

Succession in Small and Family Businesses

Student: Tamara Checkley

598 Management Report

Prepared for the Canadian Association of Family Enterprises (CAFE) Vancouver Island
Chapter (CAFE VI)

Academic Supervisors: Dr. Lindsay Tedds and Dr. Lynne Siemens

Client: CAFE Vancouver Island Chapter

October 2010

EXECUTIVE SUMMARY

Small businesses are an integral part of Canada's economic and social make-up. They account for a large majority of all businesses in Canada and represent the largest employer of Canadians. With Canada's rapidly aging population, almost three-quarters of small businesses are expected to transfer ownership in the next ten years. These small business owners expecting to retire should be in the process of developing or have already developed their succession plans; however, nearly three-quarters of owners expected to retire in the next ten years have not established a plan for their succession. Succession planning represents an opportunity for business owners to identify the potential issues that may arise during the succession process, address them in advance, and ensure a smooth succession process. To successfully support small businesses transitioning ownership, more research is required on the barriers they face and how to successfully assist the succession process.

The Canadian Association of Family Enterprises (CAFE) is a non-profit organization established to provide support to family businesses and foster greater awareness and understanding of family business issues by governments. To contribute to the literature around small business succession this paper will identify some of the barriers to small business succession, explore whether there is a role for government to support succession planning and succession processes in small businesses, and make the appropriate policy recommendations to overcome those barriers. This paper will study the following areas in an effort to examine succession planning and succession amongst small businesses:

- *Exploring small business succession planning literature for themes and gaps in research;*
- *Developing a basic conceptual framework for thinking about succession planning;*
- *Identifying international good practices for supporting succession planning through a jurisdictional scan;*
- *Exploring the possibility of recommendations to government on how it can support small business succession planning; and*
- *Contributing to the improvement of knowledge around successful small business succession.*

Methodology

Literature was gathered from the academic, private, and public fields to establish a background on the current state of succession and the importance of small businesses to Canada. The sources were then used to develop a literature review examining barriers and issues to succession, considerations for succession planning, and how the succession process should unfold. Throughout the literature review a conceptual framework was developed, highlighting specific actions and considerations at each phase of the succession process. Finally, the literature and overall conceptual framework provided information to inform a jurisdictional scan on best practices in seven different regions. The information collected for the background, literature review, and jurisdictional scan was then used to inform a set of evidence-based recommendations.

Research Findings

The literature review identified that while small business succession is frequently discussed in the academic, private, and public literature, it most often focuses on the technical aspects of succession, and succession as a single event, rather than a long process involving significant planning. This representation of small business succession in the literature fails to address the human aspects of succession planning, which involves significant preparation by the predecessor, successor, and key stakeholders, and represents important steps in the succession process. Although the literature available on family business succession planning and succession processes is becoming more thorough and rigorous, there are still gaps in the research that need to be addressed before government and advocacy groups can use the academic and private sector information to inform a set of evidence-based succession practices.

The jurisdictional scan identified valuable information on small business succession planning services in Canada and other countries. It highlighted the lack of comprehensive succession services offered in the various jurisdictions, and an inability of various governments to apply the conceptual framework based on the academic literature to applicable programs and services. The information from the literature review and jurisdictional scan was used to inform a set of recommendations.

Recommendations

This paper provides a set of evidence-based recommendations CAFE can take forward to government:

- *Recommendation 1:* Support comprehensive research that examines why small businesses choose not to plan for succession.
- *Recommendation 2:* Work with the academic community to translate succession research into applicable practices, tools, and resources for small business owners.
- *Recommendation 3:* Commission a report with practical recommendations on how to improve the small business environment in Canada and commit to the implementation of the recommendations.
- *Recommendation 4:* Establish comprehensive government programs, offered free or at a low cost, that target succession in small businesses.
- *Recommendation 5:* Explore the possibility of providing subsidized support for small businesses to access comprehensive support services from succession planning professionals.
- *Recommendation 6:* Use both academic and private sector literature to develop a comprehensive guide on succession planning and the succession process.

This report provides information that will assist CAFE in advocating to government for increased support of succession planning and succession processes in small businesses. This report will also provide information and references that can be used for future research on this topic.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
TABLE OF CONTENTS.....	4
TABLE OF FIGURES.....	7
TABLE OF TABLES	7
SECTION 1: INTRODUCTION	8
SECTION 2: CLIENT ORGANIZATION.....	11
SECTION 3: DEFINITIONS.....	12
Section 3.1: Small Business	12
Section 3.2: Family Business	12
Section 3.3: Succession.....	13
Section 3.4: Summary	13
SECTION 4: CONTEXT.....	14
SECTION 5: LITERATURE REVIEW	16
5.1 Importance of Succession Planning	16
5.2 Succession in the Literature	17
5.2.1 Succession as an event.....	17
5.2.2 Succession as a process	18
5.3 Succession Process.....	19
5.4 Phase 1: Planning	19
5.4.1 Predecessor defines a successful succession process	20
5.4.2 How the predecessor exits the business.....	21
5.4.3 Values of the predecessor	21
5.4.4 Successor characteristics	22
5.4.5 Building a plan	25
5.4.6 Summary of the planning phase	26
5.5 Planning to Screening Transition.....	27
5.5.1 Predecessor roles	28
5.5.2 Shared responsibilities of the predecessor and successor.....	29
5.5.3 Successor intention and willingness.....	32
5.5.4 Summary.....	33
5.6 Phase 2: Screening	34
5.6.1 Predecessor responsibilities.....	35
5.6.2 Successor commitment to the succession process.....	38

5.6.3 Summary.....	39
5.7 Transition Period from Screening to Transfer	40
5.7.1 Key relationships	40
5.7.2 Summary.....	41
5.8 Phase 3: Transfer.....	42
5.8.1 Summary.....	44
5.9 Phase 4: Post Process	44
5.9.1 Post Process considerations.....	45
5.9.2 Summary.....	46
5.10 Conceptual Framework	46
5.11 Gaps in the Literature.....	48
SECTION 6: JURISDICTIONAL SCAN	50
Section 6.1: Australia.....	50
6.1.1 Background.....	51
6.1.2 Peak Partners Pty Ltd.	51
6.1.3 Growcom.....	51
6.1.4 Discussion.....	52
Section 6.2: European Union	53
6.2.1 Background.....	53
6.2.2 Austria’s succession program.....	54
6.2.3 Finland’s Take Over Program	54
6.2.4 Discussion.....	54
Section 6.3: United Kingdom.....	55
6.3.1 Background.....	55
6.3.2 Business Link	56
6.3.3 Discussion.....	57
Section 6.4: United States	58
6.4.1 Service Corps of Retired Executives (SCORE)	58
6.4.2 Home Town Competitiveness	58
6.4.3 Discussion.....	59
Section 6.5: Canada.....	60
6.5.1 Background.....	60
6.5.2 Business Succession in Rural Communities.....	60
6.5.3 Community Futures Development Corporation Succession Fund	61

6.5.4 Discussion.....	61
Section 6.6: British Columbia	62
6.6.1 Background.....	62
6.6.2 Small Business BC	63
6.6.3 Provincial Nominee Matching Program.....	63
6.6.4 Discussion.....	63
Section 6.7: Discussion	64
SECTION 7: RECOMMENDATIONS.....	69
7.1 Recommendations for Supporting Organizations	70
7.2 Recommendations for Government	71
7.3 Recommendations for Researchers	71
SECTION 8: CONCLUSION.....	73
REFERENCES	75
APPENDIX A.....	85

TABLE OF FIGURES

Figure 1. Succession Process	19
Figure 2. Priorities of Phase 1: Planning	20
Figure 3. Priorities of the Planning to Screening transition phase.....	28
Figure 4. Priorities of Phase 2: Screening.....	35
Figure 5. Priorities of the Transition from the screening to the transfer phase	40
Figure 6. Priorities of Phase 3: Transfer	43
Figure 7. Priorities of Phase 4: Post Process	45
Figure 8. Conceptual Framework	47
Figure 9. Australia	53
Figure 10. European Union.....	55
Figure 11. UK	57
Figure 12. US.....	59
Figure 13. Canada.....	62
Figure 14. BC.....	64

TABLE OF TABLES

Table 1. Internal vs. External Successor.....	24
Table 2. Summary of Planning phase	27
Table 3. Predecessor roles	28
Table 4. Summary of Transition from the Planning to the Screening phase	34
Table 5. Summary of Screening phase	39
Table 6. Summary of transition from screening to transfer phase.....	42
Table 7. Summary of Transfer Phase.....	44
Table 8. Summary of Post Process phase	46
Table 9. Review of Jurisdictional programs	64

SECTION 1: INTRODUCTION

Small businesses are a driving force of the Canadian economy and represent a significant area of innovation, employment, and job creation (Bruce & Picard, 2005). In 2005, businesses with fewer than 50 employees accounted for 95% of all businesses, employed 64% of Canada's private sector labour force, and accounted for over 40% of all jobs created (Moore & Polushin, 2009, p. 66; Bruce & Picard, 2005). It is estimated that small businesses accounted for approximately 23% of Canada's and 33% of BC's GDP in 2006 (Norton, Schrier, & Hallin, 2008, p. 3). Beyond their economic contribution, small businesses are also important to the social construction of communities, and often provide specialized services that would otherwise be unavailable. With small businesses a key component of Canada's economic and social make-up, focus should be placed on ensuring their success into the future.

The number of small business owners posed to retire by 2030 signifies a looming crisis, with approximately 71% of small business owners in Canada planning to exit ownership or transfer control of their business within the next 10 years (Deloitte & Touche Survey, 1999, p. 5; Bruce & Picard, 2005, p. 3). More specifically, 27% will retire within the next five years, 29% in six to ten years, and a further 22% in 11-15 years (Deloitte & Touche Survey, 1999, p. 3). While the transfer or selling of a small business will provide opportunities for the next generation to purchase already established businesses, only 30% of businesses are successfully transitioned to the second generation, and only 10% are successfully transitioned to the third generation (Bruce & Picard, p. 306). The current demographics of small business owners and the rate of business failure as a result of succession means that of the small businesses that are transferred in the next 15 years may fail.

Succession failure could cause damage to the economy in the form of lost jobs, taxes, international trade, knowledge, specific expertise, and opportunities for the entry of new owners (Martin, Martin, & Mabbett, 2002). In Australia, which has a similar proportion of small businesses, small business succession failure has been estimated to cause the loss of 3 to 4% of GDP and 10% of total job losses each year (Duneman & Barrett, 2004; Mandelbaum, 1994). According to a survey conducted by the Deloitte & Touche Centre for Tax Education and Research at the University of Waterloo, most small businesses in Canada are dependent on their owner and believe that the survival of their business depends on this leader, leaving them vulnerable when the leader exits the business (1999). However, small business owners can minimize the uncertainties of retirement and the potential negative effects it may have on the economy through business succession planning (Picard, 2004).

Businesses of any size can be pro-active by ensuring they have a clear, comprehensive, and current succession plan; this document is directly correlated with an increased chance of succession success (Morris, Williams, Allen, & Avila, 1997). However, despite the rate of business failure following succession, over three-quarters of family business owners who expect to retire within the next 15 years do not have a succession plan (Bruce & Picard, 2006, p. 306). If small businesses are not independently choosing to plan for succession, there may be a role for public, private, or non-profit organizations to encourage and assist

them in planning for their future. Supporting small businesses through effective and appropriate policies that address the unique succession challenges they face will promote continued employment and their ongoing ability to contribute to the economy (Curran, 2000). In order for small businesses to be supported to plan for succession, the business environment needs to encourage existing small business success into the future. However, government's current focus is on assisting entrepreneurs to establish and grow new businesses, rather than supporting current business owners who are nearing retirement to transition their business to the next generation. Government policies have led to a small business environment that does not support succession. If government changes its approach to supporting small businesses, it may make it easier for public, private, or non-profit organizations to deliver services that assist family businesses in developing their capacity and ensuring their businesses are sustainable through multiple generations (Craig & Moores, 2009).

The activities of this project is to explore the potential for government, non-profit, and academic organizations to play a role in supporting small business succession and encouraging small business succession planning. To achieve this, the project will focus on:

- Exploring small business succession literature for themes and gaps in research;
- Developing a conceptual framework for succession with a focus on the planning process;
- Identifying international good practices for supporting succession through a jurisdictional scan;
- Exploring the possibility of recommendations to government on how it can support small business succession; and
- Contributing to the improvement of knowledge around successful small business succession.

Using information gathered from the academic, private, and public sectors, the purpose of this project is to provide a base of information that will be used to assess the current state of succession amongst small businesses. Using a two part research strategy that develops a literature review in the first phase and a jurisdictional scan in the second, this methodology will provide a collection of resources and information on succession in small businesses for use in future research. All the information is then used to develop evidence-based recommendations.

The remaining sections of this report are as follows. The section following the introduction reviews the client organization, the Canadian Association of Family Enterprises (CAFE), and its purpose for supporting this project. The methodology section provides an overview of the literature review and jurisdictional scan. The definitions section provides key terms used throughout this report including succession, small business, and family business. The literature review then analyzes the academic literature for important aspects to consider in the succession planning process, outlines the succession process in a conceptual framework, and identifies areas in need of further research. The jurisdictional scan provides an overview of the various programs and services different jurisdictions offer to support small business succession. Finally, the recommendations will build on the information

supplied in previous sections to provide clear direction on ways CAFE can increase awareness of the importance of succession planning in small businesses and advocate for government support.

SECTION 2: CLIENT ORGANIZATION

This project is prepared for the Canadian Association of Family Enterprises (CAFE) Vancouver Island Chapter, a federally chartered, non-profit organization with thirteen chapters across Canada. CAFE's objectives are:

- To educate, inform, and encourage its members by sharing experiences in areas of interest to the family business.
 - To foster greater awareness and understanding by governments of family enterprise and of their function in the present and future economic community of Canada.
 - To act as the centre for a meaningful exchange of ideas and help between individuals involved in family enterprise at all generation levels.
 - To build a network of associates and information-sharing between participants in family business throughout Canada.
 - To provide the personal and business support for family members to successfully pass on their business and family values to the next generation.
- (Canadian Association of Family Enterprises [CAFE] – About CAFE, 2009)

In order to create a support network for family businesses, CAFE has developed strategic partnerships with other associations including university centres and financial institutions. It also has direct contact with both provincial and federal governments, advocating for support and awareness of family business issues in Canada (CAFE, 2009). In advocating for government support of family businesses, CAFE must assure that any family business issue identified is critical to the ongoing success of family businesses in Canada.

CAFE's strategic position as a business advocacy group makes it an ideal partner to draw attention to barriers faced by small businesses and potential ways in which government can provide support to overcome those barriers. This project will provide CAFE with a conceptual framework for discussing succession, and examples of succession processes and practices supporting succession planning from other jurisdictions. CAFE can use this information to increase awareness of the importance of succession planning in small businesses, advocate for support from government to bring this issue to the forefront, and provide programs and services to help small businesses successfully transfer their business to the next generation.

An important consideration when discussing succession among government, non-government, and professional groups is defining the terms used. The next section will ensure consistency in the definitions used to discuss small business, family business, and succession to avoid confusion in identifying issues and developing solutions.

SECTION 3: DEFINITIONS

The academic, private, and public literature provides different definitions of small business, family businesses, and succession. The lack of clarity around these definitions is a result of different organizations setting their own parameters for their own needs. For example, academic research or government program delivery may use different definitions based on their specific requirements and funding. To ensure consistency in the definitions for family business, small business, and succession, they will be provided below and used throughout this paper.

Section 3.1: Small Business

According to BC Stats and Western Economic Diversification (WD), the most commonly used definition of a small business focuses on the number of employees in the company; typically, a small business is defined as one with fewer than 50 employees, or operated by a person who is self-employed without any additional paid help, which accounts for 98% of all businesses in BC (Norton, Schrier, & Hallin, 2008, p. 3). Alternatively, Industry Canada defines small businesses in terms of profits rather than number of employees, stating that a small business is any business that does not exceed annual revenues of greater than \$5 million (Industry Canada, 2009).

Based on the definitions provided by BC Stats, WD, and Industry Canada, an amalgamation of concepts will provide the definition of small businesses for this project. A small business will be defined as all types of businesses with fewer than 50 employees, or with annual revenues that do not exceed \$5 million. This definition was chosen as it will allow use of statistics and small business information from both BC and Canada.

Section 3.2: Family Business

In the family business succession literature, little consensus exists on the definition of a family business. According to Ward, a family enterprise is a company ownership in which the majority of decision making rights is in the possession of a family and will be passed from one generation to another (as cited in Brockhaus, 2004, p. 165; Handler, 1994). Cabrera-Suarez (2005) has stated that at the heart of many family business definitions is the idea that there is family influence or control over both the ownership and the management of operations. Casrud (1994) defines a family business as “one in which both ownership and policy making are dominated by members of an ‘emotion kinship group’” (as cited in Morris, Williams, & Nel, 1996, p. 68). For Fox, Nilakant, and Hamilton (1996), the definition has to fulfill two components: the first is that it has to be family owned, and the second is that there is “either the occurrence or anticipation that a younger family member has or will assume control of the business from an elder” (p. 15).

These definitions focus on the role of the family in terms of controlling the business’s resources, having decision making control, transferring the business to a family member in the next generation, and belonging to an emotion kinship group. As there is little consensus

on a definition of family business, we will use aspects of each of the definitions above. A family business will be defined as a business in which family members collectively determine the direction and vision of the company and have controlling interests over both the business ownership and the management.

Section 3.3: Succession

Rather than close down a business when ready to retire, many business owners prefer to exit their business by selling to a new external owner or transferring ownership to a family member or internal employee (Martin et al., 2002). In the family business literature, this is commonly referred to as succession or the transfer of leadership and ownership from a predecessor to a successor (Sharma, Chrisman, & Chua, 2003). Garman and Glawe (2004) provide a more general definition of succession as “a structured process involving the identification and preparation of a potential successor to assume a new role” (p. 120). Barnett and Davis (2008) define succession planning as “any special efforts to invest in the best, highest performing, or highest potential talent at any organizational level or function, but particularly at the top” (p. 721). Ip (2009) more broadly defines succession as the process through which owners plan to transfer or dispose of their businesses.

The definitions cited above focus on different aspects of succession, from ensuring there is a potential successor available, to transferring ownership to another individual. For the purposes of this project, the definition of succession will focus on the identification of a successor and the transfer of ownership and management from one individual to another. This definition was selected as it represents the overall themes of the definitions described above.

Section 3.4: Summary

Establishing clear definitions for small business, family business, and succession will ensure the discussion around small business succession and succession planning is consistent. Confusion around definitions may result in lack of clarity and focus amongst the academic, private, and public sectors in identifying issues with succession and developing solutions. Although common definitions will provide consistent language for discussing succession, getting governments, public, and private sector organizations to work together to acknowledge and support the issue is a larger issue. The next section provides an overview of the current state of government support for succession planning in small businesses.

SECTION 4: CONTEXT

This section will provide an overview of government's awareness of small family business succession issues, how they have been encouraged to support businesses through the succession process, and how little action has been taken. Although small business succession planning has been brought to the attention of government through presentations to a committee created to explore potential issues with the demographic shift, little has been done by government to address or bring attention to the need for small businesses to plan for their future. Independent organizations continue to produce reports clearly stating a need for focus around the issue; however, the academic, public, and private sectors have done little to translate the issue into supportive solutions.

In 2006, the Standing Senate Committee on Banking, Trade, and Commerce (SSCBTC) examined and reported on issues dealing with demographic change due to a rapidly aging population, which will occur in Canada within the next two decades. In particular, the committee explored potential actions that could be undertaken to address the economic and social consequences that will accompany this shift. Small business succession planning was highlighted as an important issue, given the growing percentage of Canada's small business owners approaching 65 and wanting to retire (Standing Senate Committee on Banking, Trade, and Commerce, 2006).

To assist in addressing small business related issues, the Canadian Federation of Independent Businesses (CFIB) was invited to provide a statement on the state of small business to the Committee. The CFIB is an independent organization that represents the interests of the small business community at all levels of government (Canadian Federation of Independent Businesses, 2009). They reported to the SSCBTC that two-thirds of small businesses had not started planning for their future succession, and without proper preparation for succession, small businesses were at an increased risk of closure. To help address this issue CFIB proposed six general recommendations for government to assist in facilitating the successful transfer of small business ownership from one generation to the next (Standing Senate Committee on Banking, Trade, and Commerce, 2006).

Although the recommendations made to the SSCBTC by CFIB indicate the need for government support in addressing small business succession planning, this issue was not specifically addressed in the final recommendations produced by SSCBTC. Rather, the recommendations in the SSCBTC report focused on immigration to address the demographic shift and changing the tax environment to encourage long term savings; it is unclear why recommendations relating to small business succession were not included. Even with CFIB's insistence for government to take action and support small business succession, little has been done by government to acknowledge and act on those recommendations. Government's choice not to address this concern at a federal level may be perpetuating the trend of low levels of succession planning as general awareness of succession planning among small businesses remains quite low (Bruce & Picard, 2005) and there are few government programs available to support small businesses in their succession planning processes.

The CFIB's report to the SSCBTC on the effects the demographic shift may have on small businesses is not the only time this issue has been brought to government's attention in a public arena. CFIB has produced numerous research reports such as *Succession can Breed Success: SME Succession and Canada's Economic Prosperity* and *Making Succession a Success: Perspectives from Canadian Small and Medium-Sized Enterprises* that clearly indicate a need to focus on the effects of an aging population on small businesses, and have recommended government support as a potential avenue for addressing this issue (Bruce & Picard, 2005). Other private organizations such as the accounting firm KPMG have also identified the looming crisis of small business owners' retirement, and have developed supporting materials to address financial aspects of the succession process (Walsh, 2007). The number of reports and the wide variety of authors specifically addressing succession planning in businesses indicates that this is an issue observed not only in organizations focused on small businesses. Although different organizations have identified the need to address the potential effects of the demographic shift on small businesses, appropriate steps to develop comprehensive tools and systems of support offered by private and public organizations have not been taken.

The following section synthesizes available research on succession to develop a new way to conceptualize succession planning in family businesses. The focus will be primarily on the family business experience with an internal candidate, as there is a lack of literature available on the family business experience with an external candidate. Using existing information, succession will be presented as four overlapping stages: planning, screening, transfer, and post process, where decisions and actions made at each stage can affect how the overall succession proceeds. Through the course of the literature review, a conceptual framework will be developed to guide the discussion on succession in small family businesses.

SECTION 5: LITERATURE REVIEW

This section of the project explores the academic literature related to the succession process in small family businesses. Information for the literature review was compiled through searches of the following academic databases: EBSCOHOST, JSTOR, Wiley Interscience Journals, ScienceDirect (Elsevier), SAGE Journals, and Google Scholar. A general Google search was also used to find supporting literature on small business succession planning from the private and public sector. Search terms included succession planning, small business succession, business succession, and family business succession. After compiling the research, the articles were filtered for a focus on small and family business succession. All relevant information that resulted from the search was reviewed; however, articles that provided the same information were not included.

Sources gathered from the private and public sector will provide background information on the current state of succession planning in small businesses and the importance of small businesses to the Canadian economy, as well as provide context on the current state of academic thought on succession in small businesses. The literature review provides a base of information on good succession practices and will support the development of a conceptual framework to analyze the programs and services offered in various jurisdictions. After providing information on the importance of succession planning, it will outline specific actions and responsibilities at the four stages of the succession process: planning, screening, transfer, and post process.

5.1 Importance of Succession Planning

Managing the transition of a business from one generation to the next is a difficult process to navigate. Succession planning has been identified in the literature as one of the most important topics requiring the attention of business owners, and the single most important lasting gift one generation can provide to the next (Motwani, Levenburg, Schwarz, & Blankson, 2006; Pardo-del-Val, 2009). Succession planning can help businesses avoid risk (Garman & Glawe, 2004), transfer knowledge that can be a source of competitive advantage (Cabrera-Suarez, Saa-Perez, & Garcia-Almeida, 2001), ensure successors are prepared for their new position (Barach & Ganitsky, 1995; Stavrou, 1998), transfer relationships and strategic direction (Kesner & Sebora, 1994), provide family businesses with the processes, knowledge, and structure for identifying internal capacity, and provide an opportunity for change (Barnett & Davis, 2008; Berman & Coverly, 1999).

Although succession planning can help family businesses ensure continuity and prosperity to the next generation, many continue to leave succession to chance (Sharma, Chrisman, & Chua, 2003). While some important indicators of why businesses choose not to plan have been identified, such as the complexity and potential conflict associated with this emotionally loaded issue, there is an overall lack of sufficient knowledge about why succession is not planned for (Haag, Helin, & Melin, 2006; Lansberg & Astrachan, 1994). Choosing not to plan for the future is committing 'corporeuthanasia', when the owner kills off the business by failing to provide the organization with plans for clear continuity into the future (Handler, 1994). Not planning for succession affects the ability of business owners to engage in an effective and successful succession process (Haddadj, 1999).

The relative infrequency, uncertainty, and the potentially negative outcomes of the succession process has led to the perception that succession is a disruptive event (Kesner & Sebora, 1994). Takeover by a new owner may cause concern about the future of the business, and because succession can trigger significant change (Kesner & Sebora, 1994), it can be viewed as disruptive to the regular business function by employees, stakeholders, and the predecessor. The perception that succession is a disruptive and negative process needs to be corrected so small businesses will be encouraged to plan for their future. To avoid the potentially negative effects succession can have on a business and to ensure succession is a positive strategic opportunity, small businesses need to be knowledgeable about succession and plan for their future.

5.2 Succession in the Literature

There are two ways that succession is commonly presented in the literature. The first presents succession as a series of events and the second presents succession as a process that should be planned for over a long period of time. The way a business chooses to conceptualize and deal with succession can either lead to negative feelings and therefore a tendency to avoid planning, or the acceptance of succession as a long term process and a means to avoid a potential negative outcome.

5.2.1 Succession as an event

Literature presenting succession as an event was built on the work of early academic research that focused on identifying key variables in the succession process (Kesner & Sebora, 1994). Variables such as business performance, successor selection, and consequences of succession tend to present succession as a potentially negative and disruptive event (Giambatista, Rowe, & Riaz, 2005; Chua, Chrisman, & Sharma, 2003). Although literature that focuses on singular variables has identified important features of succession, it fails to connect ideas, and is unable to provide an overview of how all the independent variables will occur during succession, and how they may affect one another.

One of the key variables that researchers focus on is the independent technical elements of succession, such as taxes or legal issues. These technical variables are often treated as singular events that can be addressed during the business transfer, where choices made around technical issues will not affect other areas of succession, thus resulting in literature that treats succession as an instantaneous event, or a series of independent events, that can be addressed without affecting the rest of succession. While technical variables are an important aspect, the majority of problems encountered during the succession process are human ones, revolving around family, relationships, and individual values (Duneman & Barrett, 2004). Walsh (2007) has stated that too much attention has been paid to the technical components of succession, at the detriment of providing literature that addresses planning and managing family business issues. The focus on technical issues during succession, rather than family issues that need to be addressed well in advance of succession, has led to an assumption that limited planning is required.

Research focused on presenting succession as an event provides much of the theoretical base for how succession research is conducted today. Due to the lack of focus on identifying good comprehensive succession practices used by small businesses, these researchers have failed to promote the importance of succession planning in the public sphere. This has resulted in succession research that is not always applicable to the general practice of small businesses owners, as it does not provide clear direction on how to plan for the total succession process. Rather than a clear plan for succession, small businesses are left to figure out how the independent components presented in the literature work together.

5.2.2 Succession as a process

The transfer of a business is not a single independent event; rather, it is an ongoing process of events with actions and decisions at one period affecting how the succession process will unfold. It should not be limited to a single event, or series of events in a confined period of time (Lambrecht, 2005). Succession should be viewed as a lifelong opportunity to plan and ensure a positive outcome for the future. Although many researchers have presented succession as an event, the following illustrates how some have presented succession as a lifelong continuing process.

There are two key frameworks used to describe the succession process: the stage model of succession and the life cycle approach to succession. The stage model put forward by Longenecker and Schoen (1978) divides the succession process into seven distinct stages: pre-business, introductory, introductory-functional, functional, advanced functional, early succession, and mature succession. Churchill and Hatten (1997) developed a life cycle approach to describe succession that distinguishes four states: owner-management stage, training and development stage, partnership stage, and power transfer stage. Both models present succession on a continuum, where decisions, actions, and planning at one phase can affect the process at later phases.

Comprehensive information on the benefits of planning and engaging in succession as a process is available to business owners through private organizations and some academic literature; however, little attention has been given to how the actual succession process should unfold and how it can be supported, as every family business has unique structure, relationships, and goals, making it difficult to develop standardized guides (Dyck, Mauws, Starke, & Mischke, 2002; Picard, 2004). The lack of specific guidelines or comprehensive models of succession planning (Pardo-del-Val, 2009) may have resulted in researchers continuing to focus on single succession events, and as a result, business owners continuing to tackle the succession process without the necessary knowledge, skills, and tools, resulting in a negative view of succession.

Approaching succession as a process makes more sense, and will likely lead to a better outcome, than approaching it as a series of events. As a result, this project will describe succession as a process, not as an event. Using the available literature, a structure will be developed throughout the course of the literature review to build a conceptual framework for discussing succession as a process. The conceptual framework will place individual variables in the model for a succession process to illustrate how the available literature can

be used to describe, outline, and provide support for small businesses engaging in the succession process, with an emphasis on the planning process. As stated before, the focus in developing a conceptual framework will be primarily on the family business experience with an internal candidate.

5.3 Succession Process

The development of the conceptual framework will be an iterative process; as a result it is anticipated the figure will change based on the available literature discussed in each section. The four categories are an adaptation of the suggested categories discussed in the previous section. The sizes of the circles are a representation of how each section translates to a period of time. For example, Figure 1 illustrates how the current literature presents the succession process with an emphasis on the transfer, rather than planning, prior to the entry of a successor. Therefore the planning period is much smaller than the others. The literature also suggests that the timeframe from planning to post process is a short period, with the transfer phase taking the most time in the process.

Figure 1. Succession Process



The following sections will go through the four stages of succession, applying the concepts discussed in the academic literature to develop a conceptual framework for the succession process. Using the academic literature, specific roles and responsibilities for each of the four general categories will be identified. An overview of the four stages of succession will demonstrate that the planning phase and the transition to the entry of the successor should take up the most time during the succession process and occur years in advance of the actual succession.

5.4 Phase 1: Planning

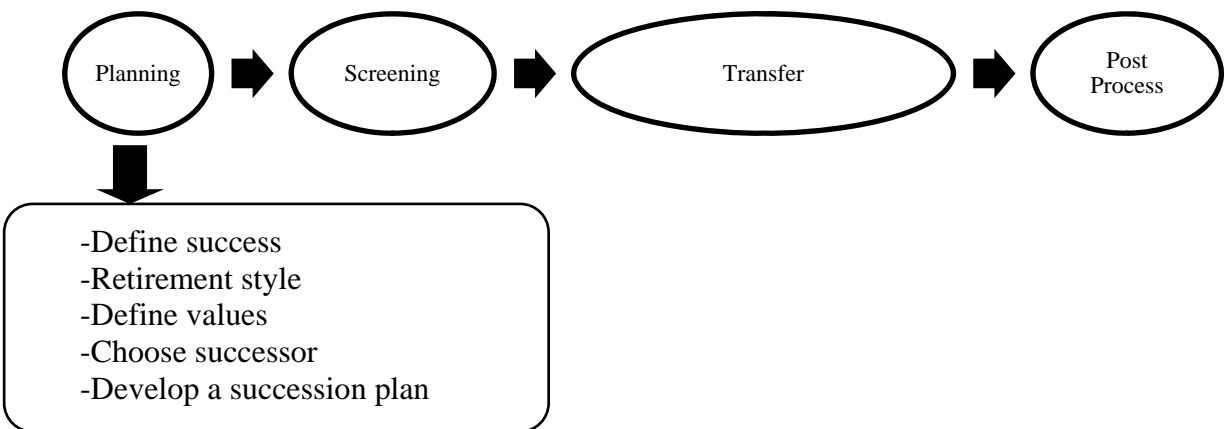
This section will review the planning period prior to the identification and entry of a successor. The planning period focuses on the requirements, roles, and responsibilities of the predecessor with the ultimate goal of developing a succession plan (Lansberg, 1988). Although there is no set period when planning should begin, much of the literature states that planning for succession should occur as early as possible, before a predecessor has set and committed to a retirement date.

Figure 2 highlights some of the predecessor's key considerations during the planning period. In order to encourage a successful succession, any concerns or issues a predecessor may have should be identified and addressed before and during the succession planning process. Areas that should be focused on during this phase include:

- Defining a successful succession process;

- Establishing a retirement style;
- Passing on the business and family values;
- Ensuring that the predecessor is able to successfully cycle through the roles they must fill during the succession process; and
- Making a decision of whether to choose an internal or external successor.

Figure 2. Priorities of Phase 1: Planning



Many of the areas a predecessor should focus on in the planning phase address the human elements of the succession process, as personal issues often require a lot of time and focus to properly address. This section will demonstrate that a personal awareness of values and feelings toward leaving the business will help lead to a smoother succession process.

5.4.1 Predecessor defines a successful succession process

One of the first steps in the succession planning process is defining what success will look like for the individual business owner. Tatoglu, Kula, and, Glaister (2008) state that a successful succession process is when the successor has gained legitimacy and they are able to exercise appropriate leadership of the business. Alternatively, Venter, Boshoff, and Maas (2005) state that a successful succession is defined by the satisfaction of stakeholders, sustained growth, profitability of the business, and a leadership transition that did not disrupt the family or the business. Handler (1994) states that a successful succession process involves the maintenance or improvement of the business, assumption of leadership, and minimal effects on the family. Much of the academic literature tends to focus on the technical elements of succession while ignoring the personal or family element. This implies that personal and family issues need to be addressed during the succession process in order to meet the academic definition of success, and experience a successful process.

Although the academic literature outlines specific elements of a successful succession process, in reality success is defined by the business owner as it is personal to each business. Warrillow (2010) states that business owners may choose to leave the business at any point in their career for reasons other than financial success, likely having an alternative definition of success other than financial gain. Defining their own succession success will enable business owners to have a personal goal to work towards rather than an

outcome defined by the academic community. The odds of having a successful succession process can be significantly increased if a family has its own personal definition of success to work towards.

After the predecessor has defined what success will look like and has a goal to work towards, they should start considering how and when they may want to exit the business; in addition, they should determine what their business values are, whether they want to pass those on to the successor, and how both of those factors may help or hinder the succession process.

5.4.2 How the predecessor exits the business

Due to the diverse nature of a family business, not all predecessors are likely to retire at the same age or in the same way. Business advisors indicate that most small business owners begin considering retirement in their late 50s to early 60s (Martin et al., 2002). The way that a predecessor approaches their retirement, or exit for other reasons, will have an effect on the overall succession process and future success of the business. Handler (1994) identified four types of retirement styles of business owners:

- *Monarch* – predecessor does not leave the business until forced out.
- *General* – predecessor only leaves when forced out but makes plans to return.
- *Ambassador* – predecessor leaves willingly and becomes an advisor to the business.
- *Governor* – predecessor acts as an operator for a short time, then moves on.

The manner and timing in which a predecessor chooses to leave the business will have an effect on the successor's ability to successfully continue the business. If the predecessor's retirement style negatively affects the succession process, it may cause the successor issues in the future, or could result in a failed succession process. Retirement style should be addressed and discussed during the succession planning process, to help ensure the predecessor embarks on a positive retirement path. Although retirement is often an emotional period for a business owner, with support from professionals, business owners could learn how to successfully retire from their business, limiting the potential conflict and uncertainty along the way.

5.4.3 Values of the predecessor

Business values are another concern that predecessors should address during the planning phase. Small businesses have the unique opportunity of conveying a set of established values to the potential successor as a means to facilitate a successful succession process and achieve the continued success of the business (García-Élvarez, López-Sintas, & Gonzalvo, 2002; Walsh, 2007). These values need to be articulated so their influence and place in the succession process can be fully understood (Duneman & Barrett, 2004). García-Élvarez et al. outlined value systems of predecessors that should be identified and taken into consideration during the succession process:

- *Predecessor of family tradition* – family and business are intertwined and viewed as something more than a means of income.

- *Predecessor achiever* – the business is viewed as a means to earn an income; however, family tradition is still part of the daily operations.
- *Predecessor strategist* – the business is approached as a means to an end, and brings self fulfillment to an individual predecessor rather than the family.
- *Predecessor inventor* – predecessor values self-fulfilment and financial stability, but also requires the ability to be inventive in the business.

The different value systems of predecessors will influence what the predecessor focuses on passing to the successor and who is chosen as a successor, as predecessors typically attempt to mould the successor in their image and feel more comfortable with successors who have similar values (García-Élvarez et al., 2002).

During the succession planning process, awareness of an owner's business values may also help establish a succession plan that provides direction for the kind of successor that may be best suited to take over the business. For example, if an owner views their business as a family effort, it may lead to a focus on finding a successor who is a family member, or someone who shares similar values, to continue the tradition of a family business. The value system of a predecessor may also influence their retirement style; if a successor is chosen whose personal value system is significantly different, the predecessor may be unwilling to cooperate in succession and fully exit the business.

Assisting business owners define their personal value systems and how that can affect the succession process may help increase the potential for a successful succession.

Predecessors who choose a successor who has similar business values and is aware and accepting of their retirement style will possibly find more success during the succession process than with a successor who is not accepting of the predecessors retirement style and does not share their business values.

5.4.4 Successor characteristics

Selecting a successor can be a difficult process to navigate because of the challenge of finding a successor who parallels an owner's business values. Successor selection involves choosing a set of criteria by which predecessors can evaluate the successor's abilities to fit into the family business. These criteria often include education, managerial skills, and financial management skills (Brockhaus, 2004; Deloitte & Touche Survey, 1999); the ability of the successor to gain the respect and credibility of non-family employees; decision making abilities, experience, and self confidence (Sharma, 2004); creativity, independence, and willingness to take risks (García-Élvarez et al., 2002). Another important issue that is not often considered as criteria is the different generations' attitudes towards work, as younger workers may be unwilling to devote the time needed to ensuring the success of a small business (Barnett & Davis, 2008; Barach & Ganitsky, 1995; Walsh, 2007).

Although business owners provided with the knowledge, tools, and support to choose an appropriate successor may have a better chance of success, choosing characteristics of an ideal business successor is not often an element that is included in a personal succession plan. Rather, important human elements such as successor characteristics are often

dismissed in favour of focusing on more technical elements of the succession process. Failing to address how well a potential successor aligns with the predecessor's personal and business values may ultimately affect whether or not the succession process is successful; if a successor is chosen who is at odds with a predecessor's personal and business values, it may introduce conflict into the succession process and threaten the likelihood of a successful process.

5.4.4.1 Internal vs. External successor

According to a survey conducted by the Deloitte and Touche Centre for Tax Education and Research at the University of Waterloo (1999), almost half of small business owner respondents indicated that it was not important to keep the business within the family. Although business owners have a desire to continue the prosperity of their business after succession, it may be less clear as to whether the successor should be an internal or external candidate.

Successor choice based on personal feelings such as nepotism may have serious consequences for a family business. Nepotism is generally considered one of the reasons why families choose their offspring, a close family member, or family friend as their business successor rather than an external applicant (Lee, Lim, & Lim, 2003). The succession process that results from nepotism is dependent on the predecessor's awareness of why they may be choosing one successor over another, and whether the successor is the right fit for the position. Much like how an awareness of personal business values will contribute to a successful succession process, so too will a personal awareness of why a particular successor is chosen.

The discussion around choice of a successor tends to focus on the experience with internal candidates, as there is a lack of literature available on the family business experience with an external candidate. The experience a family business will have with an external successor will be significantly different than with an internal successor as the implementation of a plan will likely be accelerated with an external successor entering the business closer to the actual transfer of ownership and management. More work needs to be put into documenting the experience of an external successor and exploring whether the lessons learned from internal successors can be applied to an external successor. This paper will address the experience of external successor where literature is available to do so.

The decision of whether to choose an internal or external candidate is a difficult one to make as both have positive and negative effects on the business during and after the succession process. The positive and negative aspects associated with family, social, business, and strategic direction for either an internal or an external successor are illustrated in Table 1.

Table 1. Internal vs. External Successor

	<i>Positive and negative aspects of an internal successor</i>		<i>Positive and negative aspects of an external successor</i>	
	Positive	Negative	Positive	Negative
Family	Have a pre-existing relationship with the predecessor and family, therefore better positioned to deal with issues and conflict(Lauterbach, Vu, & Weisberg, 1999)	Successor choice is limited to internal candidates who may not necessarily be qualified and are less likely to adapt to current conditions with a new strategic direction (Lee et al., 2003)	Better positioned to deal with family issues related to the business as they will only be involved with business side of the conflict (Stavrou, 1998)	Lack of business specific knowledge and may have difficult gaining family support to gain necessary knowledge (Shen & Cannella, 2002)
Social	May have acquired business specific knowledge through family interaction prior to joining the business (Cabrera-Suarez et al., 2001)	Separation of family issues and business issues is often difficult for internal successors	Greater variety of potential candidates who can bring in new customers, business and networks	It is more difficult for predecessors to accurately evaluate the capabilities and fit of an outside candidate (Shen & Cannella, 2002)
Business	Make the transfer of idiosyncratic knowledge easier (Royer, Simons, Boyd, & Rafferty, 2008)	Socialization, social networks and a mandate to ensure business continuity will limit their ability to significantly change operational performance (Shen & Cannella, 2002)	Poor performing businesses who choose an external successor are more likely to improve performance than an internal successor (Lauterbach et al., 1999)	Businesses who hire an external successor with less transferable, industry related, experience had a greater variance in post-succession performance (Giambatista et al., 2005)
Strategic Direction	More likely to maintain strategic continuity (Shen & Cannella, 2002)	Less of an ability to adapt to changing business conditions	Outside successors bring in a fresh perspective and their ability to initiate strategic change (Shen & Cannella, 2002)	Businesses selecting an external successor experience significantly more strategic change than those that opt for an internal successor – this may not always be to the benefit of the business (Haddadj, 1999)

Table 1 illustrates that positive and negative aspects associated with selecting an internal or external successor are both present. The majority of the benefits for selecting an internal successor address the fact that this individual has already established a relationship with the predecessor and the family, making it easier to transfer the business and necessary knowledge. However, selecting an internal successor means that the business is not bringing in new knowledge or a new perspective which can be achieved with an external candidate. The process of bringing in a successor with a fresh perspective may also help update an outdated strategic direction (Ocasio, 1994; Kesner & Dalton, 1994); however, they lack the pre-established connections with the predecessor and family. In selecting either an internal or external successor, significant thought needs to be put into identifying and planning for the consequences of choosing either as the successor.

A business owner's decision of whether to choose an internal or external successor may be a result of the business owner's commitment to the continuation of their business, and whether they have decided on the ideal characteristics of a successor. Aligning with the earlier discussion of values, if an owner views their business as a means for income rather than as part of the family identity, the owner may be more likely to choose an external successor. Business owners should be aware that regardless of whether an internal or external successor is chosen, situation specific succession plans are needed to ensure a successful succession process. To ensure these types of issues are addressed, predecessors should be provided with information, tools, and techniques on how to successfully plan to choose the right successor for their business.

5.4.5 Building a plan

Building a succession plan well in advance of the actual succession event is a key part of the planning phase. Many of the elements of a succession plan discussed in the following section are not necessarily set in stone during the planning period, as a succession plan is a document that evolves and changes throughout the course of the succession process. However, it is important to discuss other elements of the succession process beyond retirement style, values, and successor selection prior to the entry of a successor. The following will cover some of the other aspects commonly included in general outlines of a succession plan. Succession planning information provided by Industry Canada (2009) identified five key steps in developing a succession plan:

1. Collect and analyze legal information, mortgage and loan information, tax and financial records, savings and investments, retirement plans, as well as a current list of suppliers and service providers.
2. Conduct a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis to determine if the business has sufficient cash flow to sustain its financial obligations and will remain profitable in the future; if unlikely to remain profitable, identify changes that can be made.
3. Generate options for transferring the business through examining different exit strategies as well as considering retirement issues.
4. Make preliminary decisions about who the advisory team for the succession process will be. This may include a facilitator, lawyer, and financial planner.

5. Design, develop, and review the plan in coordination with the advisory team and key family members.

Ip (2009) identified specific factors for a succession plan that have a slightly different focus than Industry Canada. Ip recommends that businesses should identify and address three key pieces of information:

1. Assessing the current business and the incumbent. This includes identifying key skills and competencies of both the predecessor and the business that can be passed to the successor as well as desired direction for the future.
2. Specifying the successor and future business. This phase involves identifying the required skills of the potential successor, who that successor is likely to be, and strengths and weaknesses of the business.
3. Planning and identifying essential tasks and timeframes for the future. This may involve preparing the family, if involved in the business, and other key players for a state of change and beginning the process of involving them in making succession decisions (Murray, 2003; Walsh, 2007). All key players should be engaged in a process of defining purposes and objectives of succession planning, the succession process, and future direction of the business.

Industry Canada's succession plan focuses on technical elements, while Ip focuses more on the human elements of the succession process. Although technical elements are briefly touched on in this section they will be discussed in the following section. The planning phase is focused on only the predecessor; however, many of the technical requirements of succession involve coordination and cooperation between the successor and predecessor, so will be discussed in the following section. What both plans are missing is cohesion between the technical and human planning components, as both are equally important to include in a succession plan. These outlines are also lacking language that describes how succession unfolds as a process, and that the plans should be revisited and updated regularly as the process unfolds. Business owners should be encouraged by key players in the business including lawyers, accountants, and other family members to plan for the future (Lansberg, 1988; Francis, 1993).

5.4.6 Summary of the planning phase

Based on the outline of successor requirements during the planning period it is clear that the planning phase can encompass a much longer period of time than the literature outlines. Although the topics discussed in this section are often presented independently, it is clear that first identifying goals and objectives for succession, understanding personal values, and deciding on criteria for a successor are a flowing series of choices, where a decision at one stage affects what happens at later stages. Having a plan that addresses these issues, as well as the others presented in the previous section, will allow the business owner to have a base plan they can adapt and modify over time as their own ideas about values, retirement, and finances evolve.

Once a business owner decides to exit their business, there is often very little time between the announcement and the predecessor's exit. Having a plan in place prior to the official

announcement of a predecessor's exit will make the succession process much easier to navigate. Although the planning phase presented in this section may make it appear as though planning for succession will take years, in actual fact business owners who have a short conversation about the issues discussed in this section will be far better off than those who have no awareness of the succession process. Indeed, Wang (2010) found through interviews with business owners after the succession process that they benefited from having brief conversations about succession issues; rather than being blindsided by issues, the business owners were prepared for the challenges of the succession process.

Table 2. Summary of Planning phase

Planning considerations – successor	Key activities
Define success	Predecessor defines personal success for a succession process that identifies success for both human and technical elements
Establish a retirement style	Define and plan for a retirement style that will result in a positive succession process and a definition of a successful succession
Define values	Define personal and business values, whether or not they will be passed on to the successor, and how they might positively or negatively influence the succession process
Choose successor	Develop criteria for selecting a successor that will match the predecessor's values and retirement style and fill the need for an internal or external successor
Develop a semi-formal succession plan open to change and development	Succession plan should be as thorough as possible, addressing all the human elements discussed in this section, as well as starting to plan for the more technical elements of the succession process

5.5 Planning to Screening Transition

The requirements, responsibilities, and actions of the predecessor and successor do not just occur in one of the four succession categories: planning, screening, transfer, and post process. As mentioned above, the conceptual diagrams will be iterative based on the literature available. Because this paper looks at succession as a process rather than a series of independent events, some responsibilities may continue over the entire succession process and others may occur in between one of the four succession categories, thus creating a transition phase between two periods. Figure 3 illustrates how the succession process is more of a flowing series of responsibilities, with no distinct boundaries between the planning and screening stage of the succession process. These flowing responsibilities are illustrated by overlapping the circles representing the phases of the succession process.

Figure 3. Priorities of the Planning to Screening transition phase

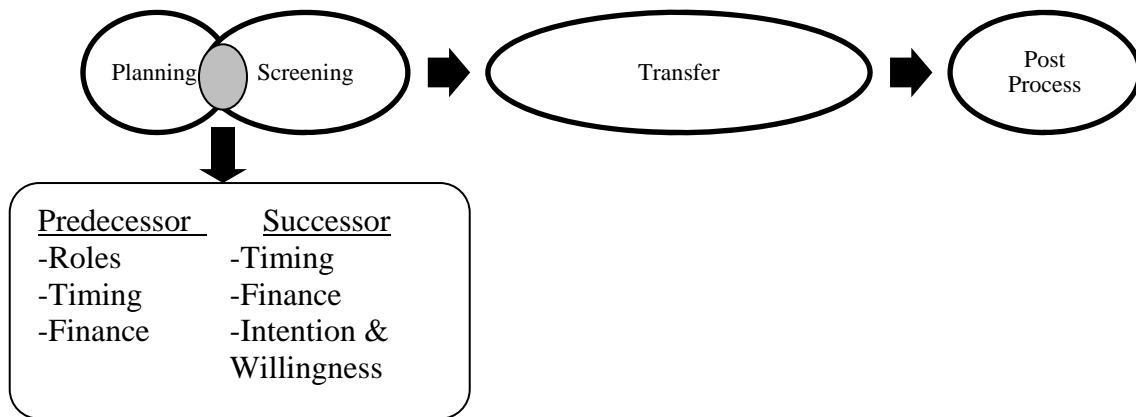


Figure 3 displays some of the roles and responsibilities of both the predecessor and successor occurring during the transition from the planning to the screening phase, rather than during either of those phases. The predecessor’s focus is on the roles they will play during the succession process, and the successor’s focus is on addressing their intention and willingness to join the business. The predecessor and successor also share two functions in exploring the financial aspect of the succession process and the best possible timing of entry for the successor. The following section will review the individual roles and responsibilities of the predecessor and successor, as well as their shared roles.

5.5.1 Predecessor roles

Cadieux (2007) outlined various roles that a predecessor must play when a successor joins the business. These roles are a good description of the predecessor through succession as they illustrate how the predecessor’s roles and responsibilities are also a process. Ensuring the predecessor has a thorough understanding of these roles during the transition period will likely lead to a smoother transition through each of these roles, and an overall smoother succession process.

The first six roles, illustrated in Table 3, are a sequence of roles that a predecessor typically fills during the first half of the succession process, the planning and the transition phases. This period is often challenging for predecessors as many have a difficult time abandoning their leadership behaviours. These roles relate to the predecessor passing on more knowledge and responsibility to the successor with each phase of the succession process, while also gradually exiting from the business.

Table 3. Predecessor roles

Entry Phase	Transition from planning to screening
<i>Supervisor</i> – oversee the successor’s work and prepare the successor for management.	<i>Introducer</i> – Predecessors act as a mediator between the successor and internal and external stakeholders so they become familiar with the successor.

<i>Teacher</i> –the predecessor’s roles and knowledge are passed onto the successor.	<i>Mobilizer</i> – Predecessors take different approaches to the way they allow successors to make key decisions.
<i>Protector</i> – Successors are allowed to make certain decisions and assume the consequence of those decisions.	<i>Collaborator</i> – As the successor gains skill and confidence the predecessor must move from a role of supervisor to a collaborator.

How a predecessor adjusts to and fills the different roles identified by Cadieux (2007) during the first part of the succession process is dependent on their leadership style. Different leadership styles will be better suited to positively cycle through the various roles a predecessor must fill. Sorenson (2000) observed five leadership styles adopted by family business leaders:

- *Participative* – Make key decisions and guide the organization, but they place an importance on cohesive leadership and giving a voice to multiple perspectives.
- *Autocratic* – Focused on performance and structure. These leaders often act without consultation and lack flexibility in the organization.
- *Laissez-faire* – Allow freedom of choice of employees to make many of the organizational decisions.
- *Expert* – Specialized knowledge and technical skill. Employees are more likely to agree with and defer to expert leaders.
- *Referent* – Occurs when employees have positive regard for and a desire to please the business leader who is perceived to be fair and trustworthy.

Based on the descriptions of the leadership styles and roles predecessors may play during the succession process, it is apparent that a participative leader may be more open to taking on the roles predecessors are required to fill during the succession process. For instance, participative leaders place a great deal of importance on cohesive leadership; as a result they will most likely cycle through the various roles without competing for business leadership with the successor. This will help develop a successor who is properly prepared for a leadership role. Business owners with access to information on the variety of roles and leadership styles as part of a succession planning package or other succession support will be better prepared to navigate the process.

5.5.2 Shared responsibilities of the predecessor and successor

Although the various roles and leadership styles are important aspects for the predecessor to be aware of, there are other actions during the transition phase that must be addressed by both the predecessor and successor. These shared responsibilities include financial considerations, such as what the predecessor will sell the business for and how the successor will finance the purchase, and the timing of entry of the successor and exit of the predecessor.

5.5.2.1 Financial considerations

While human issues are an important consideration in the succession planning process and often ignored in the literature, there are also technical elements, specifically those related to finances, which are critical to the succession process. Ip and Jacobs (2003) argue that financial matters are one of the most important issues that families must consider when preparing and executing a business transfer. However, owners often choose to wait to plan and act on succession because of the associated costs (Bjuggren & Sund, 2001), and many family businesses have stated that taxes related to succession practices will threaten their business's survival (Astrachan & Tutterow, 1996). Unlike many of the human aspects of succession planning, the technical elements have been widely discussed in the literature and many professionals have proven strategies for successfully navigating the technical elements of succession planning.

Family businesses must address three key financial areas if they are to successfully pass on their business: the business and owner must survive financially, the owner must have a plan for exiting the business, and the plan to buy and sell the business must be sufficiently funded (Parrish, 2009). Parrish states that the basic requirement for a successful family business transfer is survival. However, financial matters that may dictate business survival are often more than many business owners can handle, thus they choose not to plan for long-term financial issues. The second aspect of a successful succession is a plan for exiting the business. Planning for the technical elements of succession should focus on two things: ensuring that the business is sold at its maximum value and minimizing the taxes associated with the process. The final focus is funding the succession process. The predecessor must ensure that funding is in place to carry them through the process, while the successor must be certain that they receive reasonable compensation.

An important feature of planning for the financial survival of the owner and the business is valuation of the business prior to succession, as business valuation will affect whether a business owner can find a buyer and sell their business. According to Shepherd and Zacharakis (2000), it is likely that the predecessor will place a greater value on the business than will the successor due to the perceived increase of value of having owned it for an extended period of time, otherwise known as the endowment effect. A successor's willingness to purchase the business at the owner's set price will likely be dependent on whether or not they are an internal successor with an attachment to the business, or an external successor looking to purchase the business at a lower cost margin. Why a business has been valued at a certain amount needs to be addressed during the succession planning process, as the personal value of the business may make owners unlikely to accept business offers that are below their perceived value, risking the potential of business survival.

Owners also need to consider how to minimize taxes during the succession process. Tax deferral and reduction strategies can play an important role in ensuring the capital of a business is not lost to a large tax bill (Louis & Prasad, 2007). Tax strategies such as an estate freeze, access to the capital gains exemption, crystallization, income splitting, and wills are all beneficial in assisting businesses avoid large tax liabilities as a result of

succession (Louis & Prasad). The capital gains exemption¹ is the most commonly used tax strategy in the succession process, and is often needed by business owners who use the sale of their business to fund their retirement. However, ensuring that business owners qualify and take advantage of the capital gains exemption is often a difficult and confusing process. Business owners need to plan in advance with assistance from financial professionals to ensure they are eligible for the capital gains exemption, and are capable of taking full advantage of the exemption.

Although developing and executing a succession plan is a useful practice, if funding for the succession is unavailable, the succession cannot occur. Finding a successor, training them, and integrating them into the business and family is one step in the process; however, a successful succession ultimately comes down to whether the necessary funding is available to purchase the business (Picard, 2004; Francis, 1993). To ensure success in funding the succession, both the owner and successor must be flexible in how the business's finances are transferred. Ensuring flexibility in the purchase of a business will most often be determined by the quality of relationship between the predecessor and successor. If a quality relationship has been built through a properly executed succession plan, the predecessor may be more willing to be flexible in the way the succession is funded by the successor. Planning for financial issues with the support of professionals can lead to greater financial return and a smoother process.

Financial considerations are a key part of the planning process. This is also one of the areas in which government regulations, policies, and legislation play an important role in supporting succession. Government policies around financial issues such as the capital gains exemption can help set up a small business owner for retirement. However, navigating the technical elements of succession requires the assistance of a professional, something that is perceived to be too costly a service for small businesses and may cause conflict with the business owner, as financial professionals do not always take into account the perceived value of the business, and often fail to consider the important family considerations of small businesses.

5.5.2.2 Timing of the successor's entry

The timing of a successor's entry is also an important factor in determining the potential success of the succession process. Harvey and Evans (1994) argue that there is a series of strategic windows in which there is a fit between the successor's competencies and the requirements of the business which should result in the successor's entry to the business. Although the opportunity to join the family business may occur at many times during the career cycle of a successor, it is up to the predecessor to determine when the successor is

¹ The Capital Gains Exemption is simply if you sell shares of a qualifying corporation for a profit, the first \$750,000 of your gain on a lifetime basis can be received on a tax-free basis. Although the concept is straightforward, the rules are quite complicated. Shares may not qualify for the exemption by not meeting one of the many conditions. Alternatively, other shares currently assumed to not meet the exemption could be put back on track with advanced planning (Ball, n.d.).

prepared, motivated, and committed (Harvey & Evans). If they do not manage the timing of entry through succession planning, they may initiate conflict in the succession process.

An important factor to consider when deciding the successor's entry is the speed at which the succession process occurs. Rather than deliberately and carefully transitioning a business, a rushed succession process could lead to communication issues, financial difficulties, and problems with strategic continuity (Dyck et al., 2002). This is an especially important point for external successors, as their entry into the business often occurs a short time before the transfer. The optimal speed at which the business is transitioned to the successor should be pre-determined in the succession plan, with room for flexibility as the issues associated with the successor's entry into the business will be unique to each business situation (Chrisman, Chua, Sharma, & Yoder, 2009).

Ensuring the proper timing of entry for a successor is a key consideration of succession planning. The process of managing the proper timing of entry for the successor should include the following steps (Harvey & Evans, 1994):

1. Organizational and family assessment to identify the current state of the business;
2. Assessment and evaluation of critical timing junctures to identify the best plausible options for when a successor should enter the business;
3. Establish a timetable for development of the successor; and
4. Contingency analysis of timing issues to identify alternative options.

Depending on the type of business and the amount of knowledge and technical skill that need to be passed on to a successor, entry into the firm could occur well before the actual transfer of ownership and management (Harvey & Evans, 1994). Although a succession process in which a successor enters the firm early and gains the necessary technical skills and knowledge over a long period of time may result in a smooth succession, this is not always an option for external successors. While late entry may not be ideal, business owners can prepare by developing thorough succession plans that identify the knowledge and technical skills that must be passed, how they will pass it on, and the time frame it will occur in. Whether an internal or external successor, business owners clearly need to plan for their succession as early as possible.

5.5.3 Successor intention and willingness

Another important factor that influences the succession process is the successor's intention and willingness to join the family business. Intention and willingness of the successor should be discussed after the predecessor has selected the criteria for a successor and before the successor enters the business; therefore, it fits into the transition period from planning to screening. The factors discussed in this section are applicable to internal successors; however, an external successor's intention for purchasing the business may be important for the predecessor as an external successor may not have the same vision for the future of the business as the predecessor.

A successor's interest in and willingness to take over a business are key factors in determining whether the succession process will be successful (Venter et al., 2005).

Stavrou (1998) identified four key factors: family, business, personal, and market, that a potential successor may consider when deciding whether they are interested and willing to join a family business. These factors are applicable to internal successors; more information is needed to learn how to assess the intentions of an external successor.

Family factors refer to interactions between parents and children, conflict with siblings, and the complexities of family values and traditions. Predecessors who are open to sharing family related information will help in the development of an open relationship with the successor (Handler, 1994). Successors need to be aware of the family factors so they are able to make an informed decision about whether they want to take over the family business, as a difficult succession process can strain family relationships and business operations.

Another key factor in a successor is having a prior interest in the business's operations, products, and strategies (Stavrou, 1998). An interest in the business must be supported, and a successor's observations and opinions cannot be ignored as the predecessor may risk driving away the successor. Venter et al., (2005) found that a predecessor's feeling of doubt and a lack of trust in the successor can lead to the successor rejecting the business, while supporting the successor's decision making power is a key determinant in a successor's decision to take over. If a predecessor displays trust in the successor's abilities, there is a greater tendency for the successor to take over the business (Venter et al.).

Personal factors refer to whether the business is an appropriate choice of occupation for the successor (Stavrou, 1998). Enjoyment, personal satisfaction, and financial security are all factors that make a business more appealing to a successor (Venter et al., 2005). Handler (1991) found that if a successor has achieved fulfillment of outside career interests and is at a life stage conducive to running a business they are more likely to have a positive succession experience. Successors need to ensure that the family business will fulfill their career interests and align with their personal needs, or they could grow to resent their position.

The final consideration is market factors. Predecessors need to be sure that the successor is not choosing to join the business due to economic instability or a lack of employment opportunities outside of the business (Stavrou, 1998). Predecessors interested in the long term success of their business need to ensure a successor will be committed for a long period of time, not just during economic instability.

These four factors provide a base for questions predecessors should ask successors, and successors should ask of themselves, to ensure they are joining the business for the right reasons. Addressing these factors prior to the inclusion of a potential successor in the business may help alleviate some of the issues that may come up. An open succession process in which the predecessor and successor are supportive, undertaking succession for the right reasons, and commitment to the succession process will all help ensure a successful business transfer.

5.5.4 Summary

Based on the outline of the predecessor and successor requirements, as well their shared responsibility, it is clear that the combination of planning and transition periods will take much longer than the literature outlines. Having a basic plan developed during the planning period will make the move towards initiating the transfer much easier. The various aspects discussed in this section are all highly dependent on one another as a predecessor's awareness of the roles they will play prior to the transfer of management will help define the timing of entry for the successor and start the discussion about the financial aspects of when ownership transfer should happen. A predecessor that is comfortably aware of their own feelings and responsibilities in the succession process will help guide a successor in ensuring that they are entering the business for the right reasons.

Table 4. Summary of Transition from the Planning to the Screening phase

Transition considerations	Key Activities
Predecessor – Roles	Predecessors provided with a detailed outline of the roles they will be playing during the course of the succession processes and how that works with leadership styles will help ensure a smooth succession
Shared Responsibility – Financial Considerations	Both the successor and predecessor have to start identifying and planning for financial issues prior to the successor's entry to the business to avoid any issues that may come up around finances
Shared Responsibility - Timing	Prior to a successor's entry into the business both the successor and predecessor need to ensure that it is the correct time for all parties to be initiating the succession process
Successor – Intention and Willingness	Successors need to ensure that they are taking over a business for the right reason. A personal assessment of their intention and willingness to take over the business will ensure that the succession process will occur smoothly

5.6 Phase 2: Screening

The screening phase in the succession process is the point at which the successor enters the business. This usually occurs closer to or during the transfer period for an external successor. A successor's screening into the business signals the point at which the predecessor's decisions and actions during the planning period start to come into play. The size of the circles may change as each phase is discussed, representing the importance of and time spent on that phase of succession.

Figure 4. Priorities of Phase 2: Screening

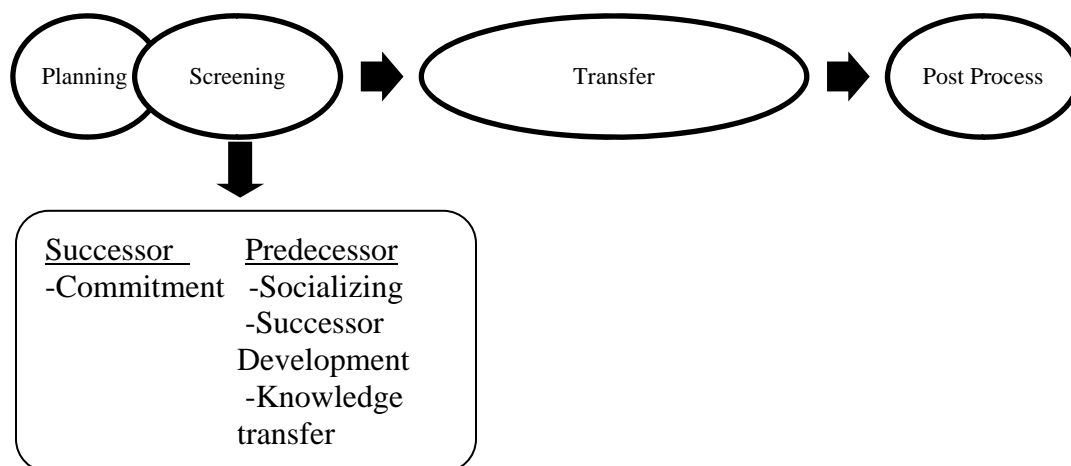


Figure 4 outlines the various responsibilities and considerations for both the successor and predecessor at the screening stage. The following section will outline the responsibilities of the predecessor: to socialize the successor, develop them in their new role, and transfer all necessary knowledge. The successor needs to ensure that they are committed to their new position and able to fulfill the leadership role of the business.

Although external successors often enter and take over the business after an offer to purchase has been made, accelerating the succession process, ideally ample time will be spent on the planning and screening phase to ensure the successor is prepared to take over the business.

5.6.1 Predecessor responsibilities

After the successor's entry into the business, the predecessor is responsible for ensuring they are sufficiently prepared to take on their new role. The predecessor must ensure that the successor is socialized in their role, that they are given the proper training opportunities to develop in their leadership role, and that all the necessary knowledge is transferred to the successor.

5.6.1.1 Socializing

García-Élvarez et al. (2002) outlined two stages of the socialization process: primary socialization, or the acquisition of knowledge and values early in life, and secondary socialization, or the acquisition of role specific knowledge. Secondary socialization of successors happens in two phases; the first is focused on the transmission of business values from the predecessor to the successor and the completion of formal education, and the second entails the timing and mode of entry, as well as building a relationship between the predecessor and successor. The two broad models of socialization applicable to internal successors are known as the Predecessor Homosocial Reproduction Model, and the New Leader Development Model.

The Predecessor Homosocial Reproduction Model states that successors should join the business at an early age and work from the bottom to the top, leaving the business only to attain secondary education. This process of socialization involves the successor filling several preparatory positions in the family business (Longenecker & Schoen, 1978). This contrasts with the New Leader Development Model, which states that successors should enter the business only after finishing school and working outside the family business so they can enter the business in a managerial role, with supervision by other managers. The socialization model will be different for each business, but the predecessor should be aware of what socialization process will work best for all parties involved to ensure that the successor possesses the necessary knowledge to fill their new role.

Although optimal socialization would occur if a successor joined the business early, many small businesses are choosing to transfer ownership to an external successor which will affect the socialization process. More information is needed to make recommendations for a socialization process for external successors. However, if early socialization has not occurred, predecessors can still assist the succession process and give it every chance for success by making sure the successor is properly developed once they enter the business.

5.6.1.2 Successor development

Although planning for the successor's development will likely begin during the transition from planning to entry, the successor's development is discussed during the entry phase as the majority of plans specific to a successor will have to be developed after a suitable successor has been chosen, and modified during their development as areas of concern or issue arise. The planning section refers to the experience with an internal successor. More information on the development of external successors is needed; their development will likely occur at an accelerated rate, on a more informal basis, and after the business has transferred. Fiegener, Brown, Prince, & File (1996) argue that successor development experiences should be broken into two types to ensure successors are prepared for their new position: task-centred experiences, and relationship-centred experiences.

Task-centred experiences, or learning by doing, provide valuable development opportunities and should involve experiences where the successor is provided challenging assignments in which they are accountable for profit loss or gain (Greer & Virick, 2008). Brockhaus (2004) argues that three of the most important task-centred experiences in successor development are prior exposure to the business, gaining work experience outside the business, and academic education.

Prior exposure to the family business helps potential successors become familiar with the nature of the business and develop the specific abilities necessary to function in the business. Business experience outside of the family firm also allows for personal development by building their self-confidence and achieving success outside the family business environment (Cabrera-Suarez, 2005; Lambrecht, 2005). Finally, academic training provides successors with the development of business knowledge if business courses are taken (Cabrera-Suarez). Dyck et al. (2002) noted additional key activities to be followed during this phase, including delivering feedback to successors, educating and preparing key business players about the succession planning process, and nominating other participants

if deemed necessary. A combination of outside experiences and education will ensure the successor has a well rounded knowledge base when stepping into their new role.

Relationship-centred experiences refer to the successor's ability to develop and learn through interactions with others. Small businesses tend to favour personal and direct approaches to successor development, as successor-predecessor relationships are viewed as a superior form of successor development (Fiegener et al., 1996). However, a predecessor must be conscious of when the successor should be developed in their role, as doing it too early may jeopardize relationships and alienate stakeholders. Although relationship-centred experiences are a key means of successor development, the quality of the relationship between the successor and predecessor can determine the effectiveness of the training and development process (Brockhaus, 2004).

Quality of relationships is based on understanding, easy flow of communication, and mutual respect between the successor and predecessor, where mutual respect is defined as "the degree to which the individuals had a good working including trust, support, communication, feedback, and mutual learning (as cited in Tatoglu et al., 2008, p. 161)." These factors can affect the relationship between a predecessor and successor, may limit the success of a successor development if a quality relationship does not exist, and possibly cause conflict during the succession process.

Having a clear succession plan that addresses all of the key human and technical factors, as well as how to deal with and overcome conflict between predecessor and successor, can help support the development of a quality relationship between the predecessor and successor. Development plans should be tailored to the individual needs of the successor, predecessor, and succession opportunities (Garman & Glawe, 2004).

5.6.1.3 Knowledge transfer

The transfer of knowledge is another important issue that should be considered during the planning process. Often in the succession process predecessors lack confidence in the ability of the successor (Stavrou, 1998), which occurs when the wrong successor is chosen, or they are hesitant to transfer leadership to the successor, creating an environment where the predecessor withholds information from the successor. However, the transfer of knowledge to the successive generation is important to a family business's survival, as different kinds idiosyncratic knowledge key to running a business are only accessible through the predecessor (Lee et al., 2003). Royer et al. (2008) argue that this kind of knowledge held by the predecessor is associated with the highest cost and effort as knowledge based on training or experience is incapable of being translated to word.

Some researchers suggest that the performance of the business once succeeded by the next generation is based on the effectiveness with which the idiosyncratic knowledge is transferred (Sharma, 2004). Effective knowledge transfer is based on the absorptive capacity, or the ability to "acquire, assimilate, transform, and exploit new knowledge" (p. 13), and the quality of the relationship between the predecessor and successor (Sharma). Close successor – predecessor interaction is a necessary part of development; however, this

is only the case if there is a quality relationship between the predecessor and successor, otherwise the lessons of the predecessor may be difficult for the successor to process.

Cabrera-Suarez et al. (2001) argues that the most valuable resource of a family business is the information and knowledge of the predecessor. The key factors identified to ensure the successful transfer of knowledge from predecessor to successor include:

- Predecessor must impart both explicit and implicit knowledge;
- Successor has previous exposure, through academic or experiential training, to articulated knowledge;
- Tacit knowledge can be progressively gained through interaction;
- Quality relationship of mutual respect between predecessor and successor;
- and,
- Successor and predecessor should have a high level of confidence in their ability.

Knowledge transfer ties in to the socialization process of a successor, as one of the ways in which the successor can gain idiosyncratic knowledge is through early exposure to the workplace, a similar recommendation to the Predecessor Homosocial Reproduction Model. Close contact with the predecessor allows the successor to capture and internalize the interactions and reactions to different situations and assimilate to the idiosyncratic characteristics of the business (Cabrera-Suarez, 2001). Although the discussion of knowledge transfer is specific to internal candidates, effort and sufficient planning is still required to build a solid relationship between an external successor and predecessor.

The key human concerns discussed in this section highlight the need for predecessors to begin thinking and planning for succession early in their business. However, predecessors continue to leave succession to chance, putting their businesses at risk for failure. Although the literature does provide fairly comprehensive information on key concerns for a predecessor, they have not been translated into practical and applicable information, tools, or techniques for successor development, possibly leading to delayed planning and initiation of the development process.

5.6.2 Successor commitment to the succession process

In a survey of family businesses, commitment was identified as one of the most important attributes in a successor (Sharma & Rao, 2000). Sharma and Irving (2005) state that “committed family members are more likely to pursue a career in their family firm, be cooperative in performing their roles in the leadership transition, and be satisfied with the succession process” (p. 13). A high level of commitment is also associated with a concern with business survival (Lansberg & Astrachan, 1994). Sharma and Irving outline four types of commitment that may lead to varying levels of business performance and effectiveness:

- *Affective commitment* – successor is interested in the business and wants to pursue a career. This type of commitment often leads to a long term career with the family business and a tendency to go above and beyond for the business and family members.

- *Normative commitment* – successor feels obligated to pursue a career in the family business. Although these successors may conform to family expectations, they are less likely to exert efforts above what is expected of them.
- *Calculative commitment* – successor feels they may lose financial or personal value if they do not pursue a career with the family business. These successors often coast through their work, only showing interest in financial concerns.
- *Imperative commitment* – successor feels self doubt and uncertainty about their ability to pursue a career outside the family business. These successors may have sub-par abilities and qualifications and be unable to motivate others.

Based on these types of commitment, it is clear that the ideal successor would fall into the category of affective commitment. Sharma and Irving's (2005) levels of commitment can be used by business owners to develop tools, such as a set of questions, to assess potential successors' career goals and personal feelings about the business, helping to identify their level of commitment to taking over the business.

5.6.3 Summary

Many of the actions to address during the screening phase are based on plans made during the planning phase, and the transition prior to the successor's entry. Although the successor's development, socialization, and knowledge transfer evolve to best suit the successor during the entry period, the plans made prior to these actions involving what kind of successor will be selected will directly affect the ability to carry out the actions required during the entry period. The socialization, development, knowledge transfer, and commitment of the successor are all interrelated; failure of any one of these actions will result in a more difficult succession process. If a predecessor has successfully addressed the issues at previous phases of the succession process, such as choosing the right successor who parallels their own business values, they will likely experience a succession that flows more easily from one phase to the next, rather than getting stuck on any one variable.

Table 5. Summary of Screening phase

Transition considerations	Key Activities
Predecessor – Socializing	Predecessors provided with a detailed outline of the roles they will be playing during the course of the succession processes and how that works with leadership styles will help ensure a smooth succession
Predecessor – Successor development	Both the successor and predecessor have to start identifying and planning for financial issues prior to the successor's entry to the business to avoid any issues that may come up around finances
Predecessor – Knowledge transfer	Prior to a successor's entry into the business, both the successor and predecessor need to ensure that it is the correct time for

	all parties to be initiating the succession process
Successor – Commitment	Successors need to ensure that they are taking over a business for the right reason. A personal assessment of their intention and willingness to take over the business will ensure that the succession process will occur smoothly

5.7 Transition Period from Screening to Transfer

Much like the transition from planning to entry, the transition period from screening to transfer is also a fluid shift with no set boundaries. The roles and responsibilities of the predecessor and successor begin to shift, with the predecessor starting to step back from their leadership role and the successor beginning to step into the leadership position.

Figure 5. Priorities of the Transition from the screening to the transfer phase

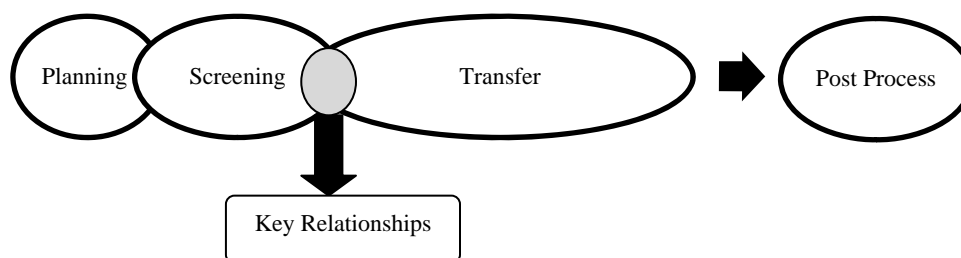


Figure 5 illustrates the responsibilities of both the successor and the predecessor to ensure that they have built and solidified key relationships with other staff and members of the family. During this period all parties must make sure that the successor has the support of all stakeholders to give the succession process the best chance for success.

5.7.1 Key relationships

Since relationships are central to the daily operations of most small businesses, it is crucial that businesses focus on relationships as a key part of the planning and succession process (Duneman & Barrett, 2004). Although the maintenance of relationships is an important issue that must be addressed at all stages of the succession process, it is especially important to consider during this phase, as the perceived uncertainty of the succession process may strain relationships between family members, employees, and stakeholders.

To effectively go through the succession process, predecessors and successors need to manage two key relationships: those amongst family members, and those between family members and other managers in the business (Sharma, Chrisman, & Chua, 1997). A potential successor taking over a small business needs to ensure that the family grows to trust and respect him or her as a leader of the family business (Barach & Ganitsky, 1995). To assist in building self-confidence as a leader of the family business, the predecessor

needs to ensure the successor is supported and developed by all family members that may work in or influence the family business. Engaging family members who are involved in the business with the development of the successor can help reduce envy, insecurity, and buried emotional baggage (Barach & Ganisky).

Another key family relationship to manage for internal successors is the one between the successor, mother, and father. Succession in a family business usually occurs when the predecessor and spouse are in the final stages of their life cycle. Successors, predecessors, and their spouses may collectively avoid succession discussions as it can arouse fears of parental death and separation. Given the anxiety that succession can bring to a family it is not surprising that they often avoid the planning process.

Predecessors and successors also need to manage their relationships with non-family employees. Post and Robbins (1993) have suggested that non-family managers may impede the succession process due to a fear of change (as cited in Chua et al., 2003, p. 103). Non-family managers can offer a breadth of knowledge and understanding of the family business that can assist the successor in socializing into the business and learning how to take over their new role (Chua, Chrisman, & Sharma, 2003).

Fox et al. (1996) further identified five key relationships that also need to be developed prior to, during, and after the succession process:

- The successor and the business – ensure that the successor is able to take on the responsibility of leadership.
- The predecessor and the business – ensure that the predecessor is able to establish a distance from the business after succession.
- The successor and the predecessor – a healthy and significant relationship between the predecessor and successor needs to be developed.
- The successor and key stakeholders – the successor needs to develop a healthy relationship with all key stakeholders.
- The predecessor and key stakeholders – the predecessor needs to reassure stakeholders about the stability of the business.

Each of these relationships needs to be managed throughout the succession process as they have the capacity to negatively affect the business's ability to successfully move through and beyond succession.

Managing key relationships is an important skill for both the predecessor and the successor; however, much of the succession literature focuses on the technical aspects of succession rather than family and relationship issues. Work to translate research on managing relationships to business practices would assist family predecessors in navigating this emotionally charged process and ensure that all key relationships are maintained through succession.

5.7.2 Summary

Although maintaining relationships is an important part of the succession process, it is especially important when the predecessor starts to remove themselves from the business, as this could be perceived as a risky move that causes instability. Key business relationships will likely be less affected during this process if the succession is well planned from the beginning, as there will be less chance for instability and volatility in the business. Good planning can help develop a solid relationship between the predecessor and successor, and a stable relationship between these two parties will encourage ongoing stable relationships with other key stakeholders.

Table 6. Summary of transition from screening to transfer phase

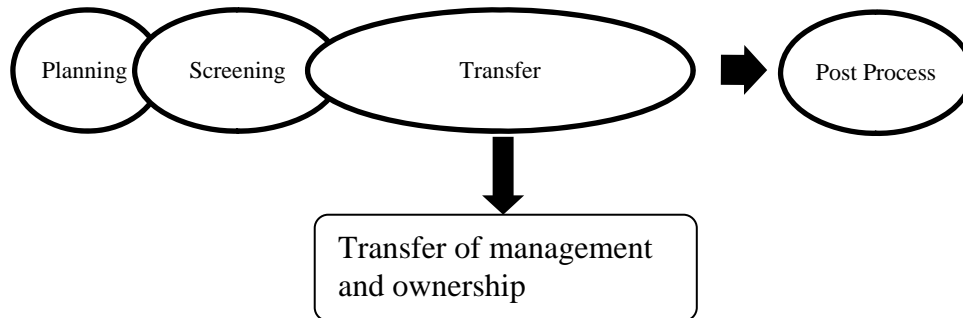
Transition considerations	Key Activities
Dual responsibility – Key relationships	Relationships are a key part of any business and need to be nurtured and maintained throughout the succession process to ensure the successor is able to continue the business after the predecessor’s exit. Relationships can involve other family members, parents, employees, customers, and additional stakeholders

5.8 Phase 3: Transfer

The actual transfer of the business can be a relatively short process; however, because the literature places an emphasis on the actual transfer over the other succession phases, it is represented by a larger circle. It is typically the preparation up to the actual event that takes significant time and planning. Figure 6 illustrates the transfer phase, which is the actual point at which ownership and management are transferred to the successor. Transfer is not a singular event and as a result is shown overlapping the screening period as ownership and/or management can be transferred at any point on the succession continuum.

For external successors, this is typically the phase where they first enter the business. Internal successors have the benefit of development over time, while external successors have a steep learning curve and must learn their position while management and ownership transfer happens. More research and information is needed to assist external successors in this position.

Figure 6. Priorities of Phase 3: Transfer



During the actual succession process two key issues need to be addressed: transfer of management and ownership to the successor.

Management transfer refers to the step in which the leadership, or who will run the business and decide its strategic direction, is passed from predecessor to successor (Duneman & Barrett, 2004). Although some businesses may have a smooth transition from one generation to the next, many management transfers have been plagued with problems. Miller, Steier, and Le Breton-Miller (2003) identified three of the most common extremes that may occur during the management transfer:

- *Conservative succession* – the successor remains dependent on the predecessor’s goals, business strategies, and future direction.
- *Wavering succession* – the successor is indecisive. Although they want to respect the policies and traditions of the predecessor, they also want to exert influence and show their independence.
- *Rebellious succession* – the successor rejects the legacy of the predecessor and sets a new direction for the business.

These extreme issues with management transfer can be a result of lack of planning and poor implementation of a succession plan. Through the planning process, business owners can avoid a dysfunctional succession by ensuring that the appropriate successor has been chosen, that their development plan has been followed and completed, and that there are open lines of communication during the pre-succession period.

Ownership transfer refers to the final step of relinquishing ownership of the business to the successor (Walsh, 2007). This stage of the succession process usually occurs once the successor has mastered the complexities of their new position (Longenecker & Schoen, 1978). This period can be characterized as a joyous occasion by some predecessors in gaining freedom, and a sad occasion by others as they face their own mortality (Lansberg, 1988). Businesses must ensure that the timing of the succession occurs when the predecessor is emotionally ready to let go (Chrisman et al., 2009; Francis, 1993) and the successor is prepared to take over.

Financial, business valuation, legal, tax, and insurance plans initiated during the pre-planning process are carried out at the time of ownership succession. All of these key features of the succession process should have been addressed with professionals during the development of a succession plan (Picard, 2004).

5.8.1 Summary

One of the final stages in the succession process is the official passing of both ownership and management. If the business owners successfully engaged in a thorough planning of the succession process, the transfer phase will be a smooth process with no huge issues as they will have already been addressed in the first three phases. If small businesses did not engage in the succession planning process, the succession phase will likely be difficult and drawn out as many of the actions and concerns that would have already been addressed will still need attention by both the successor and predecessor.

Table 7. Summary of Transfer Phase

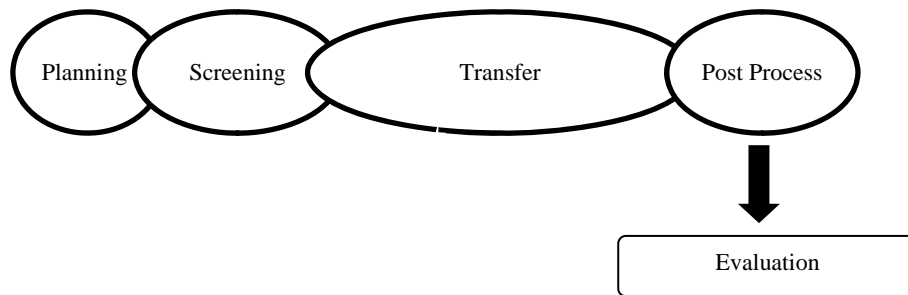
Transition considerations	Key Activities
Dual responsibility- Transfer of ownership and management	The final phase of the succession process that involves both the predecessor and successor is the official passing of ownership and management responsibility

5.9 Phase 4: Post Process

The post process period occurs after the successor has taken over the ownership and management function of the business. Figure 7 illustrates an overlap between the transfer and post process period, as the predecessor may still be involved in the business after their official departure, holding a consultative or administrative function.

Although this tends to be the phase where external successors receive much of their development support, discussing successor development at previous stages illustrated how advance planning, even for external successors, can lead to a smoother process. How to best support external successors is an area that needs more academic research and private or public sector support.

Figure 7. Priorities of Phase 4: Post Process



A final step that should be taken to conclude the succession process is an evaluation. In order to capitalize on the leadership abilities and learn from issues that may have come up during the succession process, measures should be in place to evaluate the succession and track the performance of the successor. Although the successor may not think monitoring their performance is important once they have taken over the business, continual performance measurement will help business owners identify areas of opportunity and concern. Bernthal and Wellins (2006) argue that measures of evaluation can increase job satisfaction and engagement, increase participation in development activities, and increase the rate of employee retention.

During the planning and screening phases of the business succession process, business owners should address the following questions in planning for the succession evaluation (Martineau & Hannum, 2004):

- What method is best suited for addressing the evaluation questions?
- What is the purpose of the evaluation? How will the information be used?
- What motivated the need to evaluate in the first place?
- Are there resources available to conduct an evaluation?
- Who are the stakeholders?

In a small business, these evaluation questions should be explored collaboratively by both the predecessor and successor to ensure both parties have bought into the importance of the evaluation process. Whatever the evaluation outcomes, businesses must have strategized a means for addressing the results. Information from the evaluation process should be used to increase organizational learning and performance, and to inform future succession processes. Although the literature encourages evaluation, in practice it would be difficult for small business owners to conduct their own evaluation; therefore, there needs to be support not just for planning and succession, but also post succession process.

5.9.1 Post Process considerations

In any succession process the successor, predecessor, family, and all key players hope for a smooth transition, with the continuity of the business sustained through to the next generation. However, many of the issues that develop during the succession process are carried through to the post succession environment. Although ownership and management

of a business may have transferred hands, both the successor and predecessor must participate in addressing any post process issues.

Harvey and Evans (1995) reported on the five most common post process issues for internal successors:

- The physical proximity of the parent may create territorial issues (Longenecker & Schoen, 1978).
- During and after the succession process the chain of command may be disrupted, leading to an environment where employees are reluctant to report to the successor.
- A change in leadership is often followed by a shift in the organization that is difficult for existing employees to follow, leading to questions about leadership.
- The predecessor still has power of decision in the business. The perception of lack of power of the successor can be damaging to the successor (Hubler, 1999).
- The successor has a responsibility to support the older generation in moving into their new lifestyle (Hubler, 1999).

5.9.2 Summary

Many of the issues that occur after succession are a result of issues that arose during the succession process and were not properly dealt with. Identifying post succession concerns well in advance of the succession process will enable predecessors and successors to plan for the future and avoid many of the issues that may rise through the succession process.

Table 8. Summary of Post Process phase

Post succession considerations	Key Activities
Successor – post process considerations	Although many business owners assume that the succession process ends after ownership and management transfer, any remaining issues must be addressed to ensure that the business can successfully move forward

5.10 Conceptual Framework

Based on the information provided throughout the literature review, a conceptual framework has been developed to help guide the discussion around succession. Figure 8 illustrates the overall framework that was built from the academic literature on succession planning. The figure illustrates that succession is a series of stages with overlapping responsibilities that must be fulfilled by both the predecessor and successor. Figure 8 illustrates the specific actions that the predecessor and successor should undertake at various times during the succession process by having arrows pointing at the various stages of the succession process. Although there are other factors that could be added to this figure, the information included was identified in the literature as key issues that could negatively influence the succession process if not properly addressed.

Figure 8. Conceptual Framework

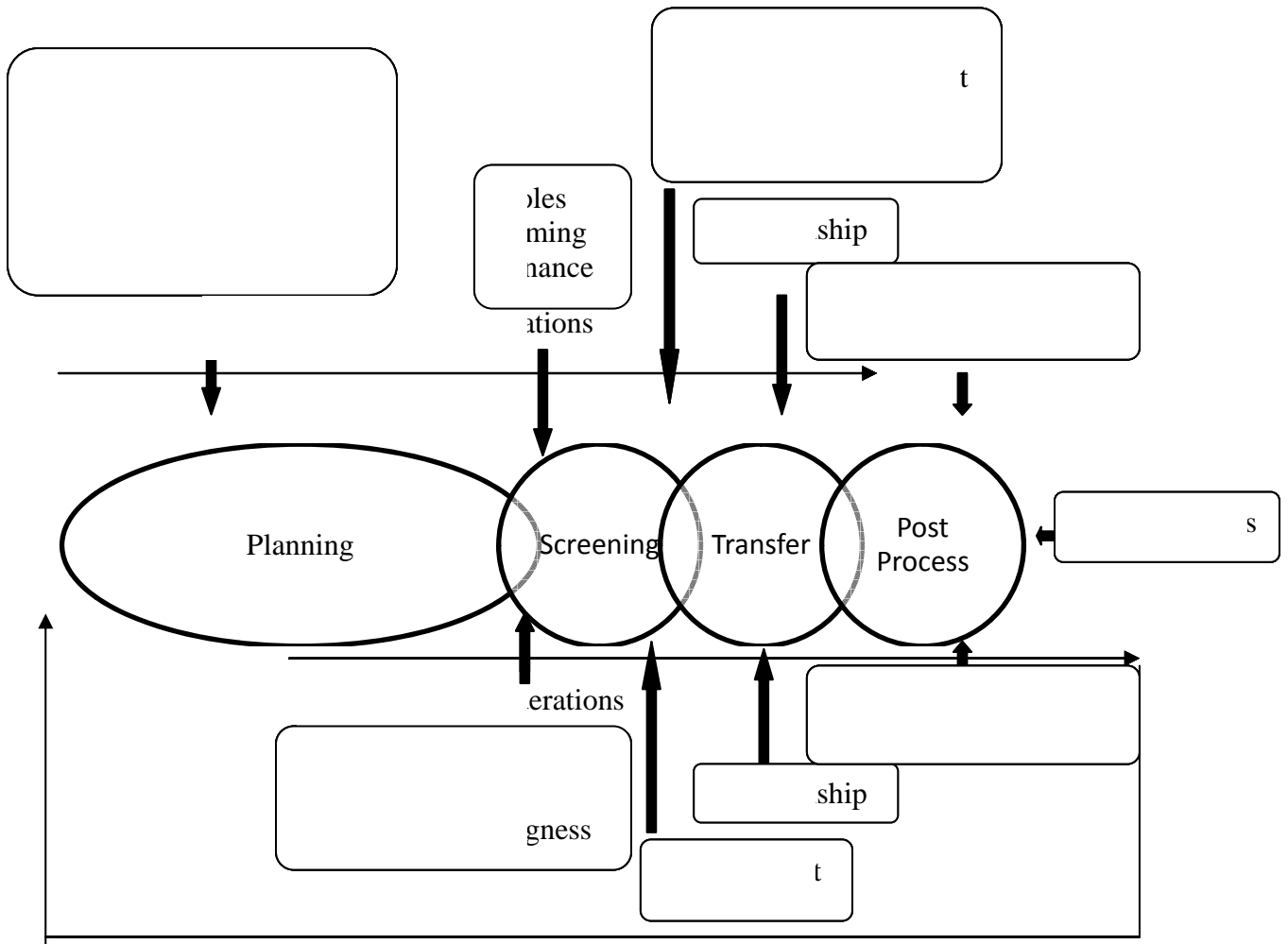


Figure 8 illustrates how the size of the circles has changed throughout the course of the literature review, with a larger circle now representing the planning phase instead of the transfer phase. The literature that was reviewed in this section indicates that there should be an emphasis on the planning phase rather than the transfer phase in the succession process.

Through the course of the literature review it became apparent that putting in effort into developing a proper and fulsome succession plan prior to the succession process will help give the business a greater chance of success under new leadership. Even if businesses are only able to dedicate a small amount of time and effort to succession planning, they will still be better off than those businesses that choose not to plan at all. Figure 8 has been modified to illustrate that more time needs to be put into the planning process and the human elements of succession, rather than the actual transfer of ownership and other technical elements. The conceptual framework is not a one-time event; rather, after the predecessor has cycled through the conceptual framework and passed the business to the successor, the successor will then start at the beginning of the conceptual framework in the planning phase, with the intention of cycling through the conceptual framework during

their lifetime in the business. This continual process is indicated by the arrow returning to the start of the planning phase.

The literature used to build the conceptual framework was pulled from work that often treats each aspect as an independent issue, thus presenting succession as a series of instantaneous events. The conceptual framework clearly shows that the events occur throughout the succession process and actions or reactions to one event will affect other areas of succession. More work is needed to ensure the conceptual framework fully addresses each of the issues identified in the succession literature. A comprehensive conceptual framework will help both the public and private sectors develop appropriate succession support for small businesses.

5.11 Gaps in the Literature

Through the course of developing a conceptual framework, areas of the succession process that had limited research were identified. The following are future research priorities identified in the literature:

- Research on the net overall impact of failed business succession on the Canadian economy (Bruce & Picard, 2006; Shepherd & Zacharakis, 2000).
- Motivation of business owners to plan ahead of time for succession (Bruce & Picard, 2006; Martin et al., 2002).
- Challenges faced by government and the financial community in promoting business succession (Bruce & Picard, 2006).
- Identify how to best support external as well as internal successors.

While the literature available on family business succession planning and succession processes is becoming extensive, there are still gaps in the research that need to be addressed before government, and advocacy groups can use the information to inform a set of evidence-based succession practices. Conducting additional research that addresses the gaps in the literature can encourage an increased interest in supporting small business succession by the private and public sectors, develop a strategy for encouraging succession planning, develop clear and consistent guidelines for the succession process, and support the continued advancement of the field.

Although governments can use the literature that is currently available to inform their methods of support for succession planning, the lack of extensive research on areas such as why small businesses do not plan for succession, and how to best reach small businesses to promote succession planning makes the likelihood of success for programs developed to address these areas minimal. Without a base of clear and consistent academic information from which to build these programs, many governments developing programs and policies for succession planning and succession processes in small businesses will only address part of the issue, or completely miss the mark. If small family businesses are to survive into the next generation it is critical that researchers understand how the succession process unfolds, what kind of effect it has on small business (Motwani et al., 2006), and how it can be effectively supported.

The literature review has developed a structure for presenting succession. Rather than discussing succession issues and actions as separate events, the literature review presents succession as a series of events where actions at one phase can affect actions at another stage; therefore, succession needs to be planned for as a process. The next section will use the conceptual framework developed in the literature review to analyze various programs and services offered in international jurisdictions.

SECTION 6: JURISDICTIONAL SCAN

This section overviews selected programs and services offered in various jurisdictions that support succession in small businesses. The jurisdictions that will be explored include Australia, the European Union, the UK, the USA, Canada, and British Columbia. The European Union and the UK are discussed separately, as the UK has taken a different approach to supporting small businesses than the one endorsed by the European Union. The international jurisdictions were chosen as they have a similar regulatory environment to Canada and had one or two programs that addressed small business succession. BC was chosen to provide a brief overview of the small business support available at a provincial level.

Each jurisdiction was contacted informally via email to request information on programs and services they may offer that supports succession in small businesses, as well as evaluations of those programs and services if any were publicly available. The email addresses used to contact various jurisdictions are available on most government sites focused on small businesses. Information on programs and services provided by the jurisdictions was then used to form a basis for further research which involved Google and Google Scholar searches, as well as a thorough review of government and private sector websites.

Although there were other programs available in each jurisdiction, this review is limited to the ones identified in the emails as government representatives identified the programs and services as their best practices for succession support. An unfortunate limitation of the jurisdictional scan is that comprehensive information on the programs each jurisdiction identified is not publicly available. While program evaluations would make it easier to assess the effectiveness of the succession program, the only information available on the jurisdictional programs is brief descriptions of the program focus and delivery. Although some conclusions about the programs are drawn, they are done so with the knowledge that not all information is available.

This section supports the project's purpose of determining whether government can, and should, provide support for small business succession. Reviewing each jurisdiction's succession programs in terms of the conceptual framework developed through the literature review will help identify programs that address the basic requirements of the succession process, and those that fall short. Identifying the limitations and best practices of government supported programs will lead to specific recommendations that the public sector, private sector, and not for profit organizations can endorse to improve existing programs and develop new services.

Section 6.1: Australia

The Government of Australia supports succession in small businesses by offering grants to private companies and business advocacy groups to provide programs on behalf of the government. In many cases the organizations receiving grants have pre-existing relationships with the small businesses. Programs delivered by organizations that have already established a working, trusting relationship with small businesses may have a

greater chance for success. Although it is difficult to properly evaluate these programs as no formal evaluation was publicly available, they appear to provide a breadth of information and support to help small businesses address important aspects of succession.

6.1.1 Background

In 2005 the Government of Australia launched the Building Entrepreneurship in Small Business (BESB) program to develop Australia's business community, by working on business skills, mentoring, and succession planning (Commonwealth of Australia, House of Representatives, December 7, 2005, p. 148). The government initially provided \$60 million AUD of funding in 2002 to establish the Small Business Assistance Program, which is tasked with providing skills development, advisory services, and creating a more supportive environment for small businesses (Grants and Opportunities, 2007). This program was expanded by another \$39 million AUD in 2005, a further \$14.7 million AUD in 2007, \$2.6 million AUD in 2008, and \$11.7 million AUD in 2009 with the purpose of extending the availability of grants offered through BESB (Grants and Opportunities).

The BESB program supports a culture of entrepreneurship and the development of best practices for small businesses (Fact Sheet, n.d.). One of the key initiatives identified as an area of concern by government, and addressed through the BESB program, is supporting succession through programs provided by independent training firms. The training firms receiving grants were tasked with the challenge of developing programs and services that assist business owners maximize the value of their business, and providing strategies to assist owners with exiting the business while ensuring business continuity (Fact Sheet). Two successful companies who received a grant to develop and implement succession programs were Peak Partners Pty Ltd., and Growcom.

6.1.2 Peak Partners Pty Ltd.

Peak Partners Pty Ltd. was given \$232,000 to develop a program targeted at improving the succession planning knowledge of small business owners in the Newcastle Hunter Valley Region of Australia (BESB Round Three Grant Recipients, 2007). The project targeted businesses with less than 20 employees, and delivered the programs in conjunction with Business Enterprise Centres (BESB Round Three Grant Recipients). Peak Partners conducted low cost introduction to succession planning breakfast seminars followed by half day intensive workshops with the assistance of succession planning professionals (Succession Plus, 2009). Peak Partners follows a process of identifying business value, maximizing business value, extracting value, and maximizing wealth (Succession Plus, 2009). Although it is not explicitly stated, the Peak Partners approach appears to be focused on the financial value of the business, rather than a focus on extracting the personal value or experience of the predecessor.

6.1.3 Growcom

Growcom's project has two stages: identifying horticultural industry growers and their families in the Queensland area, then providing them with succession planning skills and development training (BESB Round Three Grant Recipients, 2007). Awarded \$300,000,

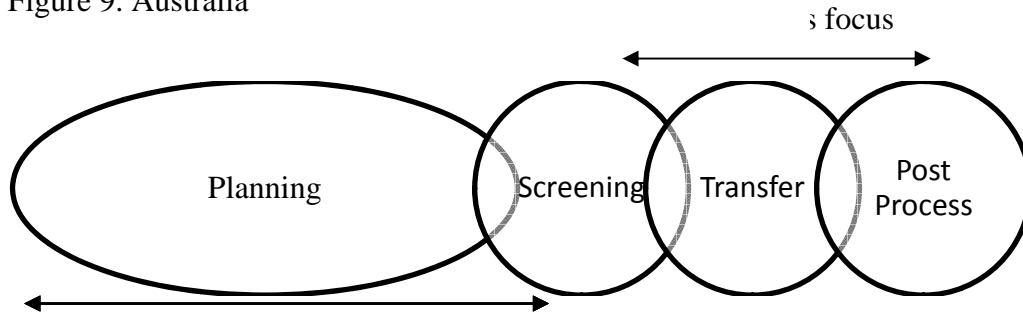
Growcom's program is still developing but the overall goal is to provide succession planning workshops relevant to business owners in the horticulture industry through the assistance of succession experts (Growcom, 2007). The succession planning workshops provide skills for succession planning, communication, technical aspects, and conflict resolution strategies as well as developing succession planning frameworks and strategies. Each workshop is followed up with a one on one session to apply the lessons to each individual situation. Through the project, Growcom also identified older farmers willing to act as mentors and assist other farmers in developing their succession plan. Growcom is able to access the horticultural industry by acting as a member driven organization focused on providing leadership, influential representation, and smart solutions to business issues.

6.1.4 Discussion

Although Peak Partners provides cost effective support for small businesses, their focus on addressing only the technical elements of succession has resulted in services that fail to highlight the critical elements of the succession process. Figure 9 illustrates where the Peak Partners focus lies in the conceptual framework. Their emphasis on the technical elements, rather than the family and personal issues involved in the succession process, has resulted in a program that parallels much of the academic research which presents succession as a series of technical issues occurring during the transfer phase. Peak Partners's overly technical focus may give business owners the wrong impression of succession, presenting it as a single technical event rather than a long succession planning process. Their approach may put businesses who participate in the seminar at risk if human problems cause issues during the succession process.

Growcom's approach to supporting succession in the horticultural industry is a good example of a succession program that focuses on human and family issues as well as technical aspects. Growcom's program puts into practice the conceptual framework illustrated in Figure 9 by focusing their support on the planning phase, ensuring that key human issues are addressed, such as how predecessors and successors should communicate properly, and how conflict should be addressed in the succession process to avoid long term damage to the business. The Growcom approach of first identifying families who will go through succession in the future, and then providing extensive succession planning support through workshops and mentorship helps ensure that succession planning occurs early enough to address many of the concerns and issues that may arise during succession. The Growcom program puts a heavy focus on ensuring that businesses benefit from planning to ensure that many of the necessary succession issues are addressed prior to the succession process.

Figure 9. Australia



Section 6.2: European Union

The European Union's (EU) approach to providing small businesses succession support is to develop a good business environment for all participating countries, and, as a part of a good business environment, provide a space to share best practices. Sharing information on best practices has led to the development of supportive succession programs as countries can draw on knowledge across the EU. Although the EU approach to building collaborative succession support by sharing best practices provides many good examples of programs and services, not every EU country promotes the issue of succession and demands the same standard for succession programs and support.

6.2.1 Background

The EU's member states attempted to bring focus to small to medium sized enterprises (SMEs) by developing a vision for the future of SMEs (Commission of European Communities, 2008). Since SMEs are very different from one region to another, the policies addressing SMEs needed to be flexible and diverse. The *Small Business Act* (SBA) was developed to achieve the best possible approach for SME policy (Commission of European Communities). The collaborative effort to build a comprehensive SBA ensured that all EU countries are supportive of its principles and are able to design their own approach to supporting succession.

The SBA is a set of ten principles that guide the conception and implementation of SME policy at both the EU and national level (Commission of European Communities). Appendix A outlines an abbreviated version of the ten principles as found in the final document from the Commission of European Communities. The principles focus on developing a small business environment that has the support of governments in providing programs and services, and ensuring they are not limited by government policies and financial programs. These principles are important as they set a consistent baseline standard amongst countries in the EU for supporting small businesses.

As part of the SBA, the Commission of European Communities identifies and shares information on good practices in many areas of SME policy (European Commission Enterprise and Industry, 2009). Sharing good practices in SME policy allows member states to draw on examples of policies already developed, enabling states to use each

other's best strengths in SME succession policy development (European Commission Enterprise and Industry). Two of the good practices identified for small business succession planning include Austria's business succession checks and Finland's Take over Program.

6.2.2 Austria's succession program

Austria's Chamber of Commerce and Ministry of Economic Affairs, Youth, and Family established a program for succession support which helps business owners intending to sell demonstrate to potential buyers that their business is sound (Naschfolgebörse, 2009). An independent advisor analyses the business's strengths and weaknesses, accounting systems, and areas where the business has room for improvement (European Commission Enterprise and Industry, 2009). The report gives potential buyers of small businesses an idea of the challenges and opportunities that may be waiting for them, as well as an opportunity to address areas in which the business owner could improve prior to its sale (Naschfolgebörse).

Another component of the succession checks is to ensure the business being sold is well maintained and owners are aware of the succession process. Owners are given a general guide to business succession so they are aware of some of the planning and actions that needs to be undertaken, and how the ownership transfer will unfold (Naschfolgebörse, 2009).

6.2.3 Finland's Take Over Program

Another program identified by the Commission of European Communities as being a best practice is Finland's *Take Over Program*, which is offered to SME owners to support their business succession planning. The aim of the program is to support SME owners in planning and implementing the transfer of their business using the assistance of external consultants (OECD, n.d.). The program consists of three days of analysis, discussion, and advice from consultants, all of which is subsidized by the government. The result of this program is a fully functioning succession plan, as well as the option to purchase five additional days of consulting, at a subsidized price, to discuss any pending issues. The *Take Over Program* has been successful in providing businesses with a completed succession plan, access to external expertise on succession issues, and a means to start up or accelerate the succession process.

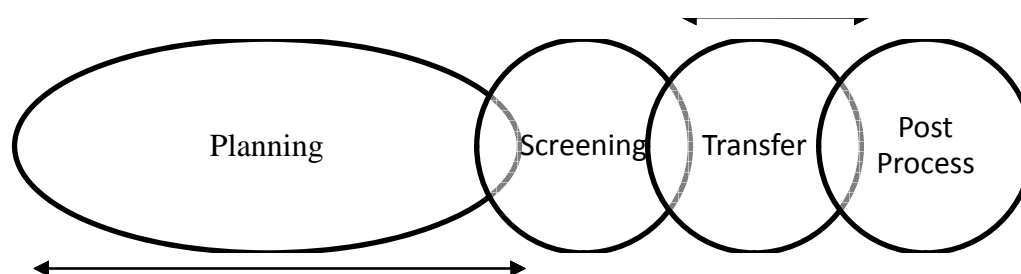
6.2.4 Discussion

Austria's succession program appears to be overly focused on ensuring potential successors are aware of the financial state of the business rather than a focus on the actual succession process. As Figure 10 illustrates, the program's focus on making a business more desirable to potential buyers makes it appear as though the only focus of succession is on transferring the business to a new owner. Although having a strong financial return makes a business appealing to potential buyers, a business would be more desirable if it had a thorough succession plan that sets out specific actions for both the successor and predecessor at all phases of the succession process. While the program provides important support, it would have more value added service if it had an independent advisor not only look at the

strengths and weaknesses of the business, but also whether they have a succession plan, and whether that succession plan is sufficient.

Finland's approach to supporting succession planning in small businesses is a clear example of how programs developed, funded, and run by government can support succession planning in businesses. Figure 10 demonstrates how the *Take Over Program* is focused on the succession planning phase rather than on the business sale, or transfer phase, which helps ensure that businesses who take part in the program start the succession process with the right knowledge, tools, and techniques. Although many businesses avoid planning for succession due to the associated costs, the subsidized price of the program may encourage those business owners who have not planned for succession because of the costs to attend the seminar and develop a plan with the assistance of professionals. Although the seminar is short, businesses who take part during the planning phase will benefit from the professional support to start their succession plan. Even small amounts of planning prior to succession can help businesses experience a more positive process.

Figure 10. European Union



Section 6.3: United Kingdom

The UK is still in the process of developing a supportive environment for small business succession. They have taken steps forward by developing a set of recommended policy options; however, many of those options have yet to be implemented. More focus and effort by the government is needed to promote the issue of succession planning in small businesses, clearly define the policy options put forward in the *Passing the Baton* report, and implement the proposed programs and support services.

6.3.1 Background

In the 2004 budget, Chancellor Gordon Brown reported that the effective transition of business ownership and management has the potential to improve innovation, business investments, and workers' skills (SBS, n.d.). However, small businesses often have difficulties in transitioning from one owner to the next. In order to address these issues the Small Business Service (SBS), which is an agency of The Department of Trade and Industry in the UK, was asked to explore the potential barriers that may prevent a successful transition and what could be done by government to ease the process (HM Treasury, 2004).

In the 2004 report *Passing the Baton – Encouraging Successful Business Transfers*, SBS outlined barriers preventing successful transitions in small businesses, as well as clear steps as to what government could do to alleviate some of those barriers. The recommendations made by SBS include (SBS, 2004):

- Raise awareness with SMEs of the importance of planning for succession;
- Encourage business owners to address succession at an early stage in their business;
- Improve the quality and availability of advice on how to understand succession and plan appropriately;
- Consider producing a no-nonsense guide to the range of succession options available to businesses; and
- Work with advisors to provide business owners with information, training, advice, and support for business transfer.

SBS also reported that government should recognize business succession as a critical event and an opportunity to support businesses, and that knowledge and experts should be made available to these businesses (SBS, n.d.). SBS proposed the following policy options for the government (SBS):

- Developing centres of knowledge and expertise to support SME ownership succession;
- Providing diagnostic tools that enable owners to understand their particular succession situation;
- Supporting owners emotionally through good practice models of succession planning;
- Helping owners make sure their business is exit ready; and
- Using succession as an opportunity to introduce new thinking, to innovate, and to help businesses respond to meet challenges of the knowledge-based economy.

One of the first strategies implemented to support the SBS is Business Link. It is a support service for small businesses which provides advice via internet, telephone, or face to face by one of the many regional advisors around the UK (Business Link, 2009).

6.3.2 Business Link

Business Link was developed in partnership with experts in government as well as relevant business organizations to ensure advice given by advisors is in compliance with the country's regulatory framework, and will assist in improving the overall performance of the business (Business Link). Business Link assists small businesses in managing their finances, supporting business activities, understanding and navigating the regulatory environment, and business succession planning.

Business Link offers succession planning information through their website, on the phone, or in person consultation. As part of their web based services, specific areas of the Business Link site are focused on the issue of succession and include an interactive tool giving the

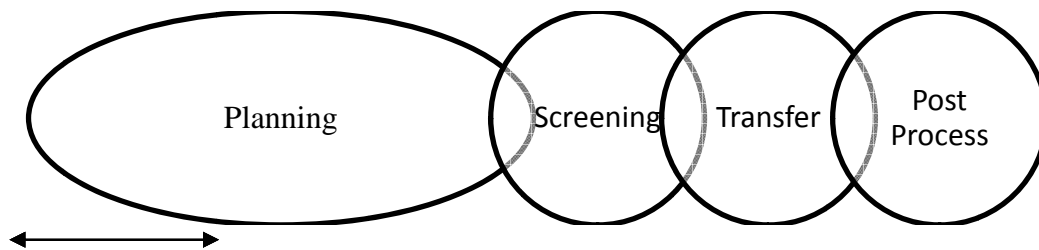
owner a detailed report of their succession options, as well as a guide to the succession process containing information on planning, finance, family issues, implementation strategy, and business valuation (Business Link, 2009). Business Link also offers succession planning workshops where participants receive half day introductions to succession planning, followed by a 30 minute one on one session to discussion any succession related issues an owner may have (Business Link).

6.3.3 Discussion

The UK report *Passing the Baton – Encouraging Successful Business Transfers* provides a comprehensive list of policy options that parallel many of the recommendations made in the academic literature. Specifically, it recommends helping owners make sure their business is ready for transfer, and providing owners with emotional support during succession planning. While comprehensive information on Business Link succession services developed to address the report was unavailable, the key areas of focus highlighted on their site appear to point towards an emphasis on the planning phase of the succession process.

Although many of the recommendations from *Passing the Baton* are vague, if they use the academic literature to build evidence-based support mechanisms for helping owners navigate the succession process and ensure their business is ready for transfer, they will be taking the right steps to ensure succession programs and supports are appropriate and effective. The UK is in a good position to support succession as they have identified it as a priority but have not yet committed to comprehensive support through programs and services. If the UK were to implement programs that support succession planning using principles similar to the conceptual framework to guide their development, small businesses would be thoroughly supported when navigating the succession process. Figure 11 illustrates that while the UK has not committed to, or developed, programs for supporting succession, their acknowledgement of the need for succession planning and a focus on promoting succession planning as a key factor in succession success puts their focus on the planning phase of the process.

Figure 11. UK



Section 6.4: United States

Assistance for succession planning in small businesses is offered at the federal, state, and municipal level. Each level of government offers a different kind of service, from general succession planning assistance at the national level, to succession planning policies specific to a certain state or region. The range of services offered tends to be inconsistent throughout the country, and there appears to be a lack of comprehensive programs offered at any level of government. Two examples of these programs are the federally sponsored Service Corps of Retired Executives (SCORE) program, and the Home Town Competitiveness program offered at the municipal level.

6.4.1 Service Corps of Retired Executives (SCORE)

The US Small Business Administration (SBA) is an independent agency of the US Federal Government created to assist, council, and protect the interests of small businesses (US Small Business Administration [SBA], n.d). SBA services are provided through a network of field offices as well as public and private organizations. One of the key services offered by SBA to support succession planning in small businesses is providing grants to various resource partners such as the Service Corps of Retired Executives.

SCORE is a nationwide service that provides small businesses with free face to face and online counselling, low-cost online workshops, and face to face seminars (Service Corps of Retired Executives [SCORE], 2010). All services provided through SCORE are done so by retired executives in fields that range from financial planning and exit strategies, to legal and marketing strategies. Mentoring relationships are available to small businesses for as long as they require, which could be anything from one or two sessions to multiple years of assistance. The support is also flexible to the needs of the business, from informal discussions to on-site hands on assistance. SCORE is funded through voluntary donations, corporate assistance, and congressional grants from SBA.

6.4.2 Home Town Competitiveness

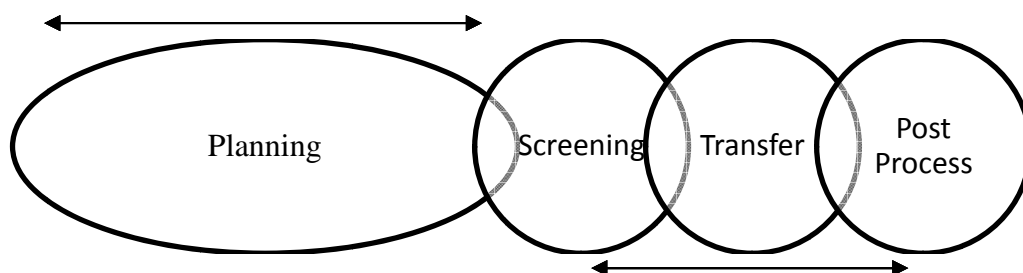
At the municipal level, efforts are also being made to support succession in small businesses. In rural Nebraska the come-back, give-back approach is used to ensure rural business sustainability (Home Town Competitiveness, n.d.). The program has a four pillared approach: leadership development amongst business owners, youth development in business related skills, developing charitable assets amongst community members, and working to identify and assess entrepreneurial talents amongst citizens (Home Town Competitiveness). To encourage succession, local schools send out newsletters to alumni informing them of succession opportunities in the community. This program has been successful in preventing the closure of small businesses by connecting them to a wider range of potential successors.

6.4.3 Discussion

SCORE is a positive program because it links executives who have gone through the succession planning process to small business owners in order to provide candid advice, thoughts, impartial support with family issues, and any other assistance a small business may require. The free counselling services and low-cost seminars may encourage businesses who cannot otherwise afford succession services to receive professional assistance. Using retired executives who have gone through the succession planning and business transfer process will help small businesses navigate key areas, especially those in the planning phase as illustrated in Figure 12, that may cause issues but are not often discussed in the general succession planning guides, such as the various roles they may play during the succession process and how to successfully select a successor. If the SCORE program ensures that executives touch on each of the issues addressed in the conceptual framework, small businesses who participate in the program will be better prepared for the succession process.

The Home Town Competitiveness program provides potential successors with early knowledge of what life is like as a business owner so they are not surprised and deterred by the work required of a business owner. Potential successors are also given leadership training and business education that may give them a competitive advantage when taking over a business. Through the early development of business related skills and knowledge, this model may help potential successors avoid some of the issues that arise when they are not properly prepared to take over a business. Figure 12 demonstrates that while the program supports the potential successor by ensuring they have the proper skills for owning and running a business and are prepared for the transfer phase of the succession process, it does not address the need for retiring business owners to plan for their succession other than providing an avenue to locate potential successors. The Home Town Competitiveness program is only focused on the last half of the succession process, and fails to address the need to support the predecessor in the planning phase.

Figure 12. US



3

Section 6.5: Canada

The majority of services the federal government identified that support succession in small businesses provide general information to businesses, or grants to external agencies which, in turn, deliver some counselling or mentoring services to small businesses. The Government of Canada is currently focused on assisting entrepreneurs launch new businesses and as a result there is a lack of focus on assisting successful businesses transition to the next generation. The few succession programs and services that are offered are contingent on a business's willingness to meet the criteria of their programs.

6.5.1 Background

In an effort to ensure the continued success of Canadian small businesses, the Government of Canada's 2009 Economic Action Plan recognized the importance of supporting small businesses by introducing new initiatives that stimulate the economy (Industry Canada, 2009). One of the key actions was to provide additional funding to the Canadian Business Network (CBN), a one-stop shop for government services and information, with a focus on assisting entrepreneurs establish new businesses (Industry Canada). Through the CBN small businesses can search for information on exiting their business, from succession planning to the steps required in closing down a business.

The CBN provides general information on succession planning and the succession process rather than counselling or specific information targeted at small or family business succession. The majority of the succession planning information provided on the CBN site is succession guides developed by private and non-government organizations such as the Royal Bank of Canada, Bank of Montreal, Business Development Bank of Canada, Canadian Federation of Independent Businesses, and the Canadian Imperial Bank of Commerce (Canada Business, 2009). These guides tend to focus on the technical elements of succession rather than the human factors. The CBN site also provides links to the Canadian Revenue Agency for information on financial and tax implications that should be addressed in the succession planning process. The Government of Canada also provides specific succession planning support by funding independent organizations to provide succession planning services. Two programs sponsored by the federal government include the Canadian Co-operatives Association Business Succession in Rural Communities and the Community Futures Development Corporation Succession Fund.

6.5.2 Business Succession in Rural Communities

The Canadian Co-operatives Association's project to support Business Succession in Rural Communities (BSiRC) is sponsored by the Government of Canada through Agriculture and Agri-Food Canada (Canadian Co-Operative Association, 2008). Through assisted business transfers, the Canadian Co-operative Association is able to provide examples of successful case studies of small business transfers. They also provide guides to succession planning and succession processes, and offer information on the benefit of co-operatives as a succession option (Canadian Co-Operative Association). BSiRC supported six businesses

in successfully transferring to a co-operative model. This was done through counselling on succession planning, support for stakeholder engagement activities, and support in developing a financial strategy for a co-operative model (Canadian Co-Operative Association). The Canadian Co-Operative Association continues its support of succession planning and processes by investing more resources in advisory services and providing financial assistance to those businesses testing new applications of a co-operative model (Government of Canada, 2009).

6.5.3 Community Futures Development Corporation Succession Fund

The Community Futures Development Corporation Succession Fund (CFDCSF) is an example of another independent organization providing succession planning assistance through government funding. The Government of Canada contributed \$6 million to the project, which was matched by Community Futures totalling \$12 million for succession and entrepreneurship (Canada Economic Development for the Quebec Region, 2009). This capital fund for business succession is intended to promote succession planning and intergenerational succession, as well as enable businesses to continue to prosper after ownership has transferred (SADC de Baie-des-Chaleurs, 2008). The succession fund is intended to provide successors with access to the capital needed to succeed a business (SADC de Baie-des-Chaleurs). In providing the successor with a succession loan, both successor and predecessor must be willing to participate in mentoring services provided by Community Futures throughout the succession process, from planning to post-succession (SADC de Baie-des-Chaleurs).

6.5.4 Discussion

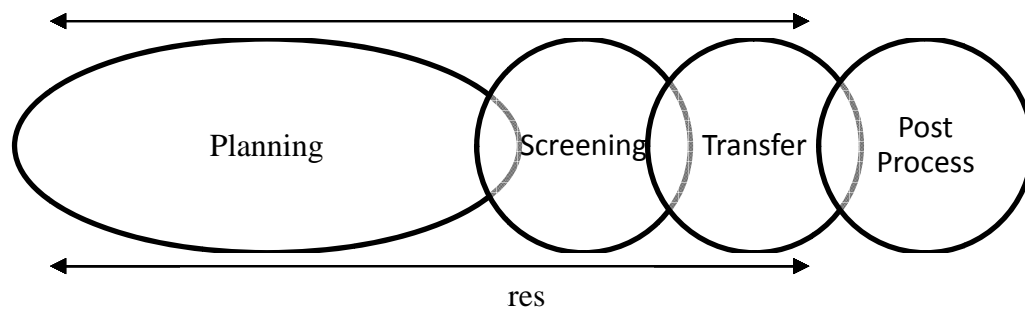
Although the federal government did identify programs that support succession, a lack of information for both the Canadian Co-operative Association and Community Futures makes it difficult to identify what areas of the conceptual framework their programs address. Figure 13 is an assumption of both programs' areas of focus based on the limited information available.

Although the services provided by the Canadian Co-operative Association to small businesses appear to be comprehensive and address the many of the factors involved in the conceptual framework, they are limited to businesses that choose to move to a co-operative model. Small businesses should have access to succession services regardless of the business model they want to pursue. While the BSiRC model was identified as an example of a federally sponsored succession support service, forcing businesses into a specific management structure in order to receive succession support is not an effective way to provide succession services or earn the trust of small businesses. Even if the conceptual framework is used to outline succession services, forcing businesses to conform to a certain model will only suit the needs of some, but not all, businesses.

The succession services offered through Community Futures appear to be well rounded in ensuring that successors have access to sufficient capital, and both the successor and predecessor are prepared and knowledgeable about the succession process. The succession fund helps address one of the most important technical issues in the succession process,

which is whether or not the necessary funding is available for the successor to engage in the succession process. It also provides comprehensive support from business professionals to ensure both the successor and predecessor are able to navigate the process. Unfortunately, the succession fund is limited to supporting small businesses in Quebec rather than across the country.

Figure 13. Canada



Section 6.6: British Columbia

Although the Province of BC supports a variety of different programs that partially address succession, none of their programs fully address the need to provide comprehensive support to small businesses before and during the succession process. While the Province's programs help support small businesses find potential successors and provide general succession information, neither of the programs focus on presenting the succession process and encouraging planning. Not fully supporting small businesses in planning for succession is a costly oversight that may result in the failure of many small business succession processes.

6.6.1 Background

In 2005, the BC Government established the BC Small Business Roundtable (SBR) to engage in discussions with small businesses in order to identify key issues they face, and develop recommendations for government on strategies that will assist small business (BC Small Business Roundtable, 2009a). The SBR travels around BC conducting consultations with small businesses, providing a setting for small businesses to discuss challenges and opportunities for improving the environment in which owners conduct their business (BC Small Business Roundtable, 2009a). In the latest report, the SBR identified that training for succession planning and other issues related to exit strategies is a significant concern facing small businesses (BC Small Business Roundtable, 2009b). In order to address this issue the SBR recommended that government support leadership development, particularly in the area of succession planning (BC Small Business Roundtable, 2009b).

In order to act on the SBR recommendations to support succession planning in small businesses, the Government of BC identified two programs that support small businesses, with succession issues being an indirect component of each program: Small Business BC and the Provincial Nominee Matching Program.

6.6.2 Small Business BC

The Small Business BC website provides information on topics related to every aspect of a small business. They also provide one-on-one advisory sessions for a fee, business publications, and workshops and seminars on a variety of different issues (Small Business BC, 2009a). The support that Small Business BC provides for succession planning is mostly through general information on their website. This information includes an overview of areas that should be addressed in the succession planning process from operations to finances (Small Business BC, 2009b).

6.6.3 Provincial Nominee Matching Program

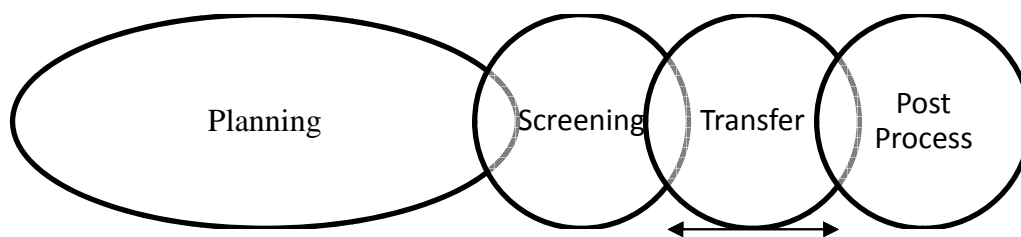
Another program highlighted by the provincial government as assisting small businesses in addressing succession issues is the Provincial Nominee Matching Program (PNMP). The PNMP is intended to select and nominate potential immigrants for permanent residence who have the ability to become economically established in BC, and who will possibly provide significant economic benefits to the province (Provincial Nominee Program, n.d.). In order to encourage business continuity, the PNMP could offer a solution for small businesses that are unable to transfer ownership to a family member or are unable to find an external buyer.

6.6.4 Discussion

The information provided through the Small Business BC site is focused on general businesses rather than specifically oriented to family businesses. However, the policies that have been developed and implemented for non-family businesses and applied to family businesses often fail as they do not address the issues that are unique to small businesses (Craig & Moores, 2009). Because the Small Business BC site does not specifically address succession in terms of the conceptual framework, it was difficult to highlight its area of focus on Figure 14. Although the Small Business BC website provides extensive information on business related issues, information, and links, failure to develop targeted succession information for family businesses may alienate small business owners from visiting the website.

The PNMP will provide a wider selection of potential successors; however, this program does not offer assistance beyond finding a potential international successor. As highlighted in Figure 14, no focus is put on succession planning or how to navigate the succession process from the perspective of the predecessor; rather, the focus is only on the business transfer. BC's focus on the economic importance of small businesses appears to direct their attention to developing programs that focus on the sale of businesses, missing the important aspects of planning and supporting the succession process.

Figure 14. BC



Section 6.7: Discussion

The jurisdictional scan provides an overview of international programs and services directed at supporting business succession practices. Although the programs provide useful information for making comparisons and using examples of best practice models, it is difficult to recommend a specific program without evaluation information. For the programs discussed in the jurisdictional scan, formal evaluation information was unavailable. Using the key issues, conceptual framework, and lessons identified in the literature review, the information gathered from the websites on the jurisdictional programs are analyzed. Therefore, the conclusions drawn in the jurisdictional program are based on a critical analysis of the programs using academic literature, rather than information from a formal program evaluation.

In the previous sections of the jurisdictional scan the programs were plotted on the conceptual framework to illustrate what phase, or phases, the programs and services focused on. Table 9 provides a summary overview of how each of the succession programs discussed in the jurisdictional scan does or does not address the different areas of action identified in the conceptual framework. The table provides an overview of the program’s general area of focus, as well as a description of how closely it aligns with the various phases of the conceptual framework.

Table 9. Review of Jurisdictional programs

Program	Focus	Alignment with Conceptual Framework
Australia – Peak Partners	Providing short seminars focused on extracting value and maximizing wealth.	No reference is made to planning for the human elements of succession. Only focused on the transfer phase.
Australia – Growcom	Comprehensive succession planning support that addresses both human and technical elements of the process.	Business owners are identified well in advance of the succession process, giving ample time for planning. Heavily focused on the planning phase and the human elements of succession planning.
EU – Austria	Independent advisor assesses	Program is intended to focus on

	business to increase attractiveness to potential buyers. Solely focused on financial status of business and increasing profits.	selling the business by improving profits. Only focused on the transfer phase. No reference to planning for the succession process.
EU – Finland Take Over Program	Subsidized workshops with the intention of developing a fully functioning succession plan. Not enough details were available to assess the focus of the succession plan.	Intention of the program is to develop a fully functioning succession plan that would typically be developed in the planning period. Cannot assess the effectiveness of the plan without knowing its focus.
UK – Business Link	Program is still in the development phase but the initial recommendations support comprehensive services targeting both the technical and human elements of the succession process.	Starting to provide half day succession planning services. If the program is expanded to match the recommendations it will closely align with the conceptual framework.
US – SCORE	Offers comprehensive services for small business mentorship. Addresses all aspects of the succession planning process. Lack of information on what mentors were recommending to small businesses.	Focuses on the planning phase of the conceptual framework, although there was no information on what was being recommended at the planning phase.
US – Home Town Competitiveness	Focus on developing future business owners by providing business education.	Plan is only focused on general successor development through academic education. Only addresses the need for successor development at the screening and transfer phases.
Canada – Canadian Co-op	Provides full support throughout the succession process if the business is willing to move to a co-operative model.	Comprehensive succession planning support is provided to businesses addressing everything from finances to stakeholder engagement and the development of full succession plans. Addresses all aspects of the conceptual framework if they are willing to move to a co-operative model.
Canada – Community Futures	Provides funding for business purchase and mandatory comprehensive succession services.	Only available in Quebec; however, it provides the necessary capital to purchase the business and support to build a full succession plan.
BC – Small Business BC	Provides very general succession services in the way of information on their website.	Information that is provided on the website focuses on the technical elements of the succession process

		during the transfer phase.
BC – PNMP	Matches potential immigrants to small business owners who are looking to sell their business.	Beyond matching potential successors with a business owner and helping the successor build a business plan this program does not provide any support for the succession planning process beyond the transfer phase.

Table 9 provides a useful outline for identifying how the various jurisdictional programs align with the conceptual framework. Unfortunately for many of the programs outlined above, specific information on their succession services was unavailable. Therefore, comparisons between programs and insights from the academic literature will provide a base for drawing conclusions for this section.

Common features that seem to appear in the majority of programs include: funding non-governmental organizations to deliver the programs and services, program focus on the planning phase or the transfer phase, the use of web-based services to provide information to small businesses, and the lack of emphasis on promoting the importance of succession to small businesses. Key differences include: the approach taken by different countries to support succession from breakfast seminars to multi-day intensive succession planning workshops, whether the program or service was subsidized, and the program focus on either issues relevant to the successor or the predecessor.

One of the key common features between the programs and services in various jurisdictions is the focus on either the planning phase or the transfer phase. As illustrated in the conceptual frameworks throughout the jurisdictional scan, programs either provide services that help business owners plan for their succession placing an emphasis on the planning phase, or programs provide services that help the successor purchase the business or the predecessor sell the business; in both cases, the focus is on the transfer phase. The emphasis on either the planning phase or transfer phase puts participants at risk of misunderstanding succession as a process. Although planning is one of the most important aspects of succession, a singular focus on the planning phase may lead to an assumption that once planning is complete it will lead to a successful succession without the need of cycling through the rest of the succession phases. On the other hand, a focus on the transfer phase, which is often the technical elements of succession, may lead participants to assume that succession only involves the transfer of ownership and management. Based on the information available it appears as though none of the programs discussed in the jurisdictional scan fully address the information provided in the conceptual framework recommending succession be approached as a process, with decisions and actions made at one phase leading to different outcomes at later phases in the succession process. Rather, many of these programs seem to be based on the early succession literature which focuses on one or two elements of the succession process, either planning or transfer, and do not promote a need to view succession as a long term process.

Another common feature in succession services offered in different countries and provinces is the lack of focus and importance placed on promoting succession planning in small

businesses. Although some countries may provide materials to small businesses informing them of the importance of succession planning, or run marketing materials encouraging small businesses to plan for the future, this information could not be found for this report. Even though general awareness of succession planning among small businesses remains quite low (Bruce & Picard, 2005), the programs discussed in this paper do not address the need to promote this issue to small businesses.

One of the key differences in the programs provided is the range services offered, and the various approaches taken to present different phases of the succession process. From short seminars that introduce the topic of succession, multi-day intensive sessions that walk business owners through developing a succession plan, to advisors that review financial information, each program takes a very different approach to addressing either the planning or transfer phase. The lack of evaluation materials on the various programs and services also makes it difficult to allude to which program or service is a best practice. Although there may be no clear best practice, based on the academic literature the assumption could be made that programs more likely to offer the necessary skills and services needed to successfully transfer a business would follow the conceptual framework and address family and human issues support the funding and navigation of the technical components, such as the Community Futures Succession Fund in Quebec; and result in the development of a full formal succession plan, such as Finland's Take Over Program. Rather than attempting to find one program that will act as a best practice model for supporting the succession process, successful aspects of succession programs or services from various jurisdictions should be taken to develop one comprehensive program that addresses each phase of the succession process.

Although some jurisdictions provide succession programs, all jurisdictions lack programs that address the entire succession process as described in the conceptual framework. While there is no example of a comprehensive succession program, a successful program may be one that closely aligns with the conceptual framework, identifies businesses needing assistance, emphasizes the planning phase, and provides the needed support throughout the process. Perhaps one of the first steps towards developing appropriate and comprehensive programs and services for succession in small businesses is for jurisdictions to understand the need to support succession, change their thinking from succession as individual events to succession as a process, and make steps towards developing a supportive policy environment where programs and services are offered to help small businesses transition through the phases of the succession process in a way that benefits the business, successor, family, stakeholders, and the predecessor.

Although identifying succession as an important issue is not a solution to helping small businesses through the succession process, governments have to first identify, accept, and acknowledge support for small business succession before comprehensive, evidence-based programs can be developed. If services are developed without the support of government they will miss the potential financial and public support that can be offered by government, and risk competing with government priorities that may be in direct conflict with succession programs. Governments that have identified succession as an important issue will also be more likely to work with other interest groups, such as not-for-profits who have a good understanding of small business needs, and develop appropriate programs and

services. If governments continue to place the emphasis of small business policy on the creation of new businesses rather than supporting existing businesses to continue into the future, jurisdictions around the world are at risk of losing the financial benefit of small businesses, employment, and the niche services often offered by small businesses.

SECTION 7: RECOMMENDATIONS

A thorough overview of the academic literature available on succession has outlined various issues and concerns that should be addressed during the succession process. With the importance of small businesses to the Canadian economy and social make-up highlighted throughout the project, it is crucial that key areas of issue during succession planning and the succession process for predecessors, successors, and family members need to be supported to ensure small businesses experience a positive succession process. Both the literature review and the jurisdictional scan are used to inform a set of evidence-based recommendations for government, supporting organizations like CAFE, and researchers.

The project's purpose is to review the small business succession literature in order to develop a conceptual framework to guide the discussion around succession in small businesses. The conceptual framework is then used to assess programs and services offered in various jurisdictions in order to identify best practices that can form a basis for recommendations. Based on the information developed through the literature review and jurisdictional scan the recommendation section will address whether there is a potential role to play for government in supporting small business succession.

Through the literature review a conceptual framework was developed that will help guide small business owners through the succession process. The conceptual framework presents succession as a process where decisions and actions at one phase affect later phases. Small businesses who engage in a planning process, even if it is just informal conversations with family, friends and professionals, will experience a more positive succession than those business owners who choose not to address succession until the business is transferred. Although there is a clear emphasis on the need for business owners to plan for their succession, businesses continue to leave succession planning until the last minute.

To explore possible ways that businesses can be supported in their succession process, the jurisdictional scan reviewed various programs and services offered in numerous international jurisdictions. Although there was limited information about the programs and services offered, making it difficult to evaluate whether programs were successful, this project was able to evaluate the programs based on how closely they aligned with the conceptual framework, as well as identify similarities and differences between programs and services that pointed towards key elements involved in developing supportive succession services for small businesses.

A key piece of information that became apparent through the jurisdictional scan is who should be responsible for delivering supportive succession programs. The programs and services discussed in the jurisdictional scan were often delivered by non-governmental organizations, but fully or partially funded by government. Non-governmental organizations, especially groups like CFIB or CAFE, have the benefit of a pre-established relationship with small businesses; they are not seen as threatening or seen to have ulterior motives other than to provide services to small businesses. Governments can be perceived by small businesses to provide support only if they receive something in return, or at times,

they may be viewed as threatening. Governments, especially those at a federal level, may also be viewed as distant from the daily operations of small businesses and out of touch with the needs of businesses and business owners. Based on this information it can be concluded that although there is room for government to support small business succession, it may be through indirect support such as funding and grants to external agencies, or providing web or print based information on succession rather than direct support for small businesses. Being an arm's length supporter of small businesses will provide governments the opportunity to be perceived by the small business community as supportive, without having the direct responsibility and commitment of providing programs and services.

7.1 Recommendations for Supporting Organizations

Recommendation 1: Use both academic and private sector literature to develop a comprehensive guide or workbook of the succession process. Rather than just focusing on technical components or succession as a one-time event, this guide would integrate the academic work on how to address the concerns of both predecessors and successors at each phase of the succession process.

A wide variety of succession information is available on websites, through professionals, books, and other sources. Much of the information available focuses on different aspects of succession, from planning to financial considerations, rather than offering a comprehensive overview of the process from succession planning to post succession. The sources available tend to provide general information rather than specific tools and techniques for tackling succession. Even with the wide variety of information available on succession planning, small businesses continue to leave it to chance.

Building a practical and targeted succession guide would require that research be conducted to identify why businesses are not planning for succession. To ensure the information goes to businesses, a working partnership with banks, accountants, lawyers, and other professionals providing succession support should be developed. These professionals can hand-deliver this guide to small businesses who have self-identified as nearing retirement, or who have been identified by the professionals as a business that should start planning for succession.

Recommendation 2: Explore the possibility of providing subsidized or free of charge programs for small businesses to access comprehensive support services from succession planning professionals.

Much of the success international jurisdictions have had in supporting small business succession is through comprehensive programs and services that offer low cost information, counselling, and mentoring services through non-government organizations. These comprehensive programs offer small businesses the opportunity to look at information on their own time, as well as receive counselling support by professionals and mentoring services with other business owners who have gone through the succession process. Giving small businesses an opportunity to receive comprehensive support at a low cost will help support successful business transfers.

A program to support small businesses plan for succession can be developed using best practice examples of programs and services offered in other jurisdictions. Non-government organizations can use existing knowledge available through other jurisdictions programs to decide how the programs will be delivered, while academic literature can be used to form the base for the content shared with the small businesses.

7.2 Recommendations for Government

Recommendation 3: To ensure small businesses are able to go through a successful succession process, small business succession has to be identified as a priority issue by government. Governments at all levels, local, provincial, and federal, need to first accept that succession is an issue facing small businesses, and that support is needed from public, private, or not-for profit organizations. Support from various areas, including government, is needed to bring the issue to the forefront and encourage different organizations to work together.

In order to properly support small business succession, Canada must ensure that it is innovative in the programs it provides in order to ensure a supportive business environment. In other jurisdictions, such as the UK, governments have created supportive environments by developing reports that identify small business succession as a significant challenge facing small business owners in the future, and a strain on the economy if not supported. In Canada, the focus has been on developing new businesses rather than supporting transfers from one generation to the next. Canada should use the best practices from other jurisdictions and apply it to developing a supportive environment.

Recommendation 4: Establish a strategy for providing arms length succession support to small business. This could be accomplished by providing grants or funding to independent organizations, succession information available via the internet or through print based guides, or by providing training to professionals so they can provide succession support.

Much of the success international jurisdictions have had in supporting small business succession is through comprehensive programs and services offered by independent organizations. Canada could provide similar support by providing funding to independent organizations so they are able to provide succession support, provide comprehensive succession information on their website, or send succession guides to small businesses directing them towards professionals or non-government organizations for additional support. Whatever avenue is decided on should follow the conceptual framework in presenting succession as a process, with an emphasis on the planning phase.

7.3 Recommendations for Researchers

Recommendation 5: Support comprehensive research that examines why small businesses choose not to plan for succession. Firsthand knowledge gained through interviews of small business owners who have chosen not to plan for succession will

help inform ways in which government can promote and encourage succession planning amongst small businesses.

One of the key pieces of information that has not been thoroughly explored in the academic, private, and public sectors is why small business owners choose not to plan for succession. Speculation as to why predecessors choose to leave succession to chance include costs of succession planning (Bjuggren & Sund, 2001), the predecessor is forced to deal with their own mortality (Lansberg, 1988), lack of information on the issue, no potential successors available, as well as other important factors; however, there has been a lack of extensive studies inquiring as to why business owners choose not to plan for succession. Knowing this important piece of information will ensure that policies, programs, and services targeted at this issue are evidence-based and appropriate.

In order to convince government to support subsidized succession services for small businesses, a clear case needs to be made detailing the negative effects failed succession will have on the Canadian economy. Using information from independent surveys of a representative sample and Stats Canada, a detailed economic study focusing on aspects such as lost tax revenue, effects of decline in niche markets, and lost jobs could be developed. Clearly illustrating the effects of failed succession across the country will help convince federal and provincial governments that their support is needed.

Another Master's of Public Administration 598 project will use interviews with small business owners, succession planning professionals, and governments to explore this issue and identify areas of disconnect between small businesses and consultants, as well as investigate whether or not government support is feasible and necessary. Interviews with small business owners will help inform why predecessors choose to leave succession to chance, and how this information can be used to build targeted support for small businesses.

Recommendation 5: The academic community should work to translate succession research into applicable practices, tools, and resources for small business owners. This information should be developed to be specific to either an internal or an external successor, as the experience will be much different with all involved. Family business organizations, university centres or Masters and PhD students with a practical focus could take the lead in developing practical, evidence-based tools.

Although the field of family business studies is expanding with a focus on succession issues, there are still gaps in the research and more effort is required to translate the academic research into practical tools and practices. The research on succession has identified key pieces of information that can assist small businesses in successfully navigating the succession process; however, much of this information remains in the realm of academia and is never developed into a set of practical programs and practices. Family business organizations and university centres such as the Family Firm Institute (FFI), Family Business Network (FBN), CAFE and the Alberta Family Business Institute (AFBI) can support the work of translating academic research into practical tools and resources.

SECTION 8: CONCLUSION

Small businesses are an important contributor to the economy. They employ a significant number of Canadians, consistently play a key role in creating new job opportunities, and often provide specialized services that would otherwise be unavailable. Although the Canadian Federation of Independent Businesses reported to the Standing Senate Committee on Banking, Trade, and Commerce that without the proper preparation for succession small business owners were at an increased risk of business closure, the Government of Canada has done little to encourage the continuation of small businesses through supporting small business succession.

Compston (2008) has stated that there is an ongoing shift for governments to move in a direction that supports small businesses through policies that encourage an increase in the potential economic benefit businesses can bring to a country. In an effort to ensure the continued success of small businesses, Canada could use public policy to create a more supportive environment for small business succession and succession planning. The CFIB has recommended that government, academics, and the private sectors work together to use the literature from the academic and private sectors to develop evidence-based public policy to support succession in small businesses (Bruce & Picard, 2005). If the government is to use public policy as a tool to support small businesses in navigating the succession planning process, they will have to ensure that it is targeted and appropriate for small businesses or they will fail to address the issues unique to small businesses (Craig & Moores, 2009; Curran, 2000).

The academic literature on succession planning and succession processes in small businesses provides a useful overview of key considerations, issues, and areas of concern that may affect both the human and technical aspects of the succession process. Although it covers a wide spectrum of considerations during the succession process, from the various roles a predecessor must play during the succession to key financial considerations, the literature all points to the benefit of small businesses planning early for succession. Most of the issues and concerns identified in the academic literature can be avoided if businesses either develop a succession plan or ensure they have discussed issues specific to the succession process. The conceptual framework clearly indicates that the majority of the planning process occurs during the planning and transition to the screening phase. Small business owners who make an effort to develop plans that are flexible for adjustment over the course of the business transfer are more likely to experience a positive succession process.

Ideally, the academic literature should be used to develop evidence-informed programs to support the succession planning process in small businesses. However, much of the academic literature is too theoretical for governments or advocacy groups to apply in a practical setting, and as a result many governments develop programs and policies for succession planning and succession processes in small businesses that are inappropriate and ineffective. Rather than applying the information available in the academic literature to develop evidence-informed programs and policies, many jurisdictions only address certain

elements of the succession process and treat succession as though it is an event, or series of independent events, rather than a process.

The information provided on the status of succession planning and succession process support by Canada is illustrative of a clear lack of importance placed on assisting existing small businesses survive into the future. Canada's focus on assisting entrepreneurs develop new businesses, rather than taking over existing businesses, is creating a small business environment that does not support succession services. The only Canada-wide succession services that are offered is general information through the Canadian Business Network on succession planning and the succession process through succession guides developed by private and non-government organizations. These succession guides often focus on the technical aspects of succession and rarely identify or address the key human and family aspects of the succession process. To ensure the success of small businesses in Canada, steps should be taken to improve the current succession planning services offered through practices and policies informed by the academic, public, and private sector literature.

Rather than waiting for effects of the demographic shift to be felt, the Government of Canada can take steps to ensure that those small businesses that have been contributing to the Canadian economy will continue to survive to the next generation. By encouraging government to support the recommendations outlined in this paper, the academic, private, and public sector can move towards providing comprehensive support for succession planning in small businesses.

REFERENCES

- Astrachan, J.H., & Tutterow, R. (1996). The Effect of Estate Taxes on Family Business: Survey Results. *Family Business Review*, 9(3), 303-314. doi: 10.1111/j.1741-6248.1996.00303.x
- Ball, B. (n.d.). Lifetime Capital Gains Exemption. *CFIB*. Retrieved August 14, 2010, from <http://www.cfib.ca/research/businfo/pdf/min0122.pdf>
- Barach, J.A., & Ganitsky, J.B. (1995). Successful Succession in Family Business. *Family Business Review*, 8(2), 131-155. doi: 10.1111/j.1741-6248.1995.00131.x
- Barnett, R., & Davis, S. (2008). Creating Greater Success in Succession Planning. *Advances in Developing Human Resources*, 10(5), 721-739. doi: 10.1177/1523422308322277
- Berman B.R., & Coverley, R. (1999). Succession Planning in Family Businesses: A Study from East Anglia, U.K. *Journal of Small Business Management*, 37(1), 93-97. Retrieved October 27, 2009, from <http://search.ebscohost.com>
- Berntal, P., & Wellins, R. (2006). Trends in Leader Development and Succession. *Human Resource Planning*, 29, 31-40. Retrieved January 3, 2010, from <http://search.ebscohost.com>
- British Columbia. Ministry of Advanced Education and Labour Market Development. Provincial Nominee Program. (n.d.). Retrieved January 6, 2009, from <http://www.aved.gov.bc.ca/provincialnominee/welcome.htm>
- British Columbia. Ministry of Small Business, Technology, and Economic Development. British Columbia's Small Business Roundtable (2009a). Retrieved January 6, 2009, from <http://www.smallbusinessroundtable.ca/ABOUT/Pages/Mandate.aspx>
- British Columbia. Ministry of Small Business, Technology, and Economic Development. British Columbia's Small Business Roundtable. (2009b). *4th Annual Report to Government*. Retrieved January 6, 2009, from http://www.smallbusinessroundtable.ca/publications/Documents/SBR_AnnualReport_web.pdf
- Brockhaus, R.H. (2004). Family Business Succession: Suggestions for Future Research. *Family Business Review*, 17(2), 164-177. doi: 10.1111/j.1741-6248.2004.00011.x
- Bruce, D., & Picard, D. (2006). Making Succession a Success: Perspectives from Canadian Small and Medium-Sized Enterprises. *Journal of Small Business Management*, 44(2), 306-309. doi: 10.1111/j.1540-627X.2006.00171.x

- Bruce, D., & Picard, D. (2005). Succession Can Breed Success: SME Succession and Canada's Economic Prosperity. *CFIB*. Retrieved February 18, 2010, from <http://www.cfib-fcei.ca/cfib-documents/rr3007.pdf>
- Bjuggren, P.O., & Sund, L.G. (2001). Strategic Decision Making in Intergenerational Successions of Small-and Medium Size Family- Owned Businesses. *Family Business Review*, 14(1), 11-24. doi: 10.1111/j.1741-6248.2001.00011.x
- Building Entrepreneurship in Small Business [BESB] – Round Three Grant Recipients (2007). Retrieved December 26, 2009, from http://www.ausindustry.gov.au/SmallBusiness/BuildingEntrepreneurshipinSmallBusinessBESB/Documents/Approved%20Customers/BESB_Grant_recipients_14_Sep_200720070914101112.pdf
- Business Link. (2009). *Practical Advice for Businesses*. Retrieved December 29, 2009, from <http://www.businesslink.gov.uk/bdotg/action/home?r.s=l&r.lc=en>
- Cabrera-Suarez, K. (2005). Leadership Transfer and the Successor's Development in the Family Firm. *The Leadership Quarterly*, 16(1), 71-96. doi: 10.1016/j.leaqua.2004.09.010
- Cabrera-Suarez, K., Saa-Perez, P., & Garcia-Almeida, D. (2001). The Succession Process from a Resource – and Knowledge – Based View of the Family Firm. *Family Business Review*, 14(1), 37-50. doi: 10.1111/j.1741-6248.2001.00037.x
- Cadioux, L. (2007). Succession in Small and Medium-Sized Family Businesses: Toward a Typology of Predecessor Roles During and After the Instatement of the Successor. *Family Business Review*, 20(2), 95-109. doi: 10.1111/j.1741-6248.2007.00089.x
- Canada. Standing Senate Committee on Agriculture and Forestry. (2009). *Government Response to the Fourth Report of the Standing Senate Committee on Agriculture and Forestry Entitled 'Beyond Freefall: Halting Rural Poverty.'* Retrieved January 5, 2010, from http://www.communityfutures.ca/provincial/bc/resources/documents/govresponse_ruralpov_eng_final.pdf
- Canada. Standing Senate Committee on Banking, Trade, and Commerce. (2006). *The Demographic Time Bomb: Mitigating the Effects of Demographic Change in Canada*. Senate Committee Reports, Canada. Retrieved January 13, 2010, from <http://site.ebrary.com.ezproxy.library.uvic.ca/lib/uvic/docDetail.action?docID=10151707&p00=small%20business%20succession%20planning>
- Canada. Industry Canada. (2009). *Key Small Business Statistics – July 2008*. Retrieved January 14, 2010, from <http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/rd02307.html>

- Canada. Industry Canada. (2009). *Leaving Your Business: Succession Planning for SMEs*. Retrieved January 14, 2010, from http://www.ic.gc.ca/eic/site/direct.nsf/eng/h_uw00987.html
- Canada. (2009). *Your Business – Resources for Canadian Small Businesses*. Retrieved January 5, 2009, from http://www.canadabusiness.ca/assets/pdfs/PDFyour_business_fall09.pdf
- Canadian Association of Family Enterprises. (2009). *About CAFE: CAFE Vision, CAFE Mission, CAFE Objectives*. Retrieved January 5, 2010, from <http://www.cafecanada.ca/about.cfm?smocid=1553>
- Canadian Co-Operative Association. (2008). *Business Succession in Rural Communities*. Retrieved January 5, 2009, from <http://www.coopscanada.coop/en/coopdev/Business-Succession-In-Rural-Communities>
- Canada Economic Development for the Quebec Region. (2009). *Government of Canada Launches Business Start-up and Succession Fund with \$6 million Budget Allocation to Stimulate Quebec's Economy*. Retrieved January 5, 2010, from <http://www.dec-ced.gc.ca/eng/media-room/news-releases/2009/03/1949.html>
- Canadian Federation of Independent Businesses. (2009). *About Us*. Retrieved February 18, 2010, from http://www.cfib-fcei.ca/english/about_us.html
- Chrisman, J.J., Chua, J.H., Sharma, P., & Yoder, T.F. (2009). Guiding Family Businesses Through the Succession Process: A Step-by-Step Guide for CPA Advisors. *The CPA Journal*, 79, 48-51.
- Churchill, N.C., & Hatten, K.J. (1997). Non-Market Based Transfers of Wealth and Power: A Research Framework for Family Business. *Family Business Review*, 10(1), 53-67. doi: 10.1111/j.1741-6248.1997.00053.x
- Chua, J. H., Chrisman, J., & Sharma, P. (2003). Succession and Non-Succession Concerns of Family Firms and Agency Relationship with Non-Family Managers. *Family Business Review*, 16(2), 89-107. doi: 10.1111/j.1741-6248.2003.00089.x
- Commission of the European Communities. (2008). *Think Small First a Small Business Act for Europe*. Retrieved December 28, 2009, from <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:en:PDF>
- Commonwealth of Australia. House of Representatives (2005). *Parliamentary debates (Official Hansard)*. Canberra: Australia: Commonwealth Government Printer.
- Compston, H. (2008). The Future of Public Policy. *World Futures: The Journal of General Evolution*, 64(1), 43-59. doi: 10.1080/02604020701802088

- Craig, J.B., & Moores, K. (2009). *Championing Family Business Issues to Influence Public Policy: Evidence from Australia*. Unpublished manuscript.
- Curran, J. (2000). What is Small Business Policy in the UK for? Evaluation and Assessing Small Business Policies. *International Small Business Journal*, 18, 36-50. Retrieved January 12, 2010, from <http://search.ebscohost.com>
- Deloitte & Touche Survey (1999). *Are Canadian Family Businesses an Endangered Species: The First Success Readiness Survey of Canadian Family-Owned Business*. Conducted by Deloitte & Touche Centre for Tax Education and Research at the University of Waterloo. Retrieved January 15, 2010, from <http://accounting.uwaterloo.ca/mtax/FamBusSurvey%201999.pdf>
- Duneman, M., & Barrett, R. (2004). Family Business and Succession Planning: A Review of the Literature. *Monash University: Business and Economics*. Retrieved December 2, 2009, from <http://www.buseco.monash.edu.au.ezproxy.library.uvic.ca/units/fsbru/fbsp-fsbru-report.pdf>
- Dyck, B., Mauws, M., Starke, F.A., & Mischke, G.A. (2002). Passing the Baton: The Importance of Sequence, Timing, Technique, and Communication in Executive Succession. *Journal of Business Venturing*, 17, 143-162. Retrieved December 12, 2009, from <http://search.ebscohost.com>
- Fact Sheet: Building Entrepreneurship in Small Business. (n.d). Retrieved December 10, 2009, from <http://www.ausindustry.gov.au/SmallBusiness/BuildingEntrepreneurshipinSmallBusinessBESB/Documents/Fact%20Sheets/BESB%20Fact%20sheet%20-%202013%20May%2008.pdf>
- Fiegener, M.K., Brown, B.M., Prince, R.A., & File, K.M. (1996). A Comparison of Successor Development in Family and Nonfamily Businesses. *Family Business Review*, 7(4), 313-329. doi: 10.1111/j.1741-6248.1994.00313.x
- Fox, M., Nilikant, V., & Hamilton, R.T. (1996). Managing Succession in Family-Owned Businesses. *International Small Business Journal*, 15(1), 15-25. Retrieved December 4, 2009, from <http://isb.sagepub.com.ezproxy.library.uvic.ca/cgi/reprint/15/1/15>
- Francis, B.C. (1993). Family Business Succession Planning. *Journal of Accountancy*, 176(2), 49-51. Retrieved December 5, 2009, from <http://search.ebscohost.com>
- García-Élvarez, E., López-Sintas, J., & Saldaña Gonzalvo, P. (2002). Socialization Patterns of Successors in First and Second-Generation Family Businesses. *Family Business Review*, 15(3), 189-203. doi: 10.1111/j.1741-6248.2002.00189.x

- Garman, A., & Glawe, J. (2004). Succession Planning. *Consulting Psychology Journal: Practice & Research*, 56(2), 119-128. doi: 10.1037/1061-4087.56.2.119
- Giambatista, R.C., Rowe, W.G., & Riaz, S. (2005). Nothing Succeeds Like Succession: A Critical Review of the Leader Succession Literature Since 1994. *Leadership Quarterly*, 16(1), 963 -991. doi: 10.1016/j.leaqua.2005.09.005
- Grants and Opportunities: Building Entrepreneurship in Small Business Program. (2007). Retrieved December 10, 2009, from <http://nett.com.au/govt-legal/grants-and-opportunities/building-entrepreneurship-in-small-business-program/1169.html>
- Growcom – Together We Grow. (2007). Retrieved December 26, 2009, from http://www.growcom.com.au/home/news_detail.asp?newsID=175
- Haag, K., Helin, J., & Melin, L. (2006). Succession in Family Business: Communication Practices and the Role of Power. Submitted for the European Institute for Advanced Studies in Management: 2nd Workshop on Family Firm Management Research, Nice, France. Retrieved January 12, 2010, from <https://hj.diva-portal.org/smash/get/diva2:174490/FULLTEXT01>
- Haddadj, S. (1999). CEO Succession and Strategic Change and Orientation in Small and Medium-Sized Firms: New Perspectives from France. *Journal of Applied Business Research*, 15(3), 81-98. Retrieved January 15, 2010, from <http://search.ebscohost.com>
- Handler, W.C. (1991). Key Interpersonal Relationships of Next-Generation Family Members in Firms. *Journal of Small Business Management*, 29(3), 21-32. Retrieved January 15, 2010, from <http://search.ebscohost.com>
- Handler, W.C. (1994). Succession in Family Business: A Review of the Research. *Family Business Review*, 7(2), 133-157. doi: 10.1111/j.1741-6248.1994.00133.x
- Harvey, M., & Evans, R.E. (1994). The Impact of Timing and Mode of Entry on Successor Development and Successful Succession. *Family Business Review*, 7(3), 221-236. doi: 10.1111/j.1741-6248.1994.00221.x
- Harvey, M., & Evans, R.E. (1995). Life After Succession in the Family Business: Is It Really the End of Problems? *Family Business Review*, 8(1), 3-16. doi : 10.1111/j.1741-6248.1995.00003.x
- Home Town Competitiveness – A Come-Back/Give-Back Approach to Rural Community Building. (n.d.).*About Us*. Retrieved January 6, 2009, from <http://www.htcommunity.org/about>
- Ip, B. (2009). Planning and Controlling Business Succession Planning Using Quality

- Function. *Total Quality Management and Business Excellence*, 20, 363-379. doi: 10.1080/14783360902781808
- Kesner, I.F., & Dalton, D.R. (1994). Top Management Turnover and CEO Succession: An Investigation of the Effects of Turnover on Performance. *Journal of Management Studies*, 31(5), 701-713. Retrieved December 2, 2009, from <http://search.ebscohost.com>
- Kesner, I.F., & Sebor, T.C. (1994). Executive Succession: Past, Present, & Future. *Journal of Management*, 20(2), 327-372. Retrieved December 2, 2009, from <http://search.ebscohost.com>
- Lansberg, I. (1988). The Succession Conspiracy. *Family Business Review*, 1(2), 119-143. doi: 10.1111/j.1741-6248.1988.00119.x
- Lansberg, I., & Astrachan, J.H. (1994). Influence of Family Relationships on Succession Planning and Training: The Importance of Mediating Factors. *Family Business Review*, 1, 39-59. doi: 10.1111/j.1741-6248.1994.00039.x
- Lambrech, J. (2005). Multigenerational Transition in Family Businesses: A New Explanatory Model. *Family Business Review*, 4, 267-282. doi: 10.1111/j.1741-6248.2005.00048.x
- Lee, K.S., Lim, G.H., & Lim, W.S. (2003). Family Business Succession: Appropriation Risk and Choice of Successor. *The Academy of Management Review*, 28, 657-666. Retrieved December 4, 2009, from <http://search.ebscohost.com>
- Lauterbach, B., Vu, J., & Weisberg, J. (1999). Internal vs. External Successions and their Effect on Firm Performance. *Human Relations*, 52(12), 1485-1504. doi: 10.1023/A:1016980918820
- Longenecker, J., & Schoen, J. (1978). Management Succession in the Family Business. *Journal of Small Business Management*, 16(3), 1-6. Retrieved December 5, 2009, from <http://search.ebscohost.com>.
- Louis, D., & Prasad, S. (2007). *Tax and Family Business Succession Planning*. Toronto: CCH a Wolters Kluwer Business.
- Mandelbaum, L. (1994). Small Business Succession: The Educational Potential. *Family Business Review*, 7(4), 369-375. doi: 10.1111/j.1741-6248.1994.00369.x
- Martin, C., Martin, L., & Mabbett. (2002). SME Ownership Succession – Business Support and Policy Implications. *University of Central England – Knowledge Management Centre Business School*. Retrieved February 9, 2010, from <http://www.berr.gov.uk/files/file38310.pdf>
- Martineau, J., & Hannum, K. (2004). Chapter 2: Focusing the Evaluation.

- (pp. 5-29). *Center for Creative Leadership*. Retrieved from January 20, 2010, <http://search.ebscohost.com>.
- Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in Time: Intergenerational Succession, Change, and Failure in Family Business. *Journal of Business Venturing*, 18(4), 513-531. doi:10.1016/S0883-9026(03)00058-2
- Moore, K., & Polushin, W.C.T. (2009). The Six Types of Canadian SMES: Competing to Win in Tough Times. *Policy Options*. Retrieved January 20, 2010, from <http://www.irpp.org/po/>
- Morris, M. H., Williams, R., & Nel, D. (1996). Factors Influencing Family Business Succession. *International Journal of Entrepreneurial Behaviour & Research*, 2(3), 68-81. doi: 10.1108/13552559610153261
- Morris, M.H., Williams, R.O., Allen, J.A., & Avila, R.A. (1997). Correlates of Success in Family Business Transitions. *Journal of Business Venturing*, 12(5), 385-401. doi:10.1016/S0883-9026(97)00010-4
- Motwani, J., Levenburg, N. M., Schwarz, T.V., & Blankson, C. (2006). Succession Planning in MSE's: An Empirical Analysis. *International Small Business Journal*, 24 (5), 471-495. doi: 10.1177/0266242606067270
- Naschfolgeborse. (2009). *Products and Services*. Retrieved December 28, 2009, from http://translate.google.com/translate?js=y&prev=_t&hl=en&ie=UTF-8&layout=1&eotf=1&u=www.nachfolgeborse.at&sl=de&tl=en
- Norton, J., Schrier D., & Hallin, L. (2008). Small Business Profile 2008: A Profile of Small Business in British Columbia. *BC Stats*. Retrieved August 02, 2009, from http://www.bcstats.gov.bc.ca.ezproxy.library.uvic.ca/data/bus_stat/busind/sm_bus/SBP2008.pdf.
- Ocasio, W. (1994). Political Dynamics and the Circulation of Power: CEO Succession in U.S. Industrial Corporations, 1960-1990. *Administrative Science Quarterly*, 39(2), 285-312. Retrieved January 5, 2010, from <http://search.ebscohost.com>
- Organisation for Economic Co-operation and Development (OECD). (n.d.). *Assist in Business Succession: ViestinVaihto-ohjelma”programme – Finland*. Retrieved December 29, 2009, from http://www.oecd.org/secure/pdfDocument/0,2834,en_21571361_38013663_391349_08_1_1_1_1,00.pdf
- Pardo-del-Val, M. (2009). Succession Kin Family Firms from a Multistage Perspective. *International Entrepreneurship Management Journal*, 5, 165-179. Retrieved January 4, 2010, from <http://www.jstor.org>
- Parrish, S. (2009). Successfully Transferring the Family Business: A New Methodology.

- Journal of Financial Service Professionals*, 63(3), 47-55. Retrieved February 5, 2009, from <http://search.ebscohost.com>
- Picard, D. (2004). Business Transition: A Literature Review. *Canadian Federation of Independent Businesses (CFIB)*. Retrieved November 20, 2009, from http://www.cfib.org/cfib_www_doc/archive/research/report/succession_0405_e.pdf
- Royer, S., Simons, R., Boyd, B., & Rafferty, A. (2008). Promoting Family: A Contingency Model of Family Business Succession. *Family Business Review*, 21(1), 15-30. doi: 10.1111/j.1741-6248.2007.00108.x
- SADC de Baie-des-Chaleurs. (2008). *Business Succession*. Retrieved January 5, 2010, from <http://sadcbaie.ca/hv/en/index.aspx?sec=14>
- Service Corps of Retired Executives (SCORE). (2010). Retrieved January 4, 2010, from http://www.score.org/how_score_works.html
- Sharma, P., & Rao, S.A. (2000). Successor Attributes in Indian and Canadian Family Firms: A Comparative Study. *Family Business Review*, 13(4), 313-330. doi: 10.1111/j.1741-6248.2000.00313.x
- Sharma, P. (2004). An Overview of the Field of Family Business Studies: Current Status and Directions for Future. *Family Business Review*, 27(1), 1-18. doi: 10.1111/j.1741-6248.2004.00001.x
- Sharma, P., Chrisman, J.J., & Chua, J.H. (1997). Strategic Management of the Family Business: Past Research and Future Challenges. *Family Business Review*, 10(1), 1-35. doi: 10.1111/j.1741-6248.1997.00001.x
- Sharma, P., Chrisman, J., & Chua, J. (2003). Predictors of Satisfaction with the Succession Process in Family Firms. *Journal of Business Venturing*, 18, 667-687. doi:10.1016/S0883-9026(03)00015-6
- Sharma, P., Chrisman, J., & Chua, J. (2003). Succession Planning as Planned Behaviour: Some Empirical Results. *Family Business Review*, 16(1), 1-15. doi: 10.1111/j.1741-6248.2003.00001.x
- Sharma, P., & Irving, Greg. (2005). Four Bases of Family Business Successor Commitment: Motivating Factors and Expected Outcomes. *Entrepreneurship Theory & Practice*, 52(11), 13-33. doi: 10.1111/j.1540-6520.2005.00067.x
- Shen, W., & Cannella Jr., A. (2002). Revisiting the Performance Consequences of CEO Succession: The Impacts of Successor Type, Post Succession Senior Executive Turnover, and Departing CEO Tenure. *Academy of Management Journal*, 45(4), 717-733. Retrieved December 4, 2010, from <http://search.ebscohost.com>
- Shepherd, D., & Zacharakis, A. (2000). Structuring Family Business Succession: An

- Analysis of the Future Leader's Decision Making. *Entrepreneurship: Theory & Practice*, 24(4), 25-39. Retrieved December 5, 2010, from <http://search.ebscohost.com>
- Small Business BC. (2009a). *About Small Business BC*. Retrieved January 6, 2009, from <http://www.smallbusinessbc.ca/about-sbbc?q>
- Small Business BC. (2009b). *Business Planning: Strategically Exit your Business*. Retrieved January 6, 2009, from <http://www.smallbusinessbc.ca/exiting-a-business/business-planning?page=0,1>
- Small Business Service. (n.d.). *Passing the Baton: Encouraging Successful Business Transfers*. Retrieved December 29, 2009, from <http://www.exitstrategyplanning.com/downloads/PassingTheBaton.pdf>
- Small Business Service. (2004). *Passing the Baton: Encouraging Successful Business Transfers – Evidence and Key Stakeholder Opinion*. Retrieved December 29, 2009, from <http://www.berr.gov.uk/files/file38277.pdf>
- Sorenson, R.L. (2000). The Contribution of Leadership Style and Practices to Family and Business Success. *Family Business Review*, 13(3), 183-200. doi: 10.1111/j.1741-6248.2000.00183.x
- Stavrou, E.T. (1998). A Four Factor Model: A Guide to Planning Next Generation Involvement in the Family Firm. *Family Business Review*, 11(2), 135-142. doi: 10.1111/j.1741-6248.1998.00135.x
- Succession Plus – Maximum Business Value- Real Options*. (2009). Retrieved December 26, 2009, from <http://www.successionplus.com.au/>
- Tatoglu, E., Kula, V., & Glaister, K.W. (2008). Succession Planning in Family- Owned Businesses. *International Small Business Journal*, 26(2), 155-180. doi: 10.1177/0266242607086572
- United Kingdom. HM Treasury. (2004). *Prudence for Purpose: A Britain of Stability and Strength. Economic and Fiscal Strategy Report and Financial Statement and Budget Report*. Retrieved December 29, 2009, from http://www.hm-treasury.gov.uk/d/Budget_2004.pdf
- United States. US Small Business Administration (SBA). (n.d). Retrieved January 4, 2010, from <http://www.sba.gov/aboutsba/index.html>
- Venter, E., Boshoff, C., & Maas, G. (2005). The Influence of Successor Related Factors on the Succession Process in Small and Medium-Sized Family Businesses. *Family Business Review*, 18(4), 283-303. doi: 10.1111/j.1741-6248.2005.00049.x

- Walsh, G. (2007). Family Business Succession: Managing the All-Important Family Component. *KPMG*. Retrieved October 15, 2009, from http://www.kpmg.ca/en/services/enterprise/documents/3468_Succession.pdf
- Wang, J. (2010). Small Business Succession Planning. Unpublished Manuscript, University of Victoria, Victoria, BC.
- Warrillow, J. (2010). Twelve Reasons to Sell Before You `Retire`. *The Globe and Mail*. Retrieved June 12, 2010, from <http://www.theglobeandmail.com/report-on-business/your-business/exit/john-warrillow/twelve-reasons-to-sell-before-you-retire/article1581274/>

APPENDIX A

Ten guiding principles for the Small Business Act

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.
3. Design rules according to the “Think Small First” principle by taking into account SMEs’ characteristics when designing legislation, and simplify the existing regulatory environment.
4. The EU and Member States should make public administrations responsive to SMEs’ needs, making life as simple as possible for SMEs, notably by promoting e-government and one-stop-shop solutions.
5. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
6. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
7. Help SMEs to benefit more from the opportunities offered by the Single Market in particular through improving the governance of and information on Single Market policy.
8. Promote the upgrading of skills in SMEs and all forms of innovation.
9. Enable SMEs to turn environmental challenges into opportunities
10. Encourage and support SMEs to benefit from the growth of markets outside the EU, in particular through market specific support and business training activities.