INTENTIONS TO FAMILY BUSINESS SUCCESSION: THE CASE OF CHINESE-FILIPINO AND FILIPINO FAMILY BUSINESSES

Safa D. Manala-o[1] and Ma. Theresa Concepcion A. Gerial[2]
[1]De La Salle University –Manila
[2]De La Salle University -Manila
ma.theresa.gerial@dlsu.edu.ph

Abstract:
The issue of succession is a complex challenge facing family businesses. Intergenerational succession is surely a priority for most family business owners who wish to see the longevity of the establishment and legacy passed on to their family members. Despite this, few family businesses appropriately plan for succession, putting more emphasis on planning for management and operations (Morris, Williams and Nel, 1996). The purpose of this study is to explore the various roles Chinese-Filipino and Filipino would-be successors of family businesses assume, and how these roles influence the intention to enter into the family business. This study made use of a qualitative approach, particularly personal interviews with young college students whose families manage businesses. The study also aims to compare how roles are perceived and practiced by Chinese-Filipino and Filipino successors to better understand the kind of impact culture has on family business succession. There is much to be examined in how well individuals understand the expectations of them and how willing they are to embrace and act upon them. Overall, the prominent pattern which emerged in the study is that expectations and intentions of participants from Filipino families differ significantly from those who belong to the Chinese-Filipino families. This spotlights the importance of cultural factors in driving intentions to succeed into a family business.

Key Words: Family Business Succession

1. INTRODUCTION

The issue of succession is a complex challenge facing family businesses. Intergenerational succession is surely a priority for most family business owners who wish to see the longevity of the establishment and legacy passed on to their family members. Despite this, few family businesses appropriately plan for succession, putting more emphasis on planning for management and operations (Morris, Williams and Nel, 1996). Research reveals that the average lifespan of a family business is 24 years, with less than 30% of establishments being handed over to the second generation and only 10% handed over to the third generation (Lambrecht and Donckels, 2006). This setback in an otherwise economically significant type of business can be attributed to different factors. Studies uncover that most successions fail because of dubious

succession plans, unequipped or unskilled successors and family rivalries.

One of the distinguishing features of family business succession is that it is mainly anchored on blood relations. The responsibility is placed on the successor to continue the business sometimes even when the successor is immature or unprepared. Such action often results in negative outcomes that can be later observed in the company's overall strategy, management, organizational structure or governance (Miller, Steier and Le Breton-Miller, 2006). On the opposite, transition can take place more smoothly when the successor is adequately trained and equipped and there is firm trust in the successor's abilities (Morris, Williams and Nel, 1996). Strategic planning for succession can help attain such and is a crucial instrument for family businesses to ensure the development and readiness of the next-generation managers (Mazzola, Marchisio and Astrachan, 2006).

Cultural processes determine roles and authority figures both in the family and family business (Hollander and Bukowitz, 1990). Certain cultural values such as high uncertainty avoidance and high power distance, both associated with collectivist cultures, can restrict family firm growth. This occurs when family businesses refuse to hire outside of the family, adhere to paternal leadership despite incompetence or practice inefficient autocratic decision making (Cater, Young and Alderson, 2019). Culture may also influence resilience. In the case of Swedish family businesses operating from home, their close affinity to regional culture has provided resilience to withstand economic structural crises (Ljungkvist and Boers, 2016). But perhaps one of the most affected aspects by cultural norms is gender. It is apparent that there are stereotypes, expectations and privilege that favor one gender over another.

Norms can sometimes prejudice a female successor's skills, discounting her from succession despite being qualified (Nelson and Constantinidis, 2017).

As a research area, family business is growing and underexplored from certain perspectives. There is still much to be known about family business from an international perspective – as in how different cultures, ethics and values mold the family business as a concept (Brockhaus, 2004). In the Philippines, there is also much room for cultural comparison within the context family business succession (Santiago, 2000). Much of the existing literature has focused on family dynamics, gender and influential factors that support intention to succeed. But few studies have attempted to explore the effect of culture and the different roles family members play in the family business succession. This niche is especially deserving of academic attention since many conflicts arise when familial roles and business roles are ambiguous or not fully embraced by the successors (Davis and Harveston, 1998). There is a need to examine the interaction of culture and roles and how they serve as instigators or deterrents to succession.

The purpose of this study is to explore the various roles Chinese-Filipino and Filipino would-be successors of family businesses assume, and how these roles influence the decision to enter into the family business. Using a macro-micro approach, the study identified roles from the environments an individual is commonly exposed to such as immediate and extended families, peers and the general society. The study also aims to compare how roles are perceived and practiced by Chinese-Filipino and Filipino successors to better understand the kind of impact culture has on family business succession.

Hence, the study asks "*What roles influence the intention to succeed into family business and how does the influence compare in the Chinese-Filipino and Filipino cultures?*"

2. METHODOLOGY

This study made use of a qualitative approach, particularly personal interviews with young participants whose families manage businesses. A total of 11 interviews were conducted over the period of three weeks. Participants were college students from Manila and at least 18 years old. The questionnaire comprised of 20 items asking about a range of areas connected to their intentions to succeed in the family business. These areas touched on family business background, career plans after graduation, family dynamics, and roles.

Interviews were recorded, transcribed and analyzed for common themes using open coding. Researchers worked first on summarizing the highlights of all interviews by area to get an overview of the findings. Next, highlights from the section on roles were carefully examined for differences and similarities across Chinese-Filipino and Filipino cultures. Other areas contributed in giving an enhanced description and explication of the culture-role relationship.

3. RESULTS AND DISCUSSION

The various roles explored in this study were drawn from the different environments to which an individual is commonly exposed. Each of these roles and their corresponding findings within the context of culture are discussed below.

Child and Grandchild

The most recurring influence that appeared in all interviews was the role of the participant as a child and grandchild in the intention to succeed. Eight (8) participants noted that their parents and grandparents had taken steps to introduce them to the family business at a young age, inculcating in them the responsibility to take over the business eventually. This pressure was evidently felt by participants, however Chinese-Filipino families with strong connection to their Chinese roots appear to exert more pressure on successors because of a cultural sense of pride and achievement associated with the family business.

The last name is very important to the Chinese identity, and I'm the only grandson with the family name so it is really down to me. My family has pride in our business and strongly believe in the next generation taking over. There is definitely pressure on me to take on the business and no other career choices will be considered even if I wanted to. - T

The same cannot be said for Filipino families, where although parents happily welcome their children's plans to enter into the family business after graduating from college, the ulterior objective is to ensure the child's happiness by supporting whatever career path the child chooses. As a result, more participants from Filipino families opt employment elsewhere than entering into the family business after graduating.

My family is not pressuring me, there's only a slight expectation. I know they would love it but they are not pressuring me. After graduation, I want to work at a big corporation because that is more aligned

with my course. My parents understand that my interests are aligned with the corporate world. - JA

A common ground between the two cultures however is the parent's early exposure of the children to the business. This may be in the form of on-the-job training, attending seminars or even attending negotiations with suppliers. This exposure has made some participants feel that the family business is their comfort zone or their natural habitat, albeit not necessarily influencing their intentions to succeed. Nonetheless, the parents' early exposure to family business has ingrained the participants with a sense of excitement about business in general and equipped them with some business acumen.

During summers, I help out so I know what it feels like to be an employee of the family business. I was told that even after graduating from college, I'll have to start from the bottom role so I don't have any discriminatory thoughts against employees of lower ranks. When I was in grade school, I worked as a gas boy. I was taught that every work is important. The gas boy is important because you need to be exact with how much you fill. If you miss a single digit, it would cost the business a lot of money in the long run. - R

Sibling

According to Wu's study " Perception of Sibling Relationships and Birth Order Among Asian American and European American Emerging Adults" (2018), firstborns reported a strong pressure to be a role model to later-born, provide sibling care, assume family responsibilities, and not expect to rely on younger siblings. In the study of Mendelson, et al., it was found out that expectations qualitatively differed for the siblings (ex. teaching, helping, protecting, and caretaking were associated with older siblings, learning, deference, and admiration with younger siblings).

Another often recurring theme that appeared in the interviews was the role of the participant as the elder sibling. The elder siblings understand that they have a responsibility to take over the family business so that their younger siblings would have more options in life in terms of choosing their own career. Understanding and accepting the responsibility towards parents and younger siblings in terms of taking over the family business is common to both Filipino and Chinese-Filipino Family. Analysis of the narratives shows that younger siblings have less pressure when it comes to taking over the family business.

As eldest of my siblings, I want to succeed into the family business so that my siblings would choose the career path they really like without pressure especially since they are not business inclined like me. - R

As the eldest male sibling, I must take on the family business. - T

Being first born and being the only girl, I think that I have more responsibility in the family business and thinks that boys tend to be a bit

careless. -AN

I see the need to set an example to siblings and cousins being the eldest son in the third generation. -JO

The only brother who is younger does not want to join the family business. So I will take over the business to protect my brother if in case something to our parents. -AL

Extended Family

Another familial role with influence on intentions to succeed is being a cousin, nephew or niece. Unlike being a child, grandchild or a sibling, this role is of relatively less impact. It is also not as emphasized among Chinese-Filipino families as it is in Filipino families. For Chinese-Filipino families, succession roles are more clearly outlined so the likelihood of conflict arising from jealousy is decreased. Cousins, uncles and aunts know the positions they will take if they will be involved in the family business. Otherwise, they manage their own businesses and hence do not have much of an influence on the participants' career choices. In that case, they simply serve as encouragement for participants' to go into the family business.

Most of my relatives are into their own business which are in different fields. There's no pressure from them that I go into a particular line of work or business. I don't think there's competition or rivalry between us, I think they would support me in my business. -r

For some Filipino families, succession roles may not be as distinct. Internal conflicts sometimes spill onto the business relations and may either encourage or deter intentions to succeed. One sub-family may dominate the decision making or provide more privilege and access to its children than others, causing tension in both family ties and the family business. This finding is concurrent with the study of Santiago (2000) who spotlighted informal succession planning in the Philippines as a result of a collectivist culture.

I would like to go into the family business but my uncle has involved his whole family, and he is President of the company. My grandmother is Chairwoman, and even though she was the original founder and wants me to be involved, I feel that my uncle and his kids have taken over majority of the operations. We only get our share of the profits but we are not welcome to manage. They also do not inform us of what's happening in the family business, we are mostly left out on purpose. So although I would like to go into the family business and I have a right to, I think my uncle would be an obstacle. - G

On the other hand, it is also apparent that extended family members may act as a point of reference. Some Filipino participants stated how their cousins decisions may influence their decision succeed into the family business. Some see their cousins as competition while others see them as support.

Cousins affect my decision because I compare myself to them. Either I lose interest [in succeeding into the business] or be encouraged. -AN

When my cousins were still here, I really wanted to take over the family business because I wanted to recruit them since I see potential in them. But since they migrated to the US, they don't have much impact. -ST

4. CONCLUSIONS

Results of the study show that most of the participants who showed interest in joining the family business are those who were exposed to the business while they were still young. The exposure gave them competence, confidence and desire to take over the family business. Their parents and grandparents had taken steps to inculcate in them at a young age the responsibility to take over the business in the future.

Early exposure to the family business trains successors and provides them with mentorship. Results of this study have shown that successors who worked at the family business when they were young are more confident in their ability to manage and excited in succeeding into the family business.

As a child and grandchild, Chinese-Filipino families with strong connection to their Chinese roots appear to exert more pressure on children to take over the family business compared to Filipino families. Filipino families are more understanding of the desires of their children in terms of pursuing their own careers instead of taking over the family business.

As a sibling, older siblings are willing to embrace the role of the successor so that their younger siblings would have freedom to pursue their own career interests. One of their reasons in taking on the role as the successor is to relieve their parents and their siblings from the burden of managing the family business. This line of thinking is common to both Filipino and Chinese-Filipino Families.

Results also reveal that siblings assume different roles and responsibilities. Older siblings tend to be more responsible towards the family business and feel more pressure to succeed than younger siblings. Hence, older siblings can be groomed and mentored on leadership skills in preparation for a leadership role in the family business. Likewise, younger siblings may be groomed on other essential skills such as innovation, marketing and financial management.

Overall, the prominent pattern which emerged in the study is that expectations and intentions of participants from Filipino families differ significantly from those who belong to the Chinese-Filipino families. This spotlights the importance of cultural factors in driving intentions to succeed into a family business.

5. ACKNOWLEDGEMENTS

6. REFERENCES

Aldaba, Rafaelita M. (2012). 'Small and Medium Enterprises' (SMEs) Access to Finance: Philippines', PIDS Discussion Paper Series, No. 2012-05

Barnett, T., Eddleston, K. and Kellermanns, F. W. (2009) 'The Effects of Family Versus Career Role Salience on the Performance of Family and Nonfamily Firms', *Family Business Review*.

Bennedsen, M. *et al.* (2015) 'The family business map: Framework , selective survey , and evidence from Chinese family firm succession', *Journal of Corporate Finance*. Elsevier B.V. doi: 10.1016/j.jcorpfin.2015.01.008.

Biddle, B. J. (1979) *Role Theory: Expectations, Identities and Behaviors*. New York: Academic Press.

Bizri, R. (2016) 'Succession in the family business: Drivers and pathways', *International Journal of Entrepreneurial Behavior & Research*, 22(1), pp. 133–154. doi: 10.1108/IJEBR-01-2015-0020.

Bjursell, C. *et al.* (2011) 'Family business women in media discourse: the business role and the mother role', *Journal of Family Business Management*, 1(2), pp. 154–173. doi: 10.1108/20436231111167228.

Bozer, G., Levin, L. and Santora, J. C. (2017) 'Succession in family business: multi-source perspectives', *Journal of Small Business and Enterprise Development*, 24(4), pp. 753–774. doi: 10.1108/JSBED-10-2016-0163.

Brockhaus, R. H. (2004) 'FamilyBusiness Succession: Suggestions for Future Research', Family Business Review, 17(2), pp. 165–177.

Carr, J. C. and Sequeira, J. M. (2007) 'Prior family business exposure as intergenerational influence and entrepreneurial intent: A Theory of Planned Behavior approach', *Journal of Business Research*, 60, pp. 1090–1098. doi: 10.1016/j.jbusres.2006.12.016.

Cater, J. J. and Young, M. (2018) 'New Directions for Brothers and Sisters in Successor Teams in Family Firms', in The Palgrave Handbook of Heterogeniety Among Family Firms, pp. 229–262.

Cater, J. J., Young, M. and Alderson, K. (2019) 'Contributions and Constraints to Continuity in Mexican-American Family Firms', Journal of Family Business Management.

Davis, P. S. and Harveston, P. D. (1998) 'The Influence of Family on the Family Business Succession Process: A Multi-Generational Perspective', *Entrepreneurship Theory and Practice*, pp. 31–53.

Greer, T. and Egan, T. (2012) 'Inspecting the Hierarchy of Life Roles: A Systematic Review of Role Salience Literature', *Human Resource Development Review*, 11(4), pp. 463–499.

Hollander, B. S. and Bukowitz, W. R. (1990) 'Women, Family Culture and Family Business', *Family Business Review*, 3(2), pp. 139–151.

Lam, W. (2011) 'Dancing to two tunes: Multi-entity roles in the family business succession process', *International Small Business Journal*, 29(5), pp. 508–533. doi: 10.1177/0266242610376357.

Lambrecht, J. and Donckels, R. (2006) 'Towards a business family dynasty: A lifelong, continuing process', in Poutziouris, P. Z., Smyrnios, K. X., and Klein, S. B. (eds) *Handbook of Research on Family Business*. Edward Elgar Publishing Limited, pp. 388–401.

Ljungkvist, T. and Boers, B. (2016) 'Structural crisis? Regional culture and resilience in family business-dominated regions in Sweden', *Journal of Enterprising Communities: People and Places in the Global Economy*, 10(4), pp. 425–446.

Lynch, K. D. (2007) 'Modeling Role Enactment: Linking Role Theory and Social Cognition', *Journal for the Theory of Social Behavior*, 37(4).

Mazzola, P., Marchisio, G. and Astrachan, J. (2006) 'Using the strategic planning process as a next-generation training tool in family business', in Poutziouris, P. Z., Smyrnios, K. X., and Klein, S. B. (eds) *Handbook of Research on Family Business*. Edward Elgar Publishing Limited, pp. 402–421.

Mierzal, L. *et al.* (2017) *Succession Planning in Different Cultures: A Comparative Analysis of Family Firms in Mexico and Germany*.

Miles, J. A. (2012) *Management and Organization Theory*. First. Jossey-Bass.

Miller, D., Steier, L. and Le Breton-Miller, I. (2006) 'Lost in Time: Intergenerational succession, change and failure in family business', in Poutziouris, P. Z., Smyrnios, K. X., and Klein, S. B. (eds) *Handbook of Research on Family Business*. Edward Elgar Publishing Limited, pp. 371–387.

Morris, M. H., Williams, R. W. and Nel, D. (1996) 'Factors influencing family business succession', *International Journal of Entrepreneurial Behavior & Research*, 2(3), pp. 68–81.

Nelson, T. and Constantinidis, C. (2017) 'Sex and Gender in Family Business Succession Research: A Review and Forward Agenda from a Social Construction Perspective', *Family Business Review*, 30(3), pp. 219–241.

Pyromalis, V. *et al.* (2006) 'An integrated framework for testing the success of the family business succession process according to gender specificity', in Poutziouris, P. Z., Smyrnios, K. X., and Klein, S. B. (eds) *Handbook of Research on Family Business*. Edward Elgar Publishing Limited, pp. 422–442.

Ruane, M. (2007) Small-scale business enterprises in the Philippines: survey and empirical analysis.. (n.d.) >*The Free Library*. (2014). Retrieved Mar 12 2019 from https://www.thefreelibrary.com/Small-scale+business+enterprises+in+the+Philippines%3a+survey+and...-a0175110736

Santiago, A. L. (2000) 'Succession Experiences in Philippine Family Businesses', Family Business Review, 13(1), pp. 15–35.

Schröder, E., Schmitt-rodermund, E. and Arnaud, N. (2011) 'Career Choice Intentions of Adolescents With a Family Business Background', *Family Business Review*, 24(4), pp. 305–321. doi: 10.1177/0894486511416977.

Vera, C. F. and Dean, M. A. (2005) 'An Examination of the Challenges Daughters Face in Family Business

Succession *Family Business Review*, 18(4), pp. 321–343.

Yan, J. and Sorenson, R. (2006) 'The Effect of Confucian Values on Succession in Family Business', *Family Business Review*, 19(3), pp. 235–250.

Zellweger, T., Sieger, P. and Halter, F. (2011) 'Journal of Business Venturing Should I stay or should I go? Career choice intentions of students with family business background', *Journal of Business Venturing*. Elsevier Inc., 26(5), pp. 521–536. doi: 10.1016/j.jbusvent.2010.04.001.