

The Challenges of Succession planning in Small Family-Owned Businesses

a Case Study of Agrar del Sur S.A.

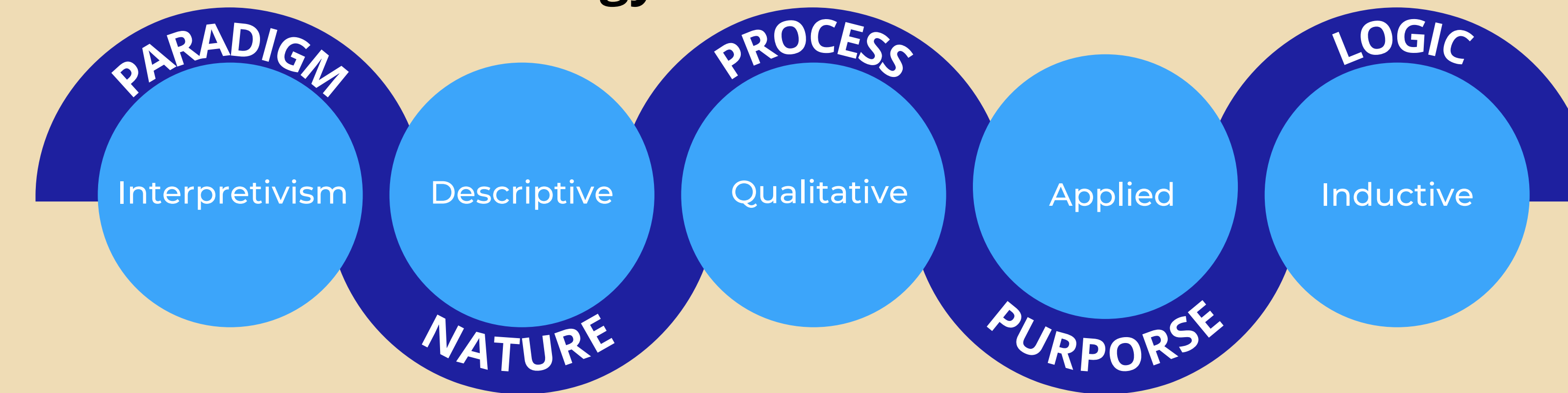
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Abstract

This study aims to explain how Agrar del Sur could utilise succession planning to secure the future of the business. The choice of case study is justified by the fact that Agrar del Sur is a small family business still run by its founder and is struggling to find the right successors for various roles at different levels of the organisation.

The proportion of family businesses in the world is between 65 and 80%; out of those, only 30% survive the transition from the founder to the next generation. Only 15% reach the third generation, and 3% survive beyond the fourth generation. Despite these percentages, only 20% of family businesses actually do use succession planning to attempt to survive the generational change. This context makes small family businesses a predominant form of business organization worth researching and often overlooked due to the lack of public information.

Methodology



Research Design

Despite the potential conflict of interest and the extra effort to stay objective throughout the research, the author used their position as a shareholder of the company to collect data through observation and semi-structured interviews with six participants in different key roles in the organisation. The results emerging from the data collection process were analysed using the constant comparative method of analysis.



Literature Review

The author explored the topics that repeatedly come up in the literature related to small family businesses and how they manage succession planning. The literature review identifies trends not only in the topics but also in the time and manner that they were approached. Older articles focus their attention mainly on defining what a family business is, while new articles focus mainly on succession planning. Even more so, articles of the 21st Century award women in family businesses who have a special involvement and influence in the succession process.

The literature review is divided into three subsections, facilitating a comprehensive examination of each relevant subject from the point of view of the different authors. Firstly, the existing literature is examined to define a “family business”. Secondly, different theories are reviewed to understand how family businesses perform. Thirdly, the challenges that family businesses face in developing a successful succession plan to survive the change of generations and ensure business continuity are explored.

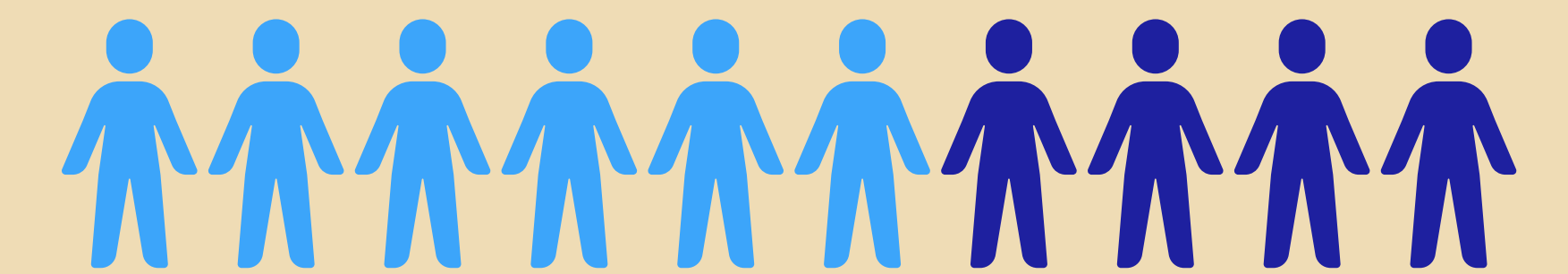
Case Study

In order to visualize and explain how the challenges that small family-owned businesses go through in the development of succession planning, the Agrar del Sur S.A company is used as a case study. This company is a family-owned SME located in Argentina. It was founded in 1987 as a subsidiary of the French company Orsem, to provide the counter season services for all the group's subsidiaries in the northern hemisphere. When the research program in Argentina was closed, the company's shares were donated to the vice-president and technical manager at the time.

The shareholder structure has changed through the years. Today, 34 years after it was founded, the company is owned by two generations of a single family and continues to provide services that support research and development of agricultural technology. The former vice-president and current CEO of the organization is the person referred to as the ‘founder’ by the literature, a visionary entrepreneur that gives a family business the edge that makes them special and distinctive from non-family businesses. This research considers the impact that the success or failure of the succession planning to take this organization onto the next generation will have on the stakeholders however only descriptively.



Findings



The research question has been answered to a large extent. The directors and shareholders interviewed agreed that there is an imperative need for formalising processes in the company and have a clear idea of their weaknesses. They acknowledge the need for a new system. However, they also state that it is a problem for them and do not know how to solve it. They talked about the possibility of outsourcing certain aspects of human resource management in order to counter their weaknesses.

However, this is just one part of the issue that Agrar del Sur, like many other small family businesses, faces in utilizing succession planning to ensure the future of the business. Small family businesses, as participants stated, work on a day-to-day basis, solving problems as they arise. Succession planning is a latent problem all of them have and will eventually have to face, but since it is not a pressing matter, they put it off until it is too late.

These problems seem to be only the tip of the iceberg, the issue goes deeper into human nature and its fear of the unknown. The idea of formalising processes that have been informal for ages, defining roles that were born spontaneously by necessity, and ultimately developing an effective succession plan is so overwhelming for small family businesses that have no training in human resource management that they simply do not do it. This of course is a personal perception that emerged from this research and would have to be further researched. The researcher could not find in the literature reviewed an explanation for family owners to let the urgency of the day-to-day decisions force them to overlook human resource management decisions that would eventually knowingly jeopardize the future of the business. It would be interesting to combine different disciplines, business management, human resources, and psychology in order to fully understand how the management of small family businesses truly feels when faced with these issues.

Recommendations

The research could be expanded to include more participants, maybe even change the primary data collection method from qualitative to mixed, so that the researcher could ask more standardized questions in a survey and then complement them with the type of semi-structured interviews that were already done. It would be interesting as well to interview stakeholders outside the organization, clients, suppliers, and people who know the organization well enough to have an opinion about it but not from the inside. These participants could share a more objective perspective.

It would be an interesting approach to further the research not just in time, participants and disciplines, but also geographically. It would be fascinating to see how different cultures react to this fear of the unknown that the researcher believes to explain the apprehension of small family businesses to effectively utilise succession planning.

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DEFINITION OF FAMILY BUSINESS

Generation
Size
Governance

THEORIES ABOUT FAMILY BUSINESS

Agency Theory
Stewardship Theory
Resource-Based View Theory

SUCCESSION PLANNING IN FAMILY BUSINESS

Developing a Plan
Competency Framework
Motivation

