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INTERACTIVE PAPER

FAMILY BUSINESS SURVIVAL: MEMBER INTENTION TO CONTINUE BUSINESS

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Principal Topic

Majority of family businesses fail to survive inter-generational ownership transition process (Aronoff, 1999). The next generation of family members, heirs, responsible for leading the business, either refuses to join the business or is not committed to continue the family entity (e.g. Kets de Vries, 1993). Family business owners with uncommitted heirs either discontinue their business or sell it. In cases, where uncommitted heirs assume leadership of the family entities, business performance declines that ultimately causes its demise. Therefore, heir’s commitment and intention to continue the family entity is critical for survival of such entities. But, why some heirs are more committed to family business and show higher intention to continue it while others don’t? Heirs, unlike business owners, have received significantly low attention in the inter-generational family business research. As a result there is a significant gap in understanding of this important issue. We turned to research in family studies and human resource management to address our research question. Drawing upon prior studies in family studies, we argue current business owners’ intention and commitment to family business influence heir’s intention and commitment (e.g. Sandra & McCartney, 1983). We also suggest that family values and decision making process influence heirs’ commitment and intention. Using human resource management theories, we link heirs’ commitment and intention to job characteristics and market opportunity.

Method

We collected data from multiple members of family businesses located in the western region of the United States of America. Business owners and heirs were especially requested to complete these surveys. 121 respondents from 64 family businesses completed our survey instrument. We relied on the relevant literature, to construct multi-item study measures. Measures adopted from different context were adapted to suit the family business context. We controlled for respondents’ age, education, and number of siblings in our model. We performed exploratory factor analysis and reliability analysis to assess the psychometric properties of our measures. Sample size constrained us to use linear regression for testing our hypotheses.

Results and Conclusion

Our findings suggest that current owners play a significant role in shaping heirs’ attitude and commitment towards family business. Parental perceptions and family environment play significant role in determining the involvement of next generation of family members in the business. However, the nature of job (job characteristics) and benefits that family business offers compared to outside market, also determines heirs’ family business involvement.

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