Small Family Firms in Sweden: Analysis of Factors Determining Long Term Survival

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Abstract

Family firms span from small where the founder is the only person in the company to large corporations that are listed at the stock exchange. Moreover, they differ culturally depending on the home country of the respective firm. However, what all family firms have in common is that they constitute a large part of the total amount of firms in the world providing employment opportunities and thus contributing to the welfare of countries. This fact makes family firms a highly interesting field of research.

On the one hand family firms have many competitive advantages over other firms such as majority control of shares allowing fast decisions as well as customer and long-term orientation. On the other hand family firms face difficulties that non-family firms do not. One of the most common problems of family firms is its long-term survival which can be hindered by a lack of family members that can and want to take over, control issues due to family members who sold their shares, insufficient innovation, growth or profitability. That problem leads to the two main questions which will be analyzed in this thesis:

a.) “Why do many small Swedish family firms often not survive in the long run?”
b.) “What can be done to increase the survival rate of small family firms in a long term perspective?”

Past and current research focused a lot on large family firms even though companies with less than 50 employees constitute approximately 96 percent of all firms in Sweden. Therefore, the thesis concentrates on small family firms in Sweden. Data needed for the analysis in order to answer the questions stated above have been gathered by a survey followed up by an interview to test and compliment the results of the survey.

The results of the survey indicate that the main reason why small family firms in Sweden often do not survive in the long run is because they do not want to. Reasons why they were not interested in long-term survival several state that there are no relatives that can take-over. Based on the results of the survey an attempt to answer the question what can be done to increase the survival rate was as follows: For the family firms not interested in succession the benefits of long-term survival such as better products and services, wealth for owners, jobs and tax income for society were presented. For the ones interested in succession but facing difficulties recommendations such as the introduction of governance mechanisms were suggested. To test and compliment the results from the survey a telephone interview was performed with a few of the survey respondents get more in-depth information and opinions of the small family firms. The results of the interview validate the results of the survey.
The results of this work are primarily of interest for current and future leaders of family firms. However, they might be interesting for leaders of other companies for which family firms might serve as a role model, governmental executives whose job it is to support family firms due to their high importance for the Swedish economy or others working in or with family firms in Sweden as well.
Acknowledgements

My first interest in the management and development of family firms arose in discussions with my girlfriend and by the fact that my father owns and operates a family firm. Further literature studying strengthened my initial interest and the idea for the topic of my thesis was born.

In course of writing my thesis I received helpful suggestions of many supportive friends and family members. Unfortunately, it is impossible to name each individually. However, I would like to take the chance and thank all of you jointly for your comments and questions that have encouraged and supported me throughout this project.

The basis of my analysis and therefore central part of my thesis is formed by a survey. Thus, I owe all Swedish family firms who participated in the survey and/or interview and supported me with their comments a debt of gratitude. I am also grateful to my supervisor, Dr. Thomas A. Michel, who challenged my work with alternative views, gave new impulses and pointed out further interesting aspects to be discussed in the thesis.

In conclusion, I hope that the result of my work will help to give new insights in family firm research and you will very much enjoy it.

Thank you all.
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1 Introduction

This chapter gives an introduction to the topic and a short motivation of its relevance. Then the problem statement of the thesis is defined followed by the purpose of the thesis. Additionally, an overview of the thesis and list of terms and abbreviations is included.

1.1 Background and Problem

Family firms constitute a large part of the total amount of firms in the world (International, 2008). They span from small where the founder is the only person in the firm to international corporations with thousands of employees that have been run by the same family for many generations, like for instance the well-known Tata Group (Tata Group). These firms constitute the backbone of society providing services and products as well as employment and social commitments.

Businesses controlled or run by one or more families have many competitive advantages compared to other firms such as publicly traded companies where the control is shared between many shareholders. Typically family firms have strong social networks in the community where they operate which creates unique and important relations with their customers (Ward, 2004). They also have the advantage that the owner can set the strategic direction of the firm in accordance with what is good for the company in a long-term perspective rather than being primarily oriented towards creating wealth for its shareholders in the short-run. The possibility to make fast decisions (compared to many large companies) is another advantage. This is in contrast to many publicly traded corporations where the shareholders want to have their piece of the cake in form of growth and dividends and corporate performance is measured and top management is evaluated based on this each quarter.

On the other hand family firms face difficulties that non-family firms do not. One of the most common problems of family firms is succession. If the family firm shall be able to survive as family firm, it is necessary to find members of the family that can and want to take over the firm from the older family generation. For this to work, family members that value and wish to keep running or owning the business and agree with the policies and/or practices of the firm are needed (Hoy, Entrepreneurial Family Firms, 2009). Depending on the size of the family and the distribution of shares a family member that decides to “cash out” their part of the business can mean that the control of the company is reduced or lost. This undoubtedly
impacts the ability to control the strategic direction of the business which often is seen as one of the main advantages of family firms compared to publicly traded corporations.

Another obstacle that can, if not managed properly, impair long-time survivability and profitability of family firms is a lack of innovation. If a business continues running without adaption to new challenges and competition it is bound to decline and finally diminish into bankruptcy or liquidation. Ward describes a common perception that family firms sooner or later always become stewards who continue steadily to operate without innovation until they finally are forced out of business by competition or changed market conditions (Ward, 2004).

The factor of innovation, however, can also be connected to succession in the way that family firms where innovation and new ideas are a part of the culture are judged to be more likely to attract younger family members’ interest than a business that is just moving along in the same old tracks.

These statements are true for all family firms. There are a lot of ways to mitigate these problems which is described in family firm literature. However, most of these methods require that strategic management and planning is in place e.g. succession management and a long-term strategic plan. For larger family firms this can be considered to be more or less common practice. There are even companies that specialize only in consulting families that own larger companies on how to maintain and transfer the control of the company to the next generation. For small family firms this is not always the case e.g. due to lack of resources and time to perform such work when the management is actively performing everyday tasks. A board of independent directors, which could provide such inputs, is not commonly occurring in companies of this size.

The above statements lead to the two main questions, relevant for small family firms in Sweden, which will be analyzed in this thesis:

a.) “Why do many small Swedish family firms often not survive in the long run?”

A current trend in Sweden is that more people want to go their own way and do not want to walk in the footsteps of their parents, which was more the case in previous generations (discussed in section 2.3). An interesting topic is the future outlook regarding succession among small family firms in Sweden. This is analyzed with help of an online survey where a number of family firms have been asked relevant questions to the topic; see section 4 for more details regarding the survey such as selection criteria of the target group.

b.) “What can be done to increase the survival rate of small family firms in a long term perspective?”
Based on the results of the survey an analysis is conducted regarding how small family firms can create a better climate in the family and business to make the next generation willing and ready for taking over. How can it be avoided that the German saying “the first generation creates, second inherits and third destroys the family wealth” becomes a self-fulfilling prophecy?

If the next generation is willing to take over how can the companies be innovative and survive in the long run? Many say they want their share now and sell the company. But is this really a good decision from a financial point of view?

Here follows a short description of the steps that are taken to investigate these questions:

- Introduction to family firms with focus on Sweden in order to show the importance of the topic with statistics
- Summary of relevant research and theories in the area of family firms as a basis for the analysis
- Definition of scope of work with respect to key concepts such as family firm, small firms etc.
- Creation and distribution of a survey to businesses that fit the defined profile to get real data on what small family firms in Sweden are doing today in order to cope with the challenges described above
- Telephone Interviews with selected respondents from the Survey to get qualitative answers in order to test and compliment the results of the survey which forms the basis for the conclusions and hypothesis
- Analysis of answers to the questionnaire with the relevant theories
- Development of a set of recommendations on how companies can work proactively in respect to succession to promote and increase the likelihood that succession to the next generation can be performed
- Proposal of topics for future works in the field of family firms

1.2 Purpose

The purpose of this thesis is to investigate if many small Swedish family firms do not continue to operate in the long term due to own wish or the influence of other factors that prevent further operation.

By analyzing the current situation the goal of this work is to summarize the current situation and to apply current theory in order to make a set of recommendations for the companies that are similar to the ones in the target group. Recommendations will be in the form of actions
that can be used to promote long-term strategic planning including areas such as succession planning. Furthermore, the outcome of the survey performed together with theory on cultural differences will enable a comparison of the attitude of small firms and the specifics for firms in Sweden.

Much of the current research regarding Swedish family firms and succession is focusing on larger family firms that have been operating for several generations (Bjurgren, 2008). This fact makes it interesting to set the focus of this work on smaller firms that do constitute a large part of the workplaces and generation of wealth in the society.

Some of the previous work in the area discusses succession planning in the context of media influence and financial aspects such as valuation in case of sale of the business. Most of this research is focusing on the past and current situation whereas my work will be rather future oriented in not only analyzing the situation among small Swedish family firms today but also providing strategic recommendations for the future.

### 1.3 Terms and Abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>A business (also known as a company, enterprise, and firm) is a legally recognized organization designed to provide goods or services, or both, to consumers, businesses and governmental entities (Sullivan, 2003).</td>
</tr>
<tr>
<td>Company</td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
</tr>
<tr>
<td>Firm</td>
<td></td>
</tr>
<tr>
<td>Family firm</td>
<td>See section 3.2</td>
</tr>
<tr>
<td>Family firm research</td>
<td>Family firm research comprises the study of family firms which lies at the convergence of several research fields including anthropology, family therapy, family studies, organizational studies, sociology and psychology (to name a few). (Hoy, Navigating the Family Business Education Maze, 2006)</td>
</tr>
<tr>
<td>Small company</td>
<td>See section 2.2</td>
</tr>
</tbody>
</table>

**Table 1 List of Terms**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>AB</td>
<td>Aktiebolag (Swedish limited company or corporation)</td>
</tr>
<tr>
<td>FBN-I</td>
<td>Family Business Network International</td>
</tr>
<tr>
<td>FCB</td>
<td>Family Controlled Business</td>
</tr>
</tbody>
</table>
Table 2 List of Abbreviations

<table>
<thead>
<tr>
<th>IDV</th>
<th>Individualism</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTO</td>
<td>Long-Term Orientation</td>
</tr>
<tr>
<td>MAS</td>
<td>Masculinity</td>
</tr>
<tr>
<td>PDI</td>
<td>Power Distance Index</td>
</tr>
<tr>
<td>SCB</td>
<td>Statistiska Central Byråns (Statistics Sweden)</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium sized Enterprises</td>
</tr>
<tr>
<td>UAI</td>
<td>Uncertainty Avoidance Index</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
</tbody>
</table>

1.4 Structure of Document

The document is structured as follows: First an introduction is provided in chapter 1 in which the background and problem of the topic and purpose of the thesis are described, important terms and abbreviations are defined and the structure of the document is explained in order to facilitate reading. Then the importance of family firms in Sweden is highlighted in chapter 2 and the characteristics of small Swedish family firms are elaborated by comparing them to large Swedish companies and distinguishing them from family firms in other countries. Chapter 3 lays out the theoretical framework of the thesis by presenting the history of family firm research, fundamental models and current research topics as well as defining the term "family firm" which serves as a basis and starting point of the project.

The main part of the thesis is formed by chapter 4 and 5. Here it is pursuit to answer the questions why many small Swedish family firms often do not survive and how this trend can be broken. The analysis conducted is based on a survey. In chapter 6 conclusions are drawn and a future outlook in respect to continued research topics is provided.
2 Family Firms in Sweden

The section discusses family firms in Sweden as a further introduction and motivation to the thesis. First the importance of family firms with focus on small firms in Sweden is discussed and relevant statistics from the Swedish market are provided. This is followed by a section discussing the differences between small and large firms. Finally, factors that are characteristic for Sweden and the Swedish market are highlighted by distinguishing family firms in Sweden from firms in other countries.

2.1 Importance

Family firms are probably the oldest form of businesses (Hutcheson, 2007) and also the most common one, depending on how the term family firm is defined. The latter makes family firms very important providers of products and services, work opportunities for society as well as financial wealth for its owners: the families. In order to provide the above mentioned benefits to society and the owners in the long-term the firms have to be able to survive. In (Hutcheson, 2007) the manager of Kongo Gumi, the oldest company in the world until 2007, gives the advice that a stable industry should be chosen and flexibility is important when choosing the next leader for a firm (e.g. including sons in law etc.).

The report "Family Business International Monitor" (International, 2008) presents data that has been acquired by a survey in European countries regarding family businesses with the purpose to compare certain aspects of family firms between the countries. However, it should be noted that a family firm is defined using the same three criteria in the report by Family Business Network International (FBN-I) but with the addition “Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 percent of the right to vote mandated by their share capital”. This is, however, not of great interest when defining a family firm in this thesis since small family firms are very rarely listed on a stock exchange.

According to (International, 2008) in Sweden family businesses constitute 79 percent of the total number of Swedish businesses. Sweden has the highest contribution to employment by family firms of the countries listed in the report: 61 percent. Furthermore, Sweden has the lowest share of family firms in the study that has a turnover of more than € 2 million which indicates the high importance of small family firms in Sweden.
Looking at the industries which are most common for family firms in Europe three categories are outstanding according to (International, 2008): Manufacturing, Construction and Wholesale. Sweden is also here an exception since Agriculture, Hunting and Fishing constitute one of the large sectors of the Swedish family firms.

Furthermore, 86 percent of the Swedish family businesses are in the first generation and of these companies 42 percent are being operated by the first and the second generation jointly. This can be an indicator that succession is something performed and wanted by many Swedish family firm owners. This practice is called “Multi Generation Ownership” in (International, 2008).

Mixing ownership is not common in Sweden when comparing with most other European countries. 70 percent of the Swedish family businesses have a single owner.

According to Statistiska Central Byrån (SCB), there were 976,790 companies registered in Sweden 2009. A large part of these companies are micro and small ones which can be seen in Figure 1. Please note that the one man companies without employees are not included regarded further in this work.

![Figure 1 Companies in Sweden 2009, Divided by Size Category](image)

The size categories of companies from the diagram above are defined in section 2.2. This tells us that companies in the categories micro and small constitute approximately 96 percent of the companies in Sweden when excluding the one man companies. Companies with more than 250 employees constitute 0.1 percent of the total amount of companies in Sweden. However, these companies contributed around 42 percent of the net turnover generated by all companies in Sweden 2007 (SCB, 2010). This means that the large companies account for a
major part of the complete economic turnover generated by companies in Sweden. Nevertheless, the smaller ones constitute a significant part of the Swedish market which makes them interesting for this work.

When it comes to entrepreneurship in Sweden a slightly negative trend can be recognized over the last 15 years in the diagram in Figure 2: The percentage of the Swedish population being entrepreneurs has been declining.

![Figure 2 Percentage of Swedish Population Being Entrepreneurs (15 to 64 Years)](image)

The information presented above intends to provide the reader with an overview and motivation why small family firms are an important part of the global and Swedish market. Thus, the survivability and development of small family firms beyond the generation boarder is an interesting and highly relevant topic.

### 2.2 Small versus Large Firms

**Definition**

In order to be able to continue the discussion regarding small firms it is necessary to define what small means. The definition used in this thesis is the long-term SME definition from the European Commission (European Commission, 2010):
<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Head-count</th>
<th>Turnover</th>
<th>or</th>
<th>Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-Sized</td>
<td>&lt; 250</td>
<td>≤ €50 Million</td>
<td>≤ €43 Million</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ €10 Million</td>
<td>≤ €10 Million</td>
<td></td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ €2 Million</td>
<td>≤ €2 Million</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 Enterprise: Definition of Size

Most of the family firms included in the survey are in the size definition of a micro firm. Since the term “small firm” is often used as a generic term and small and micro sized companies show similar characteristics, the following text will refer to “small firms” only.

**Characteristics**

A typical characteristic of small firms is that they are generally held by one or a few owners that are the largest shareholder or shareholder block and that controls more than 50 percent of the votes and thus the company. This makes it possible to control the company with a long-term strategic plan and without the interference from investors that are more short-term oriented looking for short-term growth and high dividends. This leads to the notion that small firms in which the owner is often involved in the daily business are rather stakeholder oriented in comparison to large companies which follow the shareholder approach. Moreover, small firms are known for their long-term orientation where profits are reinvested in the continued development of the business leading to lower debt-equity ratios in comparison to large companies and support their financial independence. Furthermore, they are often highly specialized and able to adapt to individual customer needs which large competitors cannot fulfill due to their high degree of standardization. The fact that these firms often operate in niche markets which most people do not even know about, gave them the name “Hidden Champions” as defined by Hermann Simon.

A typical characteristic of larger companies is the fragmentation of ownership. The largest shareholder or block of shareholders often holds less than 50 percent of the votes. Moreover, it is more common that a larger company is listed on the public stock exchange. The transition from ownership of one or a few majority owners to having thousands of share owners limits the owners ability to influence the long-term strategy since there are most certainly going to be many short-term owners that are more or less only interested in the short-term profitability. This effect can be even worse if the top management remuneration plan is based on short-term results rather than long-term profitability. This can be illustrated by the well known principal agent problem (Paul G. Keat, 2009).
Furthermore, the size of a company is more or less directly connected to the complexity of the organization. The higher complexity requires more formalism, for instance when it comes to decision making and strategic planning. This is also called corporate governance and is discussed more in section 3.3 where different governance mechanisms are presented and recommendations are made which are needed by small firms.

Importance of Size

Growth of business is commonly used as one of the most important indicators of the success of a company. Thus, large companies are often regarded as more successful than small ones. The book “Small Giants” gives an interesting view on this by interviewing and analyzing a number of selected very successful companies in the US. These companies distinguish themselves from “other companies” by all having or have had the chance to grow but choosing not too for different reasons. The owners of these companies have in common that they have all realized that there are other important values than growth for their companies which include: unwillingness to let quality decrease due to growth goals, customer relationships, joy of work and so on (Burlingham, 2007). In their opinion growth and thus the size of a company are not most important why they rather focus on quality and the development of their business.

Summary

The chapter is supposed to establish a common understanding of important concepts as a starting point for the analysis. Thus, first of all, a definition for the term “small firm” was provided. Secondly, the characteristics of small firms are presented by distinguishing them from large ones and thirdly, the question how important the size of a company is and the connection between size and success is discussed.

2.3 International Comparison

Dealing with Business Failures

Different cultures have different ways to deal with business failures. Some countries like Sweden and the United States of America (USA) see "bankruptcy as an occupational hazard
for entrepreneurs” (Schumpeter, 2010), thus are more tolerant towards failure than others like Germany or Asian countries where entrepreneurs who fail lose their face, are ashamed and condemned by society. The cultural attitude towards failure which is expressed by the notion that unfortunates deserve a second chance creates a positive business environment for family firms in Sweden since it promotes entrepreneurial spirit. Like stated in The Economist: “The best way to get more people to start businesses is to make it easier to wind them up” (Schumpeter, 2010). Thus, the question for family firms in Sweden is more how to keep the entrepreneurial spirit over time in order to ensure long-term survival.

Tax Rules

In Sweden 2005 the tax rules were changed to the great benefit of family firm owners since the inheritance and gift taxes were abolished. This should have a positive impact on family firms in Sweden and the ability and desire to transfer the business within the family. An example of the extreme opposite: in Spain the gift tax is 81.6 percent (with reduction to 40.9 percent within the family).

Unions and Employment Rules

In Sweden unions are traditionally strong. According to (LO, 2006) over 80 percent of the workforce in Sweden are members of a union. The Swedish employment rules can provide problems for small firms in the form of priority order of employment. This means that in times where the company wants to lay off staff due to lack of work it is not possible to freely choose among the employees. First in last out is the general rule with the exception of firms smaller than 10 employees where 2 employees can be exempt from the rule. Additionally, employees that have been laid off (and have been employed at least for 12 months) have priority over other applicants when the company wants to hire again (ARM, 1982). Whereas this law gives security to employees, it creates extra work for the entrepreneur in form of bureaucracy and most importantly it restricts the flexibility of companies to adjust their workforce to changing market conditions.

The effects of these employment rules are presented in (Skedinger, 2008) where the research results in the area are summarized. Skedinger argues that generally speaking it is hard to compare the employment protection between countries due to their differences but the following effects from strong employee protection (that are of relevance for this work) can be drawn:

- Less productivity and less structural flexibility in the work market and
• Increased rate of sick leave.

On the other hand, the head of the law department at the Swedish-German Chamber of Commerce in Stockholm, Eva Häußling, concludes in a recently published article that compared to other countries like Germany it is quite easy and cheap to lay off employees in Sweden. That means for family firms in Sweden that even if employment rules and unions reduce their flexibility to adjust to changing market conditions they still have a competitive advantage over similar companies in many other countries where the legislation is even more oriented towards employees (Häußling, 2010).

Intercultural Aspects

Due to the globalization and integration of markets companies have to manage and organize themselves today in a rapidly changing environment. In order to be successful it is not enough for them anymore to attract and retain employees that understand the particular business as well as different financial, legal, institutional and economic aspects of the company. It is crucial that the employees possess an intercultural competence. Thus, intercultural management has become an essential part of management studies.

Geert Hofstede (*October 3, 1928), a famous Dutch sociologist, studied national cultures. His research gives insights in the characteristics of different cultures and therefore improves efficiency when interacting with people from other countries. Hofstede developed a catalog of five criteria on which basis he evaluated different cultures and which enabled him to compare cultures in order to understand the differences:

• **Power Distance Index (PDI)**

  ”The extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.” (Hofstede, 2010)

• **Individualism (IDV)**

  ”(…) versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family.” (Hofstede, 2010)

• **Masculinity (MAS)**

  ”(…) versus its opposite, femininity, refers to the distribution of roles between the genders.” (Hofstede, 2010)
• **Uncertainty Avoidance Index (UAI)**

"deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations." (Hofstede, 2010)

• **Long-Term Orientation (LTO)**

"Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'.” (Hofstede, 2010)

![Hofstede's Cultural Dimensions – Sweden](image)

Figure 3 Hofstede's Cultural Dimensions – Sweden

Hofstede’s cultural analysis of Sweden based on the criteria mentioned above shows the following result: like other Scandinavian countries Sweden has a low PDI which means that power is distributed quite equally. According to the analysis Sweden is a highly individualistic country in which self-actualization plays a big role which can be illustrated by the example that it is quite common that people change their last names in order to be more individual and distinguish themselves from others. Masculinity is very low since the roles are distributed equally among the genders. The Uncertainty Avoidance Index is at a medium level which means that people are able to accept uncertainty to a certain extent and do not have to plan every single detail in advance like for instance the Germans tend to do. Finally, the degree of long-term orientation is quite low. A high level of long-term orientation is characterized by
valuing struggling towards a long-term goal that individuals are willing to subordinate themselves to the common purpose. In cultures with short-term orientation focus is on social and status obligations. Here overspending is common and savings are not top priority.

Characteristics of national cultures influence cultures of organizations situated in a specific country. Thus, in order to learn about what distinguishes Swedish firms from firms in other countries it is essential to draw comparisons e.g. to Asian and Latin American countries.

![Figure 4 Hofstede’s Cultural Dimensions – Asian and Latin American Countries](image)

The comparison shows that especially when it comes to Individualism and Long-term Orientation the results differ. But also the factor Masculinity varies a lot since business life in Asian and Latin American countries is dominated by men. The question is what impact these two criteria have on a firm’s ability to survive. The following assumptions which will be tested in the survey can be drawn: In a highly individualistic country children might not be as eager to take over the business from their parents since they want to actualize themselves. The fact that Sweden is a rather short-term oriented culture might imply that owners are not as interested in long-term survival of their firm and succession. The low Masculinity index of Sweden, however, can have a positive impact on the environment of family firms and thus their survivability. Reason for that is the fact that the supply of qualified employees is higher in Sweden due to the fact that women are educated and have equally access to the labor market.
3 Theoretical Framework

This chapter provides a short overview of the history as well as current and future topics in the research field of family firms. Then a definition for the term family firms is provided and some of the theories and models relevant for this thesis from the field of family firms and innovation are summarized.

3.1 Family Firm Research

History

The last decades have witnessed an increased interest followed by research on family businesses which is summarized by the two well-known family firm researchers Frank Hoy and Pramodita Sharma (Hoy, Navigating the Family Business Education Maze, 2006). Hoy and Sharma identify the most relevant works with regard to family firms in an attempt to summarize the history of family firm research. Their findings are that it is quite remarkable that the family firm research has not had a larger influence at the time, considering the large amount of family firms and that already in 1953 publications where made from high profile universities as Harvard. Hoy and Sharma also observe that it seems like there was a demand for family firm research which has created works such as the book “Beyond Survival: A Business Owners’ Guide for Success” by Léon Danco. Léon Danco of the Arthur Andersen Center for Family Business is by some considered to be the founding father of the field Family Business (Ward, 2004).

Furthermore, as stated by Hoy and Sharma in the period 1950 to 1970 the field of family firm research was founded but at the time family business was considered something unprofessional and less serious than a non-family business. During this time it was advocated to be analytical in their approach to management with the encouragement to use quantitative methods and tools. When issues of family were discussed it was in the context that they were irrelevant or that they should be kept separate from business.

During the 1970s “practitioner-consultants” started to fill the need for family firm education by offering the services in form of consulting and training to family firms. The 1980s were called “the decade of institution building” since awareness for the need of not only educating the family firm owner but also his employees arose and universities started to offer courses and programs in this field. The growth trend continued in the 1990s and beginning of 21st century when more research in the area of family firms was conducted. The field is growing and becoming more of a real “institution” as described in (Melin, 2007).
Current Topics and Future Outlook

As described by (Hoy, Navigating the Family Business Education Maze, 2006) a lot of knowledge was gathered and acquired in respect to family firms in the past decades. However, mostly the universities were busy with their own studies and did not share their knowledge with each other. Today findings are shared and consolidated. Even partnerships are established in order to complete and verify knowledge and joint research projects are accepted to benefit from the expertise of different universities. Furthermore, the interaction between universities and family firms has been strengthened due to its outermost importance as it allows the firms to benefit from empirical findings and enables universities to test their knowledge with practitioners – a win-win situation.

Until today many universities have specialized in the research of family firm in respect to a specific country, mostly the one of their own origin. In the future it could be interesting to compare the findings in one country with the ones for family firms of other countries. By this way family firms in different countries could serve each other as role models or best practices can be established so that family firms from different countries and cultural backgrounds could learn from each other. Further need for research is also given in respect to small family firms since the focus in the past has mostly been on large ones (Bjurgren, 2008). This master thesis is meant to be a small contribution towards fulfilling this need.

3.2 Definition of Family Firm

“Family firms” is a common and widely used term. This fact makes it necessary to make a clear definition of what is meant with the term family firm in the scope of this thesis.

Currently there is no established definition of family firms. Some of the many definitions available are:

- The family founder is active in the company and / or holds the amount of share that is owned by the family (Anderson (1), 2003), (Anderson (2), 2003).
- The family holds the largest portion of votes in the company (La Porta, 1999). It is suggested that 20 percent is enough to control the company (Morck, 2004).
- The family actively takes part in the company to some degree (Chrisman, 2004).

In this thesis a family firm is defined as a company where one family or individual controls the company by controlling more than 50 percent of the votes. The rationale for this definition is that in most small family firms there is only one owner that controls 10 percent of the shares (individually or together with the family).
3.3 Presentation of Models and Theory

Corporate Governance

Corporate governance can be described as a set of processes, policies and laws as well as relationships among stakeholders of a company that affect the way it is managed or controlled. For family firms there are a number of governance mechanisms available to implement as described in (Hoy, Entrepreneurial Family Firms, 2009). To understand which mechanisms should be implemented, the life-cycle phase the company has to be identified. Generally it is stated that the owners’ willingness to share information and receive criticism is tested on each new level, e.g. when a board of directors is appointed. The following mechanisms are presented by Hoy and Sharma:

- **Legal instruments** – Partnership agreements, contracts, shareholder agreements and family constitution are available and useful also for the smallest family firms.
- **Family meetings** – Useful to share information with the family to get feedback and to involve other family members in the business. Can be implemented by a small firm right from the start at the kitchen table at home.
- **Family council** – A more formal way of making decisions among family members than a family meeting. It is not likely to be needed in a small family firm since there rarely are that many owners (family members) and thus not such a large need for formalism.
- **Board of advisors** – A board of informal advisors that meet regularly to discuss and give advice on strategic decisions. This is often favored by owners of family firms since they keep the full control in their hands. It is highly usable also for small companies.
- **Board of directors** – A more formal board where the directors have legal power to affect the strategic decisions of the company.
- **Family office** – Takes care of the owners’ private investments to make use of the advantages of joint investment. Only feasible for larger firms with many owners where the profit does not have to be reinvested in the company.
- **Shareholder council** – Only needed if there are a lot of external shareholders which is most likely not the case for small family firms.

The question is which instruments should be used by small family firms? An important aspect identified in (Spector, 2006) is that the implementation of too many governance mechanisms by a small firm rather brings disadvantages like wasted resources and decreased flexibility. In (Hoy, Entrepreneurial Family Firms, 2009) it is concluded that the following two, of the above mentioned, governance mechanisms are regarded as useful and needed by an entrepreneurial family firm to grow: regular and periodic family meetings and a board of directors / advisors.
Three Circles Model

The three circles model (Jurinski, 2002) has been developed to visualize the interrelations between owner, family and company:

![Figure 5 Three Circles Model: Owner, Family and Company](image)

It helps to understand the interactions between the different groups involved in the governance system, identify sources of tension or conflict and take appropriate actions to prevent the system from pulling apart. Conflicts are likely to arise where business goals and practices collide with the ones of the family. A typical example for a source of conflict is the situation when the son of the founder takes over the management of the company but the father keeps 100% of the shares. This leads to that family members working in the business do not have majority control over business decisions which can cause resentment and intergenerational conflicts (Jurinski, 2002).

It is important to understand that the system is subject to constant change. The family, ownership and company can for instance change due to marriages or divorces, births and deaths and retirements. Also it has to be considered that the retirement of an owner usually has a much bigger impact on a company than the one of a public CEO. The identification of conflicts in an early stage and the monitoring of changes are essential since both can counteract the survival of a family firm.

Due to the fact that most small family firms in the first generations have a “Number 1” which means that a family member owns and manages the company it can be assumed that less governance issues exist. This assumption is to be tested in the analytical part of the thesis. Furthermore, it is interesting to learn from the target group in the survey how companies plan...
to deal with conflicts that will probably arise in the following generations when the system grows and is influenced by more people.

Four Cs

In the book “Managing for the Long-Run” (Miller L. B.-M., 2005) it is attempted to answer the question “What distinguishes great family businesses from other firms?”. Miller et al. conclude that all of their examined winners had a set of priorities in common which they called the “Four Cs”: Command, Continuity, Community and Connection. Command stands for the leadership attitude of the top management which is mainly characterized by decisiveness, fast actions and independence. Furthermore, the companies focus on the Continuity of the business since they are aware about its importance for and contribution to society. Community is the dream of “uniting the tribe” and getting all employees on board in order to achieve the companies’ mission. This goal is pursued by focusing on values and care for employees in contrast to financial incentives. The fourth similarity shown by the Miller is their attempt to build strong and long-term Connections outside of the company e.g. with suppliers, clients, partners and the broader community.

Each firm is different and thus needs to find an individual configuration of its Four Cs. Figure 6 illustrates the extreme angles for each of the Four Cs:

**Figure 6 Four Cs**

It is important that the strategy of the firm is adjusted to the Four Cs e.g. in order to off-set gaps of one with complementary strength of the other (Miller L. B.-M., 2005). If balanced properly a competitive advantage is achieved which can help the firm to secure its survival in the long-term.
Nine Field Matrix

The matrix in Figure 7 is presented by (Bergfeld Marc, 2009) and is describing an innovative move made by a family firm. The innovative move with regard to market and technology is used as a basis for the matrix.

In order to facilitate understanding the model the nine field matrix is illustrated by some examples based on Faber-Castell (Faber-Castell), a family firm in the 8th generation that was founded in the 16th century as a pencil producer. Today Faber-Castell has developed into one of the world’s leading manufacturers and sellers of high-quality products for writing, coloring, creative design and cosmetics.

Figure 7 Nine Field Matrix

*Incremental innovations* are described as innovations close to the existing products that do not constitute a technological risk or are not aimed at a new market segment. An example of this is a pencil that is based on a new slightly different kind of lead. *Progressive innovations* define innovations that make the move into an adjacent market and/or an adjacent technology. An example of this was the development of a ball point pen. *Radical innovations* define innovations that make a move into a completely new market and/or a completely new
technology. An example for this is the development from a pencil producer to a manufacturer of cosmetics.

In order to survive it is essential that companies are able to adapt to changing market conditions. Products in saturated markets have to be replaced by new ones to ensure constant streams of revenues and not being forced to file for bankruptcy in the long-run. The analysis in chapter 4 and 5 will examine if the companies in the survey have recognized the important role of innovation in respect to success and survival of a firm and are able to manage it accordingly.
4 Methodology

In this chapter it is described which method has been selected to gather data for the analysis. This is followed by details on which selection criteria have been used and how the questions have been designed. Finally, the results of the survey are presented.

4.1 Introduction

In order to draw conclusions regarding the succession of small Swedish family firms it is necessary to have some real world data which can be used to support the analysis and answer the questions of the thesis (see section 1.1). To collect answers that are of statistical significance it was chosen to try to reach a large target group, a quantitative approach. For this an online survey was chosen since it provides the opportunity to send out the survey digitally per e-mail to a large number of possible respondents. The following figure provides an overview of the different work steps:

![Figure 8 Process-Flow-Chart of Survey](image)

The online platform used for the survey is Google Spreadsheets (http://docs.google.com) which provides a free of charge framework for creating and conducting online surveys through Google Spreadsheets and the function forms. The original survey can be found in Swedish in Appendix A and the version translated into English in Appendix B. The survey is available in both languages since it was distributed to Swedish companies in Swedish but results here are presented in English.

From the results of the survey a set of hypothesis recommendation where defined. To test these hypotheses an interview was chosen as a qualitative approach to get a deeper insight regarding these topics.
Five companies that fit the target group definition (see section 4.2) of the survey were selected for the interview. In order to get the respondents talking and reflecting on the subject of succession and implementation of governance and strategic mechanisms the interview have been designed with more open style questions than the survey that aim to acquire details on how the small family firms are run today. The interview questions are defined in section 4.5 and the results together with connection to the hypotheses in section 4.6.

## 4.2 Target Group

The companies in the survey and interview have been selected using the following criteria:

- **Ownership structure** – The company has to be a family firm according to the definition in section 3.2.
- **Size** – Small family firms are the target group and as described in section 2.2, a small company has between 0 and 49 employees. This is used as the company head count limit in the survey. For this study one person companies with no employees are excluded since they are a special case where many factors often differ from firms with employees both when it comes to social responsibility, future perspectives and financial dependence of the owners.
- **Turnover** – Only companies with 1 million SEK annual turnovers, or more, are considered since companies which are operated as full-time businesses are desired for this work. The reason for this choice is the same as the ones described for size above.
- **Geographical area** – Considering the large amount of small family firms available in Sweden it is necessary to limit the targeted group of companies. A limitation that has been made to reduce the amount of companies is to only include companies from the region Karlstad in Värmland, Sweden.

To find the companies for the survey the following online services were used: www.foretagsfakta.se and www.bizbook.se. Through these services an excel list with facts regarding the companies selected by the criteria listed above was created. To avoid that the survey got stuck in spam filters which is a common problem when sending e-mails to such a large group at the same time the list was divided into parts each containing 20 companies and the survey invitation was then sent as an e-mail to each part of the list. Since the data retrieved from the websites cannot be treated as absolutely reliable the respondents have been asked to fill in these data again to verify that they really fit the target group.
4.3 Survey Questions

The complete survey can be found in Swedish in Appendix A and translated into English in Appendix B. The survey questions have been designed to be objective rather than subjective in order to get answer to the questions asked without manipulating the respondent into answering in a certain way. A closed format has been chosen which makes the survey easier to fill in and thus increasing the answer rate as described in (Leung, 2001). Also, care has been taken to keep the survey short but precise in order to get as many answers as possible. Furthermore, a closed format makes sure that the respondents answer to the questions asked in a relevant manner and leaves less room for misinterpretation. Since one interesting question that is raised in this work is to which degree the companies in the target group are using the practices described and promoted in the family firm academic research a closed format was required to test this. In order to be able to collect further views and facts a field “Other” was added to most questions to give respondents a certain degree of freedom and to allow free elaboration to receive inputs and views other than the ones explicitly wanted by the survey. This is useful since it will show if relevant alternatives were left out when designing the survey.

Some of the questions in the survey could be regarded as of sensitive nature (e.g. annual turnover). Therefore, the question “Do you want to be anonymous in the survey” was added to reduce the number of respondents that do not answer the survey for privacy reasons.

The following survey questions have been defined:

**General questions on first page:** First the respondent is asked whether he or she wants to be anonymous or not. The rest of the questions are basic questions to gather data regarding the company of the respondent such as name, address, telephone number, e-mail address, contact person, year founded, annual turnover, short description of the company and its operations (for more information on these questions see Appendix B). These questions have the purpose to gather data regarding the answering company to ensure that it fits the target group and to make it possible to contact the company for further questions.

<table>
<thead>
<tr>
<th>Question 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Does your company have as goal to keep operating in a longer perspective (i.e. that the next generation will take over and operate the business)?”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Answer (Multiple choice with exactly one alternative required/allowed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Not sure</td>
</tr>
</tbody>
</table>
The purpose of question 1 is to learn whether the companies in the targeted group plan and want to keep operating in the long run or not. This is a central question in the thesis since for the long-term survival of companies this could be argued to be the most important factor.

Question 2a (If the answer to Question 1 was “No”)
“What is the reason that you do not plan to pass the company on to the next generation?”

Answer (Multiple choice with at least one alternative required)
- Want to liquidate to get funds now
- No relatives available to take over
- We do not see a future in the market we are operating in
- High competition from other businesses in our industry
- Other: (Here another reason can be entered manually)

The purpose of question 2a is to find out the reason behind why there is no desire or possibility to keep operating when the current owner was to resign. This question is only reached if “No” was answered to Question 1. In this case the questionnaire ends here.

Question 2b (If the answer to Question 1 was “Yes” or “Not sure”)
“If the goal is to let the next generation take over the business which of the following actions have you taken to reach this goal?”

Answer (Multiple choice with at least one alternative required)
- Created a succession plan
- Educated the successor(s) in leading the business
- The successors have been actively involved in business to gain understanding and interest
- The successors have been involved in strategic work such as creating a long-time strategic plan for the company.
- Family meetings are being held to give family members information about what is happening in the business and to get feedback regarding e.g. key decisions.
- The successors have acquired external education and experiences that can be of use for the business in the future.
- Other: (Here another reason can be entered manually)

The purpose of question 2b is to get information on which of the practices proposed by literature are used in practice.

Question 3
“What are the greatest obstacles that your business has to overcome to be able to survive in a longer perspective (i.e. at least to the next generation)?”
The purpose of question 3 is to investigate which, from the owners’ point of view, are large obstacles for the company to continue operating in the long-term. This is interesting in order to be able to analyze the real problems of the companies to the background of the theories and statistics presented in chapter 2 and 3.

<table>
<thead>
<tr>
<th>Question 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Why do you want the business to be taken over and to be operated by the next generation?”</td>
</tr>
<tr>
<td><strong>Answer (Multiple choice with at least one alternative required)</strong></td>
</tr>
<tr>
<td>To secure the financial wealth of the family</td>
</tr>
<tr>
<td>Due to social responsibility against the employees and the society where we operate in</td>
</tr>
<tr>
<td>Due to tradition and pride of the family</td>
</tr>
<tr>
<td>Fear that a new owner would not take care of the business (employees, customers etc.) in a satisfying manner</td>
</tr>
<tr>
<td>Other: (Here another reason can be entered manually)</td>
</tr>
</tbody>
</table>

The purpose of question 4 is to gather information regarding why the respondents want their families to continue operating in the next generation.

<table>
<thead>
<tr>
<th>Question 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Have you used external specialists to get help with succession and or long-term strategic planning?”</td>
</tr>
<tr>
<td><strong>Answer (Multiple choice with exactly one alternative required/allowed)</strong></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Other: (Here another reason can be entered manually)</td>
</tr>
</tbody>
</table>

The purpose of question 5 is to investigate if the small family firms have made use of external specialists for setting up a long-term strategy and succession plan. This is stated as an important practice in family firm research such as (Ward, 2004).

### 4.4 Survey Results (Empirical Findings)

An e-mail survey was sent out to around 400 companies meeting the above mentioned criteria. As with many online surveys the problem of low answer rate was encountered; 22 out
of 400 companies answered after several reminders. In order to make sure that the respondent fit the definition in section 3.2, a question to make sure that is it the case was added to the questionnaire. Out of 22 respondents 18 fit the definition of family firms.

Although specific industries were not targeted, interesting results can be found when comparing the findings with the ones from FBN-I. The companies that answered the survey almost all come from industries that correspond to the ones stated by (International, 2008) in chapter 2 as the most common for family businesses: Manufacturing, Construction and Wholesale. This gives more confidence to the results of the small survey conducted in the frame of this work since the results are validated by the large survey conducted by FBN-I.

Here are the results divided by question. The survey is divided into two tracks depending on their answer to Question 1; Group A which are not planning to keep operating the company in the long run and Group B that are going to keep operating in the long run or are not sure whether to do so or not.

**Question 1:** “Does your company have as goal to keep operating in a longer perspective (i.e. that the next generation will take over and lead the business)?”

Respondents: Both Group A & B (18 respondents, only one answer allowed).

![Figure 9 Result Survey Question 1](image)

The results of this question were unexpected; only one of the companies clearly states that it plans to keep operating after the current generation has retired. Eleven answers that they are not planning to keep operating beyond the generation boarder and six companies are not sure.
Question 2a (If the answer to Question 1 was “No”): “What is the reason that you do not plan to pass the company on to the next generation?”

Respondents: Only Group B (11 respondents, multiple answer alternatives allowed).

<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
</tr>
<tr>
<td>Not sure</td>
<td>6</td>
</tr>
</tbody>
</table>

![Figure 10 Result Survey Question 2a](image-url)

- Want to liquidate to get funds now
- No relatives available to take over
- Bad outlook and high competition from other businesses in our market
- The children should find their own way
- No reason
- We do not see a future in the industry that we are operating in.

<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Want to liquidate to get funds now</td>
<td>1</td>
</tr>
<tr>
<td>No relatives available to take over</td>
<td>7</td>
</tr>
<tr>
<td>We do not see a future in the industry that we are operating in.</td>
<td>1</td>
</tr>
<tr>
<td>High competition from other businesses in our industry</td>
<td>1</td>
</tr>
<tr>
<td>Other: Not a feasible solution currently</td>
<td>1</td>
</tr>
<tr>
<td>Other: The children should find their own way</td>
<td>1</td>
</tr>
</tbody>
</table>
Question 2b (If the answer to Question 1 was “Yes”, “Not sure”): “If the goal is to let the next generation take over the business which of the following actions have you taken to reach this goal?”

Respondents: Only Group A (7 respondents, multiple answer alternatives allowed).

<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created a succession plan</td>
<td>0</td>
</tr>
<tr>
<td>Educated the successor(s) in leading the business</td>
<td>0</td>
</tr>
<tr>
<td>The successors have been actively involved in business to gain understanding and interest</td>
<td>3</td>
</tr>
<tr>
<td>The successors have been involved in strategic work such as creating a long-time strategic plan for the company.</td>
<td>0</td>
</tr>
<tr>
<td>Family meetings are being held to give family members information of what is happening in the business and to get feedback regarding e.g. key decisions.</td>
<td>0</td>
</tr>
<tr>
<td>The successors have acquired external education and experiences that can be of use for the business in the future.</td>
<td>1</td>
</tr>
<tr>
<td>Other: No actions taken</td>
<td>4</td>
</tr>
</tbody>
</table>

Question 3: “Which are the greatest obstacles that your business has to overcome to be able to survive in a longer perspective (i.e. at least to the next generation)?”

Respondents: Only Group A (7 respondents, free text question).

<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>To keep up with the technical development</td>
<td>1</td>
</tr>
<tr>
<td>Lack of interest from the next generation</td>
<td>1</td>
</tr>
<tr>
<td>Bad climate for companies in Sweden</td>
<td>1</td>
</tr>
<tr>
<td>Uncertainties in the counties with low wages where production is carried out</td>
<td>1</td>
</tr>
<tr>
<td>Low profitability</td>
<td>1</td>
</tr>
<tr>
<td>Uncertainty whether the next generation is able to keep the entrepreneurial spirit up or not. This is needed to be able to see opportunities and develop the firm in the right direction which is a must to survive in the long run. For short run a non-entrepreneurial manager can lead a company and the daily operations (up to five years).</td>
<td>1</td>
</tr>
<tr>
<td>To get the next generation interested and educated in the specific field in which the family firm is operating in.</td>
<td>1</td>
</tr>
</tbody>
</table>

Question 4: “Why do you want the business to be taken over and to be operated by the next generation?”

Respondents: Only Group A (7 respondents, multiple answer alternatives allowed).
<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>To secure the financial wealth of the family</td>
<td>0</td>
</tr>
<tr>
<td>Due to social responsibility against the employees and the society where we operate</td>
<td>2</td>
</tr>
<tr>
<td>Due to tradition and pride of the family</td>
<td>3</td>
</tr>
<tr>
<td>Fear that a new owner would not take care of the business (employees, customers etc.) in a satisfying manner</td>
<td>0</td>
</tr>
<tr>
<td>Other: Not really interested</td>
<td>1</td>
</tr>
<tr>
<td>Other: Provides the best combination of income, experiences with other cultures and meeting new people</td>
<td>1</td>
</tr>
</tbody>
</table>

**Question 5:** “Have you used external specialists to get help with succession and or long-term strategic planning?”

Respondents: Only Group A (7 respondents, only one answer allowed).

<table>
<thead>
<tr>
<th>Answer</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
</tr>
<tr>
<td>Other:</td>
<td>0</td>
</tr>
</tbody>
</table>

### 4.5 Interview Questions

The interview questions have been created in order to test the hypotheses (conclusions and recommendations) drawn in the analysis based in the survey results in section 5.

The hypotheses are:

**Hypothesis 1:**
Many small Swedish family firms do not survive in the long run since they do not have the wish / goal to do so. This is, except for the case that there are no successors in the family, due to:

a. High individualism which results in reluctance to chose the same career as the parents,
b. Transfer out of family takes place which gives the current owners liquid funds now,
c. High amount of single owners in Sweden which reduces the amount of possible successors,
Hypothesis 2:
Succession is desired but does not take place / does not succeed due to:

a. Lack of corporate governance mechanisms to promote, plan and perform succession
b. Problems due to the transitions that take place when ownership and management change
c. The company is not being innovative e.g. in terms of exploring new business opportunities
d. A continuous process to evaluate and adapt the strategy of the company.

The interview questions are listed in Table 4: together with their connection to the hypotheses.
Table 4 Interview questions and connection to Hypothesis

<table>
<thead>
<tr>
<th>#</th>
<th>Interview Question</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are there any other entrepreneurs in the Family? Current relatives or previous generations?</td>
<td>X</td>
</tr>
<tr>
<td>2</td>
<td>How often do you discuss succession with the members of the family?</td>
<td>X X X</td>
</tr>
<tr>
<td>3</td>
<td>Many of the companies in the survey do not want to perform succession. Are there any concrete actions that, in your opinion, can increase the chance of performing succession?</td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>Would you have taken over the family business from your parents?</td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>Could you imagine changing the direction (strategy, market etc.) of the business on request of the successors?</td>
<td>X X X</td>
</tr>
<tr>
<td>6</td>
<td>Have the abolished heritage and gift tax changed your view on succession?</td>
<td>X</td>
</tr>
<tr>
<td>7</td>
<td>Do the successors have other career plans or goals?</td>
<td>X</td>
</tr>
<tr>
<td>8</td>
<td>Do you consider succession and further operation of the family firms as a good occupation for the possible successors? Which aspects are there?</td>
<td>X</td>
</tr>
<tr>
<td>9</td>
<td>Does the board of the company consist of only family members or “independent directors”?</td>
<td>X</td>
</tr>
<tr>
<td>10</td>
<td>Is it formal or informal during a regular board meeting?</td>
<td>X</td>
</tr>
<tr>
<td>11</td>
<td>How is information in your family communicated regarding the family firm?</td>
<td>X</td>
</tr>
<tr>
<td>12</td>
<td>How are strategic decisions made in your company? (CEO, Family, Board of…)?</td>
<td>X</td>
</tr>
<tr>
<td>13</td>
<td>Which corporate governance mechanisms do you currently use? (Legal instruments such as partnership agreements, family meetings and a board of advisors or directors)?</td>
<td>X</td>
</tr>
<tr>
<td>14</td>
<td>Have you considered that when the management-owner relationship in the company so that changes do not impair the abilities of e.g. new management?</td>
<td>X</td>
</tr>
<tr>
<td>15</td>
<td>Do you regularly collect and evaluate new business opportunities and markets, possibly as a fixed agenda point in e.g. regular family meetings?</td>
<td>X</td>
</tr>
<tr>
<td>16</td>
<td>Have you used external expertise when needed to get expert input and to give a greater feeling of importance to e.g. a family meeting?</td>
<td>X X</td>
</tr>
<tr>
<td>17</td>
<td>Do you perform regular reviews and adjustment of the strategy (e.g. according to the 4 Cs) to cover up possible gaps?</td>
<td>X</td>
</tr>
</tbody>
</table>

Table 4 Interview questions and connection to Hypothesis

4.6 Interview Results (Empirical Findings)

Five small family firms that fit the selection criteria of section 4.2 were selected for the interview.

The following results were obtained:
1) *Are there any other entrepreneurs in the Family? Current relatives or previous generations?*

A clear connection between other entrepreneurs in the family and will/ability to perform succession cannot be found among the companies interviewed. There are both companies that have no other entrepreneurs in the family and ones that have. Generally it seems that the respondents that have other entrepreneurs in the family are of the opinion that it has not had any influence on their own entrepreneurship. None of the respondents that do have other entrepreneurs in the family indicate that it would be an option for these to take over the business in the future, this is due to other personal interests.

2) *How often do you discuss succession with the members of the family?*

All the respondents interviewed indicate that succession is not something that is often discussed (with family members or in other settings), but is rather an option that is implicitly available. This is a clear point of improvement since many things that are considered as obvious by someone is not for someone else, for example current company owner and possible successor. Here a succession plan could be used as a basis for further discussions with the possible successors which could increase motivation and understanding of the company and entrepreneurship as a profession.

3) *Many of the companies in the survey do not want to perform succession. Are there any concrete actions that, in your opinion, can increase the chance of performing succession?*

To the question if any concrete actions can be found to increase the chances of succession the following was identified: High profitability so that the successors see a financial benefit in the family firm compared to another career. The respondents all indicate that they have already included the children in the operation of the company with work in the summer holiday, work at exhibitions and other marketing events to increase the interest of the children. Furthermore, it was said that to create genuine interest of the possible successors they need to get a deeper understanding in what running a business means, how the family firm and the industry works and what possibilities it offers. One respondent said that it is important to define the profession entrepreneur in order for the successors to understand the advantages and disadvantages compares to other professions.

4) *Would you have taken over the family business from your parents?*

All respondents indicated that they would have taken over the business from their parents if it was something that interested them. However, two respondents had the chance but declined due to own career ambitions. This can be connected to the high individualism in Sweden. One opinion is that as an entrepreneur it would be interesting to continue any kind of business that has positional to grow and be developed.
5) Could you imagine changing the direction (strategy, market etc) of the business on request of the successors?

To the question if the current owners/operators of the company would be willing to change the direction and strategy to get the next generation more interested in the company there where different answers. One respondent said that it would be hard to change the strategy of the company due to the small niche it is currently operating in. One said that if the new strategy made sense and would fit with the current strategy without introducing too much risk in the main business it would be possible. It is of course something that is dependent of in which industry the company is operating in. Others said that they are more than willing since the younger generation have more ideas and know current trends better than the current generation.

6) Have the abolished heritage and gift tax changed your view on succession?

The abolishment of gift and heritage taxes in Sweden is considered as an important and factors that have relevance for succession by all respondents. One respondent said that it is not only important for the owners but increases the safety and stability for the employees and for other stakeholder since the chances of performing a smooth owner transition is higher. This kind of stability gives a business advantages for instance when creating partnerships and when recruiting new employees.

7) Do the successors have other career plans or goals?

All the children of the respondents asked are currently either in school or are already pursuing their own professional careers. All of the respondents express that they think it is important that the successors acquire their own life experience and education before making the decision if to take over the company or not. From completed education to 10 years of own professional experience was mentioned as feasible time periods before making the decision.

8) Do you consider succession and further operation of the family firms as a good occupation for the possible successors? Which aspects are there?

All the respondents answered yes but aspects as a lot of work and travel where mentioned as a down side of the entrepreneurship. That running an own business can be a greater risk than being employed was generally not seen as a big disadvantage. One respondent said that entrepreneur is a profession like others and to be successful it is crucial to have an interest in field and at least some talent which in the case of entrepreneurship is the ability to improve the products and to be able to create a successful long-term strategy.

9) Does the board of the company consist of only family members or “independent directors”?

All the respondents answered that the boards consist of the CEO only. However, some of
respondents indicate that they have used some form of external mentor or advisor which could be seen as a first step towards a board of advisors. The respondent from the largest of the family firms interviewed responded that they have implemented two groups, management- and market-group, within the company where monthly meetings are being held in a formal manner to discuss topics such as recent events, other important issues and make changes in short-term strategy.

10) *Is it formal or informal during a regular board meeting?*

All the respondents answered that it is informal and that the board meetings are not used for other issue than the legally required ones. One respondent indicated that governance mechanisms such as board meetings are only relevant for larger companies.

11) *How is information in your family communicated regarding the family firm?*

None of the respondents answered that they currently have any kind of family meetings, or other structured way to communicate information to the family. Information of the business is informally communicated whenever suitable. Older successors get more information than the younger one was said by several of the respondents. However, the impression that was left by the respondents is that many things are not communicated to the family.

12) *How are strategic decisions made in your company? (CEO, Family, Board of…)?*

The long-time strategic direction of the company is set by the CEO more of less alone. Boards of advisors / directors are seen more as a formal must than a mechanism that is actively used to set the strategic direction of the company. As described in question 9 the larger of the respondents indicated that there are other groups where decision regarding e.g. short-time strategy are made.

13) *Which corporate governance mechanisms do you currently use? (Legal instruments such as partnership agreements, family meetings and a board of advisors or directors)?*

Partnership agreements are not used by in the sense of an active partnership today but one respondent indicate that there are external partners that are interested to purchase the company if succession does not take place. Family meetings are not used by any of the respondents. However, as mentioned above some of the respondents have made use of external advisors such as an Angel Investor (or Business Angel) or Strategy consultant to get advice.

14) *Have you considered that when the management-owner relationship in the company so that changes do not impair the abilities of e.g. new management?*

None of the companies asked have already been transferred through succession.
15) *Do you regularly collect and evaluate new business opportunities and markets, possibly as a fixed agenda point in e.g. regular family meetings?*

None of the respondents indicate that family meetings are currently taking place. The largest of the respondents have other group where short-term strategic decisions are made (as described above). However, Long-term strategy is set by the CEO.

16) *Have you used external expertise when needed to get expert input and to give a greater feeling of importance to e.g. a family meeting?*

This is used by some of the companies interviewed. Only the largest of the interviewed companies use an external advisor on a regular basis.

17) *Do you perform regular reviews and adjustment of the strategy (e.g. according to the 4 Cs) to cover up possible gaps?*

The respondent of the largest family firms in the interview does annual reviews and updates. The others do not perform such reviews continuously but rather implicitly.

General conclusions given by the respondents are that they would be very happy if the children would like to take over the family business. These statements are however in most cases followed by the statement that the children shall of course do what they want to do and not feel any pressure to continue running the family business. The following thoughts were given by the respondents to the topic of succession:

- High profitability can have a positive influence
- Children shall have the opportunity to get own experience and education before making the decision whether to take over or not
- Geographical location of successors play an important role for succession
- Entrepreneurial spirit of the successors also play an important role (it’s no idea to give the company to a successor that is not able to run the company in a good way in the long run)
- There are in many cases partners that are possible candidates to buy the company if the family does not want to take over

Concluding the interview results and applying them to the hypotheses gives the following results:
Hypothesis 1:
Many small Swedish family firms do not survive in the long run since they do not have the wish / goal to do so. This is, except for the case that there are no successors in the family, due to:

a) High individualism which results in reluctance to chose the same career as the parents
The trend that can be seen from the survey results together with Hofstedes’ intercultural dimensions (in Section 2.3) is that many Swedish family firms do not perform succession due to the high individualism in Sweden. This can, in many cases, can lead to that the possible successors choose pursuit their own career outside of the family firms. The interview indicates the same since more of less all the respondents said that the own wishes and ideas of the possible successors is the most important thing. This would most likely not have been the case if a similar interview would have been carried out in a collectivistic country like China.

b) Transfer out of family takes place which gives the current owners liquid funds now
Following the statements regarding individuality in hypothesis 1a) some of the respondents indicated that there are already partners that would be interested in purchasing the business from the family that currently runs it. Furthermore, although it was said that this is not the preferred solution it was not said to be a bad one. Although not a solid connection to that the owners want to “sell out” is indicated, it definitely can be said that there is not a strong reluctance to do so either.

c) High amount of single owners in Sweden which reduces the amount of possible successors
All the respondents represent family firms where one family is currently active (one family means one mother and father). This is what in this work is considered to be single owners (in contrast to family firms where several brothers and sisters are active in the firm and thus more successors are available, theoretically). This indicates that this study supports the results of (International, 2008). Furthermore, none of the respondents said that there is currently another entrepreneur or family member that would be able or willing to take over the business.

Hypothesis 2:
Succession is desired but does not take place / does not succeed due to:

a) Lack of corporate governance mechanisms to promote, plan and perform succession
None of the family firms interviewed indicated that they have any kind of governance mechanisms in place with regard to the succession aspect of family business. This validates the results of the survey. The general impression is that mechanisms like these are only useful for larger firms.
b) Problems due to the transitions that takes place when ownership and management change
This question was answered no by all respondents since all the questioned companies have been founded by the current generation.

c) The company is not being innovative e.g. in terms of exploring new business opportunities
Only the largest of the family firms interviewed indicated that they perform continuous monitoring and evaluation of new business opportunities. This identifies a possible need for improvement.

d) Lack of a continuous process to evaluate and adapt the strategy of the company
With exception of the largest family firm interviewed all respondents have indicated that they do not have any formalized strategic planning or direction setting of the company such as regular reviews and plans (it is all done solely by the CEO). This validates the same conclusion that was drawn based on the survey results.
5 Analysis and Recommendations

This chapter contains an analysis of the results presented in section 4.4 in order to answer the research questions defined in section 1.1. The analysis makes use of the relevant statistics and theories presented in chapters 2 and 3.

5.1 “Why do many small Swedish family firms often not survive in the long run?”

Analysis of Survey Results

The majority of the companies in the survey (61%) answered that they do not have the goal to continue running the company in the long-run (i.e. by succession), 33% were not sure about what goal they have for their company in the future and only 6% of the companies answered that they plan to continue operating in the long-run. The answers in the survey show that many small Swedish family firms often simply do not want to continue their business in the next generation. Therefore, the conclusion can be drawn that this is the main reason why businesses do not survive in the long run.

The question that consequently arises from this result is: Why are many small family firms in Sweden obviously often not interested in the long-run survival of their company? About 64% of the companies in the survey who did not have succession as a goal explained their answer by the fact that they did not have any relatives who can and/or want to take over the business. In this case it is clear that succession for the current family firm and the creation of family wealth for future generations is not a possible option. However, 36% of the respondents stated that they did not have long-term survival of their firm as a goal since they rather want to liquidate the company for funds now, do not want to continue due to high competition in the industry or said that the children should find their own way.

Application of Theory and Models

The analysis of results shows that a clear majority of firms in the survey does not have the intention to continue operating. This lead to the conclusion that the main reason why small family firms in Sweden often do not survive in the long run is that they do not want to. The following paragraph intends to connect the reasons for this fact with the knowledge gained from the theory, models and statistics described in chapter 2 and 3.

As described in section 2.3 the Swedish culture is characterized by high “Individualism” which means that the own interests and achievements are in general valued higher by society than
the ones achieved by a collective or group. A common perception is that a small firm is not a successful firm since growth is the number one measurement of success for a company today (see section 2.2). This is a disadvantage for small firms since most people want to be successful and have a feeling of status in society. In the opinion of the writer the perception in an individualistic country like Sweden is that, in many cases, “making career” at a well-known company is a straighter, safer and easier measurable way to success than working in or operating a small firm. Moreover, for family firms other values than growth are of importance in contrast to public corporations as described in (Burlingham, 2007). Consequently, it is harder for a small family firm to recruit competent employees. It is also relevant for succession (in the sense management) where the motivation for the successors to pursue their own career might be stronger.

Additionally, in Sweden the rate of transfer of business to non-family members is low compared to other European countries (International, 2008) which makes long-term survival unlikely if the next generation does not want to take over. In other words it could be argued that the transfer of management responsibility to non-family members by keeping ownership in the hands of the family could be beneficial for small family firms and the bigger picture Swedish economy.

Another interesting aspect is that Swedish family firms more often have single owners than in other European countries. Here the conclusion is that when there are more owners the likelihood that the company will continue operating in the long-term is higher since there is more than one owner that can continue or have children that desire and are able to take over. However, it has to be considered that in a family firm with more than one active family owner the more complicated ownership situation will to lead to the need and likely use of governance mechanisms. This as stated in (Hoy, Entrepreneurial Family Firms, 2009) are mechanisms that are good for the firm since a more professional and formal way of working is introduced which will increase the chance of future success and thus, survival.

When it comes to employment rules and unions it is not possible to give a clear statement of a special impact on the small family firms but in general for small firms it is considered to be beneficial with as much freedom who to employ or lay off as possible. Here Sweden could improve further by more exceptions for small firms like the existing one described in section 2.3.
5.2 “What can be done to increase the survival rate of small family firms in the long term perspective?”

Concluding from the result of the survey the survival rate of small family firms can be increased in the long-run by the following measures:

- Respondents who answered that they were not intending to continue their business due to reasons other than no existing relatives to take over and the ones who were not sure about what to do with their firm, have to be convinced about the benefits of succession by presenting its advantages. (see “Benefits of Long-Term Survival”)

- Respondents who stated that they intend to continue, however, face difficulties need help by analyzing the obstacles and finding appropriate measures. (see “Analysis of Obstacles and Recommendations”)

About 39% of all companies in the survey answered that they were not interested in continuing the business since they do not have any relatives. They will be excluded from the further analysis as the only thing they could do to contribute to the increase of the survival rate of small family firms is to get children. In order to facilitate reading the flow chart in Figure 11 illustrates the structure of the following section:

![Figure 11 Analysis and Recommendation Workflow](image-url)
Benefits of Long-Term Survival

This work tries to answer the question why many small Swedish family firms do not survive in the long-run. The survey showed that many firms do not survive since they simply do not want to which raises the question: “Why should they thrive for long-term survival?” The obvious answer to this question is that a business that is allowed to operate and develop over a longer period of time has better chances to provide services and products to its customers which results in generated wealth for its owners, tax income for the society where the company operates and jobs. In (Miller L. B.-M., 2005) family firms that want to operate in the long-run and succeed with doing so are called “The Family Controlled Business (FCB) Ants” and are in contrast to “Grasshoppers” where short-term win and benefit for the owners are the top priority. It is stated that many well-known successful companies (Michelin and Berkshire Hathaway are two examples of the “Ants” or “Stewards” mentioned in (Miller L. B.-M., 2005)) in the world are family firms and these do in general show a better financial performance than the non-family firms counterparts. Having said all this does not mean that the owners of family firms are not interested in high profitability and increased value of this company. The usual differences highlighted are that family firm owners have a personal commitment to the company and its mission to bring wealth to the family, employees and other stakeholders also in the future and not until sold for a good profit to the highest bidder. This creates the following advantages for the family firms that succeed to survive in the long-run:

- Long-term ownership creates a stronger personal commitment which is beneficial both for the owners, employees and other stakeholders
- Family firms generally show better financial performance and thus, higher profits than comparable non-family firms (Miller L. B.-M., 2008)
- A strong and well-managed family firm has the chance of strengthening the family as group e.g. by the use of governance mechanisms such as family meetings (Ward, 2004)

The results of the survey show that companies that have answered yes or “not sure” to the question if they plan to keep operating in the long term indicate the following: If they would do so it would be because of social responsibility to the society where they operate, because of family pride and tradition or because operating an own firm is a more stimulating work than being employed by someone else.

Analysis of Obstacles and Recommendations

The results of the survey in section 4.4 show that the companies in the survey do not implement governance mechanisms such as family meetings, succession plans or make use of external experts. The importance of these mechanisms for family firms is expressed by family firm research literature (Hoy, Entrepreneurial Family Firms, 2009) (Bergfeld Marc, 2009)
(Ward, 2004). In section 3.3 the topic corporate governance for family firms was introduced and some of the most common mechanisms where presented. For small family firms the question arises of which mechanisms are useful and which are not needed in an early part of the life cycle. As expressed by (Hoy, Entrepreneurial Family Firms, 2009) mechanisms useful for small firms are:

- Legal instruments such as partnership agreement, employment control, family constitution and shareholder agreement
- Family meetings
- Board of advisors / directors

The implementation of these governance mechanisms are of great importance. It is likely that a small family firm where the owner performs regular family meetings in which the family is briefed regarding the latest news and performance of the company will have a significantly higher chance of getting the children interested and involved in the business.

The next recommended practice is to be aware of the transitions that take place in a company when management and/or ownership change as described by the three circle model (Jurinski, 2002) in section 3.3. This is regarded as an important aspect since problems such as conflicts in the family can occur if succession takes place in the way that one of the children takes over the management of a company but the older generation keeps the control of the company as owner. Such situation will more or less put the new management under the control of the old generation that might be reluctant to leave the complete control of the company to the children. Indications that this is a real obstacle can be observed in results of the survey where one respondent answered that it is planned to pass the control to next generation but it is uncertain if it can be done since it is required that the leader of company has the correct entrepreneurial spirit to survive in the long run.

Another important aspect of the ability to survive in the long-run is to be innovative to not be overrun by competition. The nine field matrix (Bergfeld Marc, 2009) demonstrates different kinds of innovative moves that can be performed. In the frame of this work it is not possible to say how often or which level of innovations should be used but it should be taken into serious consideration. A good practice is to include new business opportunities and markets as a fixed point on the family meeting agenda. If there is an idea identified that is considered as a real alternative an external expert can be invited to get external inputs and a greater feeling of importance to the family meeting. Also this obstacle can be seen in the survey results where a respondent expresses fear that the firm will not be able to survive the competition if the production costs will increase or keep up with the technical development in the market. In such a situation a measure to try to secure the business for the long-term is to diversify by expanding into new markets and/or technologies which would give a better chance of survival if the old market is not profitable any more.
A general last recommendation which is useful for all firms but especially for small firms is to conduct regular reviews and make adjustments of the company strategy to avoid strategy gaps as described in (Miller L. B.-M., 2005). To manage this issue the 4Cs model can be useful.

Recommendations for firms that want to keep operating in the long run:

1. Implementation of the following governance mechanisms: legal instruments such as partnership agreements, family meetings and a board of advisors or directors.
2. Taking special care when the management or owner relationship in the company changes to make sure that the abilities of new management are not disturbed.
3. Regularly collecting and evaluating new business opportunities and markets, possibly as a fixed agenda point in the regular family meetings.
4. Inviting external expertise when needed to get expert input and to give a greater feeling of importance to the family meeting.
5. Regular reviews and adjustment of the strategy according to the 4 Cs to cover up possible gaps.

These results from the quantitative survey have been tested by performing an in-depth telephone interview with a few of the respondents. The results of the interview and a mapping of the questions to the hypotheses and the results can be found in section 4.6.
6 Conclusions and Future Work

A general conclusion based on the results of the survey is that in order to survive in the long-run the owners of a company (the family in case of family firms) need to have possible successors in the family and the goal to perform succession. Otherwise succession is not possible.

For the companies in the survey which have answered that they do not plan to perform succession, or are not sure whether to do so or not, benefits of succession have been identified. Examples include that family firms show strong financial performance and high profitability in comparison to non-family firms as well as higher commitment of the owners which strengthens the company through long-term strategic planning and other values than short-term profits and is to the advantage of stakeholders. Furthermore, the family as a group can be strengthened by the successful management and operation of the family firm.

The companies that want to perform succession and long-term operation are given recommendations of mechanisms and practices to succeed in doing so. These include family meetings, installing a board of advisors or directors and making use of legal instruments such as partnership agreements.

In order to promote succession and long-term operation the government of a country can take actions to create a good climate for small family firms. Abolishing taxes on gifts and heritage, as already done in Sweden, is a step in the right direction. Others would be to give the small firms more freedom when it comes to employment rules and unions.

Please note that the survey was only sent out to a limited number of companies in order to fit it to the time frame if this work and the target group has been narrowed down to companies in Värmland. The results of the survey where tested and complimented by an in-depth telephone interview. However, in order to get more support for the findings of this work and to get the picture for whole Sweden, a larger survey/interview should be conducted.

Recommendations for future work are:

- Conducting a study of the survival rate of small family firms in Sweden with the entire country as target.
- Making a deeper analysis of differences and similarities between Swedish family firms and the ones from other countries (also outside of Europe) to see which lessons can be learned.
- Examining connection between innovation, survival rate and ability to perform succession.
• Performing a study how the transition from small to medium or large family firm have taken place in real firms. Which experiences and lessons can be learned?
References


Faber-Castell. (u.d.). Hämtat från www.faber-castell.de


Appendix A. Survey in Swedish

This section contains the survey in Swedish as distributed to the respondents.

Introduktion

Den här delen syftar till att samlas grundläggande data om ert företag.

Vill ni vara anonym i undersökningen? *

Om ni väljer att vara anonym så kommer ert företag ej namns med namn och inga data kommer att publiceras i exarnensarbete som kan kopplas till ert företag. Det är ändå allt viktigt att ni fyller i alla uppgifter för att jag skall ha fullständiga data för min analys.

☐ Ja
☐ Nej

Företagsnamn: *

Adress: *

Kontaktperson: *

Telefonnummer: *
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<td>Familjen innefattar barn och ingifta familjemedlemmar</td>
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</tr>
<tr>
<td></td>
<td>☐ Nej</td>
</tr>
<tr>
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</tr>
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Undersökning: Små familjeföretag i Sverige

* Required

Familjeföretagsrelaterade frågor

Fråga 1 *
Har er firma som mål att bedriva verksamhet i ett längre perspektiv (dvs. att nästa familjegeneration kommer att ta över och driva vidare verksamheten)?
- Ja
- Nej
- Vet inte

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Undersökning: Små familjeföretag i Sverige

* Required

Frågor familjeföretag (alternativ a)

Fråga 2a *
Vad är anledningen till att ni ej planerar att låta verksamheten drivas vidare i nästa generation?

☐ vill avyttra för att få pengar nu
☐ Inga släktingar som kan ta över verksamheten
☐ Vi ser ingen framtid inom den marknad som vi arbetar
☐ Hög konkurrens från andra firman i vår branch
☐ Other:

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Undersökning: Små familjeföretag i Sverige

* Required

Frågor familjeföretag (alternativ b)

Fråga 2b *

Om målet är att driva ett företag vidare i nästa familjegeneration vilken av följande åtgärder har ni vidtagit för att nå detta mål?

☐ Skapat en plan för generationsskiftet i företaget
☐ Utbildat efterföljare i rollen att ta över verksamheten
☐ Involverat efterföljarna aktivt i verksamheten för att skapa förståelse och intresse
☐ Familjemöten där familjemedlemmar får information om vad som händer i verksamheten och kan ge synpunkter
☐ Efterföljarna har utbildats externt och har genom detta skaffat sig externa erfarenheter som senare kan komma till nytta för företaget
☐ De tilltänkta efterföljarna är involverade i det överdrippande arbetet med att skapa en strategi och framtidsplan för verksamheten
☐ Other: ____________

Fråga 3 *

Vilka är de största problemen som er verksamhet måste övervinna för att kunna överleva i ett längre perspektiv (dvs. minst till nästa generation)?
Fråga 4 *
Varför är ni intresserade av att verksamheten skall överleva till framtida generationer?

☐ För att säkra familjens välstånd
☐ Sociala förpliktelser mot de anställda och samhället där vi finns
☐ Tradition och stolthet
☐ Rädda att verksamheten inte drivs vidare på ett bra sätt av en eventuell ny ägare
☐ Other: __________________________

Fråga 5 *
Här ni anlitat extern expertis för att få hjälp med att planera och utföra generationsskiftet?

☐ Ja
☐ Nej
☐ Other: __________________________
Appendix B. Survey in English

This appendix contains the survey translated into English.

Introduction Page

Survey: Small Family Firms in Sweden

* Required

Introduction

This part aims collecting basic data about your company.

Do you want to be anonymous in the survey? * If you choose to be anonymous your company will not be mentioned by name and no data that can be traced back to your company will be published in this master thesis. Nevertheless, it is important that you fill in an answer to all questions since I need a full set of data for my analysis.

- Yes
- No

Company Name: * __________________
Address: * __________________
Contact Person: * __________________
Telephone Number: * __________________
E-Mail: * __________________
Founding Year: * __________________
Number of Employees: * __________________
Turnover (Million SEK):* __________________

Is the company owned by a person or family that controls more than 50% of the voting rights? * Family includes children and married in family members.
- Yes
- No

Short description of company business *

Family Firms Related Questions Page 1

Family firm related questions

Question 1 * Does your company have the objective to be run in a long-term perspective (i.e. that the next family generation will take over and continue the business)?
- Yes
- No
- I don’t know

Family Firms Related Questions Page 2a

Question family firms (answer alternative a – “Yes”)

Question 2a * What is the reason for the fact that you do not plan to continue the business in the next generation?
- I want to have the money now
- There are no relatives who can take over the company
• We do not see a future for the market that we are operating in
• High competition from other companies in our industry
• Other: ________________

Family Firms Related Questions Page 2b

Question family firms (answer alternative b – “No”)

Question 2b * If the objective is to continue the company in the next family generation, which of the actions that have to taken in order to achieve that goal?

• Set-up of a succession plan
• Education of successors in the company
• Involving successors actively in the company in order to gain an understanding and interest
• Family meeting in which family members receive information in respect to what is happening in the company and can contribute with own thoughts
• Successors possess external work experience of which the company can benefit from
• Successors are involved in setting-up an overall future-oriented strategy for the business
• Other: ________________

Question 3 * What are the biggest problems that your company has overcome in order to survive in a long-term perspective (i.e. at least to the next generation)?

Question 4 * Why are you interested in the survival of the company to future generations?

• To secure the family’s wealth
• Social commitments toward the employees and region
• Tradition and pride
• Anxiety that the company will not be run in a good way by the new owner
• Other: ______________

Question 5 * Did you consult any external experts in order to get help in respect to succession planning?

• Yes
• No
• Other: ______________