a major reason for the high number of failed successions.

Van der Merwe et al. (2009) claim that a variety of maladies can lead to the downfall of small and medium-sized family businesses but that the lack of succession planning is the biggest threat. They argue that the high mortality amongst first and second generation family businesses is a consequence of the complex and highly emotional process of ownership and management succession to the next generation. It is claimed that many entrepreneurs have an aversion to formal planning procedures. However, it is suggested that it is in the best interest of the family to consider this as not only are the chances of finding a competent successor increased but a more stable leadership transition will occur between generations. It is suggested that the survival and long-term profitability of the company will ultimately be enhanced.

It could be useful with regards to the observation made by Van der Merwe et al. (2009) in relation to the aversion to planning procedures which entrepreneurs can possess to look at what Allred, Addams and Chakraborty (2007) allude to by mentioning that previous studies point out that formal planning will not influence

those companies which are small and at the stage of their development whereby they are fast-growing. Although their research was more aimed at investigating business planning by Chief Executive Officers (CEOs) in small privately owned enterprises as opposed to succession planning per se their research did include examining how much time is spent formally and informally on different business functions one of which was human resources. Some weight is added to this by the way Bollinger and Smith (2001) highlight that succession planning comes under the remit of the human resources department along with employee selection and an array of other functions. Although the results by Allred et al. (2007) indicated that informal planning is in fact needed, it was also found that the combination of both formal and informal planning will derive the optimum success levels of the US companies which they examined.

Considering what Van der Merwe et al. (2009) point out about entrepreneurs disliking formal planning procedures and what Allred et al. (2007) propose about formal planning not being able to influence those small companies at particular stages of their development it could be very beneficial to examine suggestions put forward by other literature. For example, Mejibri and Affes (2012) advocate that the succession process should be initiated in the initial years following the formation of a family owned business. This view differs slightly from that of Van de Merwe et al. (2009) who recommend that the succession process should begin only once the younger generation join the family business. Mejibri et al. (2012) highlight that the succession process is one which is a slow, gradual and variable endeavour. They suggest that preparation is required with regards to defining the mode of transition, selecting a successor and deciding on the correct time to pass over management of the company to the next generation

### **2.3 Ownership Transfer**

The research by Van der Merwe et al. (2009) also has its limitations in the way it is only the succession of management which is considered and not the succession of ownership. Although issues regarding the transfer of ownership are alluded to they argue that this can quite easily be solved with the help of an outside professional such as an accountant or lawyer.

This view by Van de Merwe et al. (2009) that the ownership succession of family firms does not require as much attention due to the claim which is made that a solution can be found quite readily by engaging outside help is not supported by Bjuggren and Sund (2001) who look at succession planning in family SMEs from the point of view of ownership transition from one generation to the next. They argue that policies relating to inheritance and capital gains taxes can hinder intergenerational ownership in family firms. They contemplate whether there is an optimal age to transfer the business to the younger generation and whether it is because of such laws that the younger generation choose to leave the family firm as a result of not being given the opportunity to take over while they are still young. If this is the case, the chance for intergeneration succession might be lost. Ip and Jacobs (2006) also highlight that fiscal matters are the most important financial component which have to be considered by a company while in the preparation stage of business transfer. A very important observation was made with regards to the international variation in tax policies which exist between different countries. It is therefore necessary to notice a limitation to the research carried out by Bjuggren and Sund (2001) as it was in the context of Swedish family businesses. However, Ip and Jacobs (2006) defend such issues and point out that a general view of likely barriers can be identified. They did go on to clarify however that a reduction in Capital Gains Tax in the UK for small businesses made a huge contribution towards ownership transfer. This assertion may discredit the opinions of Bjuggren and Sund (2001) that family business failures are due to such issues surrounding ownership transition, on a wider context at least.

## 2.4 Generational Differences

The analysis carried out by Sharma, et al. (2003) found that the generation managing their family business had a considerable impact on the extent of strategic planning. They found that the companies moving from the first to second generation were more inclined to carry out strategic planning than later generations. Their reasoning for this is based on the assumption that subsequent generations may be competing in more steady environments or the inference that there is just an inclination for less

strategic changes to be brought about from firms which are not making generational transitions for the first time.

The findings made by Sharma et al. (2003) are not supported by Sondfield and Lussier (2004) whose own research has highlighted quite a contrary view. It is claimed that second and third generation family firms actually engage in succession planning to a greater extent than that of the first generation. This observation which seems to contradict most of the other literature already written on this topic area may have a significant contribution to make to the whole field of succession planning in family firms. The difference lies in the approach taken by Sondfield and Lussier (2004) which was distinct to most of the previous research which has been carried out by the way they did not just compare first-generation family firms to later generations but by the way they investigated how third-generation family firms differ to second-generation family firms and so on. Although new insights have been gained from the study carried out by Sondfield and Lussier (2004) it has to be recognised that their study has been limited by the scarcity of prior empirical-based research literature.

Research carried out on family businesses from East Anglia in the United Kingdom (UK) by Berman Brown and Coverley (1999) of which twenty one replies to questionnaires were received by owner / managers revealed that sixty two percent of these respondents actually belonged to the second or subsequent generations and not the first. These findings conflict with much of the literature already written on this topic area which claims that only a small percentage of family firms make it past the first generation. However, the discovery of this data by Berman Brown and Coverley (1999) might also be able to add weight to the views expressed by Sondfield and Lussier (2004)

## 2.5 Size of the Family Business

The findings by Berman Brown and Coverley (1999) it has to be noted seem inconsistent by the way the entire sample which they decided to study consists of small firms from East Anglia but how they then seem to debate in their findings that small firms carry out more succession planning than that of large businesses.

Nowhere throughout the course of their research do they cite previous empirical research from other scholars who have explored succession planning in the context of comparing and contrasting smaller and larger businesses. As a result they express astonishment that smaller firms would engage in succession planning to a greater extent than larger firms as:

*“the task of finding a replacement CEO for a large business would be more complex than for a small one due to the greater range of abilities required”* (Berman Brown and Coverley, 1999).

As a consequence Berman Brown and Coverley (1999) indicate that there is a gap which further research should investigate with regards to finding an explanation as to why the relationship between the size of a family firm and succession planning is not evident in practice.

Other scholars however such as Motwani, Levenburg, Schwarz and Blankson (2006) point out that the family dimension in addition to business dimensions means that family businesses must factor in additional concerns to understand organizational planning and processes including the fact that the number of family successors is limited to the number of family members.

Further insights are provided by Banegil Palacios et al. (2013) who explore the succession process by analysing family firms from two different perspectives, the first being the scenario whereby the number of family members outgrows that of the firm and the second whereby the company grows at a faster rate. They indicate that the planning of the succession process is of more concern to the former as finding positions for every family member is difficult. This is not the case when the family is outgrown by the business as every family member can be accommodated. It is suggested that the former is more oriented towards meeting their family needs through the company, whereas the latter is more oriented towards business and professional efficiency.

This view which endorses the idea that the succession process in family firms can be influenced by factors other than just firm performance alone is somewhat confirmed by Cabrera-Suarez, De Saa-Perez and Garcia-Almeida (2001) who suggest that the

strategic management process can be different for family firms. They claim that these differences will be based on that specific family's goals and values.

Van der Merwe et al. (2009) focus on the variables (1) management succession planning, (2) perceived suitability of the successor and (3) expected outcome of succession. With this they try and examine the relationship between these variables and various demographic variables one of which is business size. The research found that family members from medium sized family businesses rated all three variables more positively than family members from small sized family businesses and there was a visible higher outcome in relation to the expected outcome of succession. It has to be recognised however that of all these findings which were made; no relationship between any of the variables had a large effect size. This would be required for a practically significant result. The opinion therefore that medium size business family members tend to be more positive about the expected outcome of succession as opposed to the families of small businesses is weak. There was in fact only a medium effect size.

Following on from what Van de Merwe et al. (2009) noticed about how the size of the family business may affect how families feel about the whole succession process, it could be useful to take note of other research which has been carried out even though the effect sizes were found to be unconvincing. For example, Wang, Watkins, Harris and Spicer (2004) examined UK family SMEs and noticed that succession planning is overlooked in small-sized businesses but that it plays a very important role in medium-sized family businesses. These findings clash however with the discovery made by Berman Brown and Coverley (1999) who report that there is no difference between small or medium-sized businesses in relation to owner / managers making succession plans. This difference in the data gathered by these separate researchers is quite considerable when it is taken into account that both sets of research focused on UK family SMEs. It has to be noted however that Berman Brown and Coverley (1999) seem to make a contradiction by claiming earlier in the same article that small firms carry out more succession than that of large businesses.

As there are conflicting views as to whether succession planning issues will be any way influenced by factors related to the size of the family business it will be very beneficial to examine this in more detail. The observations made by Wang et al.

(2004) that small-sized family businesses have a tendency to overlook succession planning could be expanded significantly by Birdthistle (2008) by the way her research has taken a look at small and medium-sized Irish businesses with the aim of trying to establish whether or not they can be classified as learning organisations. It is important to take into consideration that this is a different topic area than this area of study which is focused on intergenerational transfer issues within Irish run and owned family SMEs. There are huge similarities however as both studies are reviewing Irish family SMEs. It is also very advantageous that the research methodology selected by Birdthistle (2008) was that of numerous case-studies. This is the same approach which will be undertaken for the new research which will be carried out and the data collection method of engaging in personal interviews is also the same.

The research carried out by Birdthistle (2008) supported her argument that family businesses do in fact have the potential to be learning organizations but the discovery made that the size of the family business and the structure imposed on the business will play a vital role in determining this. The revelation that micro family businesses lack the systems to monitor information as well as the ability to react to changes which occur in the marketplace results in the absence of a learning orientation. Consequently, micro businesses cannot be classified as learning organisations.

The knowledge gained that micro family businesses can have different characteristics to that of other family businesses may be of vital importance for new research which is carried out. It is important to make clear that micro business do fall under that category of SMEs. According to the European Commission SMEs include micro enterprises which have fewer than ten employees, small enterprises which employ less than fifty people and medium-sized enterprises which employ less than two hundred and fifty people (European Commission, cited in Birdthistle 2008).

## **2.6 Reacting to Change**

Birdthistle (2008) maintains that the businesses which are able to maintain their competitiveness are the businesses which have learned to view change as an ongoing process. She also recognises that family businesses are unique in the sense that there

are additional pressures of the family system impacting the business system. As a result she recommends that it is even more important for family businesses to develop the capacity to change.

This insight about the need for family businesses to develop the capacity to change in order to maintain their competitiveness could be detrimental for those micro family businesses as Birdthistle (2008) has pointed out that these particular businesses lack the ability to react to change.

There are also reports by Birdthistle (2008) that there are both formal and informal learning strategies which SMEs can embrace. This adds to the debates given by Van der Merwe et al. (2009) and Allred et al. (2007) in relation to the contribution both formal and informal planning can have on the success levels of family businesses. It has also been found that Irish SMEs invest proportionally less in formal learning and training than that of larger firms (Small Business Forum, cited in Birdthistle 2008). A prior study by Birdthistle (2006) which investigated the training and learning strategies of family SMEs in Ireland found that there is a preference for informal learning strategies over formal learning strategies. An insightful observation made was that family SMEs are restrained by inadequate resources.

The work carried out by Birdthistle (2006) has made the suggestion that the majority of Irish family SMEs actually tend to have a long existence. It was disclosed that of the data collected from one hundred and twenty one family businesses that 18% of the respondents came from the fourth-generation or more who are running the family business. These figures are a lot higher than what other scholars have reported about the survival rate of family firms. There seems to be a contradiction however by the way it is disclosed elsewhere in the same article that 39.7% of family businesses are being run by the first generation, 30.6% by the second-generation, 11.6% by the third-generation, 5% by the fourth-generation and 5.8% by a combination of generations. This would suggest that 7.3% of family businesses are being run by the fifth generation or more. It does not seem likely that there are nearly 50% more fifth-generation and more family businesses than that of the fourth generation. It also has to be taken into account that of the 5.8% of businesses which are being run by multiple generations, many of these might be from a combination of earlier

generations. This is not disclosed which makes it hard to make an accurate judgement.

## 2.7 Work Experience and Education

Chirico (2008) refers to ‘knowledge-related human capital’ as something which members of a family business can acquire through education and work experience. It is noted that this can be obtained from both within and outside of the family business. The aim of the research was to gain an insight as to how family businesses can create and retain this across generations.

It is noted in relation to education that academic courses and practical training courses which take place outside the family business in universities as well as within other firms will allow family members to obtain what he calls ‘pure knowledge’ and increase their ‘skills’. He advocates that these should then be brought back to the family firm and shared. The research conducted shows that a second generation family member indicated that several internships at external companies both at home and abroad will improve competencies and add value to the family firm. A third generation family member from a different firm also pointed out that training courses are vital when operating in a dynamic market. It is also claimed that:

*“working outside the family firm gives a more detached perspective over how to run and how to introduce changes and innovation in the business” (Chirico, 2008).*

Gaining experience working outside the family firm is also supported by Brockhaus (2004) who emphasises that a three to five year period in another company is appropriate. He also asserts that consultants recommend that it is very important that a family member should achieve a minimum of one promotion at an external company in order to demonstrate their capability. Following on from these comments Kellermanns and Eddleston (2004) have also observed similar issues by mentioning that:

*“because family members often work in a family firm regardless of their educational background and experience, they often occupy higher organizational*

*positions then they normally would in a non-family setting. As such, the discussion of each family member's abilities and how they can be efficiently and effectively deployed is of the utmost importance in family firms.” (Kellermanns and Eddleston, 2004).*

These views about the benefits of working outside the family firm put forward by Chirico (2008) and Brockhaus (2004) may be of great benefit when it is considered what Birdthistle (2006) says about the difficulty family SMEs have engaging in learning and training strategies because of factors such as cost, accessing training and finding time. Outside work experience may also be advantageous as her findings also warn that the advent of new technologies is one of the reasons why businesses must adopt such strategies. Her research has also established that only 11% of the respondents felt that a tertiary level of education was required to hold a management position within the family business.

## **2.8 Involvement of Siblings**

Filser et al. (2013) warn that rivalry amongst siblings can cause conflicts to emerge. They point out that there can often be a preference for one particular child to take over the running of the business. It is therefore suggested that handing over control should be based on competencies and qualifications. They warn that incompetence will lead to a lack of trust. This in turn they argue may lead to a delay in the succession taking place and even the possibility of the family business failing. Massis and Chua (2008) also concur that conflicts between siblings may impede the appointment of a successor. They also warn that family members may also be discouraged from applying for the role.

Following on from what Filser et al. (2013) recommend about handing over control being based on competencies and qualifications it is useful to recognise what Sundarmurthy (2008) expresses by saying that it can be immensely difficult for a parent to choose one child to lead the business if a sibling partnership is not viable. It is even stressed that this is the case regardless of how highly qualified a specific successor may be. It is advocated that outside guidance in the form of an active board can be a good sign that the family are prepared to consider the strategic needs

of the family business. They recommend that these external members are very beneficial as they can act as intermediaries to build trust among siblings. This suggestion by Sundarmurthy (2008) would appear to be robust as the research conducted was based on literature involving both family business and trust issues with the majority of the works being based on Anglo Saxon cultures. It is pointed out that the applicability of trust may differ in cultures which are more collectivistic rather than individualistic. This can be confirmed by Yan (2006) who asserts that Chinese family businesses for instance place a low trust in outside professionals. The research by Sundarmurthy (2008) also more closely relates to that of Irish family businesses.

Garcia-Alvarez, Lopez-Sintas and Saldana Gonalvo (2002) suggest that families should consider what they call the socialization process of their children. They endorse this as the most appropriate way to ensure the family business continues in good health. They argue the importance of offering all siblings the challenge to become possible successors by focusing on value content such as a formal education. They claim that this will sustain a harmonious climate amongst siblings.

It is valuable that Baur (2014) focused solely on the aspects relating to the post transition phase of successors and claimed family businesses outperforming competitors was the result of family members including siblings having a clear understanding of how each should be involved in the business. Baur (2014) brought to light the importance of family businesses having only the one decision maker at the top of the business. He says that complexity is reduced and the decision making process becomes uncomplicated and fast. It was also noted that the involvement of siblings within the family business did not have to be in an operational capacity but by way of having a controlling power by being a shareholder.

## **Conclusion**

### **2.9 First and Subsequent Generations**

There are a number of information gaps which have appeared in the literature of other scholars which will have to be investigated by carrying out new research. Van der Merwe et al. (2009) for example have concentrated on problems which may arise due to issues with the founding entrepreneur. As a result the focus has narrowed in on the succession between the first and the second-generation. Value will be added to this by researching family run businesses not only from the first two generations but from later generations also.

As the work carried out by Sondfield and Lussier (2004) has not been backed up by other academics it will be necessary for more research to investigate whether in fact there are issues which may require that later generations of family businesses pay more attention to succession planning. A better understanding of the views put forward by Sharma et al. (2003) that subsequent generations are competing in more steady business environments will also be tackled by conducting further research.

### **2.10 Formal vs Informal**

New investigations will also have to look at whether or not any of the interview candidates who are now responsible for the running of their family business have any thoughts on the pros and cons of running their respective businesses either formally or informally. This will hopefully bring to attention some further insights as to why the succession process is not carried out on a more formal basis if this is the case. This will be beneficial as the claims by Allred et al. (2007) that formal planning does not influence smaller companies at particular stages can be addressed. The disagreement with regards to how Van der Merwe et al. (2009) outline that the succession process should start once the younger generation join the business and how Mejibri et al. (2012) argue that it should actually begin during the early days of the business being set up can also be delved into.

## **2.11 Ownership from an Irish Perspective**

The information provided by Ip and Jacobs (2006) which relates to small firms from the UK will have to be challenged by conducting research from an Irish perspective in relation to the succession of ownership within family run SMEs. Although the existing knowledge provided by Ip and Jacobs (2006) relates to small firms from the UK which naturally enough is of closer geographical proximity to Ireland than the study of Swedish family businesses by Bjuggren et al. (2001) it still has to be recognised however that such laws may still greatly differ.

## **2.12 Outgrowing the Business & Family Values**

Further research will also look to examine the current generation running the family business to find out if the issues highlighted by Banegil Palacios et al. (2013) that families can outgrow the business was a factor among their own siblings or other relatives when taking control of their respective businesses. Opinions will also be sought about what Cabrera-Suarez et al. (2001) observe about family values. Value will try to be added by identifying possible factors which may cause family businesses to pay less attention to firm performance and instead concentrate on meeting other family objectives.

## **2.13 Micro Family Businesses**

Carrying out new research will really add value and contribute to the area of succession planning in family SMEs by inspecting whether it is actually those family businesses with less than ten employees who think differently about succession planning. A mixture of companies including companies with fewer and more than ten employees will be researched in order to identify any factors which may cause what Wang et al. (2004) brought to light about succession planning being overlooked in smaller family businesses.

## **2.14 Work Experience and Education**

Research will look to investigate whether the suggestions by Chirico (2008) that ‘knowledge-related human capital’ can be gained by working in industries which are unrelated to the industries of the successor’s family business. It is not made clear in the current research where exactly this will be acquired.

## **2.15 Sibling Roles & Non Involvement**

Baur (2014) makes clear that siblings should know exactly how each should be involved in the family business but there is a gap in the literature which will be explored which relates to whether it is actually more problematic having siblings not working in the family business per se but having siblings working in close proximity to each other within the same functions. The new research will investigate if successors who are jointly running the family business with siblings find that the process is more complex or if decision making becomes slower as a result. Finally, the family members running their family business who have siblings which are not involved in the running of the business will be asked to clarify if ownership issues have caused any problems.

## **Chapter 3: Research Questions**

### **3.1 Overall Research Objective / Question**

What are the perceived factors which cause family run and owned Irish SMEs operating in the retail sector to fail as a result of the leadership and ownership succession from one generation to the next?

### **3.2 Research Objective 2**

“To ascertain whether the lack of planning in relation to the succession process results in the underperformance of successors”

### **3.3 Research Objective 3**

“To investigate whether the size of the family business plays a role in the underperformance of successors”

### **3.4 Research Objective 4**

“To understand whether the underperformance of successors is correlated to having no work experience or education outside the family firm”

### **3.5 Research Objective 5**

“To investigate whether successors who have siblings are more likely to underperform than those successors who do not have brothers or sisters”

## **Chapter 4: Methodology**

### **4.1 Introduction**

Ghauri and Gronhaug advise that research must be conducted in a systematic manner so that others will be able to understand the logic of the process which is being undertaken. They emphasise that there is no one best method when conducting business research but that the choice of method will depend on factors such as the research problem, research design and the ultimate purpose of the research. It is also pointed out that research will also be dependent on the capabilities and the resources which the researcher possesses. (Ghauri and Gronhaug, 2005).

This chapter has been broken down into nine sections including research philosophy, research approach, research strategy, research choices, time horizons, data studied, obtaining data, data claims and finally ethical considerations.

The epistemological position adopted for carrying out the research was that of an interpretivist and an inductive approach was taken in order to develop the theories which cause family run SMEs to underperform. It was decided that carrying out multiple case studies and choosing interviews in order to communicate with family members would derive the best results. The choice of using qualitative data on its own was considered the most appropriate technique in order to generate data which was rich in quality and a cross-sectional method was chosen due to time constraints. In total five family businesses participated in the research and these were chosen by using a form of non-probability sampling called convenience sampling which was the most suitable method due to factors such as trying to complete the research within a short time frame. The ethical considerations section completes the methodology chapter and was included in order to protect the research participants.

Each section will now be explored individually and in more detail by bringing to light the various limitations which also exist by deciding to conduct all the research in this manner.

## **4.2 Research Philosophy**

*“Epistemology concerns what constitutes acceptable knowledge in a field of study”. (Saunders, Lewis and Thornhill, 2009, p. 112).*

The philosophy adopted for this research is that of interpretivism. A researcher who is more concerned with feelings and attitudes and believes that they can be measured is aligned to the interpretivist philosophy. (Saunders et al., 2009)

Interpretivists argue that the complexity of social phenomena cannot be understood by simple fundamental laws and that objectively viewing the social world is impossible for humans. Knowledge and theory are developed from ideas inducted from what has been observed and interpreted. The researcher is part of the whole process and can generate findings which scientific knowledge might not. Attempts are made to understand subjective realities from many different individuals so interpretivism is not concerned with the generalization of findings. The world is viewed as one which is constantly changing which means that something relevant in the past might not hold strong in the present. (Blumberg, Cooper and Schindler, 2008).

*“Crucial to the interpretivist philosophy is that the researcher has to adopt an empathetic stance. The challenge here is to enter the social world of our research subjects and understand their world from their point of view. Some would argue that an interpretivist perspective is highly appropriate in the case of business and management research, particularly in such fields as organisational behaviour, marketing and human resource management. Not only are business situations complex, they are also unique. They are a function of a particular set of circumstances and individuals coming together at a specific time”. (Saunders et al., 2009, p. 116).*

## **4.3 Research Approach**

An inductive approach has been used to carry out this research. This involves developing theories only after the collection of data has taken place. (Saunders et al., 2009).

That said, the formulation of research questions and objectives has given this research a clearly defined purpose but no predetermined position has been taken in advance. A competent knowledge of the topic area is needed by the researcher for an inductive approach but it is recognised that it is impossible to review every piece of literature before data is collected. (Saunders et al., 2009).

Induction allows for the building of theory as opposed to testing a theory. The advantage of this approach is that it enables a greater degree of flexibility by giving the researcher the option of making changes as the research progresses. (Saunders et al., 2009).

It is warned however that:

*“with induction you have constantly to live with the fear that no useful data patterns and theory will emerge”* (Saunders et al., 2009, p. 127).

This research was carried out by listening intently to the interviewees and by observing the surroundings. It is noted that particular statements which are established as true form the basis for what becomes theory. (Ghauri and Gronhaug, 2005).

An inductive approach is one of the two ways of establishing what is true or false in order to draw conclusions and this is based on the empirical evidence which has been gathered. The inductive approach undergoes a process which follows a sequential path from observations, then findings and finally theory building. The building of theory is achieved by incorporating the research findings back into the existing knowledge which has been gathered from carrying out the extensive literature review. This in turn should improve the theories. (Ghauri and Gronhaug, 2005).

#### **4.4 Research Strategy**

The strategy undertaken for this research was that of multiple case studies and interviews were chosen as the research instrument. These interviews were conducted in a semi-structured manner. This is the same research methodology which was adopted by Birdthistle (2008). Eisenhardt (1989) points out that in order to reach closure a decision must be made to stop adding cases. It is recommended that this

should ideally happen when theoretical saturation is reached. It is recognised however that there are pragmatic considerations also such as money and time issues. Five interviews in total were conducted in order to carry out this research. This seems an adequate number as Eisenhardt (1989) asserts that while there is no ideal number, a number between four and ten cases usually works well. She advises that having fewer than four cases can make it hard to generate theory and will result in the empirical grounding being unconvincing.

*“You should understand and openly acknowledge the strengths and limitations of case study research. Such research, like other, complements the strengths and limitations of other types of research” (Yin, 2014 , p. 4).*

Yin highlights that case studies are a very popular research method in many areas including business and the distinctive need for this type of research is needed in order to understand complex social phenomena. Case studies will allow researchers to gain a real-world perspective which is useful for studying such things as individual life cycles, small group behaviour, organizational and managerial processes and the maturation of industries (Yin, 2014). The decision to carry out case studies was a real advantage for the research which needed to be undertaken for this project as there are so many variables which could possibly contribute to family business failures. Another benefit of using the case study method was that there was no requirement for the researcher to have a control over behavioural events (Yin, 2014).

The case study method also allowed for multiple-case studies to be conducted. Yin confirms that case studies are really appropriate for investigators using multiple and not singular sources of evidence (Yin, 2003). Yin also acknowledges the benefit of this by mentioning that by even just doing two cases, the chances of doing a good case study will be much better than by using just a single-case design. He goes on to say that single-case designs are vulnerable as the researcher is essentially putting all their eggs in the one basket. More importantly, he suggests that the analytic benefits from having two or more cases will be more solid (Yin, 2014).

Using the case study method was highly advantageous as semi structured interviews could be used. Yin notes the usefulness of this as he mentions that sometimes the information which is required isn't always predictable and reviewing case study

evidence can lead to a search for additional evidence (Yin, 2014). It is important however to not underestimate the preparation stage which needs to be well thought through. Yin warns that data collection can be very complex and that the entire study can be jeopardised if elements such as the definition of research questions are done incorrectly (Yin, 2014).

Undertaking multiple-case studies has allowed the researcher to select many cases with contrasting situations where a direct replication was not sought such as business size. Yen remarks that in this design, if the subsequent findings end up supporting the hypothesized contrast, these results will represent a strong start toward theoretical replication which will once again strengthen the findings compared to those of a single-case study (Yin, 2014)

Although this research has used five different family businesses as case studies it is important to be aware of what Yin warns when he says that:

*“A fatal flaw in doing case studies is to consider statistical generalization to be the way of generalizing the findings from your case study. This is because your case or cases are not “sampling units” and also will be too small in number to serve as an adequately sized sample to represent any larger population”* (Yin, 2014 , p.40).

Unstructured interview and semi-structured interview are the two main types of interviews used in qualitative research. Semi-structured interviews can be characterised as allowing the interviewee some freedom in how they wish to reply. (Bryman and Bell, 2007). This has been very advantageous for this research as the main aim was to get the subjective and personal views of those being interviewed as an interpretivist stance was being taken. This sort of interviewing style allowed the researcher to have specific topics to cover known as an interview guide but also offered a great degree of flexibility in the way new questions could be added as a result of the researcher picking up on new things either during that interview or from previous interviews with the other participants. (Bryman and Bell, 2007).

It is pointed out that trying to conduct an uninterrupted interview can be a very difficult task for a qualitative researcher. It is suggested that it may not be a great idea to interview somebody in their own office as there are likely to be interruptions

which will make the interview even more difficult. (Bryman and Bell, 2007). The interviews conducted for this research encountered some problems in relation to these observations. Two of the interviewees had to take some time out in order to deal with telephone calls which they had received. The researcher however was able to use this to his advantage by using the time to reflect on how the interview was progressing up until that point and to think of extra questions which could be asked. Another two interviews could not be conducted on the business premises of the family members due to size constraints so nearby cafes had to be used instead. There were noise interruptions in these two situations which made it more challenging and one of these had the added difficulty of being conducted outside which meant there was passing traffic also. Unfortunately this later interview also incurred problems as the recording failed but the researcher took handwritten notes also which alleviated this somewhat. The other recording which took place in the café was fully recorded and although it took that big longer to transcribe, all the information required was collected. Although it has been advised that conducting the interviews in the interviewees own office may not be the best, it was felt that this would make the participants more relaxed which would encourage more openness. It has to be noted however that of the three interviews conducted in this location, other people were briefly present also which may or may not have had implications.

## 4.5 Research Choices

This research took a mono method approach by just using qualitative data collection techniques. This is the approach which is predominantly used in order to generate non-numerical data such as conducting interviews. (Saunders et al., 2009).

The mono method approach was seen as the most suitable method as it is mentioned that there is no need to quantify qualitative research data when there is no intention of analysing data statistically which will be relevant to a study designed under the interpretive paradigm. (Collis and Hussey, 2009).

Bonoma (1985) observes that ideally there is a need for both high levels of data integrity and results currency but the method choices chosen by researchers can result in one having to be traded off for the other. This research which is being

conducted by an interpretivist will have lots of results currency as there will be contextual relevance but it has to be recognised also that this will come at the price of having high levels of data integrity which may have been achieved if as Bonama (1985) notes a more positivist approach by conducting experiments was taken.

Diefenbach (2008) points out that there is a lot more methodological freedom in qualitative research. This has been very beneficial for this research which was very interested in hearing about the subjective opinions of the different family members. There are concerns however as Diefenbach (2008) warns that there should be a greater methodological awareness concerning the downsides of subjectivity. He goes on to say that the generalisation of findings needs to be balanced with a rational critique.

It is important that all these concerns are acknowledged as the research methodology for this study which was based around semi-structured interviews is exactly the area which Diefenbach (2008) has investigated. He also mentions that a weakness comes about due to the fact that there is no precise research question from the beginning.

As Diefenbach (2008) has disputed the accuracy a qualitative approach can bring to the research findings of a study it can also be justified that a qualitative approach was the most advantageous method in order to derive the desired result for this study by looking at the downsides of a quantitative approach. For example, the findings by Van der Merwe et al. (2009) which were commented on in the literature review were the result of a quantitative approach which was taken. There was a concern however in relation to how Van der Merwe et al. (2009) decided to use a Likert-type scale as their choice of measuring instrument to carry out their research. These instruments have been criticised in the past for their inability to predict outcomes. This is backed up by Thompson (2001) by the way he alludes to certain cons with regards to statistical significance and puts forward the idea that reporting procedures etc. should be put in place in relation to measuring effect sizes.

## **4.6 Time Horizons**

A cross-sectional rather than a longitudinal study was the preferred choice for this research. It is explained that this is the study of a particular phenomenon (or phenomena) at a particular time. It is recognised that projects which are undertaken for academic courses are very time constraint. It is also pointed out that research taking a qualitative approach very often adopt case studies which are based on interviews which have been conducted over very short periods of time . (Saunders et al., 2009)

Baur (2014) also decided to take a cross-sectional multiply case study approach rather than a more holistic longitudinal one. Brockhaus (2004) does make the point of recommending that family business succession has suffered from a lack of longitudinal studies but the cross-sectional method is then defended on the grounds that it can be hard enough to get family businesses to participate in a study once no mind on several different occasions. It is also noticed that the discontinuance rate is very high for small businesses which makes follow up even more difficult.

## **4.7 Data Studied**

Five family run and owned SMEs from the Irish retail sector were studied in total. A conscious decision was made to pick each business based on the requirement that they represented a different industry. This ensured that a wide selection of industries was involved in the research including a camera retailer, butchers, jewellers, an antiques dealer and a shoe shop. In order to get a broad perspective a good mixture of generations was also sought. Three family members came from the second-generation, two from the third-generation and another two from the fourth-generation. Three of the family firms were being run jointly and two of these firms by a combination of different generations. Two of the interviews were carried out with two members of the same family resulting in seven interviewees in total from five businesses. One of the candidates was female, one had not yet taken over the running of the family business from the previous generation and the ages of the interviewees ranged from late twenties to early sixties. The selection of businesses also differed in relation to size. Two of the companies would be considered small

enterprises as they had in excess of ten employees. These were Conns Cameras which had twenty employees and Fitzpatricks Shoes which had fifteen employees. The remaining three companies would be considered micro enterprise as they had fewer than ten employees each. It has to be noted however that one of the participants who is considered to be a micro business owner with a store run independently of his siblings could be included as coming from a small-sized family business due to the collective stores of his siblings employing more than ten people.

## **4.8 Obtaining Data**

Arranging for the commitment of family business members to make themselves available for interview was awkward at first due to having no contacts in this area. It was also made harder as family businesses had to be identified which had reached a stage of their development whereby the first generation had already passed the business onto the subsequent generations. The Irish Small and Medium Enterprise Association (ISMEA) were identified as a possible lead to such companies. Two potential companies were identified from browsing through the ISMEA website. As this was still an insufficient number an email was sent to the association asking if any guidance could be provided in relation to identifying potential family run and owned businesses for a Master's Degree thesis which met the research criteria. However, this proved unsuccessful as no response was received. Another organisation was identified called The Bill Moss Partnership who are list compilers and which own a database of one hundred and twenty thousand Irish businesses. This attempt to locate companies was also unsuccessful as once again no reply was received from an email which had been sent.

As a result of the difficulty in trying to locate family firms from other sources it was decided to identify firms individually by walking around Dublin city centre. The Google search engine was used to access the websites of the shops identified. This turned out to be a very efficient way of finding family run businesses which have survived past the first generation as the majority of family firms are proud of this heritage and display this information online.

The decision was made to type up letters and a business postal service was used in order to give the requests both a personal touch and to also make them look very professional. After one week had passed and no response from any of the six companies had been received follow up emails were sent to each company. This attempt proved successful as four of the companies responded very quickly. Two of these families agreed to be interviewed and the other two were abroad so no commitment was made but they did express some interest.

Seven more companies were identified by using Google Maps. This was more convenient and less time consuming than trying to locate companies on foot. The second batch of requests was sent through ordinary postage as there was uncertainty as to whether the business postal service used the first time had actually sent out the mail. Four more companies agreed to be interviewed. There was no need for a follow up email this time as the response rate was very positive and six companies in total out of thirteen had committed.

Overall five interviews took place from the six families which agreed as one of the families pulled out of the arrangement at the last minute. A phone call was also received at a later date from one of the family business owners who had expressed interest but who had been away on holiday but this interview did also not take place due to time constraints and the location of interview being unsuitable.

## **4.9 Data Claims**

The sampling method used to obtain the primary data in this research was that of non-probability sampling and convenience sampling was chosen as the technique in order to select the research participants.

Statistical inferences cannot be gathered from the population under study by adopting the non-probability method but it is still possible to generalise about the study population. Using convenience sampling involves selecting participants who are the easiest to obtain for your sample and the sample selection process continues until the required sample size has been reached. Drawbacks to using convenience sampling include the very low likelihood that the sample chosen are representative of

the whole population and the low control the researcher has over the sample (Saunders et al., 2009).

The companies involved in this primary research were selected for a number of reasons including the accessibility the researcher had to them due to their close proximity to the researchers' home, college and place of work. Any bias which may have come about due to picking companies in this way was mitigated slightly by deciding to choose five companies from five different industries. Time constraints due to having to balance college life with work was also a factor in choosing participants using the convenience technique as it is fast due to the subjects being readily available and willing to participate.

There have been some limitations to using convenience sampling as an ideal sample may have been targeted if they were randomly selected. As a result there have been groups which have been over represented in the sample and also those which have been left out. For example, the majority of the sample came from micro-sized business but only two from small-sized businesses. Also, no medium-sized enterprises participated in the primary research which was conducted. This is likely to result in some of the findings being one-sided.

## **4.10 Ethical Considerations**

Quinlan asserts that a researcher must engage with people involved in the investigation in an ethical manner. She emphasises that the quality of every research project is really dependant on the amount of integrity the researcher possesses. It is made clear that the researcher has a lot of responsibility to those participating in the research by making accurate representations about the study. It is also noted that these participants must take part on a voluntary basis (Quinlan, 2011).

There were a number of ethical considerations which had to be recognised during the course of carrying out this research. The first of these was to keep in mind that participants might have felt uneasy revealing certain information as a lot of the research questions focused on very personal issues such as relationships with siblings and ownership issues. It was therefore necessary to make clear in the letter

sent to each individual requesting an interview that the revelation of any form of financial information was not required and that there was also no obligation for them to answer any questions which they felt uncomfortable with.

On the day of the interviews each participant was provided with a printed page with an explanation as to what was being studied, why it was being studied and the reasons it was felt the interviewees were suitable candidates. Permission was sought to have the interviews recorded and it was explained that this was just for the purpose of making it easier to transcribe later. One of the seven participants objected to this so no recording took place. Another participant just wanted clarification that this recording would not be accessible for anything else other than what was stated previously and was happy to oblige when this was confirmed. All participants were informed that anonymity could be provided by referring to the family business as company A, B etc. but none objected to the real name being used.

After each specific interview was conducted great caution was made to not reveal any details to another interview candidate of what an interview candidate from another family business had talked about. In certain situations whereby the information provided was not of a sensitive nature another interview candidate was just referred to as ‘somebody else who was interviewed alluded to.....’ This was done by not revealing any individual or company names.

# **Chapter 5: Findings**

## **5.1 Introduction**

A systematic approach has been taken to presenting the findings. A coherent framework which consists of the seven themes derived from the gaps identified from carrying out the literature review will be followed.

These include:

- First and Subsequent Generations
- Formal vs Informal
- Ownership from an Irish Perspective
- Outgrowing the Family Business & Family Values
- Micro Family Businesses
- Sibling Roles and Non Involvement
- Work Experience and Education

The key ‘findings’ from each of the case studies will be presented separately. In the situations whereby only peripheral information was provided by the interviewees in relation to a particular ‘theme’ the decision was made to exclude that area.

## **List of Codes:**

<b>A1</b>	Bob Conn	<b>A2</b>	Mike Conn	<b>(Conns Cameras)</b>
<b>B</b>	Paul Brady			<b>(Brady's Butchers)</b>
<b>C1</b>	Nicola McDowell	<b>C2</b>	John McDowell	<b>(McDowell's Jewellers)</b>
<b>D</b>	Garrett Weldon			<b>(Garrett Weldon)</b>
<b>E</b>	Declan Fitzpatrick			<b>(Fitzpatricks Shoes)</b>

## **5.2 Case Study 1: Conns Cameras**

**Interview conducted with Bob (A1) and Mike (A2) Conn of Conns Cameras**

**Date: Friday 18<sup>th</sup> July 2014**

### **First and Subsequent Generations**

When asked if the second generation were competing in a more stable business environment than the first generation A1 responded “no, in fact if anything it was easier back then, no business is easy and the challenges you face are different, you wouldn’t have had the volume of products, you wouldn’t have had the amount of staff”.

### **Formal vs Informal**

When asked if the succession was planned A1 said “no it was very much by happenstance really, when Mike (A2) got involved in the business my father had become jaded by the day to day of it and Mike reinvigorated the business” “He knew that Mike was more than capable and better than him”.

In relation to strategic planning A1 said “we would plan for certain periods ahead but the benefit of a small business is you can very quickly react”.

### **Ownership from an Irish Perspective**

Half of the business has already been transferred from the father to A1 and A2. When asked about regulations and tax laws A1 responded “there is certainly no advantage to passing over ownership like that, you have to pay tax on it”. This didn’t result in the transfer not taking place but it was pointed out by A1 that if the mother had passed over the remaining fifty percent which she still owns before passing away

then it would have been hugely disadvantageous. It also has to be noted that A1 did then say “to be honest I am not entirely sure”.

### **Outgrowing the Business & Family Values**

When asked if there were certain family values other than business efficiency which would cause the financial aspects of the business to be overlooked A1 responded by saying “no we don’t have that mentality, it is very much run as a business”.

### **Micro Family Businesses**

Participants A1 and A2 who are running a small-sized business with fifteen employees were asked if it was a complex business to run. “It has become a lot more complex, a lot more variables to be watching and to be careful” It was also pointed out however that “the company wouldn’t have had the capital finance which it has built up now so the business is more financially sound”.

### **Sibling Roles and Non Involvement**

Participants A1and A2 revealed that jointly running the business did not result in decision making becoming slower. They stated that because they work alongside each other they were “quick to do things”.

When asked if it would hinder the business if the two sisters not involved in the day to day running of the company were partial owners A1 said “yes I would definitely think so, I would not be happy putting in the shifts we do and then somebody sticking their hand out at the end of the year for their pound of flesh without having done anything for it”. It was the parents who said “look, this is the boys business” and it was only right that if the sisters were not involved in the business then they should not own the business. A1 mentioned that “the last thing my parents would want would be a falling out after they have passed because they have let the situation happen by not taking control”. A2 who joined the family business before A1 also

“said to the parents that the only way it would work was if Bob (A1) was coming in as if we were equal”.

### **5.3 Case Study 2: Brady's Butchers**

**Interview conducted with Paul Brady (B) of Brady's Butchers**

**Date: Monday 21<sup>st</sup> July 2014**

#### **Formal vs Informal**

Participant B mentioned that the succession process was done informally. Strategic planning is also carried out informally as “small businesses operate on a day to day basis, you don’t think too far ahead, you don’t know what is around the corner”.

#### **Outgrowing the Business & Family Values**

In relation to whether there were certain family values other the business efficiency which would cause the financial aspects of the business to be overlook participant B said “the shops stand on their own two feet; a shop would have to be closed if it was making a loss”.

#### **Work Experience and Education**

Participant B said “you learn in the shop”. He did mention that he attended a butchering tech but said “these places will teach you theory but that it is all about gaining practical knowledge learned from actually carrying out the job”. He said that if he was employing someone that he wouldn’t look for somebody who had this educational experience behind them.

#### **Sibling Roles and Non Involvement**

When asked if it was problematic for siblings to be working in close proximity to each other participant B mentioned that himself and one of his brothers were

working with each other for a while in the same shop and that it was “not working out”. B subsequently opened up his own shop and highlighted that “customers don’t want wars”. He made reference to a business of which he did not provide details but said that the “siblings in conflict was having a negative consequence for the business”.

## **5.4 Case Study 3: McDowell's Jewellers**

**Interview conducted with Nicola (C1) and John McDowell (C2) of McDowell's Jewellers**

**Date: Wednesday 23<sup>rd</sup> July 2014**

### **Formal vs Informal**

Participant C1 said that the succession process from her grand uncle to her father was more informal.

Strategic planning is also informal as C1 pointed out that “it is very easy to change things as it is a small business”. She also made the observation that when she worked in another company which had over one thousand employees prior to entering the family business that “a small business could take years to implement”. In relation to her own business she mentioned that “from that point of view your strategic planning doesn’t have to be quite as long term I guess”.

### **Outgrowing the Business & Family Values**

Having to accommodate family members wanting to join the business was not an issue as participant C1 had two siblings and two cousins who were not interested in joining the family business. However, the observation was made by C1 that she does know of a lot of family businesses which have to deal with this problem.

### **Micro Family Businesses**

The family business of participants C1 and C2 has seven employees which is considered a micro-sized business. Asked if it was a complex business to run participant C1 said “I would say it is easy enough, given its size”. She went on to say that it would get complex if there was a situation whereby more than one branch

was being operated. She said that this would result in different brands having to be stocked because of the different clientele.

### **Sibling Roles and Non Involvement**

When asking participant C2 how he found running the family business alongside his cousin his response was “chalk and cheese”. When probed further and asked if there was any rivalry between the two of them his reply was “yeah”.

*“As an interviewer, you would be interested not only in what participants said, but in the way they said it as well” (Saunders et al., 2009, p. 485).*

This was expressed very clearly and quickly without hesitating. He then went on to say “of course there is”. This was said in a tone which would suggest that it would be odd if there was no rivalry. Participant C2 had the opinion that this “keeps everybody on their toes”. These findings brought to light the possibility that it can be beneficial for a family business to have rivalry as C2 was very quick to respond “oh yeah” when asked if he saw the rivalry as being positive. It has to be noted however that participant C2 and his cousin were not running the same functions within the business. C2 explained that “we sort of do our own separate things, I look after one part of it and he looks after another part of it”. Although there was rivalry amongst C2 and his cousin it was revealed later in the interview by C1 that they do not work side by side. It was even confirmed by C1 that they are not even on the premises at the same time as each other. “John (C2) would come in early and would leave early and dad would come in later and leave late”.

## **5.5 Case Study 4: JW Weldon Antiques**

**Interview conducted with Garrett Weldon (D) of JW Weldon Antiques**

**Date: Thursday 24<sup>th</sup> July 2014**

### **First and Subsequent Generations**

It was made clear by participant D that he spotted the potential of the internet and not the older generation. He mentioned that “I brought that idea forward and I said look I want to do this, I think it is important and this would be good for the future”. When participant D was probed further about whether the fact that the next generation coming along was much more positive for the business the observation was made that “it depends whether our customers are on the internet, some people like the old fashioned way, you can’t throw the baby out with the bath water”. He went on to say that “you have to emerge” and “that is the benefit in an intergenerational manner”. He said that he and his father have different ways of doing things and that “between the jigs and the reels you capture customers that other styles might miss”. He acknowledged that “it would be foolish to take something which has worked for the past one hundred years and just throw it out. There are benefits of both ways”.

### **Formal vs Informal**

The succession process was informal. Participant D also said the strategic planning was done informally. He mentioned that as a small business “you are a lot more nimble, you can make decision without having to run it through departments”. He also talked about his experiences working for a large multinational “were you have a boss and a boss and a boss. You might have to run things past x and y. We can make a decision like that so that is obviously greatly advantageous and particularly when you look at what has happened in Ireland over the last five years; decisions have to be taken very quickly sometimes”.

## **Outgrowing the Business & Family Values**

Participant D is one of six siblings. Two of the siblings work in the industry but have set up their own businesses. When asked if the small size of the family business was a factor in this participant D said it was not but also acknowledged that “if you ended up in that situation you would have a problem which you would have to address”.

## **Micro Family Businesses**

Participant D who runs a micro-sized business says “the jeweller business is unique in that it doesn’t lend itself to scalability or expansion”. He mentioned a successful fairly large competitor who would have in excess of ten employees but pointed out that this was still only a single shop which was being run. He made a comparison by saying “you can scale a coffee shop and still run it and stay focused in terms of where you want the business to be” and then pointed out that his industry was “very much guided by the person or dictated by the actual man who is running it”.

## **5.6 Case Study 5: Fitpatrick's Shoes**

**Interview conducted with Declan Fitzpatrick of Fitpatrick's Shoes**

**Date: Wednesday 30<sup>th</sup> August 2014**

### **First and Subsequent Generations**

Participant E mentioned that there was a huge falling out amongst the second generation which was the result of one of the three brothers being appointed managing director over the others. Participant E highlighted that as a result of all this bitterness the third generation did it "amicably". He and his brother just divided the business up between them. He said "it suited him and it suited me".

### **Formal vs Informal**

It was revealed that the succession process has been informal and that strategic planning is the same.

### **Ownership from an Irish Perspective**

It was revealed by participant E that the three siblings from the second generation had already owned the entire business between them prior to their father passing away.

### **Outgrowing the Business & Family Values**

Participant E was very assertive in saying that if all his children wanted to join the business "it wouldn't work, there is no room". He went further by making clear that the reason it wouldn't work is that "there could only be one boss". He mentioned that

one of the reasons him and his brother decided to divide the stores up between the two of them was because of their respective “children”.

He talked about how he really saw himself not as the owner of the business but as the “guardian for the next generation”. He then said “I can’t stress this enough”. He continued by saying “I really want to pass it on, I am very proud of it, it is not about the bottom line, all of the decisions are based on the long term business”. It was disclosed however that two of his stores had been shut down in the past for reasons including financial performance and one of the stores being unsuitable for their upmarket image.

### **Work Experience and Education**

Participant E mentioned that his father sent him to London when he was younger to gain experience in another shoe shop and that this was a “great experience”. After two years he returned to Dublin with “lots of ideas”. He went on to say that “my father was quite progressive, he allowed me to implement changes”.

In terms of education participant E mentioned that a number of his brothers are accountants and that “of course” this was an advantage. He also really emphasized however that there were huge disadvantages to this also by saying “they can bring a lot of common sense but accountants are just not flexible”.

### **Sibling Roles and Non Involvement**

It was revealed by participant E that the siblings had separated their stores into different entities. He said that “it is easier to divide rather than have conflict”. He outlined that “everybody has a different idea of how to run it”. He even said that “I can dictate; whatever I say goes”.

Participant E outlined that the reason why the business is still running is because a dividend has never been paid and all the money is reinvested back to develop or redevelop stores. Participant E said that all the siblings agreed and have been happy

to do this. He also pointed out that “when it comes to families, it is more sensitive”. He went on to say that “nobody tried to be the aggressor” and that all the siblings

however that there were huge disadvantages to this also by saying “they can bring a lot of common sense but accountants are just not flexible”.

## **Chapter 6: Analysis**

### **6.1 Introduction**

The ‘Analysis’ section has been undertaken by using the same framework applied in chapter five for the ‘Findings’. The purpose of this section is to identify any patterns which emerged between all five case studies.

Babbie talks about six ways in which a researcher can identify patterns including frequencies, magnitudes, structures, processes, causes and consequences (Babbie, 2007). The three most applicable when comparing all of the case studies for this analysis were frequency, causes and consequences. ‘Frequency’ allowed for the discovery of patterns by identifying how many of the five companies carried out procedures such as formal succession planning etc. ‘Causes’ were used to see if it occurred or was more common in either micro-sized or small-sized businesses and ‘Consequences’ identified if there was any pattern in relation to benefits or disadvantages etc. with regards to any factors.

## **6.2 First and Subsequent Generations**

Participant A revealed that the first generation were not competing in a more steady business environment compared to the second generation. Participant D mentioned that the rise of the internet resulted in the later generation having to be more adaptable. Participants B, C and E did not allude to any particular generation which had to compete in a tougher environment to another generation. Participant E did point out however that you always have to have a vision and to adapt every five years in business in order to survive as the market is always changing.

## **6.3 Formal vs Informal**

All interview participants revealed that both the succession process and strategic planning was carried out informally. Participants A1, C1 and D were all in agreement that the small size of their businesses allowed for strategic planning to be carried out this way. Participant B felt that the small size of his business required for strategic planning to be carried out informally.

## **6.4 Ownership from an Irish Perspective**

Participant A1 mentioned that the transfer of the entire ownership of the business to the next generation before the previous generation passed away was not advantageous but participant E revealed that the entire ownership of his business had been passed onto the second generation before his grandfather had passed away. These findings from participant E have their limitations as details were not provided as to whether there were any negative aspects to doing this.

## **6.5 Outgrowing the Business & Family Values**

None of the participants had as of yet reached the stage whereby they could not accommodate family members wishing to join the family business. However participant C1 explained that this is a problem which she is aware of which family

businesses have to deal with. Participant D also highlighted that this problem would have to be addressed if the situation arose. Participant E said that there was not going to be enough room for all his children in the business.

Both participants A1 and B made clear that the financial performance of their businesses was the priority over any other family values they might have. This contrasted with participant E who revealed that the bottom line was not important but the legacy of being able to pass on the business to the next generation. A1 and B were also two of the three participants including participant D who stated that it was not a wish of theirs to have their children join the family business. All three explained that it was entirely up to the children and participant B went as far as to indicate that he would probably prefer if they didn't come into the business when they were older.

## **6.6 Micro Family Businesses**

Participant A1 who is running a small business found that it was a complex business as there are a lot of variables. Participant C found that her micro family business was not difficult to run because of its size. Participant D who is also running a micro business mentioned that the number of employees was not the issue but the number of stores being run.

## **6.7 Work Experience and Education**

Both participants B and E felt that work experience gained outside the family business was very advantageous as it allowed for new initiatives to be implemented within the family business.

Participants A1, B and D all viewed education as something which is good to have but that the real learning occurred on the job by gaining practical experience. Two of the five family businesses had at least one sibling who was qualified as an accountant. A1 mentioned that the fact that A2 was an accountant was able to add to the business. Participant E who has three siblings involved in the family business

who are accountants highlighted that there were both advantages and disadvantages to this.

## **6.8 Sibling Roles and Non Involvement**

Both participants B and E confirmed that working alongside siblings was problematic. In each of these cases the participants had decided to not run the business jointly and instead choose to operate their own stores. Participants A1 and A2 confirmed that there was no rivalry and found working alongside each other very beneficial for the business but it has to be noted that they were responsible for running different functions within the business. Participant C2 who jointly ran the family business not with a sibling but a cousin mentioned that the rivalry which did exist was beneficial for the business. Participant C2 and his cousin differed from participants A1 and A2 in that they did not work in close proximity to each other.

Participant A1 confirmed that it would hinder the business to have siblings not involved in the running of the business to be partial owners. Participant E said that it was very important for one sibling to not profit over another sibling. It has to be noted however that participant E was referring to siblings who did work in the family business.

## **Chapter 7: Discussion**

### **7.1 First and Subsequent Generations**

The view put forward by Sharma et al. (2003) that the subsequent generation compete in a more favourable business environment in comparison to the first generation is not supported by the findings from the research undertaken. Participant E who is involved in the fashion industry was quick to point out that you have to change every five years in order to stay competitive. Further research could investigate whether it is actually the industry which the family operate in which will ultimately decide this as it was illustrated that fashion does not share any similarities with “a bottle of coke which will be the same in a thousand years’ time”. He went on to say that you cannot grow old with your customers as trends are always changing.

It would appear that the findings by Sondfield and Lussier (2004) that second and third generations engage in succession planning to a greater extent than that of the first generation is more reliable than Sharma et al. (2003) who suggest that less strategic changes are brought about from firms which are not making generational transitions for the first time. Participant E highlighted that the succession from the second to the third generation was done very differently from that of the first to the second generation. It was explained that lessons were learned after the first succession turned bitter as a result of one of the sons being appointed as managing director of the company over the other siblings. The next generation remained amicable and instead decided to separate the stores between them in order to avoid conflict. The fact however that the succession between the first two generations did not run smoothly could be a major implication as to why the succession process was carried out differently second time round.

### **7.2 Formal vs Informal**

There was a unanimous response from all the interviewees that both succession planning and strategic planning was done on an informal basis. The choice of using a

qualitative approach and having an interpretivist philosophy may have went against the researcher on this occasion when it is taken into consideration what Diefenbach (2008) made clear when talking about the downsides of subjectivity. Delving further into the family businesses brought to attention the reality that a higher awareness of though went into such issues. For example participant A1 revealed that the handover from the first to the second generation was a very long process and that if his father “didn’t feel that we had it in us things would have been completely different”. When participant D was probed further he also revealed that the transition from his father and uncle running the business to himself and his father running the business was done over a timeframe of about one year. He mentioned that “you have to treat these things professionally”. It would appear that the findings of both Van der Merwe et al. (2009) and Mejibri (2012) in relation to when succession planning should actually start are hard to answer. The views of all the interviewees seem to relate more closely to the issues highlighted by Allred et al. (2007) that formal planning can sometimes not influence smaller companies. Participant B really emphasized that smaller businesses are different in the sense of having to be managed with a short term outlook.

### **7.3 Outgrowing the Business & Family Values**

The research carried out highlighted that it would in fact be problematic for the small and micro-sized businesses investigated to accommodate every family member if they had a desire to join the business. This adds support to Banegil Palacios et al. (2013) who observed that families can outgrow the business but the claim however that businesses which outgrow the family do not incur problems due to the ability to find positions for everybody may be over simplified. Important findings emerged when it was emphasized by participant E that the real obstacle was having so many family members involved in the business that this would interfere with the necessity for only the one person to be in charge.

Participant E was also the only one of the seven interview candidates who displayed the desire to really keep the business in family hands. This willingness to sacrifice profits in order to maintain certain family values has been interpreted by Banegil

Palacios et al. (2013) as being characteristic of families which have the desire for all family members to be accommodated within the business. This however has been contradicted by participant E who was very clear in stressing that all his children cannot come into the business due to size constraints.

## **7.4 Micro Family Businesses**

No issues were brought to light which would suggest that micro and small sized-family businesses think any differently about succession planning. Little attention has been paid in the past to distinguishing between micro and small businesses when referring to SMEs. Comparisons in the past have mainly tried to investigate the different attitudes and processes which occur between those businesses which are either small or medium. The knowledge gained from Birdthistle (2008) however that micro businesses can have different characteristics and are incapable of reacting to changes in the marketplace might help to understand why participant D who is running a micro-sized business made reference to the difficulties in trying to run more than one store. Further research could develop his belief that this is determined by the industry his family operate in and whether his judgement that “it is very much guided by the person or dictated by the actual man who is running it” is accurate or whether in fact the observation by Birdthistle (2008) that the businesses which remain competitive are those which view change as an ongoing process can be related back to the family business of participant D. This could verify the claim by Birdthistle (2008) that micro businesses lack the systems to monitor information and as a result explain why these types of businesses are guided by one particular person.

## **7.5 Work Experience and Education**

The findings from the research conducted do support Chirico (2008) who advocates working outside the family firm for a period of time. His view that this will be valuable in terms of introducing changes and innovation in the business was backed up by participant E who spent two years working in another similar company. He talked about how this was a “great experience” and how he returned and was “able to implement new ideas”. The research by Chirico (2008) which revealed that benefits can be gained by working abroad was shared by participant E also who was sent to

London by his father. He mentioned that this was a huge advantage as “Dublin was a much different place back in the mid-seventies”. The son of participant E was also sent to London for a couple of years. A major factor as to whether external work experience is in fact beneficial may rest with the generation currently running the family business as participant E mentioned that “my father was quite progressive, he allowed me to implement changes”. This is closely related to the opinions of Chirico (2008) also who indicated that the knowledge gained should be brought back and shared. The insights from participant E would seem to disprove the findings of Brockhaus (2004) who recommend that between three and five years should be spent at another company and that a promotion should be gained in order to demonstrate capability. A number of the other participants had worked briefly outside the family business but had not received promotions.

## **7.6 Sibling Roles and Non Involvement**

The findings have varied in relation to the advice given by Baur (2014) that there should only be one decision maker in the business. The knowledge gained from participant E would add weight to this as he stressed “that everybody has a different idea how to run it”. The perspective of participants A1 and A2 however go against Baur (2014) who suggested that two decision makers will make things more complicated and slower. All the family businesses studied were either jointly run or had been jointly run in the past and the majority did not see this as a negative. In all the three businesses which were still being jointly run decision making was shared but it could be relevant that each of these individuals were responsible for different functions on a day to day basis. It could be highly significant that the businesses being researched came from the retail sector. This allowed the two participants who encountered problems working alongside siblings to each remain in the family business by dividing stores between them. Future research could examine if family firms operating in the retail sector differ from families not involved in this trade in order to determine if the former families experience less conflict and as a result have higher survival rates due to their ability to do this.

## **Chapter 8: Conclusions**

### **8.1 Chapter Outline**

The final chapter will start off by providing a summary of what the researcher has found out in relation to each of the research objectives posed. Limitations from all the research undertaken by interviewing seven family members from the five family businesses will then be considered. Some recommendations in relation to the direction further research should take will follow. Finally, a brief commentary will complete the entire work by referring to such things as the people who may be interested in the study which has been presented and some implications in relation to further studies which practitioners may wish to carry out.

### **8.2 Research Objective 2**

**“To ascertain whether the lack of planning in relation to the succession process results in the underperformance of successors”**

It was found that planning the succession is an important matter and that some time should be spent considering issues such as the various roles family members should have in the business. The decision to engage in succession planning however in a more informal manner does not seem to negatively impact on family businesses. The research by Birdthistle (2007) alluded to earlier revealed that most Irish family businesses pass on management to another family member. This along with the small size of the family businesses investigated could be a major factor in this as more formality would be required for a larger non-family business which needed to identify and develop a potential candidate. The fact that the successors had worked alongside the previous generation before being given the opportunity to take over enabled an informal approach of training them into the business. It has to be recognised however that this was done over a long period so it was not so informal that one generation left and another just took over.

### **8.3 Research Objective 3**

**“To investigate whether the size of the family business plays a role in the underperformance of successors”**

There was no evidence to suggest that either running a micro-sized or small-sized business was a factor in making it more difficult for successors. The research discovered that both the sizes were similar enough to enable decisions to be made quickly in order to react to the market. Having said that two of the small-sized businesses experienced circumstances whereby running the business alongside siblings was problematic. Solutions were found by dividing the business and opening up another store respectively. If this scenario had occurred within one of the micro-sized businesses it might have exposed a weakness as the necessary resources might not have been available to do this.

### **8.4 Research Objective 4**

**“To understand whether the underperformance of successors is correlated to having no work experience or education outside the family business”**

The research findings have indicated that educational qualifications are not a prerequisite in order to be capable of running the family business successfully. There would appear to be certain professional qualifications such as accountancy which are useful in order to understand certain functions within the business but it was evident that there were also many other functions within the businesses which were very important. These other functions which were closely related to the specific line of business the families operated in were picked up by the practical experience which was gained through working in the family business for many years before the succession took place. Work experience outside of the family business appeared to be very beneficial in a number of cases but only in the situations whereby the experience was gained from working in a similar industry.

## **8.5 Research Objective 5**

**“To investigate if successors who have siblings are more likely to underperform than those successors who do not have any brothers or sisters”**

It was brought to light that a situation whereby all the siblings had the desire to work in the family business then this would be a dilemma. The reason for this would have mainly been related to size constraints but this was not the scenario with any of the families which participated in the research. There are many variables which will play a role in whether a successor who has siblings will underperform as a result. The quality of relationship which siblings have is a major factor but it could be seen that any rivalries etc. could be alleviated by such things as not working in close proximity to each other and working in different functions. The issue of ownership could be seen as a major area in which having siblings may negatively impact the family business. It was found that having siblings as partial owners of a business of which they are not involved in the day to day management of would cause a problem. In relation to two or more siblings who ran the business jointly it could also be seen that one sibling profiting over another would be unfavourable for the family business.

## **8.6 Limitations**

Like all research which is undertaken there are bound to be limitations to the findings which are drawn and the primary research conducted over the course of this dissertation is no different. Many of these limitations which relate to such things as the decision to focus solely on a qualitative study are referred to in the methodology chapter. This has brought a lot of subjectivity to the findings and a more quantitative approach would have had certain benefits such as the ability to reach out to a larger number of family members and family businesses. A big limitation to this research was the non-participation of family members from medium sized enterprises. As a result it could not be evaluated if family businesses which employ in excess of fifty people are able to engage in succession planning as informally as the smaller family

businesses. The decision to just interview family members may also have contributed to the limitations of the research as interviewing non-family members would have given a more rounded perspective and naturally enough would not have been as bias as the family members. The decision to select family businesses which had all successfully managed the pass over process to the next generation as research topics may have also added to the limitations of this research. The majority came from at least the third generation but gaining an understanding of the factors which contributed to the underperformance or failure of family businesses which did not successfully manage the succession process may have brought to light some key findings.

## **Recommendations**

### **8.7 Future Research Direction**

A further study of family SMEs which do not compete in the retail sector would allow subsequent researchers to investigate whether family businesses can as easily overcome the conflict which frequently emerges amongst family members. This research has shown that the retailers which have encountered problems working alongside siblings have been able to find a ready-made solution by splitting the family business between them and thus allowing each sibling to take over responsibility of their own store. This option of dividing the family business may not be a viable option for those families who do not run numerous stores.

Future research which focused solely on micro-sized family SMEs as opposed to those family businesses which are considered small and medium could identify if the jewellery business is in fact unique as mentioned by one of the interview candidates and that it is guided by the actual man running it or whether in fact micro businesses in general seem to rely on the founding entrepreneur. This future research would give a better understanding in relation to whether micro-sized family businesses encounter more issues dealing with the succession to subsequent generations when the founder is no longer present. An independent study of micro-

sized family businesses could also investigate the observation made by Birdthistle (2008) that these businesses lack a learning orientation. It could be then examined if the underperformance of successors comes at a time whereby they attempt to expand the family business and find that they do not have the capability to do this.

## **8.8 Final Commentary**

This thesis was required to be undertaken in part fulfilment of a Master's Degree in Management completed on a full time basis at the National College of Ireland from September 2013 to September 2014. Due to the heavy workload throughout the entire year of having to complete assignments and exams this thesis has naturally enough been restricted by time constraints and was undertaken over the summer months of 2014. As a result the timescale involved in implementing the findings was limited and priority in the future should be placed in carrying out a more holistic study of family businesses which encompasses micro, small, medium and large enterprises in order to get a broader outlook.

## **8.9 Interested Audiences**

This thesis could reach out to a number of audiences who share a vested interest in maintaining the presence of as many family SMEs as possible in our society. These people include family business owners who want to maintain part of their family heritage for generations to come and even public policy makers who must recognise the contribution these family run and owned SMEs contribute to society in terms of such things as job creation.

## **8.10 Practical Implications**

The aim of this study was to investigate the underperformance of family run and owned SMEs in order to make a personal contribution to the whole topic area. It has to be understood however that the actions which have been suggested for future researchers to consider will result in financial and resource implications due to the

length of time and number of family businesses which will need to be investigated. The potential benefits however of keeping this form of business organisation intact will justify all other resources which will be required in order to conduct future research.

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## **Appendix 1**

### **JW Weldon Interview Transcript (conducted on Thursday 24<sup>th</sup> July 2014)**

Me: Has the business lasted to the fourth generation?

Garrett: Yes but it's the fifth within the business. My great-great-grandfather worked for somebody else within a shop and it was then his son, which was my great grandfather who started out on his own.

Me: So your great-great-grandfather started out in the business of antiques?

Garrett: Exactly. He worked for an antique dealer.

Me: So would you be the fourth generation then?

Garrett: Yes, in terms of that business.

Me: Is your father still involved in the business?

Garrett: Yes

Me: Is he more responsible for running the business today?

Garrett: I would say that we jointly share it. It's a partnership in that regards. It was originally my father and his brother who ran it but that changed recently enough. From a transition point of view I think everything was smoother. If you had a sudden jump from one generation to the other... If you suddenly swapped from one generation to the other it would have been quite a strong overnight jump.

Me: Is there a reason why your dad's brother is no longer involved in the business?

Garrett: Am.....It just seemed like the right time (this might be interesting there was no real reason given and it took him a bit of time to make the statement that "it just seemed like the right time")

Me: Just the right time?

Garrett: Yeah.

Me: So he is not even involved now in a part time capacity?

Garret: No, no

Me: Was there three of you involved in running the business at one stage? (i.e. Garret, his father and his uncle) or did you just take over from your uncle

Garrett: No, I think that is just an organic thing. When there was the two of them I was working for the business.

Me: In terms of the succession planning itself; was it the case when your uncle decided to leave the business that succession planning became an issue? Was it something that was always planned; you coming into the business and taking it over?

Garrett: No, I don't think you can plan too far ahead in that regard. You have to let things happen at the right time.

Me: Really?

Garrett: Yeah. If you were to go back five or ten years there was no (struggling to find a word) larger plan. There was no in five years we will do x or y. That didn't happen. It was more when the circumstance came when that point when we needed to then.

Me: So it was more when the circumstances came?

Garrett: Yeah.

Me: Do you feel that there were any particular circumstances or was it just the fact that your uncle left?

Garrett:.....Am (took him a while to think) I don't actually know what the answer is to that. I suppose to put it another way; my dad and my uncle were working together and when the time came when he was leaving we then said "right, what are we going to do now?" and how are we going to.....

Me: And how long was it between.....?

Garrett: Maybe a year but at that point I had already been in the business twelve or thirteen years so there was a natural.....

Me: So you sort of knew the business well?

Garrett: Yeah, yeah.

Me: In terms of the fact that it took a year; did your family give it a year to allow for a smooth transition?

Garrett: Yeah, yeah. You have to treat these things professionally.

Me: How many employees are in the business?

Garrett: Well we are a small family business.

Me: So would it be in excess of ten?

Garrett: No. The jeweller business is unique in that it doesn't lend itself to scalability. If you look at the industry as a whole; apart from certain big house like Tiffany, Cartier.....there may be a half dozen large players but the last stat I read was that eighty percent are mom and pop.....three or fewer stores. It doesn't lend itself to expansion. From an Irish level who has more than three shops? I can only maybe think of Fields.

Me: Then there is Weir's?

Garrett: That's a single shop. The business tends to be like that. You can scale a coffee shop and still run it and stay focused in terms of where you want the business to be. Jeweller is not like that. It is very much guided by the person or dictated by the actual man who is running it.

Me: That's interesting because if you father was running it for such a long time do you feel because you are now in partnership; do you feel if your father wasn't involved.....?

Garrett: It would be different but it was different from his father because my grandfather dealt in paintings and my dad didn't. So, if you like, that one strand of the business has gone and I am sure that into the future I will direct it....there would be slight variation in how the business would evolve.

Me: Do you feel that because both you and your father run the business together; is there a desire for you to branch out into something else or has your father aimed the business at what he aims it at?

Garrett: No, I suppose he still knows his own mind and knows what he wants. He knows.....he has a clear picture of where he wants to go. We are on the same track most of the time. In the period of time that we have been partners there hasn't been any deviations. We are on the same track.

Me: Would you find that the succession plan itself; was it more an informal process or was it formal.

Garrett: More informal

Me: In terms of a business in general.....

Garrett: You still treat it in a professional.....In a situation like a professional business capacity you would consult with a lawyer to iron out any....

Me: (didn't hear him) And what professional would this be?

Garrett: The lawyer. You just make sure that all the t's are crossed and all the I's are dotted. You just make sure that everything is done in a correct manner.

Me: My research has shown that it can be good to involve external professionals like accountants and lawyers!

Garrett: You should also run it past the accountant and just ask him "how should we proceed with this?" "What is the best way to do it"? (note that he really emphasized the "how" above). The end result is where you want to be, you know where you are...just navigated a bit because it is not an area which you are experienced in. It would be foolish not to all get an opinion to make sure everybody ends up where they want to be. We are still talking about families. You still have to also balance everybody's desire to.....(pause) to where they want to be, in a positive way, you don't want to negate any problems which may emerge.

Me: So, you find that family businesses are unique in that sense?

Garrett: You can take a longer view on it. Obviously there are no other shareholders or even on a smaller business scale; there are no other parties who would say what about this and what about this. You can be more strategic for the longer term.

Me: Do you have any siblings that either are or are not involved in the business?

Garrett: I have a few siblings. Two of them are involved in the industry who set up their own business many years ago. My other siblings are doing other things and are not involved in the business. (six including Garrett)

Me: It is interesting that you have two siblings that work in the industry but not in your family business. Is there a reason why they don't work in the family business?

Garrett: They set up their own businesses many years ago now so they are running their own business.

Me: Do you feel that it was a scenario whereby your family outgrew the family business?

Garrett: Yeah again, there are push and pull factors there. If you ended up in that situation you would have a problem which you would have to address. If you haven't ended up in that situation so it has never materialized; again I keep coming back to the point that most of these things happen organically over a period of time. My brother and sister who work in the auction rooms, they have naturally gone down their own paths and the other guys have ended up doing their things. One is in an artistic field, one is in a business field and one is abroad (it seems that there are six siblings in total). These things happen over a period of time. There wasn't any clear plan. If one of them had said ten years ago "look I want to work in the family business" then of course that would have happened (what happened? I suppose some sort of a plan or you would at least think about it maybe) but it has never arose in our family so it hasn't been explored. If they had wanted to come in; one of my siblings is still in his early twenties so he could well; I was twenty two or three when I came into the business so he could still decide to come in. We would then have to decide....you know, there is room, there is room in the business so that would probably be something that would just be managed.

Me: In terms of running a small business and in terms of strategic planning; do you find that being a small business that it is easy to engage in strategic planning informally?

Garrett: You are a lot more nimble. You can make a decision without having to run it through various departments. My wife worked in a large multinational. I worked in a bigger multinational where you would have a boss and a boss and a boss. You might have to run things past x and y. We can make a decision like that so that is obviously greatly advantageous and particularly when you look at what has happened in Ireland over the last five years; decisions have to be taken very quickly sometimes. That applies to small businesses irrespective of whether they are family or non-family. There is a good degree of informal flexibility when one of the kids is sick, my wife can go home without having to run it by people or make that time up tomorrow or overtime. The flip side of that coin is if we are doing an antiques show or an exhibition we might say “we need you for two extra hours” so there is a good degree of give and take. It is never documented that you do two hours more or two hours less but you get a feeling in relation to what is fair and not. You realize that the final destination and goal is beneficial to everybody. You are not working for a faceless corporation. You are in it for yourself.

Me: So in terms of flexibility, you have to be willing to do a bit extra yourself?

Garrett: Yeah, exactly. You get an email and 19:00, you answer it. You don't say “it is not my shift until tomorrow” and I will be working again tomorrow.

Me: So, you do things on a day to day basis while maintaining a professional approach?

Garrett: In a good way and a bad way.....you do have to do things as best you can and there isn't a guide book to reverse it.

Me: So there are benefits to being formal as well?

Garrett: Yeah (he said this in a positive tone as if to recognise that it is important)

Me: I noticed that you have qualified as a gemmologist.

Garrett: Originally I did a degree in college which was unrelated. I did languages and science and then I worked for a few years in pharmaceuticals. Now there are a lot of transferable skills with a science degree. You learn loads other than just lists of facts. I then joined the business AND (he makes this clear) there is a degree of apprenticeship. You can only learn by doing, you can't be taught. (He tells the story of how when he and his uncle were at a business meeting with other small businesses somebody asked "how do you know when you see a ring with a fake diamond in it" – his uncle's response was "you just know" and then when Garret came over, when asked the same question, his response was the same) You learn through instinct over time by doing something so that's primarily how you learn in this business but I was aware that the writing was on the wall about the democratisation of knowledge with the growth of the internet, that it was no longer about what you know but in terms of the knowledge of helping customers to do in terms of what they picked up from different websites. I remember that I brought that idea forward and I said "look I want to do this, I think it is important and this would be good for the future" and they were very supportive of that (this would appear to be two people so I presume that it is the father and uncle) There was a slight sense of "I innovated" because they had done it the old fashioned way and there was almost a humours tongue and cheek sense of dealing with people with your new stuff but they were very aware that this was the way forward.

Me: So in your case, that fact that the next generation has come along as been very positive because you would be more aware of the internet age.

Garrett: Well, it depends whether our customers are on the internet. You know, I would do the website but you can't lose sight of the fact that not everybody has a smart phone, some people like the old fashioned way and even this week something came in which I knew would be of interest to a customer and you just pick up the phone and ring them. You can't throw the baby out with the bath water. You can't presume that everything is done through a smartphone. You have to emerge and I suppose that is the benefit in an intergenerational manner. So, dad would have his way of doing it and I would have my way. Between the jigs and the reels you capture customers that other styles might miss.

Me: That shows a lot of awareness that although you are the new generation coming in you are alert to the fact that there are benefits to your fathers way of doing things.

Garrett: It would be foolish to take something which has worked for the past one hundred years and just throw it out. There are benefits to both ways.

Me: Do you find that your work experience outside of the family business has benefited you or has it been irrelevant.

Garrett: I think that all knowledge is useful. Everything that you pick up benefits you. In college I worked behind the bar and everything you do it involves a bit of graft and work. That will benefit you in different ways. You might not be aware of it at the time. It teaches people the value of good honest straightforward work.

Me: How long did you spend working in another company?

Garret: Ah, a short period of time, about a year and a half. Through college I would have always have had summer jobs and weekend jobs. When I was younger I would have done different things.

Me: Have you ever found any major rivalry in the family business?

Garrett: No. It would be very difficult in there was. I could see that would be difficult.

Me: Do you think that it would delay the succession process?

Garrett: I don't know if it would delay because time marches on regardless but it wouldn't make for a pleasant working environment that is for sure.

Me: If you didn't get on with siblings, the situation could be that people might not be willing to do those extra two hours which you mentioned when talking about your wife!

Garret: Yeah (he said this in a way that was suggesting that he was agreeing but more just acknowledging what I had said. G: And I think within families you have your place or your role that has been engrained with you since your childhood. My wife tells me that when we go back to my parents' house that all the siblings go back to who they were as kids, you know, the eldest, the middle and the youngest and you

all have that place. You would have to separate that if you were to bring that into a business environment. Everybody has to find their strengths. Some people are good at x and some people are good at y. You can't just say that because somebody is the eldest that I am going to be in charge.

Me: Do your father and you run different aspects of the business?

Garrett: Yeah and am.....I think it's a happy consistence that most of what we are interested in, his favourite bits and my favourite bits I think complement rather than clash. I would do a lot of the bookwork and admin. He likes to go out hunting for things and finding new stock. We didn't have a discussion in relation to division of roles. It's just.....for starters, everything just has to be done. There isn't an option. You have to finish all the paperwork, the stock, you have to order ring boxes. I think that we are fortunate in that way. Sometimes things just have to happen. Often if you let them evolve gradually and naturally they will. It's when you force things or push things too hard. Most things are organic. You ARE (emphasized) dealing with lifetime long issues and decisions and if you let them happen they will.

Me: Is there a sole decision maker amongst your father and yourself?

Garrett: No we would be fairly.....consult with each other.

Me: Was there ever a time when you considered leaving the family business for any reason?

Garrett: No, I think you have to be aware going in that you are going into a family business. If I wanted to leave I don't think it would have been a huge problem because you have to do what you have to do and I see this as a parent that I just want my children to be happy. I certainly don't want them to do something just because they feel they should or they feel that it is expected of them and that is absolutely not.....but I also think that something happens when we are essentially working for yourself. It is very rewarding. It is very different than being a tiny cog in a huge machine. It is your own name above the door, it is your family, it is your own self in terms of pride and that's very rewarding so I never looked at another job and said gosh I wish I could do that. Maybe that is just me. Other people who I know who are in similar situations within family businesses both within jeweller and within a couple of different fields.....I think that the siblings who pursue it, who want it, do

go in eventually whether they are eighteen or twenty five or thirty and they go in because it is right for them

Me: And not because they are being forced?

Garrett: Not because they are being forced. Because you go in and its right for you, you don't ever want to leave

Me: Your children are very young, have you thought about planning for the next generation?

Garrett: It is miles away at this stage. I have to get them asleep through the night first. It would be led by them.

Me: Led by them as opposed to older generations?

Garrett: Yeah, I mean my eldest is aware that daddy has a shop and it has Weldon's written over it. He is so little he accepts the world the way it is. He doesn't know that other people are different.

Me: Not everybody's parents have their own business?

Garrett: No. I would certainly encourage him to go to college, to travel, I don't want to see him in the business at eighteen. I wouldn't want to see him until he was twenty five at least or older.

Me: So do you think that there is a benefit of not going into the business too young?

Garrett: It would have been bad to never have worked anywhere else and the fact to have never gone to college. You could go off and study anything. It could be totally unrelated by you are still traveling and experiencing the world and seeing things and meeting people. You are making friends so from a social and personal side but all education is useful. (Garret told the story of how Winston Churchill said that if you are at a dinner and are stuck beside a man who makes glass eyeballs for a living, learn all you can about glass eyeballs) I am a strong believer in all education. People should learn languages not just cause they might go to that country but because it is good for the mind, it's a form of mental exercise.

Me: Did your father feel when you were joining the family business that you were suitable? Was there ever an issue? Did he train you into the business?

Garrett: No, No, No.....I just kind of started (he said these no's in a way that suggested that he just went in and that was that)

## Appendix 2

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Dear Mr. McDowell

I am a final year student at the National College of Ireland studying for a Master's degree in Management. In part fulfilment of this course I am required to complete a thesis which is due to be submitted at the end of this summer.

I have decided to base this study on "The perceived factors which cause family run SMEs to fail / succeed as a result of the leadership succession from one generation to the next"

As my research has revealed so far that many family firms do not make it beyond the first generation and even fewer past the second generation I would be really very interested to be able to use McDowell's Jewellers as part of my research as the business has been in operation for such a long time and has made it to the fourth generation.

I would be very grateful if you would allow me to come and interview you at a time which you find suitable. I would not be requiring you to reveal any financial information and you would not be obliged to answer any questions which you are uncomfortable with.

I appreciate that you are probably very busy and may wish to decline. I totally understand this. I have inserted my e-mail address and would be very grateful to just get a very short reply if this is the case, just so I can make alternative arrangements.

Yours sincerely

Stephen Scott

## **Appendix 3**

### **Fitzpatricks Shoes**

**Interview: 30<sup>th</sup> August 2014**

I am researching family owned SMEs which have either been passed on to the second or subsequent generations of family members or which are still controlled by the founder with the intention of keeping the business in the family when they decide to depart the business.

I have chosen this area of research as most family businesses are not successful in making the transition to the second generation of family ownership and even fewer again make it to the third or subsequent generations. I am therefore trying to find some evidence as to the various factors which may be causing these family business failures.

I feel that the Fitzpatrick family are very suitable interview candidates as not only has the business survived to the third generation but more than one sibling is still active in the day to day operations of the company.

I am more than happy to answer any questions which may wish to be asked before our interview commences.