Succession in Horticultural Family Businesses
The Role of Socialization and Communication

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ABSTRACT
Succession is a persistent topic in recent family business research and garners attention from a wide range of research areas. Strategic and principal-agent approaches discuss the subject from an organizational point of view; gender research takes a sociological viewpoint. The present study assesses the perspectives of those involved in the succession process through a qualitative research approach. Based on in-depth interviews conducted in German horticultural businesses, a comparative analysis serves as the starting point for an inquiry of internal succession processes. With transferability limited to similar cases, results show a range of important factors, affecting the generation-spanning succession process.

Keywords: decision-making; entrepreneurship; interpersonal relations; ownership

1 Introduction
In the life cycle of family businesses, succession is of exceptional importance. Suitable structuring, timely initiation, and thorough implementation of succession processes lay the foundations for the continuing success of a company. All over Europe, agriculture faces considerable demographic challenges. In 2007, 56% of farmers were over 55 years old, and only 6% of farmers less than 35 years old (European Commission, 2013). According to the Public Consultation “The role of family farming, key challenges and priorities for the future”, by the Directorate-General for Agriculture and Rural Development (2013), 85% of the 3,412 respondents to the online survey considered “ageing and succession” the main societal challenge for family farming.

Results of the 2010 census of agriculture show that 185,300 German family farms, in which farming is the main activity and the owner is older than 45 years, are facing succession. Of these, 54% favour succession within the family. For 69%, succession is unclear or does not exist (Statistisches Bundesamt, 2017).

According to Spelsberg (2011) who researched success factors in intra-family-business succession, the design of the succession process has a strong effect on economic and personal conditions. Both sets of conditions are key drivers for success in a family business. Given that farming is mostly a family business, successful succession processes in farming families are critical for the preservation of regional and sustainable food production in Germany and across Europe. The objective of the present study is to identify key factors in the course of the succession process by analysing the perspectives of predecessors and successors.
2 Literature Review

In keeping with the terms of the Grounded Theory Methodology (GTM), the literature review was conducted along with the research progress, not in preparation prior to the data collection. To provide the reader with an overview of the research field, relevant literature, which was identified during the research process, is presented in the conventional way. Starting with a summary of the unique characteristics of family businesses, the review continues with the description of the succession process and its specific properties including the socialization of the successor. To portray the complexity of the succession process, exemplary models are introduced, followed by gender-related topics in the succession process.

Most businesses are complex systems with sophisticated organizational structures. Adding the equally complex system of the family increases the complexity of internal processes and creates the advanced system “Family Business”. Gersick, Davis, McCollom Hampton, and Lansberg (1997, p. 5) concluded, based on their research that, independent of the size of a family business, the differentiation between ownership and business management was necessary, and incorporated ownership as the third subsystem. Current family business research refers to the resulting three-circle model of family business when demonstrating the interaction of the subsystems business, family, and ownership, forming the unique characteristics of the entire “Family Business” system (Simon, 2005, p. 10), (figure 1).

![Three-circle model of "Family Business"](image)

Figure 1: Three-circle model of “Family Business”
(Source: adapted from Gersick, Davis, McCollom Hampton, and Lansberg, 1997, p. 6)

Family business research does not always draw a clear distinction between small and medium-sized enterprises, family businesses, privately owned or family controlled enterprises. The term family business comprises enterprises exclusively run by the owner family, even without any hired labour, up to globally active conglomerates with tens of thousands of employees (Felden and Hack, 2014). According to the Institut für Mittelstandsforshung (2016), family businesses are defined as businesses, in which property and management rights are united in the person of the entrepreneur or the entrepreneurial family. Differences between family businesses and non-family businesses are not only a matter of definition. Harris, Martinez and Ward (1994) analysed the influence of the family on strategy formulation and implementation. They found that family business characteristics have a decisive influence on the strategy of the firm. McConaugby, Matthews, and Fialko (2001) concluded that a business in the hands of the founding family is run more efficiently, is less dependent on borrowed capital, and shows higher asset
values. Furthermore, they found that for the reduction of agency costs, it is not sufficient that management holds the majority of the company’s property. Rather ownership and control of the company must be concentrated in the hands of the founding family. Comparing similarly economically successful family and non-family businesses, Chrisman, Chua and Litz (2004) also showed that the involvement of family members reduced agency problems.

For the successful continuation of a business, the change in the company’s leadership is a pivotal event. Davis (1968) differentiated whether the company is dealing with a first change in leadership, i.e., the transition from the founder to the first successor, or succession in the further development of the company. To outlive its founders and to master the transfer of leadership from the often charismatic founder to the future leader, the first transition process is of vital importance. Yet, any subsequent succession may as well lead to a major break in the expected development and even cause the closedown of the business (Kets de Vries 1988; Sauer, 1999; Dyck, Mauws, Starke, and Mischke, 2002; Cespedes, 2004). Enterprises that have been under the significant influence of a single family for more than three generations, so called multi-generational family businesses, are not common. Fewer than 5% of all family businesses manage the transition to the fourth generation (Wimmer, Groth, and Simon, 2004; Groth, 2011).

Socialization, the continuing, lifelong process of internalizing values and social norms of the society a person lives in, guides most individual decisions (Akerlof and Kranton, 2010, pp. 22–23). Dumas, Dupuis, Richer and St.-Cyr (1995) characterized succession as a multi-stage process. During the process, socialization exerts a pronounced influence on the decision of the potential successors whether to continue the family business. García-Elvarez, Lopez-Sintas, and Gonzalez (2002) showed two phases common to socialization processes: socialization within the family and socialization within the business, both conditioned by the founders’ values.

In her dissertation, Handler (1989) developed the Mutual Role Adjustment Model by analysing succession in family businesses, taking the perspective of the next-generation family members. This differentiated her study from previous ones, which had mainly focused on the present entrepreneur. Her focus lay on succession as a process and on the characteristics that shape its development. She developed a reference frame that depicts the personal, kinship, and external influences on succession. As an intermediate step, she used a phase model to describe the relationship of three age levels of the successor: entering early adulthood (17-28 years), early adulthood (29-39 years), entering middle adulthood (40-50 years) with three phases in the succession process, namely personal development, business involvement, and leadership succession. Her final model of the mutual role adjustment between predecessor and successor provided fundamental insights into the succession process and is still frequently used to show the underlying interdependencies. The model illustrated how the actors involved assume different roles in their parallel paths of life, over time. These roles are subject to continuous mutual influence and adjustment (figure 2).

![Figure 2: Mutual role adjustment between predecessor and successor](Source: adapted from Handler, 1989, p. 194)
Based on a literature review, Massis, Chua and Chrisman (2008) developed a model of factors impeding a previously intended intra-family succession. They presented three direct causes: (i) all potential family successors declined leadership of the business; (ii) the dominant coalition rejected all potential family successors; and (iii) the dominant coalition decided against family succession although acceptable and willing potential family successors were available. In addition, they identified five categories of preceding factors: (i) individual factors; (ii) relationship factors; (iii) context factors; (iv) financial factors; and (v) process factors. Based on an analyses of thirteen prior empirical studies, Spelsberg (2011, p. 229) presented six essential factors for the success of succession: (i) motivation of the predecessors to hand over; (ii) motivation of the successors to take over; (iii) competence of the successors; (iv) harmonious interaction within the family; (v) sound economic condition of the family business; and (vi) employees’ respect for the successors. Groth and Rüsen (2016) divide the succession process into nine phases, which, in their opinion, every entrepreneurial family has to go through. Systematically working off the specific matter of each phase, with the involvement of all parties to the process, conflicts are avoided. They consider constant communication throughout as crucial for its success and created the “Wittener Modell” to describe the different phases in the course of business succession.

Purportedly due to the lack of female entrepreneurs, family business research focused on investigating succession from male owners to by and large male successors (Cadieux, Lorrain, and Hugron, 2002; Pfannenschwarz, 2006, p. 196). Consequently, the influence of the owner’s gender on the succession process was not considered (Harveston, Davis, and Lyden, 1997). With the growing involvement of women in the leadership of family businesses, they find themselves confronted with primogeniture (Cole, 1997). Primogeniture, the tacit rule that the firstborn son is going to inherit the family business, is an important aspect in studies dealing with female leadership of family businesses or daughters as successors (Dumas, 1989; Garcia-Elvarez et al., 2002; Vera and Dean, 2005; Haubl and Daser, 2006; Haberman and Danes, 2007; Nischak, 2011; Dostmann and Vollmar, 2014). Based on a literature review, Martinez Jimenez (2009) recommended to focus on primogeniture as a primary subject for further studies. Even in families without a male offspring women reported gender-specific disadvantages during the succession process (Keese, 2002). Analysing observations and interviews with family members in an ethnographic case study, Glover (2014) provided substantial evidence on gender issues in the succession process of a family farm business. Results revealed the social complexities and power struggles within the entrepreneurial family.

3 Material and Methods

To assess the perspectives of the people involved in succession processes, the study takes a qualitative approach. According to Flick, von Kardoff and Steinke (2010, p. 14), qualitative research describes the study subjects’ life worlds from the viewpoint of the insiders. Through this approach, it is possible to reach to a better understanding of the social realities and obtain insights into the underlying processes, structures, and meanings. From the multitude of qualitative approaches, the Grounded Theory Methodology (GTM), as introduced by Glaser and Strauss in 1967 with its strong emphasis on theory generation, was chosen for this study. The goal in the application of GTM is the development of theory from social interaction. The result of research following the GTM is often called Grounded Theory (GT). The emerging theories are to be distinguished according to their range (Mey and Mruck, 2009, p. 104). Its limited range, only valid for a certain subject area, in a delimited context and specific in its content, characterizes the Substantive Grounded Theory (SGT). The conceptually oriented Formal Grounded Theory (FGT) is more generalizing, more abstract, and more extensive in its propositions.

To limit the scope of the research, five exploratory interviews with horticultural consultants and experts from associations and administrative bodies were conducted in the early phase of the study. The interviewees generally confirmed the conspicuous relevance of succession for practitioners and as a research topic. Further analysis uncovered a lack of knowledge regarding the broad range of factors influencing intra-family business succession. One of the experts interviewed served as a gatekeeper and provided the first contacts to the field. Appointments for the first round of four interviews, two with predecessors and two with successors, were arranged in July 2013.

To broaden access to potential research participants, the first author presented the results of the expert interviews and the preliminary results based on the first round interviews at the Horticultural Business Management Conference in Berlin in September 2013. The extension agents and consultants in attendance were asked for support in recruiting additional participants for further interview rounds. Overall, the data collection was conducted from July 2013 to January of 2016 in five rounds in 13 horticultural enterprises located in different regions in Germany, totalling 20 interviews, 19 of which were viable. Based on a semi-structured interview guide, eight predecessors and nine successors, two of them female, were interviewed. During analysis and theory development, the interview guide was continually
refined to ensure the collection of appropriate data during the next steps. To include different perspectives on the same succession process an attempt was made to include both generations from the same company, which was achieved in four cases. In one interview situation, the mother of the successor was present during the interview and the father came in several times; this interview was excluded from the analysis. Of the remaining three interviews, two were conducted with sisters of one of the female successors. The final interview was conducted with the once prospective successor in a failed succession process (table 1).

Table 1.
Overview of the Research Interviews.

<table>
<thead>
<tr>
<th>Interview No.</th>
<th>Region and Interview</th>
<th>Date of Interview</th>
<th>Type of interviewee</th>
<th>Gender</th>
<th>Business No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bavaria-Lower Bavaria</td>
<td>01 July 2013</td>
<td>predecessor</td>
<td>m</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Bavaria-Lower Bavaria</td>
<td>05 July 2013</td>
<td>successor</td>
<td>f</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Bavaria-Lower Bavaria</td>
<td>08 July 2013</td>
<td>successor</td>
<td>m</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Bavaria-Lower Bavaria</td>
<td>08 July 2013</td>
<td>predecessor</td>
<td>m</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Bavaria-Lake Constance region</td>
<td>09 January 2014</td>
<td>successor</td>
<td>m</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Saarland</td>
<td>11 February 2014</td>
<td>successor</td>
<td>m</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Saarland</td>
<td>12 February 2014</td>
<td>successor</td>
<td>m</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Saarland</td>
<td>12 February 2014</td>
<td>predecessor</td>
<td>m</td>
<td>6</td>
</tr>
<tr>
<td>9</td>
<td>Baden-Württemberg</td>
<td>12 February 2014</td>
<td>successor</td>
<td>m</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>Baden-Württemberg</td>
<td>12 February 2014</td>
<td>predecessor</td>
<td>m</td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>Saxony</td>
<td>25 March 2014</td>
<td>predecessor</td>
<td>m</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>Saxony</td>
<td>26 March 2014</td>
<td>successor</td>
<td>m</td>
<td>9</td>
</tr>
<tr>
<td>13</td>
<td>Saxony</td>
<td>27 March 2014</td>
<td>predecessor</td>
<td>m</td>
<td>11</td>
</tr>
<tr>
<td>14</td>
<td>Saxony</td>
<td>27 March 2014</td>
<td>predecessor</td>
<td>m</td>
<td>12</td>
</tr>
<tr>
<td>15</td>
<td>Bavaria-Upper Bavaria</td>
<td>14 August 2015</td>
<td>predecessor</td>
<td>m</td>
<td>13</td>
</tr>
<tr>
<td>16</td>
<td>Bavaria-Upper Bavaria</td>
<td>14 August 2015</td>
<td>successor</td>
<td>f</td>
<td>13</td>
</tr>
<tr>
<td>17</td>
<td>Bavaria-Upper Bavaria</td>
<td>14 August 2015</td>
<td>sister of successor</td>
<td>f</td>
<td>13</td>
</tr>
<tr>
<td>18</td>
<td>Bavaria-Upper Bavaria</td>
<td>07 September 2015</td>
<td>sister of successor</td>
<td>f</td>
<td>13</td>
</tr>
<tr>
<td>19</td>
<td>Bavaria-Upper Bavaria</td>
<td>25 January 2016</td>
<td>failed succession</td>
<td>m</td>
<td>14</td>
</tr>
</tbody>
</table>

All interviews were digitally recorded and, excluding introductory conversations, the interview contents comprised between 23 minutes and 68 minutes. To enable an extensive and comprehensible analysis, the recordings were transcribed verbatim using f4 software, resulting in 246 pages of text (Times New Roman 12). Kvale (2007, p. 92ff) describes the transcription process as the translation from oral into written language. According to him, the result is a hybrid form, which usually corresponds neither to the lively oral conversation nor to the formal requirements of a written text. In the present study, the aim was to identify and reconstruct the decision processes during the course of succession considering the perspective of the people involved. For this purpose, the transcription rules allowed to smooth dialect and colloquial language. In preparation of the qualitative analysis, the transcripts were transferred to the specialized software package ATLAS.ti.
After the initial interview round, open coding was the first step of the GTM. By asking analytic questions while reading the transcripts and by studying single fragments of data, different incidents meaningful for theory development were collected and coded. In the coding process, labels that depict what each segment is about are attached to different segments of data (Charmaz, 2006, p. 3) (figure 3).

**Excerpts from Interview Transcripts**

“OK […] from the beginning we’ve been doing some work in the nursery.”
(Male successor, case # 3)

“I knew what I wanted […]. And it [succession] has always been my goal.”
(Male successor, case # 12)

**Codes**

Socialization in the business

Reflection on decision process

Comparative analysis as described by Glaser and Strauss (1967, repr. 2008) and developed further by Corbin and Strauss (2008, p. 195) led to theory development by constantly comparing incident against incident looking for similarities and differences. During this repeated procedure, codes were more and more elaborated and merged into concepts and categories, in the process expanding and grounding the evolving theory (see also Bitsch, 2005). At the point when additional collection and analysis cycles did not improve the elaborated grounded theory, the state of so-called theoretical saturation was reached and the data collection completed. Each of the five interview cycles was followed by data analysis leading to continuous theory development (figure 4).

**Figure 3. Examples of coding of interview transcripts.**

**Figure 4. Schematic representation of theory development from data collection and analysis cycles.**
4 Results and Discussion

Corresponding with Breuer (2009), results show that – within the multiple generation-spanning succession process – the individual intra-family succession starts with the birth of a potential successor. With varying intensity, the process extends to intermediate completion by the legal conclusion of the transition or, in case of failure, to alternative solutions like selling or abandoning the business. Socialization and choice of identity of the potential successor within the family as well as in the business turned out to be a prominent determining factor. Exploring the social and business environment is part of the identity-finding process. Below a successor reports in an emotional way his childhood experiences while growing up within the horticultural business of his parents.

“Always […], had the freedom to try things out in the nursery by myself. So I had my own vegetable garden, grew tomatoes, […] worked in the garden together with my granny” (Male successor, case #6).

This did not happen unobserved by the father and supposedly not entirely unintentionally.

“My father has always been there, has instructed us […] this always did fascinate me” (Male successor, case #6).

Breuer pointed out that the offspring remains under observation by the father and by the parents, respectively, especially during “activities on the company premises [and] occupation with material from the production process” (2009, p. 292). The observer notices certain playing habits and interprets behaviour with respect to initial signs of suitability for succession.

A different kind of observation occurs on both sides. Successors noticed very well when the father actively participated in the family life, despite the tight business schedule.

“[…] it is very, very important to show the young […] could not have been better in my case than my father taking a lot of time, even then when we [the successor and his brother] played soccer a lot, […] or him being our coach” (Male successor, case #3).

The influence of the spouses and life partners of the successors presents a complex and decisive factor. One male successor expressed his concerns about the lack of understanding on the part of his and his brother’s wives.

“[…] the wives, they partially don’t have the [same] understanding. They do not live it. We have been growing up with it, we know it precisely. The wives […], they have an eight-hour day” (Male successor, case #9).

An additional potential for conflicts arises if the expectations of the parental generation do not match the life plan of the younger generation. Without having talked to her, the predecessor expects his daughter-in-law to take over the direct-marketing part of the company when coming back from her maternal leave.

“Yes, then she’ll, I believe, when she has finished, when she is back from parental leave, she will take over the fruit barn” (Male predecessor, case #8).

Perceived obligations to continue the family business can influence the succession process either way, depending on the reaction of the successor. Telling her succession story, the female successor focused on her sense of obligation to support her father. According to her account, she had the impression as a child that her father was overburdened with running the business.

“It’s just that I have seen that my father was overstrained with the business” (Female successor, case #2).

To what extent this was the regular workload of an entrepreneur, interpreted, as being overburdening from a child’s point of view, cannot be evaluated. Relevant in the succession context are the steps the daughter has taken. With the decision to begin an apprenticeship as a horticulturist the course towards succession was set.

“I learn that, […] and then I’ll be able to help the father adequately” (Female successor, case #2).

During the entire succession process, lack of communication between generations and within the generations poses a notable threat to a positive result. In the failed succession process analysed, communication regarding succession between the prospective successor and his parents never took place. At least they did not start communicating before it was too late.

“I can’t remember that there have ever been explicit talks about [succession]. Especially not initiated by my parents” (Male potential successor, case #20).
“And then, someday I have spent the whole evening discussing with my mother. It became clear that the firm was not economically viable for two families. [...] Then, the company was leased out” (Male potential successor, #20).

Taking into account the complexity of the cases observed, the representation of the succession processes in a single model that fits each case did not fit the empirical data. Using (elements of) different models to represent the succession processes seems more suitable. The overall results of the study show parallels with Handler’s Mutual Role Adjustment Model where succession is a process, in which successors pass through different life stages. As the process progresses, they assume an increasingly important role in the family business. Fundamental socialization processes, as described in the literature review, are omnipresent in the observed cases. As the “Wittener Model” describes, communication serves as a lubricant that keeps the succession process running without conflicts, or, to stay in the metaphor, without too much friction.

5 Conclusions and an Application Example

Based on research in German family-run horticultural businesses, the present study takes the initial steps towards the development of a SGT of succession by identifying procedural factors in the observed cases. Since by definition, a SGT is of limited reach and only applicable within a comparable framework, consequently, the transferability has narrow limits and may only be extended to cases in similar industries.

Considering the long-term nature of the succession process, many obstacles can impede the path to successful family business succession. Therefore, the overall business-succession strategy has to consider the development of every person involved in the process over time. At different stages of their personal development, potential successors undergo different phases of identity formation and socialization within the family and the business. Whether they admit it or not, adolescents follow the role models of their parents, and it is precisely for that reason that the predecessors have to show by their own positive example that entrepreneurship is a desirable life style worth following (Calmbach, Borgstedt, Borchard, Thomas, and Flaig, 2016, p. 43). To avoid misconceptions in crucial situations, predecessors and successors alike need to be active in seeking dialogue with each other. Especially the analysis of a failed succession process has revealed that communication is of paramount importance throughout the entire succession process.

Gender issues could not be identified in the succession processes investigated, perhaps because the female interviewees had no male competitors for succession. Due to the overall situation within gender research, it is recommended to expand future research on succession explicitly to cases were opposite-sex siblings compete with one another in the business succession.

In October 2014, a first practical implementation originated from the collaboration with one of the experts interviewed in the exploratory phase of the study. Under the title FARM_SUCCESS (training FARMers for sustainable SUCCESSion processes), a consortium of eight institutions from six European countries successfully applied for an Erasmus+ EU-grant. The purpose of the project was to develop a digital training system, which, based on 30 case studies collected in five countries, provides young farmers with the skills and knowledge necessary to participate in a sustainable succession process. The final product is a “serious game” online platform, simulating the implementation of a succession process on a family farm with the individual input of the user. By transferring the results to their ongoing succession, predecessors and successors will be able to apply the lessons learned from the serious game to their individual succession processes, thereby increasing their chances of success. The “serious game” and other outputs of the project are available at www.farmsuccess.eu.

References


