

Post-Successions Performance of Family Firms: the Role of Social Skills and Demographic Characteristics of the Successor

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Abstract

Purpose: At the age of retirement, firm leaders face the problem of succession, which is among the main reasons of family businesses failure. The aim of this research is to understand the role of social skills and socio-demographic characteristics, i.e. gender and education, in the post-succession performance.

Design/methodology/approach: 77 firm leaders answered a questionnaire encompassing the selected scales. **Findings:** The findings show an effect of social skills and education on post-succession performance. Gender has no impact.

Keywords: Family firm, post-succession, performance, social skills, education, gender.

Introduction

Succession in family business is not a new research topic (Hatak and Roessl, 2013 ; Tsabari and Dan Weiss, 2013 ; Blumentritt, 2012 ; Le breton Miller, 2011 ; De Massis et al, 2008 ; Fattoum and Fayolle, 2008 ; Le breton Miller et al, 2004 ; Sharma et al, 2003 ; Dyck et al, 2002 ; Bayad and Barbot, 2002 ; Cadieux and Lorrain, 2002 ; Morris et al, 1997 ; Churchill and Hattem, 1987). Roland was the author of the first publication on this subject in 1953. It is one of the most studied subjects in the entrepreneurship area (Filser et al, 2013; De Massis et al, 2008; Chua et al, 2003; Cadieux, 1999).

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Intergenerational transition may be associated with a loss of important partners who had a major impact on the firm development. Preserving these partners depends on several variables including the relational skills of the successor. The literature shows that the successor should either develop his/her personal business network or integrate the network implemented by the incumbent. These partnerships constitute the social capital of a firm, a condition to be competitive. It gives an access to the main actors of the environment and improves the firm results (Markman and Baron, 2000).

The role of social skills is still neglected by the family business literature despite the variety of theoretical works on the succession topic. Factors such as involvement or integration are much more explored than social skills as a determinant of the succession success (De Massis et al, 2008; Le Breton-Miller et al, 2004; Chrisman et al, 1998; Handler, 1990; Hatak and Roessl, 2013; 2011). Some authors state that there is no significant research on the impact of social skills in a business context (Baron & Markman, 2003). Long and Chrisman (2013) mentioned the importance of understanding the role of relational skills in the succession process.

Some socio-demographic differences such as gender or education can influence the evolution of the succession process (Pyromalis et al, 2004; Morris et al, 1997). The importance of these variables did not receive enough attention from researchers (Wang, 2010). Vera and Dean (2005) as well as Constantindis and Nelson (2009) state those researchers should pay more attention to the role of gender in the succession process.

The aim of this research is to try to fill a gap in the succession literature by exploring the role of social skills as a personality trait, and that of gender and education as socio-demographic variables, in explaining the post-succession performance.

After a literature review on the characteristics of family business and its success conditions, we focus on the study of the social skills variable. Then, the research hypotheses and the empirical results are exposed.

1. Succession process in family firms

Family firm is one of the oldest organization forms of the economy history (Coeurderoy and Lwango, 2012) and still have a great importance in most countries (Le Breton-Miller, 2011; Nordqvist and Melin, 2010; Chrisman et al, 2004). Acdieux (2004) defines it as a firm where the property control and the effective management belong to at least one member of the family who has the intention to transfer the firm to a member of the next generation.

For Handler (1990), succession is a transfer of power and direction that does not imply necessarily the ownership change. According to Hugron and Dumas (1993), it involves a transfer of both ownership and direction. Cadieux and Lorrain (2002) consider that succession is a dynamic process where the roles of incumbent and successor evolves and are dependant.

In various works, the succession process encompasses four stages (Royer et al, 2008; Le Breton-Miller, 2004; Cadieux and Lorrain, 2002 ; Bayad and Barbot, 2002):

-initiation: the incumbent is the only responsible of the firm management. The successor does not have a place in the world of business yet.

-integration: the successor is progressively integrated in the firm during vacations. He is observing the performance of the firm (Churchill and Hatten, 1987) without making any operational decision (Handler, 1990).

-common direction: the successor is officially a member of the firm. He cooperates and shares tasks as well as responsibilities with the incumbent (Hugron and Dumas, 1993; Handler, 1990).

-Disengagement: the successor is totally controlling the firm. He is, at this stage, the only responsible since the incumbent had left (Churchill and Hatten, 1987). He becomes the leader (Handler, 1990) and, in some cases, the new owner (Barnes and Hershon, 1976; Churchill and Hatten, 1987).

2. Determinants of succession process

Succession is a complicated and durable process. It is guided by some internal and external variables (Davis and Harveston, 1998).

Authors consider differently the importance of communication in the succession process. Some authors neglect its value and do not integrate it in their theoretical models (Le-Breton-Miller et al, 2004; Sharma et al, 2003; Bayad and Barbot, 2002). For other researchers, communication is only a secondary variable (De-Massis et al, 2008; Dyke et al, 2002; Sharma et al, 2003; Sharma et al, 2001). Communication is seen as a major determinant of the succession success in some works (Morris et al, 1996). The lack of communication and trust is then a barrier to a successful transmission from a generation to the next one (Morris et al, 1997; Handler, 1990; Barnes and Hershon, 1976).

The personality traits of the incumbent and the successor can influence the progress of the succession process (Cabera-Suarez, 2005 ; Ibrahim et al, 2004 ; Le breton Miller et al, 2004 ; Sharma et al, 2001 ; Cabera-Suarez et al, 2001 ; Chrisman et al, 1998 ; Morris et al, 1997 ; Barach and Gantisky, 1995). The incumbent must be able to face psychological problems like his resistant to quit and his attachment to the firm (Le Breton-Miller et al, 2004; Handler, 1990; Lansberg, 1988; Dyer, 1986). The successor must also have a manager profile. The will to take responsibility and the commitment towards the family firm are characters required (Le breton Miller et al, 2004 ; Sharma et al, 2001 ; Chrisman et al, 1998 Barach and Gantisky, 1995). For Chrisman et al (1998) integrity is more important than age and gender when choosing the successor. Professional experience out of the family firm gives to the successor credibility and helps him learn new skills (Barach et al, 1988; Dyer, 1986).

2.1. Social skills, a major antecedent of the succession process

The concept of "social skills" has progressed in its content and scope. Since the eighteenth, it is an important topic for many researchers in psychology and other areas (Baron and Tang, 2008; Baron and Markman, 2003; Perrewe et al, 2000; Downs and Lyons, 1991; Wayne and Ferris, 1990). Despite the variety of definitions in psychology and management, the same meaning is used in all the studies. Social skills represent the ability to react, to react at the right moment, to be flexible and able to master the situation (Meichenbaum et al, 1981). It reflects the strategies used to interact with others (Riggio, 1986; Baron and Markman, 2003). All definitions agree on the importance of communication to define social skills. A social skilled person resists stress (Perrewe et al, 2000).

He is more likely to be hired (Riggio and Throckmorton, 1988), to be positively evaluated by his supervisors (Robbins and DeNisi, 1994) and to obtain better salaries (Belliveau et al, 1995).

A social skilled salesman succeeds in commercial negotiations (Baron and Markman, 2003; Lewicki et al, 2005 in Baron and Tang, 2008). More generally, financial performance of a firm can be related to social skills. The success of an entrepreneur depends of his behavior and efficiency when interacting face to face with others (Baron and Markman, 2003; and Baron and Tang, 2008). The concept of social skills is unidimensional for some authors (Lennox and Wolfe, 1984; Buck, 1976; Snyder, 1979; 1974) and multidimensional for others (Schneider et al;1996, Baron et Markman, 2003). Riggio (1986) synthesizes all the dimensions of the literature into four types: social perception, impression management, social adaptability, expressiveness.

Social perception is the ability to perceive others accurately. It helps the entrepreneur in different situations like selecting best partners or achieving good results in commercial negotiations (Baron and Tang, 2008).

Flattery and self promotion, grouped under the “**impression management**”, represents the entrepreneur's ability to give a good first impression to others.

Social adaptability is the adjustment of the behavior to different social situations (Baron and Markman, 2003). In a business context, the entrepreneur must have the ability to interact with people from different backgrounds (Baron and Tang, 2008).

The expressiveness is the ability to express feelings and reactions clearly to others (Baron and Tang, 2008). It makes easy to convince customers, persuade bankers to obtain credit (Cialdini, 2000).

3. Research hypotheses

3.1. Effect of social skills on post-succession performance

Social skills make the development of social capital easier, which has an important impact on success (Baron and Markman, 2003). Three main reasons explain the relationship between financial performance and the entrepreneur's social skills. First, a social skilled entrepreneur is able to work more efficiently with other members of his firm. Second, a positive cooperation with people out of the firm generates business alliances. Finally, social skills help access to important information and then seize opportunities.

The first hypothesis of the study is related to the effect of social skills and its dimensions on post-succession performance:

H1: Social skills influence positively the post-succession performance

H1a: social perception influences positively the firm performance

H1b: flattery has a positive effect on firm performance.

H1c: self promotion has a positive effect on firm performance.

H1d: social adaptability of the entrepreneur affects positively the firm performance.

H1e: expressiveness has a positive impact of the firm performance

3.2. Impact of demographic variables on post-succession performance

3.2.1. Impact of education

Education is considered in terms of degrees. The lack of a university degree or a technical diploma is the first obstacle that can face an eventual successor (Dyer, 1986). For Goldberg (1996) the most successful successors are those who have university degrees. The literature shows that education has a positive effect on the succession process (Ibrahim et al, 2004 ; Le breton Miller et al, 2004 ; Morris et al, 1997 ; Goldberg, 1996 ; Dyer, 1986) and on post-succession performance (Morris et al, 1997):

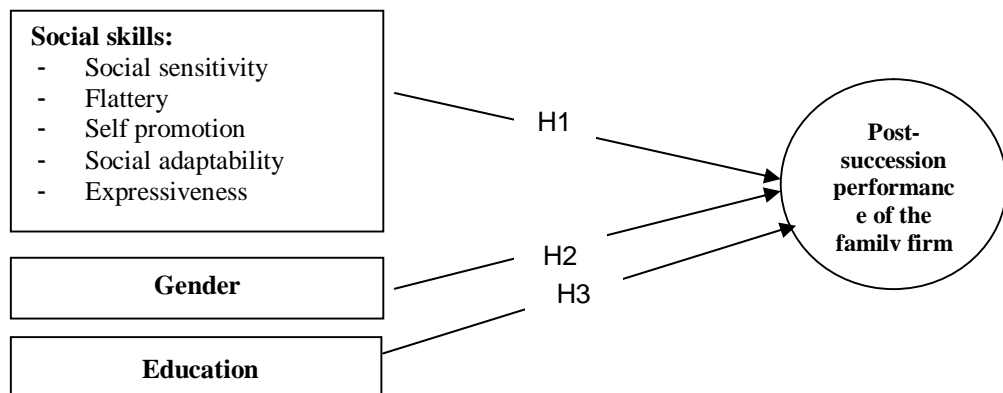
H2: the successor education influences positively the post-succession performance

3.2.2. Impact of gender

There is a controversy on the importance of the successor gender. Harveston et al (1988) suggest that the incumbent prefers men to women when planning succession. Pyromalis et al (2004) explain that firms with a male successor are not more efficient than those with a female successor.

H3: firm efficiency is not higher when the successor is a male.

Figure 1: The conceptual model



4. Methodology

4.1. Scales

The post-succession performance is measured through its two dimensions: objective and subjective. The first one is related to financial indicators of performance like income, profit, market share and growth. Unfortunately, such information is difficult to obtain. So only the second dimension will be taken in to consideration. It represents the satisfaction towards the financial indicators of the performance (sales level, sales growth rate, cash flow, net income from operations, earnings from sales, ROI ...). We use Coving and Slevin's (1990) scale which was already used by Morris et al (1997). The respondents are invited to indicate their satisfaction level (from "not at all satisfied" to "very satisfy"). Social skills are measured with Baron and Tang's (2008) scale since it considers the dimensions adopted in this research.

4.2. Sampling

This study is quantitative. A questionnaire was distributed to a sample selected through convenience method. It was impossible to reach the whole population of Tunisian firms where a succession occurred. The questionnaire was pretested nearby 15 persons in order to find out if there is any ambiguity. The sample is composed of 77 family firms where at least one succession took place since creation. For the PCA analysis, the sample size is between 5 and 10 times the items number of the longest scale measuring social skills (Roussel et al, 2002).

4.3. Data analyses techniques

Since both dependent and some independent variables are quantitative (successively post-succession performance and social skills), regression analysis is used. But, given that some other independent variables (gender and education) are qualitative, ANOVA is carried out.

5. Findings

The effect of social skills on post-succession firm performance is significant only for some dimensions. H1 is partially accepted. Expressivity and sensibility have no effect on performance, even though Baron and Markman (2003) showed that expressivity has a positive impact on performance. Social adaptability, self promotion and flattery have a real impact on performance. Flattery has the most important impact. The effect is positive. Adaptability and self promotion have a small negative effect on performance. The more the person is self promoted, the less the firm is efficient. This result is confirmed by previous researches which show that not all dimensions of social skills have an impact on post-succession performance (Baron and Tang, 2008; Baron and Markman, 2003).

Post-succession Performance = 0,274* social adaptability - 0.241* self promotion + 0,622* flattery

The test of the effect of education on firm performance shows a significant result ($p=0.000$), but the impact of gender is not significant ($p=0.362$). H2 is accepted, while H3 is rejected.

6. Discussion

The effect of self promotion on post-succession performance is negative, whereas Baron and Tang (2008) found a positive impact. Cultural characteristics may explain this contradiction. The positive impact of social adaptability is confirmed by Baron and Markman (2003) but contradictory with Baron and Tang (2008).

Social adaptability makes easier communication with people coming from different backgrounds and helps understanding their needs. The flattery dimension has a positive effect on post-succession performance. Baron and Tang (2008) considered that this dimension must not be related to performance. Making flattery to others would motivate them and then increase their performance.

Like other authors, we found that the successor's education level increases post-succession performance (Ibrahim et al, 2004; Le Breton-Miller et al, 2004; Morris et al, 1997; Goldberg, 1996; Dyer, 1986). This relationship seems to be independent of the cultural context of the study. The gender has no effect on post-succession performance, result already highlighted by the literature (Pyromalis et al, 2004 ; Dawley and and, 2004 ; Kalleberg and Leicht Source, 1991).

Conclusion

The aim of this research was to understand the role of social skills and socio-demographic characteristics, such as gender and education, in a succession process. Results show that some dimensions of social skills have a positive effect on performance, while the others have a negative impact. The results indicate also that education is positively related to post-succession performance. But gender has no effect on performance.

The empirical results found can be useful for successors. It reveals the importance of developing social skills and highlights the dimensions they must develop. It helps incumbents identify the best potential successor and shows that they have to ignore the gender. This study has two limits. The sample size (77) was not so high, and answers were subjective since it was impossible to get the objective indicators of performance.

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