Succession within the Context of Family Firms in the GGVV-Region

- Individual and Organizational Level Factors
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Abstract

Background: Succession is a crucial concern for family business owners where an issue of importance is to retain the control within the family. Succession is a planned process which must be put in place to rearrange the leadership from one family member to another. It is a fragile process which requires a precise and in-depth planning as a result of the different essence of family firms. One of the most thriving and successful entrepreneurship regions in Sweden is the GGVV-region, Gnosjö, Gislaved, Värnamo and Vaggeryd, located in south of Sweden and consists of many family firms. Most of the companies in the GGVV-region are successful, at the same time, family firms in this region manage to go through successions and keep the business within the family. However, there is a little research available on succession within the GGVV-region.

Purpose: The purpose of this research is to discover and examine the individual- and organizational level factors involved in succession for family members within family firms in the GGVV-region. The study will also identify what challenges family firms in this region deal with during the succession process.

Method: The research was made with a qualitative approach, using in-depth, semi-structured interviews to collect the data. Ten face-to-face interviews were conducted with family firm owners in order to gather information about the succession process. An inductive approach has been used to analyze and interpret the data.

Conclusion: It was concluded that common individual level- and organizational level factors has a major impact and is of importance when it comes to the succession process within the GGVV-region. Furthermore, it was also found that challenges such as; understand the complexity, clear work description and releasing the control tend to have a crucial role within the succession process.
# Table of Contents

1. Introduction .................................................................................................................. 1  
   1.1 Background ........................................................................................................... 1  
   1.2 Factors Affecting the Succession Process ............................................................. 3  
      1.2.1 Individual Level Factors ........................................................................... 3  
      1.2.2 Organizational Level Factors ................................................................... 4  
   1.3 Problem Formulation .......................................................................................... 4  
   1.4 Purpose ............................................................................................................... 5  
   1.5 Research Questions ............................................................................................ 6  
   1.6 Delimitations ...................................................................................................... 6  
   1.7 Definitions of Key Terms .................................................................................... 7  

2. Literature Review ......................................................................................................... 9  
   2.1 Defining family Firms .......................................................................................... 9  
   2.2 Characteristics of Family Firms ......................................................................... 10  
   2.3 Strengths and Weaknesses of Family Firms ....................................................... 11  
   2.4 Succession in Family Firms ............................................................................... 12  
      2.4.1 Succession Planning in Family Firms ......................................................... 13  
      2.4.2 The Process of Succession in Family Firms ............................................. 14  
      2.4.3 Life Cycle Model ...................................................................................... 15  
      2.4.4 Six Stair Model ....................................................................................... 16  
   2.5 Factors Affecting the Succession ....................................................................... 18  
      2.5.1 Individual Level Factors ......................................................................... 18  
      2.5.2 Organizational Level Factors .................................................................. 19  
      2.5.3 Successor Related Factors ...................................................................... 20  
      2.5.4 Predecessor Related Factors .................................................................. 21  
   2.6 The GGVV-Region .............................................................................................. 21  
   2.7 Research Framework ......................................................................................... 23  

3. Methodology ................................................................................................................ 24  
   3.1 Research Philosophy ............................................................................................ 24  
   3.2 Research Approach ............................................................................................... 25  
   3.3 Research Strategy ................................................................................................. 26  
   3.4 Sampling ............................................................................................................. 27  
   3.5 Data Collection ..................................................................................................... 28  
   3.6 Qualitative Interviews .......................................................................................... 29  
   3.7 Data Analysis ....................................................................................................... 30  
   3.8 Research Ethics .................................................................................................... 32  
   3.9 Research Quality ................................................................................................. 33
1. Introduction

This chapter will provide an introduction to the thesis to get an insight of the background behind the chosen topic. Furthermore, the problem formulation will be presented in order to get an understanding why this research is of importance. From this, the purpose will be defined as well as the research questions, followed by the delimitations. Lastly, important terms will be clarified in order for the reader to get a better understanding of the study.

1.1 Background

Family firms have an important role in the new global economy (Ibrahim, Soufani & Lam, 2001) and represent a common form of business (Fendri & Nguyen, 2019). Fendri and Nguyen (2019) state that more than 60 percent of European listed companies are family firms. Matias and Franco (2018) claim that these firms face difficult challenges involving emotions, power and money. Matias and Franco (2018) clearly argue that: what harms the family business has the same effect on the family, and these firms’ success depends on how families handle the two entities: family and firm.

At some point, all family firms must go through a succession and either let the next generation take over or sell it to an outsider (Bjuggren & Sund, 2001). Succession is a planned process which must be put in place to rearrange the leadership from one particular person to another (Dyck et al., 2002). The succession process varies in length and the entrance can either be nearby or beyond from the possible transition (Bjuggren & Sund, 2001). It is a fragile process which requires a precise and in-depth planning as a result of the different essence of family firms (Fendri & Nguyen 2019). This can rather bring issues towards family firms, since succession can sometimes arise problems for family members. On the other hand, an agreeable and carefully prepared succession can spread the probability of collaboration between stakeholders in the business and build up satisfaction with the succession process (Dyck et al., 2002).
According to a research made by Upton et al., (1993) succession is a crucial concern of leaders within family firms, regarding that succession is the most frequently issue for family businesses. The family business literature is the most commonly researched topic when it comes to succession (Brockhaus, 2004; Handler, 1992; Ward, 2004). However, the chosen area for this study is the GGVV-region, located in south of Sweden, which is not researched in depth when it comes to this particular field. Another critical issue of importance for family owners is retaining its control through an effective succession. Yet, there are risks associated with transitions due to the fact that only one-third of the family firms make it through a succession, the other two-thirds do not reach the second generation (Fendri & Nguyen, 2019; Ibrahim, Soufani & Lam, 2001; Massis, Chua & Chrisman, 2008). Family firms are often inherited and not sold to outsiders since the family members often have a highly valuable knowledge which maximizes the firm’s value (Bjuggren & Sund, 2002).

One of the most thriving and successful entrepreneurship regions in Sweden is the GGVV-region, which consist of the municipalities; Gnosjö, Gislaved, Värnamo and Vaggeryd (Svenskt Näringsliv, 2017). The region is located in the province of Småland in the south of Sweden, which is famous for some world-leading companies, such as the furniture manufacturer Ikea and the outdoor power product manufacturer Husqvarna AB. The population in the GGVV-region is around 85.000 inhabitants and is considered as a small family business-dominated industrial district (Johannisson & Dahlstrand, 2009; SCB, 2014a). The industrial production is yet focused within the field of industrial clusters: metal, plastics and mechanical engineering (Eriksson et al., 2000). In contrast to the rest of the regions in the country, the GGVV-region’s industry stands for a remarkable higher share of growth companies among Swedish municipalities (Svenskt Näringsliv, 2017). The economic structure is highly dominated by small family firms in various industrial plants. Another characteristic within the GGVV-region, is that there is a lack of large corporations (Brorström et al., 2012). In 2014, the GGVV-region consisted of 8.257 SMEs (Small and medium-sized enterprises), an average of 0.099 SME businesses per capita (SCB, 2014b). Compared to the whole country of Sweden, which has an average of 0.071, there
are 40 per cent more SMEs in the GGVV-region than the national average (SCB, 2014b).

The expression that symbolizes the region is called “Gnosjöandan” (English: The Spirit of Gnosjö) which describes the mentality of both the companies and the people within the particular area. Two important keywords which categorize the Spirit of Gnosjö are entrepreneurship and innovation including the helpfulness between the companies with the vision to succeed (Gnosjöandan, 2017). Cooperation and community are two other highly valuable keywords between the people in the region. Since 1997, the expression “Gnosjöandan” is by the municipality of Gnosjö a registered brand (GT Group, 2012).

When the Swedish employer’s organization, Swedish Business Sector (Svenskt Näringsliv) recently made a study on growth entrepreneurship in all Swedish municipalities, Gnosjö ended up at the very top. According to firm owners who decided to start their own business back in 2011, it was clearly shown that Gnosjö had the best company performance six years later. Where 23 percent of all companies founded, at least had five employees in 2017 (Svenskt Näringsliv, 2017).

1.2 Factors Affecting the Succession Process

1.2.1 Individual Level Factors

Many researchers highlight the problems that occur during succession at the individual level. From a psychosocial aspect a wide spectrum of individual level factors, involving factors such as; personal, emotional and development characteristics of the leader. The researchers further indicate psychological characteristics of the owner that leads to problems along with succession as well as social factors that create leaders’ behaviour (Ket de Vries, 1985; Ket de Vries & Miller, 1984; Levinson, 1971). Sharma (2004) emphasizes that factors such as performance and knowledge transfer from previous generation to the next, tend to have a meaningful impact for succession.
1.2.2 Organizational Level Factors

Factors within the organization which affect the succession process are the management aspects and surrounding economic, such as turnover, profitability, market share and growth (Peter, 2005). To get an understanding of how firms change, researchers use firms in prior phases of ownership and firms in transition to analyze the changes (Handler & Kram, 1988). Hence, different aspects to analyze the factors that classify the particular stages of the relationships between the entities; family, firm and founder.

1.3 Problem Formulation

Succession is a highly debated topic, since the planning is believed to increase the likelihood of a positive succession (Sharma, Chrisman & Chua, 2003). Yet, this transition is very ambiguous where decision-makers feel most threatened (Gersick et al., 1997). Hence the outcome, such as succession plays a crucial role in the family firm’s future. Thus, many family firms fail in their attempt to transfer their position into the next generation (Fendri & Nguyen, 2019). Family firms value longevity of the business the highest (NUTEK, 2004), however only one-third of family firms make it through a succession. This highlights the risks correlated to the succession (Fendri & Nguyen, 2019). Most of the companies in the GGVV-region are successful (Företagsamheten, 2017) at the same time, family firms in this region manage to go through successions and keep the business within the family.

Researchers claim that formal succession plans are needed in family firms and should be done for long term (Kets de Vries, 1993; Ward & Aronoff, 1992; Williams, 1992). The past cooperation history of the GGVV-region is viewed as one of the more successful partnerships. Gnosjö, Gislaved, Värnamo and Vaggeryd are small municipalities, however they bring great growth for Sweden (Företagsamheten, 2017). Although, the industries in that particular region are low technology and the distribution of the people with education is beneath the average from a national aspect. Still, these municipalities keep flourishing (NUTEK, 2002). The main explanation is connected to the collaboration between
local business. Furthermore, the GGVV-region is a good area to understand why family firms succeed with their succession since many fail.

In any firm, it is essential to have a planning process for the transition of ownership and leadership. However, in family firms it is important for the next generation to engage in the succession process, since it is about decisions regarding their future. The involvement and interest in the family firms must continue for the family members of the next generation (Fiegener, Brown, Prince, & File, 1996). Furthermore, in the context of family firms in the GGVV-region this research area is rather unexplored even though its high concentration of family businesses.

1.4 Purpose

The purpose of this research is to discover and examine the individual- and organizational level factors involved in succession for family members within family firms in the GGVV-region. This region was chosen due to lack of research within the field of succession and the researchers believe that there is a need for this kind of study since the region consists of many family firms and is of big value for the Swedish growth (Företagsamheten, 2017). GGVV is known for its entrepreneurship and family business in large parts of Sweden (Gnosjöandan) and therefore considered as a good area to investigate in.

Family businesses in particular will be considered due to creation of heritage for the next generation. Furthermore, the focus of this research will be to identify what challenges family firms in the GGVV-region deal with during the succession process. However, many family firms fail during their succession and therefore the researchers want to explore how family firms in this particular region manage their succession.
1.5 Research Questions

To be able to fulfill the purpose of this thesis, individual- and organizational level factors within family firms in the GGVV-region will be identified. Furthermore, challenges regarding the succession process will be considered. Based on the thesis purpose, the intention is to discover and understand the desired field by answering these following research questions:

1. What are the individual level factors affecting the succession process in family firms within the GGVV-region?
2. What are the organizational level factors affecting the succession process in family firms within the GGVV-region?
3. What are the challenges with the succession process in family firms within GGVV-region?

1.6 Delimitations

There are several interesting studies within the field of family firms and succession, but the research differs with their diverse aspects. It has been noticed that research within this certain area in Sweden is relatively limited. Therefore, this study is specified to Swedish family firms and in particular the GGVV-region (Gnosjö, Gislaved, Värnamo and Vaggeryd), in order to limit the range of data collection. To understand this issue, a good insight is needed from a wide range of angles and perspectives. Due to the multiple aspects of the desired research field, the focus will however be on the key factors that are crucial for the succession process. Other factors than individual-and organizational level factors will not be considered in this research. The purpose of this research is not to go in depth of all the complex questions of succession due to limited accessibility and sensitive information. Gender and conflicts are two of the aspects that the researchers decided to exclude from the study. Since, the study is based upon an organizational perspective from family business owners and their experiences, non-family members will be excluded as participants. Furthermore, the selected region is GGVV in Sweden, which consists of both small and medium sized firms, large firms will therefore be excluded from this study. International researchers
and other global companies would therefore not find this research applicable to their field of study due to the scope of research might be too niche.

1.7 Definitions of Key Terms

**GGVV/Gnosjöandan:** The expression GGVV or Gnosjöandan is considered as a small family business-dominated industrial district (Johannisson and Dahlstrand, 2009; SCB, 2014a) and includes the municipalities of Gnosjö, Gislaved, Värnamo and Vaggeryd (GGVV, 2016). The phrase is used to the exact location within the region and is located south of Jönköping, with approximately 85,000 inhabitants.

**Family firm:** The owner of the family firm has an intention to pass the business on to another family member where the founder or descendant is still active running the firm. This means that the successor will both be the owner and have an active role running the firm's daily operations. Passing the business on to another family member differs from a non-family firm (Astrachan & Shanker, 2003).

**Succession:** The transfer of management between family members from one generation to another, it is a goal which is shared by most of the family firms (Sharma et al., 2001). Succession is seen as a process involving multiple stages where the predecessor steps down more and more until the transition takes place (Handler, 1989).

**Succession process:** In the context of family firms, the process refers to the control of management from one family member to another (Sharma, 1997). The process includes different stages, starting when the first discussion is brought up about succession which includes the successor’s involvement to grow into the business. Multiple activities are involved in the process and it is long-term procedure which can be very demanding (Sharma et al., 2003b).
**Individual level factors:** Factors during the succession process occurring at the individual level including personal, emotional and development characteristics of the leader.

**Organizational level factors:** Factors during the succession process occurring at the organizational level including management aspects and surrounding economic, such as turnover, profitability, market share and growth (Peter, 2005).

**Predecessor:** A person who had a particular position before someone else.

**Incumbent:** A person who holds a particular position in the company at the present time.

**Successor:** A family member from the next generation that will one day take over the family business from the current owner.
2. Literature Review

This chapter helps the reader to understand the different definitions of the chosen topic. The researchers present an overview of the existing literature which will lead us towards the problem. This section starts with defining family firms and its characteristics, followed by defining succession and its process. Furthermore, two models are presented and explained in order to illustrate the succession itself. Factors of succession is divided into four subsections. An explanation of the chosen region is also given in this chapter. Lastly, a theoretical framework is developed to summarize the literature review.

2.1 Defining family Firms

There are difficulties by defining what identifies a family firm regarding to studies within the area, which define family firms differently. A family firm is considered with its attribute to be unique due to its family engagement in the organization (Chu, Chrisman & Sharma, 1999; Chrisman, Chua & Sharma, 2005). Anderson and Reeb (2003) define family firms by using three criteria, (1) the share of ownership within the company (2) whether family members hold positions on the board of direction and (3) whether the founder or its successor is the managing director of the firm. According to Davis and Tagiuri (1989) a family firm is defined, based on the impact that the family has on making strategic decisions in the organization, whereas Astrachan, Klein and Smyrnios (2002) draw the conclusion that ownership aspects, family firm culture or the significant role of taking actions is a common focus for most definitions. Ward (2011) defines family firms “as one that will be passed on for the family’s next generation to manage and control” (Ward, 2011, p. 273). Family firm is an area which is being more studied and getting an increased interest even though the definition is diverse (Mores, 2009). In the thesis, the researchers refer to Astrachan and Shanker (2003) definition of family firms where the owner of the family firm has an intention to pass the business on to another family member and the founder or descendant is still active running the firm. In other words, the successor will both
be the owner and have an active role running the firm’s daily operations (Astrachan & Shanker, 2003).

Among small and medium-sized businesses, family firm is the most frequently used form of organization in the world (Gersick, Davis, McCollom & Lansberg, 1997; Westhead & Howorth, 2007). However, family firms have an essential role in social wealth as well as economic creation, facing important challenges in order to survive and succeed across generations (Miller and LeBreton-Miller, 2005). According to Miller and LeBreton- Mille (2005) there are family firms which have the ability to attain longevity and preserve competitive advantage through generations. Across generations, family firms have the capability to support processes of competitive resource allocations towards value creation (Habbershon & Pistrui, 2002; Sirmon & Hitt, 2003). Grant (1996) argues that to remain competitive in the market and to be able to be innovative, knowledge is a significant asset for the organization (Grant, 1996). In family firms, knowledge is defined as definite and implicit. Family members have developed and achieved their knowledge in various ways, such as working within and outside the firm as well as through education (Zahra, Neubaum, & Larraneta, 2007; Chirico, 2008). Grant (1996) and Cabrera-Suarez, De Saa-Perez and Garcia-Almeida, (2001) argue about how family members develop specific firm level tacit knowledge from an early age by working in the family firm and living in the family.

2.2 Characteristics of Family Firms

A family firm differ from non-family firms which is agreed among family business researchers (Melin, Nordqvist, & Sharma, 2014). A distinct difference from non-family businesses is how family firms do not only focus on the economic goals but also on the non-economic goals including family identity, family heritage as well as longevity of the firm (Berrone, Cruz, & Gomez-Mejia, 2012; Kets de Vries, 1993). Socio-emotional wealth is “non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007 p.106). It is a term utilized for the
previously mentioned non-economic goals, which affect the actions of family firms and therefore differentiate them from other types of organizations (Berrone et al., 2012; Gomez-Mejia, Cruz, Berrone & De Castro, 2011; Gomez-Mejia et al., 2007).

As mentioned earlier, family firms have a stronger will of longevity of the business compared to non-family firms (Lumpkin & Brigham, 2011; Zellweger, 2007). To embrace and emphasize the importance of longevity in family firms, they invest in the future to be able to achieve their goals and long-lasting partnerships are established with suppliers and customers. In the stock market, family firms are generally not as dependent on their operations in the short period (Kets de Vries, 1993; Miller & Le Breton-Miller, 2005). Zellweger, Nason and Nordqvist, (2012) mention how important it is to interpret longevity in form of transgenerational entrepreneurship on the family level and not only associate longevity with the common aspect of the business in the long-term orientation.

### 2.3 Strengths and Weaknesses of Family Firms

By running a family business, there are many strengths such as loyalty within the family, they have a strategic commitment and vision for long-term and a sense of family tradition pride (Poutziouris et al., 2004). Sharma et al. (1997) mention how deep rooted and embedded entrepreneurial families are in their region and that their authenticity disposes a positive attitude and image in regard to direct contact with locals. Entrepreneurial families have a reputation in their region which they are keen to keep, it clarifies their community involvement and charity donations (Fendri & Nguyen, 2019) as well as they are eager to build up a trustworthy climate as partners (Lyman, 1991). The contribution of these actions results in greater trust and attractiveness among loyal suppliers, customers and creditors, especially when facing difficulties (Fendri & Nguyen, 2019).

On the other side, there are some disadvantages which entrepreneurial families suffer from, including “introversion, adoption of conservative philosophies in terms of sourcing financial and human capital, lack of professionalism, nepotism rather than meritocracy in promotion practices, rigidity, informal channels of
communication, family feuding, and the absence of strategically planned succession” (Poutziouris et al., 2004 p. 9). A common issue within family firms of high importance is the involvement of strategic planning of the next generation into the business (Cruz & Nordqvist, 2012; Knight, 1993). Another issue which family firms may face is whether to keep the business in the family (Schulze, Lubatkin, Dino & Buchholtz, 2001) or to let an external manager take over. Another option is to let an internal manager who has built up a good reputation within the organization to lead the business (Fendri & Nguyen, 2019). Hence, external recruited managers have lack of history and relation with the family owners, which make the internal managers a better fit for the firm (Fendri & Nguyen, 2019).

### 2.4 Succession in Family Firms

As defining family firms, a wide range of definitions of succession are formed and adjusted in regard to the context. Steier (2001) states in his article that transfer of ownership to the next generation is a great change for family firms. However, differences in regard to succession occur due to ownership and management (Steier, 2001). Other researchers indicate succession primarily when the transfer, in regard to the management and ownership, is transferred between family members. Thus, other researchers also take non-family members into account as future successors. Researchers argue that succession is of importance for the future of a family firm as well as the involvement of the family members. Yet, there is limited knowledge about how the new generation gets involved with the process of succession itself (Handler, 1992).

Vikström and Westerberg (2010) define succession equivalent to leadership succession, however, David and Klein (2005) define succession as the transfer from one owner to another and the new owner do not need to have their inheritance in the family. While Bjuggren and Sund (2001) define succession as the transition of a business to the next generation within the family. The researchers will follow Bjuggren and Sunds’ (2001) definition of the succession, where the focus will be on family members. David and Klein (2005) specify that ownership succession is more of importance as new owners establish upcoming
guidance for firms and will further be accomplished by management. Yet, more attention is drawn to management succession (David & Klein, 2005). Succession plays an important role in the family firm and thus facing difficult issues. The risk however is to introduce a successor into the family firm without the necessary and needed skills, such as managerial capability (Fendri & Nguyen, 2019). As a consequence, Miller and Breton-Miller (2005) demonstrate that vague succession plans, unqualified or unprepared successors and family rivals could result in a breakdown of the family business.

Family succession results in adjustments within the family and in the ownership as well as in the business. Thus, researchers highlight issues that can occur in the process for running the business (Cabrera-Suárez et al., 2001; Chirico & Salvato, 2008; Fox, Prilleltensky & Austin, 2009; Malinen, 2001).

2.4.1 Succession Planning in Family Firms

Succession planning addresses the generational shift of management authority from one leader to another within the family (Sharma, Chrisman, Pablo & Chua, 2001). Chau et al. (1999) claim that there is no clear framework on how structures and processes differs in family businesses.

Various of scholars highlight the importance of succession planning (Poutziouris, 1995; Wortman, 1994; Kets de Vries, 1993; Handler, 1992, 1990). Thus, a prepared succession plan is of great importance, even though a lot of family firms have not even started with their succession plan (Sharma, Chrisman & Chua, 2003a).

An organized and a clear planning is a result of an effective succession. It should not be seen as an outcome of the unexpected death of the founder. It is rather a proper planned process that helps the next generation to be well prepared for their new position (Sharma et al., 2003a). The succession process helps family firms to minimize conflicts and the ambiguity in regard to the death of the founder (Stavrou, 1999; Ward, 1987; Davis, 1968). Poe (1980) states that family
firms oftentimes wait with the succession process due to that entrepreneurs are busy by running their business. Lansberg (1998) on the other hand states that fear is a crucial aspect why owners tend to postpone the important succession planning, as Jacobs (1986) indicates in his work that jealousy is more or less linked in relation to the future successors.

Succession that occurs due to death or illness is beyond the firm’s control, whilst dismissals are very unlikely, hence the business owner tends to have the ownership control (Leiß & Zehrer, 2018). This study will not go any further in depth in these particular areas, however it is important to keep in mind. Literature have so far explained careful planning, and that the leadership succession is a main component in a process of a successful succession (Le Breton-Miller, Miller & Steier, 2004; Sharma et al., 2001; Marshall, Sorenson, Brigham, Wieling, Reifman, & Wampler, 2006; Eddleston & Powell, 2008).

Other scholars indicate the relevance of a clear succession planning (Poutziouris, 1995; Wortman, 1994; Kets de Vries, 1993; Handler, 1992, 1990). Handler (1989) indicates that the main reason why family firms fail, is due to poor succession planning, Danco (1982) uses the term “corporeuthanasia” when explaining the poor planning within the firm. Which to some extent explain why two-thirds of family firms do not reach the second generation (Fendri & Nguyen, 2019).

2.4.2 The Process of Succession in Family Firms

Succession process is one of the main challenges faced by family firms (Cabrera-Suárez et al., 2001). The succession is one of the most sensitive issues that occurs among the two entities; family and business (De Massis, Chua & Chrisman, 2008; Schlippe & Hermann, 2013).

Numerous of scholars state that the succession process should be introduced and developed in an early stage for the new family members (Stavrou, 1999; Ward, 1987; Davis, 1968). In the family business literature, the process within succession is explained with three steps. In the first step, the focus is to early develop new family members leadership roles before being a part of the business.
itself. The next step is to organize and combine the new family members into different roles. The third and last step is to consider the new potential leadership role into the family business (Stavrou, 1999; Poutziouris & Chittenden, 1996; Handler, 1989).

A beneficial succession process helps the family firm to choose the most qualified leader who can improve and reconstruct the business (Ibrahim, McGuire, Ismail, & Dumas, 1999; Ward, 1987). For family firms in particular, the great relevance is to keep the authority within the family through an efficient succession (Fendri & Nguyen, 2019).

Leiß and Zehrer (2018) refer the succession as a rather long-term process and not as a “one-day ticket” to a vital change for a family firm. Scholars such as Handler (1990) and Le Breton-Miller et al. (2004) also claim that the succession process is not an individual neither a spontaneous process, it oftentimes tends to be a complicated and to an extent problematic long-lasting process. Sharma, Chrisman and Chua (2003b) furthermore state that the succession process can be essential and implicate numerous of actions.

From existing literature, two models are presented to further explain the succession planning and process within family firms. These models might not be applicable for the GGVV-region but is a part of the already existing literature.

### 2.4.3 Life Cycle Model

To explain the succession process between two generations, for example father-to-son, an approach of the life cycle was developed by Churchill and Hatten (1987). The process is categorized into four different stages: (1) owner-managed business, (2) training and development of the next generations, (3) partnership between the generations and (4) transfer of power (Churchill & Hatten, 1987). The first stage of owner management describes the process from start-up to entering the business of one family member who is the only one involved from the family. The founder is building up the organizational culture for the long-run in order to make a successful succession in the future, however, the successor
from the next generation has not entered the business as this stage. Training and development is the second stage where the next generation enter the firm and get an insight and learn the business. At this stage, the predecessors’ role is to show the ability to delegate power. Third stage involves development of the partnership between the predecessor and the successor which is an extension of the previous stage where authority from the successor plays an important role. In the fourth and last stage, the transfer of power takes place where the responsibilities are shifted to the successor (Churchill and Hatten, 1987).

2.4.4 Six Stair Model

The six-stair model for family business transfer was developed by Lambrecht (2005) where different family firms were considered on the basis of empirical study. The six steps begin from the bottom of the ladder with entrepreneurship followed by: studies, internal formal education, external experience, family business and written plan and agreement at the top of the ladder (Lambrecht, 2005).

During the first step, professional knowledge is transferred, as well as entrepreneurial characteristics, management values and the soul of the family firm to the next generations. The transfer of knowledge is influenced by three life stages of the offspring which Lambrecht (2005) distinguished. For the child up to the age of 11, the business is seen as a playground and from ages 11 to 15, small activities in the business are performed by the possible successor. From the age of 15 to 17, more serious work was given to the potential successor in family business which gave him or her an insight of the organization. It is important that the transferring generation show enthusiasm towards the next generation (Lambrecht, 2005).

In the second step for transition of the firm is formed by studies. Before entering the family business full-time, the majority of the successors are favored to obtain an advanced degree. In some cases, it is preferred that the studies are oriented towards the family business sector whereas in other cases the potential successors can choose any discipline (Lambrecht, 2005).
In larger family firms, sometimes internal formal education is provided for the family members at an early stage (Bibko, 2003; Tifft & Jones, 1999). This is what created the third step where the successors get an overview of the business including its factors, its future and its values. However, during this stage identification of the next successor take place along with family and business conduct learning (Lambrecht, 2005).

During the fourth step, is the acquisition of work experience from other firms. This step provides knowledge and worldly wisdom to the potential successor along with gained self-confidence (Lambrecht, 2005).

The fifth step is the step into the business for the successor which Lambrecht (2005) distinguish between “beginning at the bottom of the ladder and freedom for and by the successor(s)” (Lambrecht, 2005 p.277). Generally, the next generation passes through the businesses’ various departments before the succession and getting a management position which gives them a chance to win the employee's confidence and to discover the business as well as the sector and customers. For the next generation, it is essential that the successor gets freedom, meaning respecting the previous generations, taking responsibilities, asking the transferor for advice and to get an understanding of how the past designate the foundations and forms a path to the future (Lambrecht, 2005).

The sixth and last step is related to the written agreements and planning of the succession. In case of scenarios, such as resignation or death of a family member, needed measures must be taken into consideration. However, even though family firms have written plans it is not an absolute guarantee for the succession to be successful, whereas poor planning could be very costly for both the firm and the family (Lambrecht, 2005).
2.5 Factors Affecting the Succession

There are different factors affecting the succession process which can be identified at different levels and will be presented and explained in this section.

2.5.1 Individual Level Factors

If the future successor does not have the required skills to manage the business, the succession will most likely not occur due to such lack of competence. This might either lead the potential successor to refuse the post or bring the organization to turn against the successor (Barach & Gantisky, 1995; Barach, Gantisky, Carson, & Doochin, 1988). In case the incumbent is further linked to the business, the future successor might have difficulties when it comes to establish the skills and receive the respect to be able to lead the business towards its vision (Kelly Athanassiou & Crittenden, 2000). Kelly et al. (2000) also state that such situations can lead the successor to look for other positions. Representatives of the dominant coalition can conclude that the potential successor is not capable of running the business and therefore refuses the successor post. Thus, the incumbent has an essential part in the succession decisions (Kelly et al., 2000).

Scholars such as Handler and Kram (1988) claim that succession could be ignored and avoided in case the future successor becomes sick or if he or she dies. The succession process can also be ignored if the incumbent during the process either remarriage, divorce or bring new children (Dick & Kets de Vries, 1992). As mentioned earlier, this will not be considered when completing the study, however it is important to have in mind.

Age can be considered as the most crucial aspect within the personal dimension of succession in family firms (Koiranen, 2002), even though there are different opinions on the effects of age. Some scholars propose that the younger seize opportunities as well as ease the detect and are therefore more suitable to take over the business (Andersson, Gabrielsson & Wictor, 2004). However, others
argue that older are a better fit to achieve, given their knowledge and experience (Westhead, Wright & Ucbasan, 2001).

One researcher indicates that succession difficulties exist in the business, due to difficulties of letting go of the control within the business for the current owner (Handler, 1988). Another researcher claims that challenges within the succession process occur due to the change among the family, its business and the leading people (Brun De Pontet, Wrosch & Gagne, 2007).

In a previous research, Bjuggren and Sund (1998) develop an idea how idiosyncratic knowledge of family members can be the primary reason for succession between generations within the family. Idiosyncratic knowledge from the family is acquired by watching and doing. Specific knowledge might be developed of how to run the business towards success when growing up in an entrepreneurial family which gives the family member an inside perspective (Bjuggren & Sund, 2001).

Factors of great importance for a successful succession process in family firms according to Barach et al. (1988) and Handler (1990) are will, power, motivation, the ability to overcome handover fears and enterprising personality of the family senior. Chrisman et al. (1998) argue that the successors’ personal characteristics and qualifications are of similar importance, whereas Cabrera-Suarez et al. (2001) discuss about the past and present integration or experience with the previous entrepreneur or enterprise.

### 2.5.2 Organizational Level Factors

Factors within the organization which affect the succession process are the management aspects and surrounding economic, such as turnover, profitability, market share and growth (Peter, 2005).

Looking from a family firm aspect, not all factors play an important role. For instance, if the firm is suffering from financial profitability, a succession will not take place whether it is a family firm or a non-family firm (Ward, 1987). Ward (1987) also indicates that leadership needs to convert from one family member to
another to be able to be classified as succession, for non-family firms it is the opposite.

At the group level of the organization, Handler (1994) and Morris, Williams and Nel (1996) argue that communication is the key factor for an effective succession planning in family businesses. Sharma et al. (2003b) discuss the importance of understanding the role of communication in regard to family firm succession which the researchers also see as the most valuable factor. Communication between generations can be seen as a crucial factor towards a successful succession planning and a tool for dealing with conflicts within the family (Nordquist, Hall & Melin, 2009). Several researchers argue that communication involves giving feedback, discussing ideas and intergenerational learning, hence vital succession issues should be developed in order to get a common understanding (Grossmann & Schlippe, 2015, Handler, 1991; McKee, Madden, Kellermanns & Eddleston, 2014).

Succession is a process which should take place over time and be carefully planned with the recommended thinking period of 5-15 years. However, at the age of 45-50 years owners should start thinking about succession if planning to retire at the age of 60-65 (Craig, McClure & Ward, 2003). In a research by Sharma et al. (2003a, b) the researchers show the importance of trust to the successor in the succession planning is equally to the desire of the incumbent to hand the business over within the family. According to Miller, Steier and Le Breton-Miller, (2003) an interest for the family business often arises for the successors when their parents act as an entrepreneurial role model.

2.5.3 Successor Related Factors

In a study made by Venter, Boshoff and Maas (2005) they mention the successor related factors which could have direct influence to the succession, “the willingness of the successor to take over the business; the preparation level of the successor; and the relationship between the owner-manager and successor” (Venter et al., 2005, p. 285). Business rewards, trust in the successor’s intentions and abilities, family harmony and personal needs alignment are previous factors
influencing the first mentioned successor-related factors (Venter et al., 2005). Massis, Chua and Chrisman (2008) discuss other factors related to succession, potential or ability of the successor, unexpected loss of successor and successors’ level of motivation. These factors are critical for the succession of a family firm which can either compliment or work towards success of the succession (Massis et al., 2008).

2.5.4 Predecessor Related Factors

In previous research, scholars discuss the importance of the quality of the relationship between the predecessor and the successor which is a determinant factor for a successful succession process (Brockhaus, 2004; Chrisman, Chua, & Sharma, 1998). Since succession has a crucial role for the survival of the family firm, it is essential that it is effectively completed (Barnes & Hershon, 1991). Seymour (1993) and Handler (1989) argue about the dos and don’ts for leaders in family firms to ensure succession effectivity.

2.6 The GGVV-Region

In 2017’s measurement of entrepreneurship in Sweden’s counties and municipalities, the Swedish Business Sector (Svenskt Näringsliv) has examined the growth initiative for entrepreneurs. This measures how large a proportion of those who started new enterprises in 2011, today have a company with at least five employees. It is shown that companies in one of the municipalities within the GGVV-region, Gnosjö, tops the list with its 23.1 percent of new businesses and at the same time, the average in Sweden is 7.7 percent (Företagsamheten, 2017). The companies are growing in the GGVV-region, which is noticed in several ways such as new facilities being built.

Svenskt Näringsliv (2017) claim that the growth in Gnosjö is due to the fact that the local industry is doing well. There are industries within wood, plastic and metal which generate a positive outcome, when looking from a business perspective. Back in the 17th century, Gnosjö had low surrounding for being an agricultural society due to that the soil was considered too lean. The population
rather provided weapon factories, in which they produced rifles to the army of the country. Demand for weapons, later on fell, which resulted in change in their operations to what they call “wire drawing” where they manufactured numerous of metal products, from nails to whisks (Svenskt Näringsliv, 2017).

Svenskt Näringsliv (2017), claim that the climate within the business in the municipality is good. When help is needed GEC (Gnosjöandans Entreprenörskap Centrum), work hard for the municipality’s business community as well as Gnosjö Science Park, which offers a helping hand when it comes to business development. In the Swedish business sector, Gnosjö ended at the 23rd out of 290 when looking at the ranking of the business climate in Sweden’s municipalities (Svenskt Näringsliv, 2017).

The industry is growing, and facilities are being built as never before, in other words, the business climate is stronger now compared to previous years. The main goal for the GGVV-region is to grow even more to be able to work on improvements with other companies and businesses (Svenskt Näringsliv, 2017). Svenskt Näringsliv (2017) argue that there is a clear cooperation in the chosen research area, if one company do not have time with their orders, the competitors will fill in and help, and vice versa. The Swedish Agency for Economic and Regional Growth, (Tillväxtverket) claim that “Gnosjöandan” is all about problem solving (Tillväxtverket, 2016). However, it is an expression which can be difficult to define and can mean different things depending on the respondent. A respondent for Tillväxtverket (2016) claims that “Gnosjöandan” is characterized by the ability to cooperate. The respondent means that when a large company receives orders, the local and smaller companies increases sales as well, due to the fact that the smaller companies have an open climate between each other. In this way, a lot of the smaller companies gain benefit in the municipality. The respondent further explains the enormous commitment and interest in society and local development when it comes to the structure with many small, family-owned companies (Tillväxtverket, 2016).
2.7 Research Framework

On the basis of the literature review, which is discussed above, the researchers have created a picture graphic, illustrated in Figure 1 to summarize the chapter. The framework is divided into three different sections, succession, the succession process and the factors affecting the succession. Each section consists of several components which is included and is of relevance. The GGVV-region and challenges can be seen in each of the three sections. This framework is made in order to guide the reader through the theoretical fundamentals of the research.

Figure 1: Theoretical Framework of the literature review (Source: The Researchers)
3. Methodology

In this section the chosen methodology for the study will be explained. Starting with the research philosophy where the researchers will elaborate why a multiple case study design is adopted, followed by the research approach including data collection and theoretical sampling. A discussion of the ethical considerations of the study as well as the trustworthiness is discussed to complete this section.

3.1 Research Philosophy

For the evaluation and design of the study, the research philosophy is a main concern due to its impacts on the outcome and creation (Easterby-Smith, Thorpe & Jackson, 2015) which is connected to the knowledge development and the nature of that knowledge (Saunders, Lewis & Thornhill, 2007). Ontology and epistemology are the two different aspects of research philosophy, ontology is about the existence and reality whereas epistemology is about the theory of knowledge helping the researchers to understand ways of enquiring into the nature of the world (Easterby-Smith et al., 2015). The adopted philosophy of the research contains assumptions which provides the reader with an insight about the way the researchers view the world as well as get an understanding for the chosen research strategy and design (Saunders et al., 2007).

In this study, the researchers are mostly interested about the challenges family firms face during the succession process and how the individual- and organizational level factors affect it. The researchers believe that there are diverse ways to interpret, view and define these factors of succession in regard to the specific family firm. However, there is no answer which is right or wrong since a single answer cannot answer the question. From an ontological point of view, the research is seen through a relativistic perspective, meaning that the nature of reality is relativistic. The researchers believe that there are several “truths” as Easterby-Smith et al., (2015) explain according to the definition. People acquire
diverse identities, experiences knowledge and options which makes the reality depend on the viewpoint of people (Easterby-Smith et al., 2015).

A relativist ontology in social science is commonly aligned with a social constructionist epistemology (Easterby-Smith et al., 2015). Taking a subjective stance, the researchers also see social constructionist to be chosen as the most convenient epistemological preferences. Social constructionism assumes that several diverse realities exist and are through social interaction socially constructed (Costantino, 2008; Staller, 2012). Regarding this acknowledgement, the researchers at the same time accept that the knowledge and trust lie within the human experience. According to Chilisa and Kawulich (2012) knowledge culture bound, and dependent on history and the context which the researchers approach in this study. Therefore, the researchers believe that the phenomenon of succession in family firms depends and is affected by factors which make every succession unique.

### 3.2 Research Approach

The researchers will conduct a qualitative exploratory study. Within the area of family firms, a qualitative method is commonly used to get a deeper understanding of the associated problems. With qualitative methodologies, human dynamics involved in family firms could be studied adequately (Haberman & Danes, 2007).

As the purpose of this research is to discover the individual- and organizational level factors for a succession as well as identify its challenges, the inductive approach will be used in order to summarize the data and to further draw conclusions. Gray (2014) explains the use of inductive approach where it helps the researcher to collect, investigate and to discover different patterns from the collected data. The inductive approach is related with qualitative research, which collects data and draws conclusions by mainly using verbal methods through observations, interviews, and document analysis (Lodico, Spaulding & Voegtle, 2006). Lodico et al. (2006) claim that inductive approach generally includes; observing the phenomena under investigation, search for patterns or themes
from the particular observations and lastly developing a generalization from the themes and patterns. In the inductive approach, particular observations are used by the researchers to describe a picture or to build an abstraction of the studied phenomenon. The inductive approach often times leads to inductive methods of data collection where the researchers (1) systematic observation of the investigated phenomenon, (2) looks for themes or patterns in the observations and (3) develop a generalization of the chosen themes. This approach is more of discovery than knowing (Lodico et al., 2006).

On the other hand, deductive approach is to first make a broad assumption to later be able to identify evidence that would or would not support the assumption in question. In other words, this type of approach starts with defining a hypothesis which with help from collecting data can be tested (Lodico et al., 2006). The deductive approach is related with quantitative research where the data is summarized by using numbers compared to the inductive.

Using the inductive research approach, it enables the researchers to examine the topic more openly. Yet, as Saunders et al. (2009) mention, this does not ignore the fact that the researchers have used existing models and literature, both before and during the progress of this research to draw conclusions regarding the topic. The researchers noted that in-depth semi-structured interviews is the optimal approach in order to be able to cover and complement the limited knowledge within the research field.

### 3.3 Research Strategy

Case study essentially looks at one or several numbers of events, organizations or individuals in-depth, mainly over time (Easterby-Smith et al., 2015) and is considered to be the most suitable research strategy when questions with “why” and “how” are posed in the context (Chetty, 1996). Chetty (1996) also argues how this is the underlying reason why case study is traditionally appropriate in only exploratory studies. This thesis is an exploratory research which deals with “why” and “how” questions and to answer these questions, case study is the most
suitable strategy. The phenomena of the case study will be observed in a natural setting and more dimensions of it will be explored (Yin, 2014).

There are two different types of case study, single and multiple which Yin (2014) differentiates. In a single case study, one case is studied, however in a multiple case study several cases are used for the research (Yin, 2014). A multiple case study encourages the investigator to find similarities between the cases as well as theory and for chance associations to be avoided (Eisenhardt, 1991). Saunders et al. (2007) argue for the reason of using a multiple case study which is to investigate if the findings of the cases replicate each other. This study applies a multiple case study where ten cases have been selected, family firms in the GGVV-region.

3.4 Sampling

According to the qualitative methodology and the research questions of the thesis, a nonprobability sampling method was chosen (Battaglia, 2011). Purposeful samples are generated which will provide critical insights as well as enable the researchers to study information-rich cases (Patton, 2014). Polkinghorne (2005) suggests using purposeful sampling since the concern qualitative researcher have is how rich the collected information about the experience is and not how much have been collected. Polkinghorne (2005) also argues that the area that qualitative study aims to deal with is the human experience. The samples for this study have been selected with an aim of collecting full description of the participants’ experience on the phenomenon rather than represent the population.

The participants for the study have been selected purposefully which stress the objective of collecting enough observation of the experience of the phenomenon. The target population is mentioned earlier to be in the GGVV-region, the municipalities of Gnosjö, Gislaved, Värnamo and Vaggeryd. The selected participants possess a lot of knowledge about the business, its history, its succession as well as about the GGVV-region and the Spirit of Gnosjö.
Furthermore, the participants have a crucial role when it comes to the decision in the succession process. All of the interviewees were the owners of the family business and have been involved in it for many years. Half of the owners also had the position as the CEO.

3.5 Data Collection

Data collection includes materials and data by both combining the primary- and secondary data. Existing literature has been examined, to be able to identify the research gap of the study. Databases such as; Scopus, Primo, Web of Science and Google Scholar, helped the researchers to find the relevant and the most useful peer-reviewed articles to further broaden and develop the current knowledge. Searched terms such as “family firms”, “succession” and “generation” were used to be able to examine the available materials within the databases. The secondary data is presented in chapter 2 through a literature review.

In qualitative research, the most frequently used forms of primary data collection are observations, fieldwork and interviews (Myers, 2013). To collect the data for this study, one form of the primary data collection has been used which is interview. The interviews held were in-depth, semi-structured which allowed the researchers to get a deeper understanding and stretch out new aspects (Esterby-Smith et al., 2015). The primary data will further be explained and discussed in chapter 4, introducing the empirical findings from the interviews.

Several family firms in the GGVV-region were contacted, introducing the researchers and giving them a brief description of the study. The owner of the business was given the chance to participate in this research, however, some participants chose not to participate in this study.
In business research, the most important form and used technique of data collection is interviews (Myers, 2013) which gather information from various people in different situations and settings (Charmaz, 2014). In-depth investigation of experiences and topics are explored by a range of questions within a specific field (Charmaz, 2014). However, the structure of the interview can vary. Semi-structured, high-structured and unstructured interviews, depending on what the researcher desire to investigate in. Semi-structured or unstructured interviews are more beneficial when conducting an exploratory study due to its necessity for flexibility and it allows more open answers (Saunders et al., 2009). In this research, semi-structured interviews have been used with 21 prepared questions, with further chance for the participant to express and communicate more openly (Brinkmann & Kvale, 2009). The interviews consisted of only open-ended questions to get a more in-depth reasoning in regard to the questions, the interview questions were also formulated with “how” and “why”. Supplementary questions were also added with further explanations when needed.
Bryman and Bell (2011) state that credibility relates how trustworthy the findings are. Before the interviews were held, a letter of consent was signed by both parties to ensure complete anonymity concerning the interviewed companies as well as the owner of the company. The conducted interviews consisted of 21 in-depth, semi-structured questions divided into five different sections, including background/history, the predecessor’s/incumbent’s perspective, planning and process, future succession and the successor’s perspective. The given questions were non-leading questions which allowed the interviewee to speak in a more freely climate but still in a controlled setting. This to get a fair understanding of the participants along with multiple different opinions as possible. The interviews were recorded and transcribed, therefore the trustworthiness increases as well as the credibility.

The interviews will be compared to each other for further similarities and differences to be able to identify common factors from both an individual- and organizational level, as well as challenges in the succession process.

### 3.7 Data Analysis

For the data analysis, the researchers align to the perspective of De Massis and Kotlar (2014) where they discuss the importance of exploratory and systematic data analysis process. When conducting a qualitative research, it tends to end up with a large amount of data. Therefore, the purpose of analyzing the data is to find common themes and categories from the gathered information, which was conducted through the interviews. By using codes, the essential content of the qualitative data can be found from the research analysis. Hence, the identified categories help the researchers to further explore and seek for similarities as well as differences among the different companies within the region (Saunders et al., 2016).

Saunders et al. (2016) discuss the different approaches to conduct data analysis, including grounded theory, thematic analysis and content analysis. The chosen research philosophy is closely interconnected for the approach for conducting the qualitative data analysis (Easterby-Smith et al., 2018). Thematic analysis is the
most suitable approach for this research since an inductive method is applied within social constructionist. The thematic analysis, in social constructivist method, analyzes the ways which realities, events, experiences and meanings are the effects of an extent of disclosures performing within the society (Braun & Clark, 2006). This approach provides a flexible and use research tool in order to analyze the collected data. By using thematic analysis, it identifies, analyze and reports themes within the collected data. These themes are significant to explain a phenomenon and to be able to answer the research questions as well as the purpose (Braun & Clark, 2006).

There are six steps presented by Braun and Clark (2006) for doing a thematic analysis which the researchers followed in the process of analyzing the data. During phase one which includes familiarizing with the data, the researchers thoroughly transcribed all the interviews. The researchers carefully read through all the transcribes several times in order to find potential codes. The ten cases were firstly analyzed separately and later on a cross-case analysis was made between the cases in order to find themes. These themes that were found in each of the cases became patterns among the investigated cases.

The second phase is described by Braun and Clark (2006) as gathering initial codes after familiarizing with the data. There are two ways of identifying themes from the coding, either “data-driven” or “theory-driven”. The researcher approached the latter due to the objectives of the research, individual level factors, organizational level factors and challenges within the succession process. Meaning that the themes were approached with the research questions and purpose to code around. The researchers did the initial coding firstly individually followed by a comparison to later agree upon the initial codes.

Once the data have been collected and initially coded, phase three begins (Braun & Clark, 2006). At this time, the researchers had a list of identified codes from the data which were combined to form overarching themes. To be able to sort the codes into themes, tables were used which was suggested by Braun and Clark (2006). The researchers started to recognize relationships between codes and
themes as well as sub-themes. At the end of this phase, the researchers had a collection of candidate themes and sub-themes in relations to the codes. The individual themes started to make a significant sense, however nothing was abandoned at this stage.

Step four involves the refinement of the candidate themes where the researchers ended up with coherent and meaningful themes with clear identifiable distinctions. According to Braun and Clark (2006) there are levels of refining and reviewing the themes. At the first level, the researchers read all the collected extracts about the theme in order to form coherent patterns. The second level involves a similar process as the first level but in relation to the entire data set (Braun & Clark, 2006). Re-coding was made in order to fit with the data set reflected in the thematic map.

Phase five begun when the researchers were satisfied with the thematic map. The themes were defined and further refined including analyzing the data within the themes. Sub-themes were identified in order to explain and structure the main themes. The themes were clearly defined and described including fully worked-out in the analysis.

In the last phase the researchers made a write-up of the thematic analysis to show an illustration of the collected data. The write-ups were clearly demonstrated within each theme in the empirical findings.

### 3.8 Research Ethics

Throughout the thesis, different ethical issues appear which needs to be taken into account by the researchers at all time (Easterby-Smith et al., 2015). Bell and Bryman (2007) introduced ten principles of ethical considerations which have been followed by the researchers for the generation of valuable research. The process of ethical practice deals with participants' protections including the research community integrity.
When the researchers contacted the potential case companies, a thorough description was given about the research topic including required background information for them to make a decision about their participation. To assure transparency and in-depth information, the researchers provided the interviewees with the interview questions prior to the interview. By doing this, the interviewees could prepare themselves as well as feeling more comfortable with the questions. To improve the integrity and protect the research participants, several actions were taking into consideration. Firstly, full protection and confidentiality of their privacy by anonymizing the interviewees names and the case company, illustrated in Table 1. A document was signed before the interview by both parties describing the interviewees’ rights and how their privacy is protected. Secondly, to increase confidentiality of all data and transcripts, it has been kept on a database which is only accessible by the tutor and the researchers. Without worrying about the traceability of the information provided, all these steps are seen as essential by the researchers in order to receive a deeper insight from the interviews and the context.

3.9 Research Quality

To increase quality of this thesis, it is essential to conduct a valid and reliable research and not generalize. In this study, the researchers aim to conduct trustworthiness and quality of the findings and have therefore applied the four judgement criteria: credibility, transferability, dependability and conformability (Guba & Lincoln, 1982).

The first mentioned aspect is credibility which focuses whether the research results are credible and true from the participants’ perspective (Guba & Lincoln, 1994). It is also argued how credibility can be enhanced by using triangulation methods, peer debriefing and tenacious observation over a long period of time (Guba, 1981). To improve the credibility in this research, triangulation has been used by retrieving data from multiple sources and interviewing a wide range of family firms within the GGVV-region.
Transferability is the second presented aspect by Guba and Lincoln (1994) which refers that the research results can be transferred to other contexts or generalized. To enable the transferability, information is provided about the company size, position of the interviewee and the length of the interview. To increase transferability of this study, the context is thoroughly presented.

The third aspect of a research is the dependability which is reflected between the researcher and the result (Guba & Lincoln, 1994). In this chapter, the methodology and method of the research are presented and could therefore be conducted by anyone with an exact copy of the study. The researchers believe the importance of clearly demonstrating what is done and how conclusions have been taken. A transparent process is made by disclosing the coding process and analysis to show how interpretations have been researched.

The last aspect, conformability is about neutrality and assurance that the result is not shaped by the researchers and is unbiased (Guba & Lincoln, 1994). Guba and Lincoln (1982) mention that is necessary that external people have the ability to trace the analysis to the data collection and that the findings are significant. To increase conformability, throughout the process, the tutor and other students have audited the thesis. Furthermore, the initial coding was firstly made individually by the researchers followed by a comparison in order to find common understanding of the initial codes.

All interviews were held as well as transcribed in Swedish, the quotes used were translated into English and footnotes are applied with the original quote in Swedish to assure credibility. The reason for having the interviews in Swedish was since all participants were Swedish and it was the optimal way for both parties. Immediately after the interviews, the transcribing was done to increase that the right impression was given.
4 Empirical Findings

In the following chapter, the empirical findings from ten in-depth semi-structured interviews will be presented and give the reader an overview from the data collection. The most fundamental findings will be presented, and the results will further be used to dig deeper and analyze the results more from a broader perspective. To be able to do this, different themes were identified and will further be clarified. The themes will be illustrated through codes which will be shown in this section.

4.1 Research Overview

When collecting any sort of research, Bryman and Bell (2011) argue that it is crucial to not only have a fair interview or survey, it is rather about analyzing the data. The main idea of analyzing the data is to identify and understand different patterns from the gathered data and further logically connect it to related approaches and theories (Bryman & Bell, 2011).

For this study, the empirical data was conducted through ten in depth semi-structured interviews with family firms within the GGVV-region. The sample of participants consisted of owners and CEOs. The interviews were conducted between the 20th of March and the 12th of April 2019 and ranged between 30 to 90 minutes. All interviews were conducted in person and in Swedish at the company. All of the respondents have been in touch with succession, either at an earlier or a later stage depending on each company’s situation. For the purpose of the analysis, thematic analysis has been used. Braun and Clark (2006) present six steps to identify, analyze and repost themes which are significant for the explanation of the phenomenon. Based on the established objectives; individual level factors, organizational level factors and challenges, themes were identified and will be presented.

In accordance to the sampling method, representatives of several family firms within the chosen region were given the chance to participate in this research.
Thus, to give their view when it comes to succession planning and process. All of the contacted companies were seen as proper representatives of this research due to their knowledge about succession as well as their experience through the succession itself. Due to different circumstances, several companies chose not to participate in this particular research.

4.2 Individual Level Factors

From the data collection, several factors were identified on the individual level which have an impact on the succession process. It was evident across the interviews that knowledge about the business was the most significant individual level factor that had an impact on the succession process. The other two factors identified as important were competencies and driving forces of the family members.

4.2.1 Knowledge about the Company and the Sector

When completing the interviews, knowledge was found to be one of the main characteristics when it comes to the individual level factors. The majority of the respondents agreed that the essentials for the successor is to have pre-knowledge in the operating industry as well as having broad awareness of the market and its competitors to be able to develop the business further. Owner of company D
explains it as: “It is important to understand the business culture, understand the employees, the staff and the market and know what we are doing, to be able to run it”.

Among the interviewees it is clearly explained that the industry knowledge is of relevance for future successions. They argue that it is of great importance to have pre-knowledge about the sector including market knowledge in order to minimize the consequences of eventual mistakes and failures. The interviewed owners suggest that these qualities are crucial as a base to further be able to develop other important skills. In other words, if the potential successor does not have the relevant knowledge about the industry, the business can be in danger as the owner of company B mentions: “You might take very wrong decisions”. Therefore, this skill of having a broad knowledge about the operating business is important in order to make right decisions concerning the firm.

4.2.2 Important Competencies for Running the Business

Furthermore, on the individual level base, the theme “competencies” was identified. Even though it is similar to “knowledge”, the definition differs somewhat. As defining knowledge, it is important for the individual itself to be aware of the whole industry, to be able to take the company one step further. However, when defining “competencies” it is rather what qualities the individual has. If the individual is missing certain qualities and is incapable of completing specific tasks, external help can be brought in to the company for further influence and guidance towards when it comes to what is best for the business.

The participants had somewhat different views on what is considered as being individual level factors for the family members which have an impact on the succession process. Some participants agree that leadership qualities are

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1 “Det är viktigt att förstå företagskultur, förstå personal, anställda, marknad, kunder och vad vi håller på, att man är insatt i det och kunna driva det”.
2 ”Så kan du ju ta väldigt felaktiga beslut skulle jag vilja säga”.

37
essential, however they emphasize the importance differently. It is agreed that leadership is a common quality, when looking from an individual aspect. As owner from company B mentions: “Leadership qualities is a huge part of running a business”. When the owners talk about the GGVV-region, they mention how leadership is an obvious competence among the business owners within the area.

Most of the participants have a common perception about having a higher education for the successors. They do not force any of the family members to get a degree, it is up to every individual. There is no pressure from the incumbent and as participant of company C mention: “It is not obvious that all family members want to be a part of the business at all, it is rather an opportunity”.

Some participants emphasize the importance of having an extreme openness within the family. To have open discussions behind closed door once a year where everyone has the chance to express their opinions. During these meetings, there is a high freedom of speech. As owner of company A explains: "To have an openness in the family is very important". Furthermore, the participants discuss how the next generation have an opportunity to be a part of the family business, it is not a coercion to be involved. Yet today, there are so many possibilities that exist outside of the GGVV-region which the next generation want to experience. Owner of company A mentions: “It is not obvious that everyone wants to be involved”.

At some companies where there are two generations working in the family business, the interviewees stress out the importance of working close to the next generations to give them an overview of the business and how they are running it now. Owner of company A implies: "As long as we work together and work

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3 “Ledarskap är ju en väldigt stor del för att driva ett företag”.
4 ”Det är ingen självklarhet att alla familjemedlemmar vill vara en del av företaget, det är mer en möjlighet”.
5 ”Att ha en stor öppenhet i familjen är väldigt viktigt”.
6 ”Det är ju ingen självklart att alla vill vara med”.
together with the previous generation”. This is essential for the successor to get an insight and to learn from the current owners. Owner of company A also states: “During a succession, which brings two different roles, ownership role and profession”. It is important to understand the difference between the two roles which a succession brings. As the owner of company A describes it: “There are a lot of different hats that you will have to put on”. Which means that one need to know how to handle and differentiate between the different roles.

Various participants stress out the importance to have experiences before entering the family firm. Working within other companies and to get external influence can be useful for the family business as well as being an asset for the company. Experience within the family firm is also important for the successor to obtain in order to be prepared for the future position. Several owners mentioned that they preferred to have the potential successor working in the business a few years before the succession takes place. It is also mentioned that they are not immortal and therefore age comes to play a central role regarding the succession. A natural transition is the easiest way for all the family members involved. As owners of company I explains: “You got to show that you were competent and had confidence and then the leadership role was released without us talking about it”.

4.2.3 The Family Members’ Driving Forces to Continue Running the Business

The last theme that emerged from the interviews was “Driving Forces” on the individual level which includes factors that play an important role in the succession process. The first driving force identified is willingness, the willingness for the family members to take over and run the business. Commitment is also a crucial factor for everyone involved in the succession

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7 “Så länge vi jobbar gemensamt och tillsammans med generationen innan”.
8 “Vid ett generationsskifte kommer det två olika roller, ägarroll och yrkesroll”.
9 “Det är väldigt mycket olika hattar som man får sätta på sig”.
10 “Man fick visa att man var kompetent och fick förtroende och då släppte denna ledarrollen utan att vi pratade om det”.
process and as owner of company D mentions: “The willingness and the ability to continue with the business”\textsuperscript{11}.

The keyword commitment appears in several different contexts. However, it raises questions whether knowledge or the driving force is more of importance. During the interview, when asking the owners if the required competencies can be learned, the owner of company F states: “Everything might go, but everything is easier if you have a lot from the beginning”\textsuperscript{12}.

Several owners agree that the willingness and driving force are essential factors for the family members that leads towards a more desired outcome within the company, than someone who do not have the same interest and willingness. However, the interviewees explain the importance of knowing the market and the competition within the sector. This, in order for the successor to be as prepared and comfortable as possible for the future position.

Motivation is a recurring factor of great importance among the owners. They discussed how involved family members in the firm must have motivation to run the business and to have a clear vision how to run it. Motivation and willingness go hand in hand. The family members must have a strong willingness to take over the family business in order to stay motivated and keep the company running as well as develop it even further.

### 4.3 Organizational Level Factors

The second objective which is related to the research question and has an impact on the succession process is the organizational level factors. This objective is then developed into three themes which involves; resources, interaction and regulations. When summarizing the interviews and looking from the organizational level, the interviewees clearly explain that interaction is a crucial factor when entering a new business. Along with interaction, regulations are of

\textsuperscript{11} “Viljan och förmågan att driva det vidare”.

\textsuperscript{12} ”Allt går kanske, men allting går lättare om man har mycket gratis, så är det ju. Så är det med allt i livet”.
great importance for the organization to be sustainable. To be able to create and develop the identified themes, categories were firstly elaborated from the data collection in order to form the themes.

4.3.1 Resources to Help and Guide the Organization

One of the important factors when coming to the organizational level within the GGVV-region, is resources. All the respondents argued for this factor to be substantial, however they emphasized the importance of the factor differently. The interviewees to some extent explained that external support is needed for various of situations. In some situations, it is about getting inspired and to get new and different thoughts to be able to run and make the organization flourish. As owner of company B states: “It is very useful to get external influences from different directions and edges to get some tips and advices along the way”\(^{13}\). In other situations, external help and support outside of the organization is needed for the organization to be fully managed. In other words, the external support might be essential to cope with difficulties, agreements as one example to meet

\(^{13}\) “Men väldigt nyttigt är det ju att få yttre influenser från olika håll och kanter så man får lite tips och trix”.

41
this kind of difficulties within the organization. This is something participant C mentions: “You also have to take external help in some cases, for example to write difficult agreements”\textsuperscript{14}. Another situation where external help is crucial is when important competencies are missing within the organization to be able to complete meaningful tasks. Therefore, professional help is needed to complete these specific tasks. The owner of company C also states: "In business law, we have taken help of external parties who are used to it"\textsuperscript{15} and “When we need help, we take external help such as lawyers who have experience”\textsuperscript{16}. It is also very natural to see other family firms within the GGVV-region as a resource, where addition external help is provided. As participant of company E claims: “It is important to cooperate”\textsuperscript{17}.

Another external help which several interviewed companies have taken help from is the organization FBN, Family Business Network, which is international and leading within helping family firms with the succession process through networking and guidance. The purpose with the organization is to strengthen the family firms to support succession. Once a year, family firms meet at a forum where a professor in succession coordinate and lead the meetings which last for one to two days. The moderator has a lot of research and knowledge within family firms and has experienced different scenarios which is applied to suit the firm the best. At the forum, the family members have a very open climate where they discuss what is good and what is bad, share their stories and there are a lot of emotions involved. Owner of company H states: “An open and honest reasoning”\textsuperscript{18}.

The most important resource, according to the majority of the participants, is the staff within the organization. As the owner of company E states: “The employees are the most valuable asset”\textsuperscript{19}. Majority of the owners highlight the importance

\textsuperscript{14} “Man måste även i vissa fall ta extern hjälp för att exempelvis skriva svåra avtal”.
\textsuperscript{15} “Inom affärsjuridik har vi tagit hjälp av externa parter som är van vid det”.
\textsuperscript{16} “När vi behöver hjälp så tar vi hjälp av experter, exempelvis advokater, som har erfarenhet”.
\textsuperscript{17} ”Det är viktigt att samarbeta”.
\textsuperscript{18} ”Att ha ett öppet och ärligt resonemang”.
\textsuperscript{19} “Personalen är faktiskt den viktigaste resursen”.
with internal help from employees and other necessary resources within the organization. The participants further explain that internal help is needed in order to create loyalty and trust within the organization to further expand the organization. They also emphasize that internal support brings a great value towards the organization, when looking from a resource perspective. It is also common between the participants to fully use internal resources to be able to manage their business, before taking any external support when it comes to for example loan of money.

### 4.3.2 Interaction when it Comes to Decision-Making

Coming to the second theme which involves interaction on the organizational level. From the collected data, it is shown that interaction is an essential factor when the successor is being introduced to the business. Interaction is a broad word which has numerous of different interpretations. In this context, interaction is associated with communication where the majority of the participants clearly describe that interaction is align with communication. Owner of company E claims that: “You need to get the people on your side”\(^{20}\). To be able to get the employees with you, you have to communicate closely with the different departments within the organization and be convincing. As for the decision making, the participants clarify that helping each other is of importance and as owners of company A mentions: “Communicate so that everyone understands which line you are working towards”\(^{21}\). The owner of company D states: “The most important thing is to get everyone to work towards the same goal”\(^{22}\).

The interviewees clarify that interaction is a crucial factor when looking from the organizational level as well as help from each other to further be able to reach the desired outcome. Helping each other could have different meanings, however in this context it is rather about giving each other feedback, by discussing diverse ideas, but also to perform as a helping hand for the successor. This interpretation

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\(^{20}\) “Du måste få med dig människorna”.

\(^{21}\) “Kommunicera utåt så att alla förstår vilken linje man jobbar mot”.

\(^{22}\) “Det viktigaste är och få alla till och fungera mot samma mål”.

is made for what is best for the organization, where important decisions have to be clearly communicated to achieve the goals. As owners of company H implies: “I believe it is all about to get the staff on board with you”\textsuperscript{23}. As mentioned earlier under the previous section “Resources to help and guide the organization”, the majority of the participants mean that the staff is the most valuable asset within the organization, and it is of relevance to get them work towards the same and desired direction. To be able to aim for the same goal, help from each other is needed. The participants clearly stress that communication between departments is important for the whole organization. Therefore, communication and help from each other can be linked together when looking at the Interaction-theme. From the interviews it is also shown that companies within the region take good care of each other by helping one another. This is something that the participants agree upon with the uniqueness of GGVV-region. As participant of company F indicates: “You are like a small family”\textsuperscript{24}. This is also linked with the external help and support under the theme “Resources to help and guide the organization.

\subsection*{4.3.3 Regulations to Know How to Handle Situations within the Organization}

As for the third theme within the objective “organizational level factors”, regulation was developed. It was clearly seen that it is important to have regulations within the organization to meet eventual difficulties. Owner of company E means: “It is important to have partnership agreement to control what would happen”\textsuperscript{25}. Some of the participants argue that it is relevant to have agreements to ensure what happens when sudden incidents within the organization occurs. In terms of partnership agreement, it is found that this is a good way for family firms to have in order to avoid possible conflicts between family members and the business. The owner of company C states: “It is very important with shareholder agreement”\textsuperscript{26}. This, as mentioned to decrease the probability of undesired conflicts within the organization. The owner of company

\textsuperscript{23} “Jag tror att någonstans så handlar det ändå om att, få med personalen”.
\textsuperscript{24} ”Man är som en liten familj”.
\textsuperscript{25} “Det viktigt att ha ett kompanjonavtal för att styra upp för vad som skulle ske”.
\textsuperscript{26} “Det är jätteviktigt med aktieägaravtal”.

44
A implies: “For each position, there is a job description with rules, policies and norms that must be followed”. By having these agreements, it reduces potential conflicts to occur. When completing tasks within the organization, there are some rules and policies that needs to be followed, which some of the participants clearly expressed during the interview. This to be fully aware of the company and its industry to minimize potential failures. Majority of the participants agree that it is of great importance to have equivalent agreements, this to prevent future uncertainties and conflicts as well as knowing the owner’s rights in different situations.

4.4 Challenges in the Succession Process

As the third objective, in regard to the research questions, different challenges were identified which family firms face during the succession process. Succession is a long process which can be quite complex and time consuming. It is important to begin with the planning early both to prepare the successor and the people within the organization. The entire process takes more than one can imagine, the incumbent wants the successor to be as prepared as possible as well as the successor wants to feel comfortable with the position and everything that comes with it.

27 “För varje position så finns det en arbetsbeskrivning med regler, policy och normer som ska följas”.
4.4.1 Clarity in Work Descriptions

Owner of company E argues that clear work descriptions must exist, both for how the organization should be controlled and for every employee to know their authorities and responsibilities. This means that the employees should clearly know what rights and obligations their positions bring. As owner of company C states: “To have a clear distribution of the power, to know one’s authority” and “There must be clear work descriptions.” In terms of clear work descriptions, it was found about the two different roles that comes with the successor; ownership and profession. It is important to know how and when to separate these roles since they are quite divergent. Ownership is a role which gives the individual specific authorities within the organization including responsibilities, whereas the profession is the role which the owner has at work. This is also why it is of importance to have clear work descriptions.

28 “Tydliga befogenheter; att man vet vad man har för befogenheter”.
29 “Det måste finnas tydliga arbetsbeskrivningar”.
Another challenge connected to clear work description which was mentioned several times during the interviews among the owners is to have an open climate. As the owner of company A implies: "It is important with transparency and the understanding of how it works". It is essential to have an understanding of how the organization works, which can be an issue if the successor comes in to the business at a very late stage and close to the transition itself. There must also be an openness between the owner and the employee in order to have discussions about the work description. To have an open climate between the family members can also be seen as a challenge, however, it is essential in order to be on the same path and work against the same results. It also opens up for an opportunity to express thoughts and true feelings. Openness is a key factor for a long-lasting relationship between the family members as well as longevity of the business. Honesty is also of relevance for the family members within the succession process. The interviewed owners also discussed the open climate between the companies within the GGVV-region, how they can benefit from each other. Which is further discussed in previous sections and is linked with the two themes resources and interaction from the organizational level factors.

### 4.4.2 Understand the Complexity

As already mentioned in the organizational level factors, several companies discussed that partnership agreements are essential to have between the owners. This in order to have clear descriptions of what will happen and how to handle different situations including the value of the shares. This partnership agreement is very important to have if a partner passes away suddenly but also in the long-term for the next generation.

In terms of understanding the complexity, it was found that both partnership agreements and shareholder agreements are of importance in order to be prepared for sudden situations that might occur within the organization. Even though these agreements are hard to write for the owners, they are essential to have since the future is uncertain. The participants highlight that challenges

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30 “Och det är viktigt med öppenheten och förståelsen för hur det fungerar”.
occur when it comes to generational changes and particularly when money is involved. As the owner of company E claims: “Conflicts often occur when it comes to succession and money”\textsuperscript{31}. Therefore, such agreements could be of great value.

As mentioned on the organizational level factors, the organization FBN helps family firms with their succession process. Some of the interviewed owners mentioned that they have taken help from this organization in order to facilitate the complexity of succession planning and the process. This contribute to a huge learning for the family members of the family business. Participants who are not involved with the FBN organization, have other ways and solutions to move forward with their succession process.

4.4.3 Release the Control

A common issue which is brought up among the participants is for the present owners to let go of the responsibilities and to let the next generation come in and take over. When asking about what is the most challenging with the succession process, the owner of company I mentioned: “Maybe it is to let go”\textsuperscript{32}. Some interviewees mention that it is necessary for the predecessors to step aside for a while and to let the successor do it his or her own way without anyone interfering. It is also important to get trust from the employees.

Owner of company A mentions some challenges which have occurred during the succession process and cites: “From the beginning, the most challenging is to try to get along and keep the family together to be able to move forward”\textsuperscript{33}. A framework has been developed, mostly by the current owners which each owner has signed and have to follow. To develop the framework a lot of effort has been put in. This was created to avoid conflicts and for each and every owner to know their rights and obligations. This challenge can be connected to releasing the control in that sense that the current owners wants to feel comfortable that the

\textsuperscript{31} "Konlifter uppstår oftast när det kommer till generationsskifte och pengar".
\textsuperscript{32} "Men det kanske är just att släppa taget".
\textsuperscript{33} "Det mest utmanande från början är att försöka att hålla sams och hålla ihop familjen för att komma någonstans".
successor will continue to run the business in the right direction. In order to do so, this framework was made.

For former owners within the company, a challenge is to let go of the control and believe in the successor to develop the company further. This for the successor to be able to learn from its own decisions, both when it comes to positive and negative outcomes. The participants mention the value of running a family firm and how they are grown up in to the business. Therefore, it is important that the firm remains owned by the family and hopefully that the next generations are interested enough to keep it running. As mentioned before, it is not obvious that they want to be a part of it. The owner of company I cites: “It is important for us that it remains in the family, it is a goal”\textsuperscript{34}. Which is a big challenge when it comes to the succession.

\textsuperscript{34} "För oss är det viktigt att det är kvar i familjen, det är ett mål".
5 Analysis Framework

In this chapter, the findings are discussed in relation to existing theory in the literature review. The findings are approached from different angles in order to come up with a broader understanding. Based on the findings and the literature review, a model was created and will be further presented and explained in this section.

5.1 Individual Level Factors

When looking at the literature review, Handler (1990) and Bjuggren and Sund (2001) emphasize the importance of the individual level factors which also agrees with the findings from the collected data. Handler (1990) discusses the impact that power and motivation have on the individual level during a succession. These factors are clearly seen among the participants in the GGVV-region and are of great importance. The interviewed owners mention how motivation must be a driving force for the successor. The successor must have a strong motivation to keep the business running when the incumbent steps aside. Another common factor mentioned by the companies is handover fears which Handler (1990) mentions. It is discussed during the interviews that current owners can have big issues of letting go of the control and to give all the responsibilities to the successor. Handler (1988) also indicates this issue which can be problematic during a succession, which is also found to be a common concern based on the findings, when it comes to the succession process.

In the literature review, Bjuggren and Sund (2001) discuss how the specific knowledge about the business and how to run it can be developed if growing up in an entrepreneurial family. The interviewed owners of the family firms in the GGVV-region agreed on involving the next generation early in the business to give them an insight of what they might own and run one day. Some participants mentioned that they involve their children in the family business at an early age. By doing this give them broad knowledge about the business and the sector as well as everything around it. This was later seen when some of them chose to get
a higher education. It was clearly noticed that the children of the owners had received a fair linkage between theory and practice. One could see that they had acknowledged extensive understanding which is beneficial when looking from a broader perspective.

The participants mention the importance of having the right knowledge about the operating industry as well as its competitors in order to take the right decisions in regard for what is best for the organization. Bjuggren and Sund (2001) argue that this knowledge gives the next generation an inside perspective which the participants see as a valuable asset for the successor.

Age is discussed by Koiranen (2002) to be a crucial aspect within the succession in family firms. The participants also mention that age is a critical factor and that owners must start with the succession in time since they are not immoral. Some of the companies within the GGVV-region have a long-term succession process, which they started to plan a couple of years ago, while others want to have a natural transition between the generations. It is found from the findings that the organization FBN is a helping tool for family firms when completing the succession, which several companies take additional help from rather than having a natural transition. The interviewed family firms are small and medium-sized firms, and therefore a long succession planning and process might not always be needed.

The willingness for the successor to take over the business is discussed by Venter et al. (2005) which is one of the driving forces mentioned by the interviewed owners. The owners discuss how commitment and willingness are two of the key factors for all the steps in the succession process. The successor needs to be committed and have the willingness to keep the business running in order for the organization to reach the next level. As mentioned in the findings, it is a goal for the owners to keep the business within the family since it is seen as a life-work created through generations.
Leadership qualities is a well discussed factor among the participants which in not as mentioned in the literature review on the individual level. However, leadership is discussed in relation to the succession process in general by several researchers such as Stavrou (1999), Poutziouris and Chittenden (1996) and Handler (1989) where they discuss how different leadership roles are developed by the family members. Among the interviewed owners, leadership is essential to be able to run a business. Within the GGVV-region, leadership seems to be a quality which the individuals are born with rather than learned.

The findings show that there are individual level factors that differ from the literature. One of these factors is that the current owners work close to the next generation. This factor is not mentioned in the literature but is something that the participants stress out to be important within the succession process. By doing this, the successor gets an overview of the business and how it operates. It is also mentioned by the participants that the successor must be able to separate the two different roles which the position brings, ownership and profession. To be able to differentiate the different roles, the successor needs to be comfortable with each role to further know what each role implies.

Cabrera-Suarez et al. (2001) discuss about having previous experience in other companies before entering the family firm. Some participants mentioned that it can be useful for the company to get external influences, this by letting the successor get experience from other companies. Even though external influences might be of importance, experience within the family business before the succession takes place is essential in order for the successor to get an insight of the business. Several owners prefer to have the successor working in the family business at least a couple of years before the succession takes place in order to have a natural transition. By having a broad knowledge of the business helps the successor to feel more comfortable and prepared for his or her future position.
5.2 Organizational Level Factors

When comparing the empirical findings to the literature review when it comes to the factors affecting the succession process on the organizational level, clear similarities and differences were identified. Peter (2005) emphasizes factors such as profitability, market share and turnover to be important and affecting the succession itself. However, this is something that is weakly mentioned when looking at the findings. Some participants expressed it, but they did not emphasize the importance to be of such relevance as the researcher noted. Ward (1987) states that a succession will not take place if the firm suffers from financial profitability. Hence, few of the interviewed owners mentioned that it is of importance to see if the business has money, to avoid borrowing money as the first thing to do. However, other participants explain that it does not have to be that way. It was common between the participants to rather show that they are able to do it on their own, than giving up the business.

Researchers such as Handler (1994), Sharma et al. (2003b) and Morris et al. (1996) argued that communication is a key factor for a succession planning to be effective within a family business. Communication is one of the factors that was clearly identified when receiving the data from the interviews and agrees with previous literature. Nordquist et al. (2009) clearly indicate that communication among generations is an essential factor towards a successful succession planning and to avoid potential conflicts between family members. All of the participants highlighted communication to be of great relevance. Communication is a wide word loaded with different definitions. Grossmann and Schlippe (2015), Handler (1991) and McKee et al. (2014) define communication as giving feedback, discussing ideas and intergenerational learning in order to get a common understanding. From the interviews, it appears that discussing ideas and intergenerational learning is important. Giving feedback is also of importance, however, it is important how it is presented. Hence, it can turn out to be negative. Majority of the participants explained that you have to let the new generation make their own mistakes in order to learn from them rather than telling them what to do and how they would have done it. This is why one have to be careful with the feedback. On the other side, the participants argue that it is preferred to
give guidance and feedback to the new successor to feel comfortable yet be careful how it is expressed. In other words, it is important to help each other. As for the GGVV-region, it is common between the participants to support one another. Companies in the GGVV-region are seen as partners rather than competitors in the sense that they support each other in various of different ways, which also strengthen the municipalities within the region. One example that is found from the findings is how positive effects in one particular family firm can generate positive effects towards other family firms in the region as well. In terms of orders, when one family firm have plenty of orders, that firm takes help from other firms within the region to be able to cope with the orders. Which leads to increased outcomes for the family firms involved.

Trust is something that Sharma et al. (2003a, b) mention in previous literature when coming across the succession process. The participants also touch upon trust but in some extent in other contexts. Some of the interviewees emphasized that the succession process and the transition as being part of trust. The participants argue that they wish their business to continue to exist and that is when trust comes into play between the family members. From the findings, it is clearly seen that several companies take external help such as the organization FBN while other companies rather have an open interaction within the family. This agrees with Poutziouris et al. (2004) who argue for loyalty between family members and family tradition pride. However, other participants mention trust as crucial when it comes to the employees within the organization. They mean that they have to trust the employees within the business for the organization to be able to function. Miller et al. (2003) suggest that an interest for the family business often arises from the successors’ perspective when their parents act as an entrepreneurial role model, which also could be linked to trust between family members.
5.3 Challenges within the Succession Process

Cabrera-Suárez et al. (2001) mention that succession process within family firms is a critical issue where several challenges might occur. The majority of the interviewed family firms within the GGVV-region were struggling and fearing with the same challenges during the succession process.

As already mentioned on the individual level factors, it can be hard for the owner to let go of the control and put all the responsibilities on to the successor. Handler (1988) mentions that this is a difficulty which family firms face during succession. The majority of the interviewed owners agreed that this was a crucial issue and that the successor must be able to run and develop the company his or her way. Lansberg (1998) states that fear is a crucial aspect why owners tend to postpone the succession planning. This is a challenge for the incumbent since he or she has been running the family business his or her way for many years. Miller and Breton-Miller (2005) demonstrated that vague succession plans, unqualified or unprepared successors and family rivals could result in a breakdown of the family business. This also agrees with the findings, which can result in wrong decisions for the business in case the successor is unprepared or unqualified and can have negative effects for the organization. Kelly et al. (2000) claim that the successor might have difficulties when it comes to establishing new skills and receive the respect to be able to lead the organization towards if the incumbent still is linked to the business. From the findings it appears that this is a common challenge among the participants in regard to the succession.

A challenge that was common among the participants which is not mentioned in the literature review, is having a partnership agreement as well as a shareholder agreement. This is essential to have if something happens with the owners or the company to know one’s authorities and rights. The interviewees also stress out the importance to have these agreements in order to avoid conflicts between the family members and to handle situations with justice.

Brun De Pontet et al. (2007) discuss how challenges occur due to all the changes made during and after a succession. Some participants agree that there must exist
clear work descriptions within the organization. The successor must know his or her authorities and responsibilities which comes with the different roles; ownership and profession.

Miller and LeBreton-Miller (2005) mention challenges which family firms face in order to survive until the next generation. As mentioned in the findings, several family firms in the GGVV-region take external help from the organization FBN in order to facilitate their succession process. The researchers get the interpretation that this organization have a positive effect on the succession process itself and also contributes to an open climate between the family members. However, family firms who do not take external help from FBN rather use their internal resources such as people within the organization.

The interviewees mention that there is no constrain for the upcoming generation to take over the family business, it is more a possibility for them if they have the willingness and interest. To have an openness within the family is extremely important for the owners to be able to work together. Family members must be able to express their thoughts and feelings since it is not obvious that they want to be a part of the family business. Even though, most of the owners want to see that the business remains within the family which agrees with Fendri and Nguyen (2019) who mention the importance of keeping the authority within the family. There is also a distinct openness among the business culture in the GGVV-region, from what is mentioned by the interviewees. Sharma et al. (1997) also mention about how deep rooted and embedded entrepreneurial families are in their region, which is an interpretation that the researchers get about the family firms in this particular region.

In the literature by Cabrera-Suarez et al. (2001) they discuss about how family members develop firm level knowledge by working in the business from an early age. This is agreed among the interviewees where they discuss that if the successor comes in to the family business at a late stage and close to the transition, challenges might occur during the succession process. The successor might have lack of needed knowledge and competences which are essential to
have to run the business. Therefore, interviewed owners prefer to have the next generation working close to them and for a few years before they step down. This is agreed with what Bjuggren and Sund (1998) discuss about how idiosyncratic knowledge is developed between the family members by watching and doing. Furthermore, growing up in an entrepreneurial family gives the family members an inside perspective of the business (Bjuggren & Sund, 2001).

Matias and Franco (2018) claim that family firms face difficult challenges involving emotions, power and money. However, in the empirical findings, majority of the participants agree that challenges oftentimes occur during generational changes and especially when it comes to money. Emotions and power were also two factors that the participants touched upon and agree to some extent with previous research. Even though, emotions were vaguely discussed during the interviews, our interpretation from the received data is that emotions are of great significance, since business and family come together as one unit. This also agrees with what Matias and Franco (2018) describe, what hurts the business, has the same effect on the family.

5.4 **The GGVV-Region**

Företagsamheten (2017) claim that most of the companies within the GGVV-region are successful and at the same time family firms in the particular region manage to go through successions as well as keep the business in the family. Based on the findings, the interpretation the researchers identified was that the individual level factors and organizational level factors were crucial for a succession to be successful within the region.

From the existing literature, family firms value longevity of the business the highest (NUTEK, 2004), however only one-third of family firms make it through a succession. From the findings, it is shown that family firms are keen to keep the business within the family as well as for the next generation to further develop the organization. Especially in the GGVV-region, the business culture is extremely unique which involves collaboration between the companies and the region is rather seen as one unit than competitors. This business culture can
result in gained motivation and willingness for the next generation to take over the family business in the future. In terms of collaboration between the companies, broader knowledge is increased in regard to the market, its competitors and the sector within the region. The researchers believe that the uniqueness of the GGVV-region is the reason why family firms within the region succeed with their succession, compared to other regions.

### 5.5 The Model

![Figure 3: The Pyramid of Succession Process (Source: The Researchers)](image)

*The Pyramid of Succession Process* consists of three steps and starts from the top of the pyramid with pre-knowledge followed by involvement and transition of power. The top of the pyramid represents narrow knowledge and as the steps follow, the knowledge gets broader. The model further consists of additional
components which have an impact on the succession process; resources, collaboration and development.

Each step consists of different individual and organizational related factors which have an impact on the succession process. However, different challenges might occur before, during and after the succession which also have different impacts along with the succession process. As seen in the model, the additional components have different impacts and influences in the succession process.

As mentioned earlier, the pyramid includes three steps and starts from the top of the pyramid.

**Pre-knowledge:** To be able for the successor to take over the family firm, the successor requires and prefers pre-knowledge in different sectors such as; the industry they operate in, the market and their competitors. This to broaden and expand their awareness in these particular fields and to strengthen their competencies. Leadership qualities is essential for the successor to have in order to run the business and meet unexpected situations. When having these recommended skills, the successor moves on to the second stage where he or she slowly gets involved in the business.

**Involvement:** In the second step, the successor gets more responsibilities and involvement within the family firm. The incumbent needs to take a step back to let the successor get more control and take own initiatives, this in order to be more prepared for his or her position. By having these responsibilities and involvement, the successor can learn from its mistakes rather than following the incumbent’s structure and systems. When the incumbent feels that the successor is ready and comfortable for the position, the incumbent feels secure to leave his or her position and to hand over the torch.

**Transition of power:** Lastly, the successor has received an overview of the business and feels secure to take over the position within the family firm since he or she has been involved in the two previous stages, which led to expanded knowledge over the industry they operate in as well as how the business function.
The successor might identify a potential gap to develop the industry or renew certain entities for the business to continue to flourish and further expand.

Additional-components:
The three steps that were explained, additional components such as resources, collaboration and development have an important impact in each stage.

*Resources:* For the successor to feel comfortable to take over the family firm, resources such as employees and other people within the organization are important in order for the successor to learn the different areas within the organization. This, for the successor to get a sense of the organization and learn the fundamentals of the business in the “pre-knowledge” stage. Resources further help the successor to get involved in the business, as the potential successor now have the knowledge needed to reach the second stage in the pyramid. As for the third and last step the employees are of great importance when it comes to the “transition of power itself”.

*Collaboration:* For the “pre-knowledge” and “involvement” stage, collaboration within the organization is of importance in order for the successor to handle different situations in the business. By collaborating, the successor receives useful insights within the organization which helps him or her to be more attached to the business. Collaboration is of relevance at all levels within the organization regarding the transition of power.

*Development:* In the “pre-knowledge” stage, the successor develops relevant competencies for him or her to be able to reach the second stage which is “involvement”. For the successor to be involved in the organization, expanded knowledge of the business is of importance. In the “involvement” stage the successor obtains responsibilities within the organization in order to address complex tasks. As reaching the third and last stage, “the transition of power” the successor might identify potential opportunities to develop the business further.

All of the three additional components are connected with each other and are
linked to each step in the pyramid. The successor could still learn the different areas within the organization without resources such as employees. However, it is believed to increase the trustworthiness when using employees that has been in the organization for a longer period of time. Collaboration is not seen as an essential component for the successor, although it is crucial to collaborate when handle different tasks, which one can learn from. By seeing how the business is run and have the knowledge about the industry, the market and its competitors, the successor might identify potential gaps and develop the business further.

Even though family firms follow a well-structured succession plan, challenges can occur during the process in all the following steps. As mentioned earlier, it can have various of impacts on the succession process, which might lead to consequences for the business as well as for the successor. Common challenges were faced by the interviewed owners of the family firms in regard to the succession process, such as; understand the complexity, clarity in work description and release the control.

This model has been created based on the findings of the interviewed owners in family firms within the GGVV-region as well as inspiration from the two models presented in the literature review “Life Cycle Model” by Churchill and Hatten (1987) and “Six Stair Model” by Lambrecht (2005). These two models were introduced earlier in the study, as the both models are related to the succession process, when looking at the existing research.

However, when “The Pyramid of Succession Process” was created, the step “training and development” from the Life Cycle Model and steps such as “studies” and “internal formal education” from the Six Stair Model were used to describe the steps “pre-knowledge and “involvement” in the new model Pyramid of Succession Process as well as the findings from the interviews. In the new created model, “transition of power” agrees with what the Life Cycle Model presents together with the findings from the interviewed owners, which makes it right to cover in the new model. To explain resources and collaboration, phase 3 “partnership” in the Life Cycle Model and “external experience” from the Six Stair
Model were used to explain these in the new model. Findings were used to describe and explain “development” in the Pyramid of Succession Process.
6 Conclusion and Discussion

In this section, conclusions of the study will be presented by answering the research questions given in the first chapter. Furthermore, the theoretical and practical contributions are presented followed by the limitations of the study and suggestions for future research.

The main purpose of this study was to discover and examine the individual- and organizational level factors that affect the succession process within family firms in the GGVV-region. The other objective of the research was to identify what challenges family firms in the GGVV-region deal with during the succession process. To be able to discover and examine this, ten different family business owners were interviewed to get a better insight towards the succession process. The researchers of this study have not made conclusive results which can be generalized across all regions in Sweden, it rather provides convenience and increase favorable insights. From the data collected, the researchers were able to fulfill the research questions below:

6.1 RQ1. What are the individual factors affecting the succession process in family firms within the GGVV-region?

The research showed that individual level factors have a major influence on the succession process. There were common factors found among the interviewed family firms which were also discussed in the literature review. Leadership qualities was one important factor affecting the succession process, meaning that it is essential to have in order to run the business further. Several participants argued for motivation and willingness being a crucial factor on the individual base. As discussed in the analysis, this can be seen as a driving force to continue running and developing the business. Having a broad knowledge about the business, the sector, the market as well as about the competitors is of great importance according to the interviewed owners.
6.2  RQ2. What are the organizational factors affecting the succession process in family firms within the GGVV-region?

Throughout the research, common organizational level factors were identified to be of importance and have a great impact on the succession process. Resources was one of the factors that was clearly seen to have an essential influence in regard to the succession process in the GGVV-region. Majority of the participants explained the importance of resources, such as external help and internal support both within and outside of the organization, which helps and guides the organization towards desired directions. Interaction is commonly identified to be important, meaning that the communication and help from different departments are vastly significant. Within organizations, regulations turned out to be another factor which affect the succession process. Agreements are one thing that could affect the succession itself. The participants emphasize the importance of having agreements within the organization to be able to handle difficult or future situations.

6.3  RQ3. What are the challenges with the succession process in family firms within the GGVV-region?

When conducting the research, similar challenges were identified among the interviewed owners within the GGVV-region. Releasing the control of the business and letting the next generation be more involved was a common challenge argued by the current owners of the firms. Taking a step back and giving someone else the responsibilities is seen as a hard thing to do for the owner since their life has revolved around the business. Understanding the complexity is another challenge faced during the succession process where partnership agreements and shareholders agreements were discussed. Lastly, clarity in work descriptions was commonly seen among the participants, including being able to separate the two different roles which a succession brings; ownership and profession, and knowing one's authorities and responsibilities.
6.4 Theoretical, Practical and Societal Contributions

This study advances in both theoretical knowledge about the succession planning and process as well as the factors affecting it. The researchers advance the model of Churchill and Hatten (1987) as well as Lambrecht (2005) by creating a new model by adding new dimensions. By having this additional model, it adds further value towards the existing models and literature. The research provides findings displaying factors on the individual and the organizational level impacting the succession process in family firms. The study contributes to family firm literature within the field of succession by focusing on the factors and the challenges. The researchers believe that the created model for the succession process is relevant for the managers of family firms in the GGVV-region since it contributes with important insights.

The research suggests various practical implications for managers as well as for family members of the next generation. The researchers provide the practitioners with a better understanding of the factors impacting the succession planning process in family firms within the GGVV-region. Furthermore, for family members of the next generation they could benefit from the created model since it contributes with important insights in regard to the succession process. They can also use the researchers’ insights to better understand their future position and the factors impacting the succession process as well as the challenges within it. Moreover, the created model by the researchers could potentially be useful for family firms within the GGVV-region in order to ease their succession process and for the longevity of the business. Researchers of this thesis highly believe that the results of the study, helps managers in family businesses within the GGVV-region. Managers could generate from the created model, to better understand the succession process as well as the essential elements.

The societal implications of the study help family firms to better understand the succession process in order to make it successful. From a societal perspective, this research will lead to a higher succession rate for family firms as well as more SMEs last longer. At the same time, family firms have an important role in global economy (Ibrahim et al., 2001) which has an impact on society at large. In
particular for the GGVV-region it will contribute to higher employer development and stability in the local economy. This research, explaining factors affecting the succession process in family firms within the GGVV-region as well as challenges, provides beneficial knowledge to a society during a succession. It further helps family firms within the GGVV-region to be able to keep the business running through generations and thus contributing to a better society.

6.5 Limitations and Future Research

This study is limited to the individual- and organizational level factors which impact the succession process where culture, environment and gender is not taken into consideration. The study is also limited to family firms within the GGVV-region. Challenges which might occur during this process is another limitation of the study. However, the results of this research cannot be generalized to all family firm succession. To be able to generalize the findings of this research, a more detailed study is needed of more family firms.

Further limitations of this study are related to the fact that the interviews made were recorded. Flick (2014) argues for how recording and storing interviews can make the interviewee feel uncomfortable and how crucial information might be excluded. Although the participants gave the researchers consent for recording the interview, the researchers cannot assure that the interviewees might have been reluctant to share crucial information. Furthermore, the interviews were conducted in Swedish, while the analysis was made in English. Crucial content was therefore translated into English, meaning that a loss of the richness might be missing due to the translation. This could somewhat affect the definition of certain phrases and expressions, although the translation did not affect the ability to interpret what the respondent wanted to imply. Another limitation of this research is due to the fact that an entirely qualitative study was completed in a small sample which makes it harder to draw general conclusions. The researchers believe that a greater sample could generate in a broader scope of findings and might be more generalized.
For this research, the GGVV-region was studied, including four municipalities, Gnosjö, Gislaved, Värnamo and Vaggeryd. The researchers believe that the result of the study is generalizable to family firms in the GGVV-region, however, to find a general model of Swedish family firms further research is required where other areas could be considered.

Future research can also be focused on the perspective of the successor since this study focus on the current owner of the family business. The successors’ thoughts and feelings about taking over and running the family firm. Another suggestion for future research is to compare the GGVV-region to other geographical regions in Sweden and study the differences between these regions. By doing this you can reach conclusions and find out why certain regions are more successful than others when it comes to keeping the business within the family. The link between the individual- and the organizational level factors is another focus for future research of the study. What can be found between them, including similarities and differences. Furthermore, to study if there are other factors affecting the succession process such as environmental or other elements. The last suggestion for future research is to understand the succession process more in depth and its dimensions.
References


Appendix 1

Interview Questions

Background/History
1. Could you give a brief overview of the company?
2. How many employees are working within the organization?
3. Which role/position do you have in the business?
4. How would you describe the GGVV-region/the Spirit of Gnosjö and what would you say is unique with it?

Predecessor/Incumbent perspective
5. When did the last succession take place and what was the background to it? Was it well planned or did it happen all of sudden?
6. How long was the process from planning to succession?
7. What happened after the succession within the firm? What changes did it bring?
8. What factors were important when you took over? (experiences/competencies/education)

Planning and Process
9. Can you explain how your succession process looks like in your organization?
10. What factors in your opinion is leading towards a successful succession?
11. What in your opinion is the most challenging with the succession planning and process?

Future Succession
12. How do you prepare the successor(s) in the best possible way for their position?
13. Can you estimate how much money is allocated for the succession planning and process?
14. What are the essential reasons for starting with the succession planning?
15. What competencies do you consider to be important for the successor?

Successor perspective
16. How did you feel about the succession?
17. How did you experience the succession planning and process?
18. How did you continue to run the business?
19. What was important for you as a successor?
20. Which role/position did you take over?
21. How is your relationship with the different departments? Owner, HR, marketing, production, purchasing, finance, etc.