International Journal of Academe and Industry Research
Volume 3 Issue 1 March 2022
DOI: https://doi.org/10.53378/352856

Relationship of Succession Practices to Successful Leadership Transition

[1]Eric S. Parilla & [2]Joseph David Santos Jr.

Abstract

The study measures how the level of implementation of the top ten succession practices according to literature affect the perceived level of successful leadership transition of selected multigenerational Filipino family businesses and whether their organization profile has a significant moderating influence on the relationship of the two variables. The study surveyed a sample size of 71 respondents, each belonging to their own family business, and interviewed 10 among the respondents in order to gain a deeper understanding on the results. The results suggested that there is a strong positive correlation between the level of implementation of succession practices and the perceived level of successful leadership transition of the selected multigenerational Filipino family businesses regardless of their organization profile. It was found that family businesses highly implemented succession practices relating to communication, but the definition of the responsibilities of the predecessor after transition and measuring the performance of the leadership position were least implemented. The incorporation of the vision of the company in the succession plan in such a way that decisions were made with the company vision in mind was also found to be the most positively significant factor that affected the perceived level of successful leadership transition.

Keywords: *family business, succession planning, succession practices, leadership transition*

Received: December 11, 2021 **Revised:** January 18, 2022 **Accepted:** February 13, 2022

Suggested Citation: Parilla, E.S. & Santos, J. (2022) Relationship of Succession Practices to Successful Leadership Transition. *International Journal of Academe and Industry Research*, Volume 3 Issue 1, pp. 26 - 51. DOI: https://doi.org/10.53378/352856

About the authors:

[1]Corresponding author. DBA, FEB. College of Business Education, Northwestern University

[2]MScM. School of Management, University of Asia and the Pacific

1. Introduction

The Philippine economy has been thriving in recent years and has remained one of the fastest-growing economies in East Asia and the Pacific region (prworksph.com, 2020). What was once called the “sick man” of Asia has transformed into the “rising tiger” economy with an average growth of 6.2 percent in the last six years (Bloomberg, 2016). In 2014, the Philippines was second only to China as the fastest growing economy in Asia (CNN Philippines, 2015). Moreover, according to Alegado and Yap (Bloomberg, 2016), the Philippines has just posted the strongest economic growth in Asia at 7.1 percent.

Much of these economic contributions can be traced back to the basic unit of society, the family; more specifically to family businesses. In fact, at least 80 percent of all Filipino enterprises in the Philippines are family-owned (Inquirer, 2014). It is no secret that family businesses play a major role in the growth of the economy. According to Venter et al., (2005), family-owned businesses are one of the most significant contributors to wealth and employment creation in practically every economy in the world. Family businesses, in fact, employ around 50-70 percent of the world’s population (Poza & Daugherty, 2013). Unfortunately, most family businesses are short-lived. According to Williams et al. (2013), almost 66 percent of family businesses fail to transition to the second-generation, and only 15 percent survive until the third-generation. Moreover, a study shows that only 1/3 of family businesses make it to the second-generation, and roughly 1/3 of which reach the third-generation (Ghee et al., 2015). Unfortunately, the statistics decline even more which states that 95 percent of family businesses fail to survive the transition to the third-generation owners (IFC Corporate Governance, 2016).

This phenomenon leads to the need for the sustainability of family business through effective succession planning (Wee Yu Ghee et al., 2015). As stated by several scholars, sustaining a family business is perhaps the most difficult job because of the mix of business problems and family issues (Gomba & Kele, 2016**;** Lee, 2006; Ward, 2011). Unlike regular non-family businesses, family-businesses not only have to deal with regular business problems but family problems as well. Concerns such as power struggles, sibling rivalries, and nepotism, set-back family businesses from being sustainable and hinder their longevity as a business. Thus, this study aims to study multigenerational family-businesses that have had success in their succession planning practices and have experienced surpassing the issues attached to intergenerational leadership transition.

The study aims to assess how the level of implementation of succession practices of selected multigenerational Filipino family businesses have contributed to their perceived level of successful leadership transition. It investigated the profile of the different family business and assessed the level of implementation of succession practices. It also measured the moderating effects of organizational profile in the relationship of succession practices and leadership transition.

2. Literature Review

2.1. Theoretical Framework

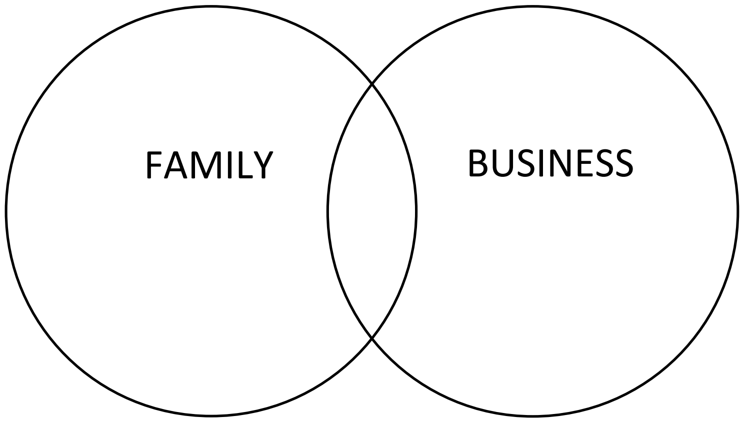
Much research has been done on the subject of family business. The existing literature is quite broad and extensive. Many scholars in fact have dedicated their work to family business research because these businesses are not just important to the families that own and run them but also contribute to the world's economy. As cited by Peterson-Withorn (2015) from a study conducted by the Center for Family Business at the University of St. Gallen in Switzerland, family businesses account for eighty to ninety percent of firms worldwide and are the main source of job creation and GDP growth. There is no doubt about the significance of family businesses and because of the well-established fact that many scholars research and delve upon the topic of sustainability and continuity of family businesses. However, there are so many different variables being studied by various existing literature which makes the topic very difficult to navigate.

Systems Theory

Several studies have established the concept of family businesses on systems theory (Wallace, 2010). This theory is rooted from the general systems theory pioneered by Ludwig von Bertalanffy in 1928 (Walonick, 1993). The theory states that a system is made up of the interrelation of its elements and that the interdependences between the elements influence each other and the system as a whole. In relation to the concept of family businesses, the family and the business are seen as two systems, however in such case these two systems overlap, turning into subsystems of the main system which is the family business. Miller and Rice (1967) state that the interaction between the two subsystems (family and business) is where issues and problems usually arise. This interpretation of the systems model of family business can be represented by the Two Circle Model as shown in figure 1.

Figure 1

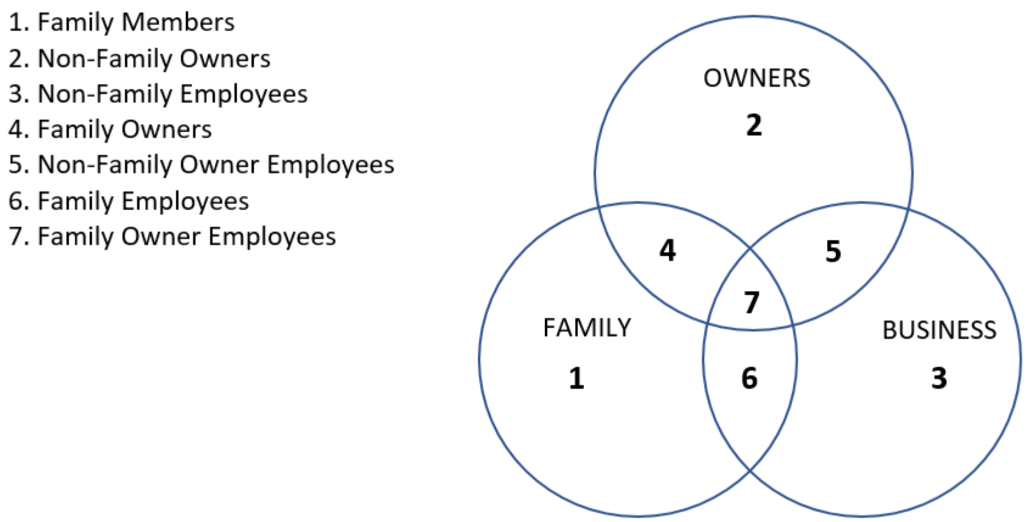
Two-Circle Model by Miller and Rice (1967)



In existing studies, the two-circle model has often been used to focus on the negative aspect of the family business system. However, it has also been used to identify the positive side of family business characteristics such as closely shared values among member of the family who are also within the organization (Barret, 2014). This two-circle model however has been criticized by some researchers for ignoring or excluding other valuable elements or subsystems of a family business, which lead to the development of the Three Circle Model by Tagiuri and Davis (1982) as shown in Figure 2.

Figure 2

Three-Circle Model by Tagiuri and Davis (1982)



This three-circle model is commonly used by family business researchers. It adds another circle to the previous model (figure 1) representing ownership. Resulting from the overlap of the three circles are the seven interest groups involved in a family business system. Each of these interest groups introduce different contexts, characteristics, and ambitions. Davis (1982) states that the addition of the ownership circle or subsystem was an improvement of the two-circle model because it sheds light on the other issues which could not be explained by the previous model. The introduction of the ownership subsystem separated ownership from management as different subsystems in themselves. This separation of ownership from management caused the emergence of Agency Theory in the study of family businesses (Barret, 2014).

Family Businesses

When it comes to family business research, one must first understand the concept of the family. There are different types of families, may it be nuclear, single-parent, cross-generational, or dysfunctional. A family is a system in itself containing different elements which interact with one another. These elements are the members of the family. These individuals do not choose to be in the family, but are automatically included, unlike other groups which form a business (Schwass, 2013). All families have their own set of values which form their unique family culture (Deloitte, 2015). As mentioned by Lim (2016), the set of values a family embodies can be reflected in the way they do business. This makes family businesses unique. However, this intersection between the family and the business system is also where problems arise according to Miller and Rice (1967). In order to avoid carrying over problems from the family to the business, Houden (2016) mentions the importance of family harmony. As cited by Lim (2016) it is "*the ability to trust and support, communicate differences in a constructive manner and look beyond the self at a broader picture*." Rust and Chung (2006) also mentions the benefit of forming trust-based relationships in order to mitigate inter-personal conflict, promote healthy relationships, and encourage familiarity with individuals.

Wrosch et al. (2011) mention that family businesses by their very nature are complex because of the need to balance the rigors of doing business within the complex relationships of the family. Similarly, Schwass (2008) explains that the complexity of family businesses is brought about by the intersection of family issues, business decisions, and ownership, which can actually be seen through the three-circle model by Tagiuri and Davis (1982). Moreover, Schwass (2008) adds that despite their complex nature, family businesses are capable and are often able to exceed non-family businesses because of shared values and their inherent will to pass on the business to future generations.

Family businesses, like any other business also face problems. In fact, family businesses deal with more problems than regular businesses because aside from common business problems, family businesses also face family problems which affect the business as well (Schwass, 2013). Problems such as sibling rivalry, nepotism (Fu, 2015), maintaining non-family member loyalty, professionalism (Lim, 2016), and succession planning (Haag et al., 2006; Motwani et al., 2006; Miller, 2014; Schwass, 2013) are the very common. As stated by Schwass (2013) *"[i]t is statistically proven that generational transition is the highest risk for continuity and that the vast majority of families in business fail to deal with it*."

Succession Planning

Quite a number of experts and researchers have identified succession planning as the most important practice for family business continuity. In order to execute a successful intergenerational leadership transition, a succession plan must be established. However, it is easier said than done. Scholars have been dwelling upon the subject of succession planning for family businesses and countless numbers of researches have already been made. Despite all the information that has already been derived from these researches, it begs the question as to why most family businesses still fail in intergenerational leadership transition. The answer lies in the complexity of the problem. Several variables impact the succession process such as communication practices (Haag et al., 2006), size of the firm (Motwani et al., 2006), predecessor or successor related factors (Chitoor & Daas, 2007), shared vision and family climate (Miller, 2014), organizational culture (Fancher, 2007) and many more.

A study conducted by Perrenoud (2012) analyzes seventy existing literature on the best practices related to succession planning. From his analysis, he had identified recurring themes from which he had extracted the top ten best practices for succession planning. The top ten recommended practices for succession planning with their corresponding frequencies are listed in Table 1.

Table 1

Top Ten Recommended Practices for Succession Planning

#	Recommended Practice	Recommendation Frequency
1	Prepare a succession plan	100%
2	Analyze and select quality candidates	73%
3	Prepare a plan to develop successor	64%
4	Prepare well defined/communicated responsibilities	50%
5	Secure senior level support	50%
6	High level of communication	50%
7	Talent management processes in company	41%
8	Capture the vision of company	36%
9	Measure performance before and/or after succession	36%
10	Agreed responsibilities of predecessor after transition	36%

Each of the ten recommended succession practices are discussed below based on the study by Perrenoud (2012):

Prepare a succession plan. Preparing a succession plan, among all other recommended practices, is the only recurring practice found in all the seventy articles reviewed. Often these plans begin informally but slowly develop into a formal plan which typically includes a timeline, and the procedures as to how the successor will be selected, trained, and finally appointed. Succession plans are also executed by businesses in order to minimize the risks involved in the transition. Multiple researches have shown that companies that have prepared a succession plan are more likely to succeed in their leadership transition compared to those who do not (Bhen et al., 2005). However, as cited by Perrenoud from SFGate (2011), the study found that out of 1,318 CEO executives, only 35% had a succession plan.

Analyze and select quality candidates. In order to find the best candidate for the leadership position, potential successors must first be selected and evaluated. During this process the vision of the company must be considered to find the best match for the company. A company is not limited to appointing internal candidates from within the company. Instead, external candidates can also be considered for the position (Miles & Bennett, 2007).

Prepare a plan to develop successor. The candidates for succession must be developed in order to prepare them for the leadership role. The development programs commonly used by human resource departments (Bernthal and Wellins, 2006) include: formal workshops; special projects within one's own job responsibilities; articles/books; tests, assessments or other measure of skills; coaching with internal coaches or mentors; special projects outside of one's own responsibilities; computer based learning; coaching with external coaches or mentors and expatriate assignments.

Prepare well defined/communicated responsibilities. The predecessor must have well defined expectations of the successor. The successor must be made aware of these expectations and freely accept the roles and responsibilities expected of them.

Secure senior level support. Top management must acknowledge the need for succession planning and must also be involved in the planning process. Without senior level support the succession process may be ineffective.

Talent management process on company. According to Hartley (2004) as cited by Perrenoud (2012), talent management involves "recruiting, on-boarding, and developing, as well as the strategies associated with those activities in organizations." A well-developed talent management process promotes a culture of succession which inspires employees to develop in order to progress their careers. According to Chavez (2011), developing leaders from within the company is very important because companies which fail to do so are not only at risk of losing valuable knowledge and experience when the time comes for senior management to retire, but are also likely to suffer from lower productivity due to the lack of employee engagement. The longer the time is spent on developing successors, the more prepared they will be in assuming a leadership role for the company.

High level of communication. Ibrahim (2001) states that leadership transition within small or family organizations often experience a breakdown in communication. As suggested by Perrenoud (2012) the lack of communication is often an indicator of the lack of trust between the predecessor and the successor. A high level of communication is ideal to promote good relations between the transitioning parties and smoothen the succession process.

Measure performance before and after. Performance metrics measuring the progress and performance of the talent management process can make the selection of potential candidates easier (Chavez, 2001; Bernthall & Wellins, 2006; Grove, 2006). After the transition on-the-other-hand, performance metrics is crucial in evaluating the success level of the transition. A study by Dalton (2006) states that within eighteen months after the transition, 40% of CEO's fail. For this reason, measurable metrics are important in evaluating the successors first year of performance (Miles & Bennet, 2007).

Capture the vision of the company. In the early stages of succession planning, the vision and strategic goals of the company must be considered in order to know what type of future leader it needs to fulfill their objectives (Hadelman & Spitaels-Genser, 2005). The successor's alignment with the vision of the company and the predecessor must be considered during the selection process (Sharma et al, 2003). With the continuity in mind, a successor in line with the vision of the predecessor can build from what the incumbent has started (Sambrook, 2005).

Agreed responsibilities of predecessor after transition. The success of a transition relies heavily on the initiative of the predecessor to prepare a succession plan and to willingly step down when the time comes (Sharma et al, 2003a; Sharma et al, 2003b). As explained by Kirschner & Ungashick (2005) it is not true that predecessors must completely let go of control over the company when the successor assumes his role. With proper planning, the predecessor and the successor can agree to each other's roles and responsibilities in control of the company. However, in order to avoid conflict between them, each one's responsibilities must be clear and detailed (Sharma et al, 2003a).

Hypotheses Development

Hypothesis 1. There is a relationship between level of implementation of succession practices and level of successful leadership transition

The study by Tan (2009) investigates the leadership succession planning and implementation of Malaysian companies. Tan first compares the level of importance Malaysian companies place on leadership succession planning and implementation and analyzes it against the actual practices executed by the companies. After the leadership succession practices are known, he then investigates whether the implemented leadership succession planning enhance or inhibit the companies' leadership succession by causing CEO entrenchment or organizationally generated entrenchment. On the other hand, Burns (2014) examines the succession planning process of family-owned businesses as they attempt to transfer their business from one generation to another. The study does not only discuss the transfer of ownership but also the transfer of knowledge, expertise, and leadership transition. In her study, she also investigated the effects of the problems faced by the family-owned businesses. Both studies signify that there is a relationship of level of implementation of succession practices and level of successful leadership transition.

Hypothesis 2. There is mediating effect of organizational profile in the relationship of level of implementation of succession practices and level successful leadership transition.

A study by Magasi (2016) focuses on the factors that influence business succession planning among small and medium enterprises in Tanzania. It identifies demographic characteristics, business size, and family related factors as the major influencing variables to succession planning. The results from the study show that with a higher age of owners, there is a higher possibility for the business to prepare for succession. The study also pointed out that males have a higher chance of being the successor of the business. Moreover, the size of the business, the educational attainment of the top management, and the level of communication among members also show a positive relationship with the succession planning of a business. The increased involvement of family members in the business however was found to have no influence on succession planning.

3. Methodology

Research Design

This descriptive study used mixed methods to provide a more in-depth analysis on the topic by supporting the gathered quantitative data with more descriptive qualitative information. Both survey questionnaire and semi-structured in-depth interview were done to collect data. The interview results were incorporated in the analysis of data.

Population and Sampling

According to Cruz (2019), approximately 80% of all businesses in the Philippines are considered family businesses although no exact number shown in any literature. It is noted however, that only 1/3 of family businesses make it to the 2nd generation (Ghee et al., 2015), and around 95% of family businesses fail to transition to the 3rd generation (IFC Corporate Governance, 2016). These facts have a big implication on the study since the target respondents are not just family businesses in general but only those in which have undergone intergenerational leadership transition, which makes it even more difficult or impossible to accurately quantify the exact size of the population. For the purposive sampling technique, multigenerational Filipino family business are the specific target respondents. Multigenerational means more than one generation of the family is involved in the business. Since the study also looks at the perceived level of successful leadership transition, the family businesses must have also undergone a succession of a leadership role. For this reason, the study aimed to gather as many respondents as possible within the 4-month data gathering period and had managed to collect responses from 71 multigenerational Filipino family businesses, most of which were personal contacts of the researchers. Among the 71 respondents, 10 were interviewed further to gather more qualitative data.

The gathered profile of these businesses include: years of operation, number of family generations involved in the business, number of employees, number of family members involved in the business, and asset size. In terms of years of operation, the largest groups of respondents fall under 1-10 years of operation (25%) and 41 years and above (21%). Meanwhile, 75% of the sample (53 respondents) currently have 2 generations involved in the family business, followed by 17% (12 respondents) with 3 generations involved. Following the Magna Carta for Micro, Small and Medium Enterprises (RA 9501, 2008) on the standard classification for business size, most of the businesses are considered small with 10-99 employees (46%) and Php 300,001 - Php 15,000,000 asset size (35%). Furthermore, 75% of the businesses have 1-5 family members involved in the business.

Instrument

The quantitative information was gathered via survey questionnaire and the qualitative information were obtained through the interviews. The questionnaire was based and modified from the study of Perrenoud (2012) on the "Effective Succession Planning of Construction Companies." The first part of the questionnaire gathers the demographic profile of the respondents and the organizational profile of the family businesses. The second part focuses on the level of implementation of succession practices, and the last part aims to quantify the perceived level of successful leadership transition of the family business. A four-point Likert scale was adapted to rate the level of implementation of succession practices and the perceived level of successful leadership transition.

A semi-structured in-depth interview was also utilized in collecting more information from the respondents using their respective accomplished questionnaires. The respondents shared additional insights on their experiences during the leadership succession process.

Data Gathering Process

The survey questionnaires were administered in two ways: personal administration and online means via Google Survey. Administering the survey personally involved handing the respondents copies of the questionnaires while administering online involved sending the link of the Google Survey via email or through social media streams. The semi-structured in-depth interviews were administered through face to face conversations, phone calls, video calls, or online conversation. The means of executing the interviews highly depended on the availability of the respondents. During the interview, aside from the written notes of the researcher, audio was also recorded and transcribed.

Data Analysis

The statistical treatments used for this study were frequency, percentage, mean, Pearson’s correlation, multiple regression, and SEM analysis. Frequency and percentage were used to analyze the demographic profile of respondents and the organizational profile. The weighted mean was derived from the answers provided by the respondents to each item pertaining to the perceived level of successful leadership transition and the level of implementation of their succession practices. Pearson’s correlation was used in order to measure the relationship of the independent variable to the dependent variable. Moreover, the simple structural equation modeling (simple SEM) using Jamovi software was employed to estimate the parameters of the mediation model. A simple SEM is a multivariate statistical *analysis* technique that is used to analyze *structural* relationships. This technique is the combination of factor *analysis* and multiple regression *analysis*, and it is used to analyze the *structural* relationship between measured variables and latent constructs (D. Kaplan,2001). Moreover, GLM Mediation analysis was also utilized to further test the model. GLM mediation model estimates simple, multiple, and conditional mediation models with maximum likelihood regression.

4. Results and Discussion

Table 1

Level of Implementation of Succession Practices

Indicators	Mean	Interpretation
LISP1- Prepared succession plan in preparation for the leadership transition	2.72	MP
LISP2- Analyzed the competencies of the candidates and selected the one that would best fit the leadership position	2.82	MP
LISP3- Prepared a plan to develop the successor	2.83	MP
LISP4- Defined and communicated the responsibilities to the successor	3.03	MP
LISP5- Secured Senior level support for the transition process	2.85	MP
LISP6- Constant and open lines of communication between predecessor and successor	3.44	HP
LISP7- Implementation of talent management processes such as hiring, training, and promoting during the time of transition	2.70	MP
LISP8- Captured the vision of the company in the succession plan in such a way that decisions were made with the company vision in mind	2.92	MP
LISP9- Measured performance of the leadership position before and after transition	2.62	MP
LISP10- Agreed on the responsibilities of the predecessor after the leadership transition	2.62	MP

Legend: 1.0 – 1.75 Not Practiced (NP); 1.76 – 2.5 Slightly Practiced (SP); 2.51 – 3.25 Moderately Practiced (MP); 3.26 – 4 Highly Practiced (HP)

Based on table 1, on average the only succession practice which is highly implemented (3.44) by multigenerational Filipino family businesses is the constant and open lines of communication between predecessor and successor. A high level of communication was also found among the respondents of the study by Perrenoud (2012). This is important because a breakdown of communication between the predecessor and the successor hinders the succession planning process (Perrenoud, 2012; Handler & Kram, 1988). A common theme based on the interview responses of the study was that most of the predecessors and successors of the leadership succession of family businesses live in the same household and work closely together which makes communication easier as compared to non-family related individuals. The second most implemented practice with a mean score of 3.03 (moderately practiced) was the definition and communication of the responsibilities to the successor. This result further strengthens the importance of communication in the succession process of the family business. As cited by Perrenoud (2012) from the work of Handler and Kram (1988), the delegation of responsibilities reduces the resistance to planning for succession. The interviews show that most of the successors already had an idea of their role in the business at a very young age because they were already exposed to the business and its functions early on. However, this was not the case for all. One interview respondent was still surprised by the sudden leadership transition and was not completely familiar with the specific responsibilities of his new leadership position in the business.

The seven (7) other succession practices on the other hand, were less practiced as compared to the two but still moderately practiced by family businesses. Notably, the two succession practices with the lowest score of 2.62 (moderately practiced) are the measuring of performance of the leadership position before and after the transition and the agreement of responsibilities of the predecessor after the transition. There are multiple reasons as to why family businesses usually do not agree or define the responsibilities of a predecessor after transition. Among these reasons is the unwillingness of the predecessor to lose control over the business (Kirschner & Ungashick, 2005; Cairns, 2011; Perrenoud, 2012). However, Perrenoud (2012) states that the responsibilities of the predecessor must be agreed upon in order to prevent conflicts from occurring after transition. Furthermore, a study by Sharma et al (2003) mentions that predecessors which do not have a defined role after transition have a risk of offending the successor and possibly even losing the successor. As for the practice of measuring the performance of the leadership position before and after transition, some family businesses avoid measuring the performance of the position itself, but instead measures the performance of the business as a whole as to avoid unwanted comparison and added pressure to the successor who to begin with already has a major responsibility to the business.

Table 2 displays the summarized results of the questions that fall under the perceived level of successful leadership transition except the quality of plan. Data reveal that the two variables with the highest mean score of 3.32 and 3.25 are PLSLT3 and PLSLT2, respectively. This was also the result for the study conducted by Perrenoud (2012). In his study however, the two variables fell under one main variable which refers to the respondent's opinion of the experience of the stakeholders which similarly received the highest score among the other variables. These two can be explained by the fact that most of the successors of the family businesses were already present in the operation of the business and were already introduced and have been made familiar to the clients and employees as confirmed during the interview. Consistent with this result, the study by Savoleinen (2016) on Italian family businesses also revealed that most employees have a positive experience with the successors of the business because they already knew them beforehand.

Table 2

Perceived Level of Successful Transition

Indicators	Mean	Interpretation
PLSLT1- The leadership transition was smooth	2.75	MS
PLSLT2- The leadership transition received positive reaction from employees	3.25	MS
PLSLT3- The leadership transition received positive reaction from clients	3.32	MS
PLSLT4- There were no conflicts between the successor and predecessor	2.92	MS
PLSLT5- The successor did not experience any major surprises or mistakes during or after transition	2.58	MS

Legend: 1.0 – 1.75 Not Successful (NS); 1.76 – 2.5 Slightly Successful (SS); 2.51 – 3.25 Moderately Successful (MS); 3.26 – 4 Highly Successful (HS)

One of the respondents also revealed that the business received positive reactions from clients after the leadership transition because of changes applied by the successor which the predecessor chose not to apply because of traditional beliefs. It is possible that the leadership transition from the older generation to the younger generation brings about a positive change in terms of a new perspective which is more receptive of the changing trends and needs of their clients. The variable which landed in the middle of the group with a mean score of 2.92 is PLSLT4 which states that there were no conflicts between the successor and predecessor. This variable was moderately successful because conflict between the successor and predecessor cannot be completely avoided. Conflict in a family business is virtually inevitable because it involves so many different variables as seen in the Three-Circle Model by Tagiuiri and Davis (1982; Davis, 2016). The three-circle model shows that the family business can be explained by three distinct groups that intersect into seven (7) sub-groups which constantly interact and make decisions. It is an environment wherein conflicts are bound to arise. A respondent cited a specific reason why conflicts between the predecessor and successor happen. The respondent mentioned that their difference in generation, the respondent being a millennial and his predecessor being part of the silent generation, brings about their difference in mindset and inclinations which sparks conflict between them. Being in the silent generation, his father who was the predecessor had inclinations towards a more traditional mindset which was in contrast to his millennial point of view which again was more open to adapt to changing trends.

As for the variable which scored the lowest mean score of 2.58 (moderately successful), this was also the case in the study of Perrenoud (2012) wherein 58% of the respondents answered that successors experienced surprises with the transition and were actually caught off guard. According Porter et al. (2004), some of the surprises faced by a new CEO comes “from time and knowledge limitations.” It is, up to some point, normal for new family business leaders to face surprises given that the landscape wherein businesses operate and market trends are constantly changing. However, it is not completely out of the hands of predecessors to better prepare their successors for their new leadership role in the family business. The researcher probed further as to how family businesses would perceive a successful leadership position and several of the respondents answered that the growth of the business would indicate a successful leadership transition. This was an important factor mentioned by the interviewees because for them, the transition would only be truly successful if the successor exceeded the performance of the predecessor.

Table 3

Quality of Plan Descriptive Statistics

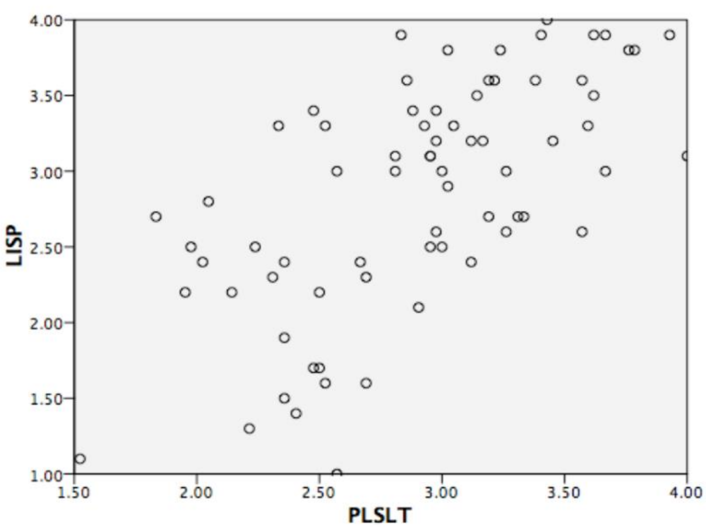
Indicators	Mean	Interpretation
QOP1- The succession was well planned	2.65	A
QOP2- The succession plan was formally compiled	2.51	A
QOP3- The succession plan was followed	2.73	A
QOP4- The people involved in succession planning met regularly	2.87	A
QOP5- The vision of the company was captured in the succession plan	2.93	A
QOP6- There was a plan to develop/train successor	2.96	A
QOP7- The company hired a succession consultant that greatly contributed to the succession plan	1.59	SD

Legend: 1.0 – 1.75 Strongly Disagree (SD); 1.76 – 2.5 Disagree (D); 2.51 – 3.25 Agree (A); 3.26 – 4 Strongly Agree (SA)

The study separated the descriptive statistics for the Quality of Plan from the Perceived Level of Successful leadership transition in order to highlight a specific result which stood out among other variables as shown in Table 3. This was QOP7 or whether the company hired a succession consultant that greatly contributed to the succession plan. This specific variable scored the lowest among all variables and was the only variable which translates to an answer of strongly disagree. This was the case for all interviewees. Moreover, only one of the interviewed respondents' family business formally compiled their succession plan (QOP2). The common reason among respondents as to absence of formal compilation of the plan is that their succession plan was simple and already implied which does not need formal compilation. As a family business, their intention of passing on the leadership role within the next family generation was already assumed but not necessarily forced. However, according to two Filipino-Chinese business managers the leadership responsibility was forced upon them.

Figure 4

Scatter Plot of the Level of Implementation of Succession Practices and the Perceived Level of Successful Leadership Transition



It can be seen in Figure 4 that there is an upward slope which signifies a positive trend between the two variables. The study by Perrenoud (2012) displays the same upward trend. Moreover, this result of a positive correlation between the two variables were tested further and verified using Pearson Correlation as seen in Table 4.

Table 4

Correlation of the Level of Implementation of Succession Practices and the Perceived Level of Successful Leadership Transition

		LISP	PLSLT
LISP	Pearson Correlation	1	.647**
(Level of Implementation of Succession Practices)	Sig. (2-tailed)		.000
	N	71	71
PLSLT	Pearson Correlation	.647**	1
(Perceived Level of Successful Leadership Transition)	Sig. (2-tailed)	.000	
	N	71	71

***. Correlation is significant at the 0.01 level (2-tailed)*

Pearson correlation was used to analyze and verify whether there exists a positive linear association between the variables LISP and PLSLT. Based on the Table 4, there is a strong positive correlation of 0.647 between the two variables. It can also be seen that from a sample of 71, the variables are significant ($r = 0.647$, p-value = 0.000). This means that the more family businesses implement the top ten succession practices, the higher their perception of success is towards their leadership transition process. This result further supports the study of Perrenoud (2012), whenever businesses apply the top ten succession practices more, the higher their level of success when it comes to their leadership succession.

Table 5

Multiple Regression of the Level of Implementation of Succession Practices and the Perceived Level of Successful Leadership Transition

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.749[a]	.560	.487	.38935

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.590	10	1.159	7.645	.000[b]
Residual	9.096	60	.152		
Total	20.685	70			

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
LISP1- Prepared succession plan in preparation for the leadership transition	-.016	.068	-.031	-.228	.821
LISP2- Analyzed the competencies of the candidates and selected the one that would best fit the leadership position	.064	.075	.115	.857	.395
LISP3- Prepared a plan to develop the successor	.058	.079	.101	.729	.469
LISP4- Defined and communicated the responsibilities to the successor	.156	.080	.269	1.935	.058
LISP5- Secured Senior level support for the transition process	.092	.066	.166	1.390	.170
LISP6- Constant and open lines of communication between predecessor and successor	-.175	.088	-.260	-1.993	.051
LISP7- Implementation of talent management processes such as hiring, training, and promoting during the time of transition	.106	.078	.193	1.361	.179
LISP8- Captured the vision of the company in the succession plan in such a way that decisions were made with the company vision in mind	.294	.081	.532	3.645	.001
LISP9- Measured performance of the leadership position before and after transition	-.023	.072	-.046	-.319	.751
LISP10- Agreed on the responsibilities of the predecessor after the leadership transition	-.123	.073	-.243	-1.690	.096

The ANOVA in Table 5 shows that the overall multiple regression model is significant for the study with a p-value of 0.000. Furthermore, the goodness of fit of the model can be measured through the R Square which can be seen in the Model Summary. The R Square of the equation is 0.560 which means that the independent variable LISP when taken as a whole can explain 56% of the variability of PLSLT. Since the independent variable can only explain 56% of the variability of PLSLT, this means that there are still other variables which could influence the how family businesses perceive the success of their leadership transition.

Based on the multiple regression analysis results, at 95% confidence level only LISP8- "*Captured the vision of the company in the succession plan in such a way that decisions were made with the company vision in mind*" was statistically significant (t-stat = 3.645, p-value = 0.001) in explaining PLSLT. The coefficient of LISP8 is 0.294. This means that an increase of 1 in the score of LISP8 will give an increase in PLSLT by 0.294.

This finding is parallel to the study of Neff (2015) which identifies a shared vision as the variable with the strongest positive and significant influence on the long-term success of the organization because it bonds the members of an organization towards a common goal. In the case family businesses interviewed in the study, the shared vision identified is to sustain the business and pass it on to the next generation. Moreover, it was observed by Overbeke et al. (2015) that when father and daughter share a common vision for the future of the business, the daughters are more likely to become successors of the business. The statistical data and the literature both emphasize the importance of a family businesses' vision in the success of the leadership transition. Furthermore, this vision must be shared and agreed upon by both the predecessor and the successor. This would help in aligning their intentions towards the business and would prevent conflicting interests thus smoothening the leadership transition process.

Table 6

Mediation Results

Indirect and Total Effects

				95% C.I. (a)				
Type	**Effect**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
Indirect	Level of Implementation ⇒ Years of Existence ⇒ Successful Transition	-0.00648	0.01005	-0.02617	0.01321	-0.00843	-0.6447	0.519
	Level of Implementation ⇒ Number of Family Generation ⇒ Successful Transition	1.49e-5	9.00e-4	-0.00175	0.00178	1.94e-5	0.0166	0.987
	Level of Implementation ⇒ Number of Family Members ⇒ Successful Transition	0.00160	0.00742	-0.01294	0.01614	0.00208	0.2159	0.829
	Level of Implementation ⇒ Number of Employees ⇒ Successful Transition	0.02663	0.02322	-0.01889	0.07215	0.03467	1.1468	0.251

Indirect and Total Effects

Type	Effect	Estimate	SE	95% C.I. (a) Lower	95% C.I. (a) Upper	β	z	p
	Level of Implementation ⇒ Asset Siza ⇒ Successful Transition	0.00976	0.01834	-0.02618	0.04571	0.01271	0.5324	0.594
Component	Level of Implementation ⇒ Years of Existence	-2.37557	3.36414	-8.96915	4.21801	-0.08351	-0.7061	0.480
	Years of Existence ⇒ Successful Transition	0.00273	0.00173	-6.56e−4	0.00611	0.10096	1.5800	0.114
	Level of Implementation ⇒ Number of Family Generation	-0.00157	0.09420	-0.18619	0.18305	-0.00198	-0.0167	0.987
	Number of Family Generation ⇒ Successful Transition	-0.00950	0.06163	-0.13029	0.11129	-0.00981	-0.1541	0.877
	Level of Implementation ⇒ Number of Family Members	1.34808	1.07098	-0.75101	3.44717	0.14774	1.2587	0.208
	Number of Family Members ⇒ Successful Transition	0.00119	0.00542	-0.00944	0.01181	0.01411	0.2191	0.827
	Level of Implementation ⇒ Number of Employees	0.19800	0.16468	-0.12476	0.52076	0.14126	1.2023	0.229
	Number of Employees ⇒ Successful Transition	0.13451	0.03525	0.06542	0.20361	0.24542	3.8157	< .001
	Level of Implementation ⇒ Asset Size	-0.07050	0.13045	-0.32618	0.18518	-0.06400	-0.5404	0.589

Indirect and Total Effects

				95% C.I. (a)				
Type	Effect	Estimate	SE	Lower	Upper	β	z	p
	Asset Size ⇒ Successful Transition	-0.13851	0.04450	-0.22573	-0.05129	-0.19859	-3.1125	0.002
Direct	Level of Implementation ⇒ Successful Transition	0.56522	0.05021	0.46681	0.66364	0.73575	11.2562	< .001
Total	Level of Implementation ⇒ Successful Transition	0.59676	0.05488	0.48920	0.70432	0.79255	10.8740	< .001

Note. Confidence intervals computed with method: Standard (Delta method). Betas are completely standardized effect sizes.

The results suggest that the only organizational profile that affects the model is number of employees and asset size to successful transition. This means that the two aspects of organizational profile affects the successful transition of family businesses. The moderating variables do not have any significant influence on the effect of the level of implementation of succession practices to the perceived level of successful leadership transition. This means that the organization profile of the selected multigenerational Filipino family businesses did not have a role in determining the perceived level of successful leadership transition. According to Molly et al. (2010), other factors such as family harmony may be integrated in order to further understand and evaluate the success of the leadership transition of a family business.

5. Conclusion

The study looked at multigenerational family businesses in the Philippines to determine how these businesses have been successful in the process of intergenerational succession through the implementation of the succession practices. It provides a descriptive and correlational analysis of the succession planning practices of multigenerational family businesses. The respondents of the study were family members of the existing multigenerational family business who assume top management positions and are involved in the succession planning process.

The study found out that the level of implementation of succession practices has a strong positive correlation to the perceived level of successful leadership transition of multigenerational Filipino family businesses regardless of the organization profile in terms of the form of ownership, years of operation, number of family generations involved, family members involved, number of employees, asset size, and industry. Among the top ten succession practices, it was found that constant and open lines of communication as well as the definition and communication of the responsibilities of the successor were the most common succession practices implemented. Upon further analysis of each succession practice, the most significant practice which affects the perceived level of successful leadership transition was the integration of their vision to the succession plan. The study also discovered that a number of the family businesses were unconsciously practicing some of the top ten succession practices. However, there were also practices or activities which cannot be completely measured by the ten succession practices. In conclusion, the study finds that the implementation of the top ten succession practices helps family businesses succeed in their leadership transition regardless of organization structure. However, the success of the leadership succession of family businesses does not solely rely on these generic practices, but also to more family related practices which improve family harmony and family dynamics.

This study acknowledges the fact that the succession practices of an organization is not the only factor for the sustainability of a family business. Other factors may still be considered in order to better understand how the perceived level of successful leadership transition increases. Specifically, factors relating to family harmony or family dynamics may be taken into consideration in studying how family businesses succeed in their succession. Much of the practices identified in the study were not exclusive practices to family businesses but were generic practices which could also be implemented by other businesses undergoing succession. For this, further research is encouraged to test other variables relating to family harmony and family dynamics through an increased sample size.

References

Alegado, S., & Yap, C. (2016, November). *Philippines Posts Strongest Economic Growth in Asia at 7.1%*. Retrieved December 12, 2016, from https://www.bloomberg.com/news/articles/2016-11-17/philippine-growth-quickens-to-7-1-on-duterte-s-spending-spree.

Barrett, M. (2014). *Theories to Define and Understand Family Firms*. University of Wollongong. Retrieved January 29, 2017, from http://ro.uow.edu.au/cgi/viewcontent.cgi?article=1397&context=buspapers

Burns, A. (2014). *Succession Planning in Family-owned Businesses*. University of Southern Maine. Digital Common@USM

Cruz, O. (2019, January 30). *Family enterprise: To infinity and beyond*. The Manila Times. Retrieved February 17, 2021, from https://www.manilatimes.net/2019/01/30/business/columnists-business/family-enterprise-to-infinity-and-beyond/504006/

Deloitte (2015). *Asian Business Families Governance: Crossing the Chasm for Inter-Generational Change.* Singapore Management University: Business Family Institute. Retrieved July 2017 from https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/finance/sg-fas-research-survey-asian-business-families-governance-may2015-noexp.pdf

Fu, I. (2015, January). *Favoritism: Ethical Dilemmas Viewed Through Multiple Paradigms*. Retrieved October 25, 2016, from http://scholar.valpo.edu/cgi/viewcontent.cgi?article=1115&context=jvbl

Ghee, W., Mohamed, I., & Hasliza, A. (2015). *FAMILY BUSINESS SUCCESSION PLANNING: UNLEASHING THE KEY FACTORS OF BUSINESS PERFORMANCE*. Retrieved October 2016, from http://web.usm.my/aamj/20022015/aamj20022015_5.pdf.

Gomba, M., & Kele, T. (2016). *Succession Planning in Black-Owned Family Businesses: A South African Perspective*. International Journal of Business Administration, 7(5). doi:10.5430/ijba.v7n5p9.

Haag, K., Helin, J., & Melin, L. (2006, June). *Succession in Family Business: Succession in Family Business: Communication practices and the role of power Communication practices and the role of power*. Retrieved October 2016.

Houden, Deb. *"Building Family Harmony Starts with Living Our Values | The Family Business Consulting Group." Family Business Consulting Group, 2016. Web. 2016*. <http://www.thefbcg.com/building-family-harmony-starts-living-values/>.

Lee, J. (2006). *Family firm performance: Further evidence*. Family Business Review, 19, 103–114

Lim, L. (2016, May). *Professionalism from the Vantage Point of Family Businesses: A Comparative Study*. Retrieved October, 2016.

Magasi, C. (2016). *Factors Influencing Business Succession Planning among SMEs in Tanzania*. Retrieved December, 2016, from https://www.researchgate.net/publication/305710018_Factors_Influencing_Business_Succession_Planning_among_SMEs_in_Tanzania

Miller, S. P. (2014, December 4). *Next-generation leadership development in family businesses: The critical roles of shared vision and family climate*. Retrieved November, 2016, from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4255618/.

Molly, V., Laveren, E., & Deloof, M. (2010). *Family Business Succession and Its Impact on Financial Structure and Performance*. Retrieved July 6, 2017, from http://c.ymcdn.com/sites/www.ffi.org/resource/resmgr/fbr_most_popular/fbr_molly_familybusinesssucc.pdf

Motwani, J., Levenburg, N. M., Shwarz, T. V., & Blankson, C. (2006, January 1). *Succession Planning in SMEs: An Empirical Analysis.* Retrieved December 12, 2016, from http://www.bing.com/cr?IG=EC259ECF092941178AB2C19632B24B75&CID=36414C31761060F2364945D87721610B&rd=1&h=fnx4m1W4DbEYZDXLq8zuE9MNATt4wlV_Egy0vEzeUDk&v=1&r=http://scholarworks.gvsu.edu/cgi/viewcontent.cgi?article=1005&context=mgt_articles&p=DevEx,5042.1.

Neff, J. E. (2015). *Shared vision promotes family firm performance*. Frontiers in Psychology, 6, 646. http://doi.org/10.3389/fpsyg.2015.00646

Overbeke, K. K., Bilimoria, D., & Somers, T. (2015*). Shared vision between fathers and daughters in family businesses: the determining factor that transforms daughters into successors*. Frontiers in Psychology, 6, 625. http://doi.org/10.3389/fpsyg.2015.00625

Perrenoud, A. (2012, March). *Effective Succession Planning in Construction Companies*. Retrieved February 17, 2021, from https://repository.asu.edu/attachments/93518/content//tmp/package-tRFQku/Perrenoud_asu_0010N_11554.pdf.

Peterson-Withorn, C. (2015, April 20). *New Report Reveals The 500 Largest Family-Owned Companies In The World.* Retrieved October 20, 2016, from http://www.forbes.com/sites/chasewithorn/2015/04/20/new-report-reveals-the-500-largest-family-owned-companies-in-the-world/#3879914522c4.

Porter, M. E., Lorsch, J. W., & Nohria, N. (2004, July 31). *Seven Surprises for New CEOs*. Retrieved July 06, 2017, from https://hbr.org/2004/10/seven-surprises-for-new-ceos

Poza, E. J. (2013). *Family business*. Mason, OH: South-Western.

Rust, R. T., T. S. Chung. 2006. *Marketing models of service and relationships*. MarketingSci. 25(6) 560–580.

Schwass, J. (2008, March). *Dealing with the Complexity of Family Business: Strategies for longterm success.* Retrieved October 25, 2016, from https://www.imd.org/uupload/IMD.WebSite/MicroSites/family-business/pdfs/Family Businesses Successes and Failures.pdf.

Schwass, J. (2013). *Family Businesses: Success and Failures*. Retrieved October 25, 2016.

Tan, John. (2009) *An Investigation of Corporate Leadership Succession Planning and Implementation: The Malaysian Experience.*"

Venter, E. and Boshoff, C. and Maas, G., *The Influence of Successor-Related Factors on the Succession Process in Small and Medium-Sized Family Businesses.* Family Business Review, Vol. 18, No. 4, pp. 283-303, December 2005. Available at SSRN: https://ssrn.com/abstract=856752 or http://dx.doi.org/10.1111/j.1741-6248.2005.00049.x.

Walonick, D. S., Ph.D. (1993). *General Systems Theory - StatPac*. Retrieved October 25, 2016, from http://www.statpac.org/walonick/systems-theory.htm.

Ward J. L. (2011). *Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership.* New York, NY: Macmillan.

Williams, D. W., Zorn, M. L., Crook, T. R. & Combs, J. G. (2013). *Passing the Torch: Factors Influencing Transgenerational Intent in Family Firms*. Family Relations, 62(3), 415–428.http://dx.doi.org/10.1111/fare.12016.

Wrosch, C. (2011). *Self-Regulation of Unattainable Goals and Pathways to Quality of Life.* Oxford Handbooks Online. doi:10.1093/oxfordhb/9780195375343.013.0016