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# A Contractual Perspective on Succession in Family Firms

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# A CONTRACTUAL PERSPECTIVE ON SUCCESSION IN FAMILY FIRMS

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**Abstract** This paper analyses succession in family firms from a contractual perspective. A firm is regarded as a nexus of contractual relations with owners, employees, suppliers of goods and services and customers. These contractual parties are in differing degrees tied to the firm through asset specificities. Succession can affect the value of such assets. In this sense they become stakeholders with vested interests in the succession process. The theoretical discussion of affected stakeholders is backed up by a survey study of 143 Swedish family-owned businesses that have been subject to succession. The results show that the opinions of close shareholders such as family members and incumbent mangers as well as those of other stakeholders such as suppliers and customers are important.

**Keywords** Succession · Family firms · Mutual dependence · Asset specificity · Nexus of contracts · Close and non-close stakeholders

**JEL Classification** G32 · K12 · K22 · L2

## 1. Introduction

In neo-classical economics, the firm is often treated as a “black-box”, but viewing the firm as a “nexus of contracts” (Jensen & Meckling 1976 and Ståhl 1976) results in a much richer analysis of market processes and the allocation of resources in an economy. This view is of special interest in analyses of succession in family firms as found by Sund (2011), namely that not only close stakeholders represented by family members, co-owners and management have a say in cases of succession. Other stakeholder such as creditors, customers, suppliers and competitors as well as local, regional and national authorities can also exert an influence.

In this paper, we use a contractual perspective of the firm with due consideration of the firm´s institutional environment to offer an analytical explanation of why these other stakeholders also can influence the succession process. In line with transaction cost economics, we consider all transactions to be costly. Such costs can then be used to explain market structures as well as firms and other institutions (see e.g. Williamson 2000, 2008).

More specifically, we describe and analyse the positions of close and non-close stakeholders in the cases of intergenerational successions of ownership in family-owned small to medium-sized enterprises (SMEs). For example, does a co-owner or a customer have reasons to react on these occasions? Further, can they rely on legal rules or contracts or do other circumstances provide them with a potential influence on the process.

A key word in this analysis is the dependence that arises over time between contracting parties. This dependence is often caused by the fact that assets of different kinds become specialised to the needs of specific users. The more specialised assets are to transactions with a specific firm the more dependent the owners of these assets are on how the relations to the firm develop. In other words, the owner of a property of this kind has a stake in the future of the firm. The firm itself is in a corresponding way dependent on its stakeholders for its own success. Given this, it is not surprising to find that stakeholders other than the family have a say in intergenerational succession.

The novelty of the present paper is that a transaction cost-inspired theory is presented in order to describe and analyse the interest of various stakeholders in a succession process. The theory is backed up by a survey study of the opinions of 143 Swedish family-owned businesses. The survey was sent to 425 companies that had made a succession of ownership. The response rate was 34 per cent. Respondents were the majority shareholders, with 30.8 per cent from the older generation and 69.2 per cent the younger generation (Sund 2011). The succession took place within the family during the lifetime of the older generation on 127 instances (88.8 %). Other cases were through either inheritance or selling to an outsider. All successions were carried out between 1979 and 2009.

The next two sections outline the relationship between specialisation, dependency and the need for institutional arrangements that serve as transactional safeguards. In section four, the firm as a nexus of contracts with different stakeholders is presented. Sections five and six address specifically how the family and other stakeholders are affected in intergenerational succession and why their voices therefore are important. The paper ends with conclusions.

## 2. Specialisation, dependence and institutions

Productivity is fostered by specialisation. This was the important observation made by Adam Smith in the first chapter of his famous book The "*Wealth of Nations*", 1776. As a result of specialization, individuals become more dependent on each other both in production and in consumption. The activities of specialised labour must be coordinated in order to achieve a good production result. What to produce in order to best meet consumer demand has to be coordinated through an information system. This coordination need is met by institutional arrangements of different kinds as is depicted in the last box in figure 1.

Figure 1

Institutions are here defined as rules for individual interactions/cooperation. In every "civilized" society there exist to start with institutions in the form of norms and laws that constitute the framework for human behaviour. Within this framework, the organisation of economic activities is formed through different kinds of institutional arrangements (Williamson 2000).

Institutional arrangements are the rules of behaviour that make people interact in a manner that enables them to reap the fruits of specialisation. Intergenerational succession represents a shock to a system of arrangements that have developed in order to induce productive specialisation. In order to preserve the productive potential of a firm there is a need to balance the interests of the different parties that have a stake in the firm based on specialisation. There are two types of stakeholders involved. On one hand, there are those that have family ties and, in this sense they are bound by the norms of kinship and upbringing. On the other hand, there are stakeholders that have no family ties and that are governed by contractual relations of a more impersonal character.

### 3. A process view on dependency and its transactional consequences

Transaction cost economics helps us understand why it can be important for non-close stakeholders (e.g. customers and suppliers) to have a say in intergenerational succession. This strand of economics provides a framework for the analysis of the organisation of production activities. The founding father of transaction cost economics research is Coase. In an article from 1937, he stated that transaction costs determine the choice of coordination mechanism in the economy. A problem with Coase (1937) is that this simple statement does not help us analyse real world phenomena. A good positive theory to be used in empirical research must come up with refutable propositions that can be tested.

Propositions about the use of the market and the firm as allocation mechanisms cannot be tested with less than an operationalisation of the concept of transaction costs. This took place almost 40 years after Coase´s seminal article by O.E. Williamson (1975, 1985). He built a theoretical framework in which the human and environmental factors influencing transaction costs were defined. The human factors were presented as assumptions. The human being was assumed to be characterised by bounded rationality and an inclination to behave opportunistically from time to time.[1] [2] The environmental factors originally stressed were uncertainty/complexity and small number exchange. Later, a time dimension was added in the sense that a distinction was made between recurrent and one-time transactions. In other words, transaction frequency matters.

Small-number exchange was crystallised as the most important factor in explaining the size of transaction costs. Williamson stresses the mutual dependence

[1] Bounded rationality refers to the limited capacity of the human mind to conceive and evaluate all alternatives pertinent to a decision. Opportunistic behaviour means to give false of self-disbelieved promises about the future or self-interest seeking with guile, to include calculated efforts to mislead, deceive, obfuscate and otherwise confuse.

[2] The inclination to opportunism is dependent on atmosphere or institutional framework.

between a pair of (or a small number of) transaction partners (supplier and user) that might emerge after an investment. A prerequisite for mutual dependence after investment (mutual dependence ex post) is that the investment is of a sunk cost character, which is a result of specialisation. The assets invested in are specialised with regard to use. The reason for investing in such assets is that specialisation is productive (compare Adam Smith 1776).

As is well-known, sunk cost investments are those that once undertaken their value in an alternative use is substantially below their investment cost. Specialised assets invested in will therefore be used even though the price received from the present use of the assets is not high enough to cover average costs. The important thing is that operating costs are covered.

An implication is that it is rational to continue to run a company (use the assets invested in) even though losses are incurred. In other words, you are stuck with the assets after the investment has been made. Vulnerability to adverse business conditions is thus associated with sunk cost investment. The knowledge of the risk of being stuck with unprofitable assets makes firms anxious about taking all kinds of possible precautions for avoiding such a situation.

Related to the sunk cost is the concept of quasi-rent, which is the part of the productive value that would be lost if an asset had to be redeployed and put to alternative use. In transaction cost economics, a distinction is here made between use and user. The primary interest is on the difference between investment cost and the value of the asset in transactions with an alternative user (transaction partner). The focus is on a subset of sunk costs and a subset of quasi-rent (called appropriable quasi-rent). This subset is a result of specialisation not only with regard to use but also with regard to a specific pair of transaction partners. It is thus a higher degree of specialisation than is associated with sunk cost. It is this subset of sunk costs that is considered in transaction cost analysis (TCA).

The sunk cost analogy is what lies behind what is called the fundamental transformation in TCA.[3] In sunk cost investments, the distinction between ex ante

[3] In the so called fundamental transformation, specialisation with regard to both use and user is considered (see Williamson 1985). Ex ante, before investment, there are many transactional opportunities available. Ex post, a bilateral monopoly situation or a situation of mutual dependence arises in which bilateral bargaining can take place within a price range equal to the differential value of durable specific assets in the present transaction constellation compared with the best alternative transaction constellation. (Such a bilateral bargaining situation can make an arms-length contractual system such as the market costly

and ex post is important. Ex ante, before the investment is made, an estimation of cash flows must indicate that the investment is profitable (i.e. an assessment of cash flows emanating from the investment must show a positive net present value). Ex post, after the investment, it is as pointed out above, namely that only the operating costs have to be covered for the continued use of the assets in present use. You are stuck with your investment.

The concept of asset specificity is in the transaction cost literature used as a mutual dependency caused by assets specialised with respect to user. Examples of different types of asset specificity are 1) site specificity, when the assets are located in close proximity to minimise transportation, inventory and other types of costs; 2) physical asset specificity (or technical specificity), which occurs when one or both parties to a transaction invest in equipment that can only be used by one or both parties and that has a low value in alternative uses; and 3) human asset specificity, which arises in learning by doing.

In order to protect the investment of an asset specific type stakeholders of a more outside position, such as creditors, customer, suppliers and competitors may wish to have a say in, among other matters, ownership succession in a family firm. They do not want to lose their portions of quasi-rents when contractual and non-contractual relationships changes in the process of a succession.

## 4 The firm as a nexus of contracts

A firm can be viewed as a web of contractual relations. An important feature is that it is a legal entity and that it can, just like a physical person, enter into binding agreements (contracts) with other physical and legal persons. From this

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to operate. Transaction costs might even be so large that it would be efficient to internalise transactions in a hierarchical organisation through unified ownership.)

Ex ante, before investing in assets that are specialised with regard to both use and user, it is in the interest of the investing party to make all kinds of precautions against an outcome where revenue (price) is not high enough to cover investment costs. Different steps to reduce uncertainty about future revenue will be tried. However, uncertainty on an aggregate level affecting the whole industry is not easy to reduce. Changes in the demand and supply conditions of a whole industry are mostly beyond the control of an individual firm. To this can be added uncertainty owing to the opportunistic behaviour of transaction partners (a kind of behavioural uncertainty). This second type of uncertainty is difficult to handle in transactions where the specialisation of assets makes transaction partners mutually dependent on each other.

perspective, the firm can be seen as a “nexus of contracts” that coordinates financial investors, suppliers of intermediate goods, services and labour as well as customers in the production of goods and services. Figure 2 shows the firm from such a contractual perspective.

A firm’s financial contractual relations have governance implications. Shareholders are considered to be the owners of the firm. Their contractual relation with the firm are characterised by a claim on the residual that remains when all the other contractual obligations of the firm have been met. (They are residual claimants.) The size of the residual is dependent on the management of the firm´s resources. As a consequence, shareholders have an interest and a legally recognised right to control management. Sometimes there is a separation of ownership and control in the sense that owners and managers are different persons. In these cases, the board has an important role to play as an agent who controls the management on behalf of shareholders.

In other cases owners and managers are the same persons. The board is not as important here because there is no separation of ownership and control. First-generation family firms are often of this type. The founder started the firm and he/she remains the sole owner or shares ownership with a few partners. Succession to a second or third generation can change this picture completely. Among the next generation, descendents may not want to take an active part in the management of the firm. Ownership and control separate, and the importance of the board as an agent of the owners increases.

The shareholders of the firm do not have to be physical persons. They can be other firms. One example is a joint venture where the owners are two firms with a 50 per cent ownership share each (an example of cooperating businesses). If this is the case, a succession of ownership in one of the owning firms can be of great concern to the other joint venture partner. The jointly owned firm might produce an input of strategic importance for the owning firms. It is important to secure a continuing well-functioning cooperation in the control of the joint venture firm.

On the financial side of the firm, there are also lenders (investors) with fixed claims contracts (banks and bond holders). In contrast to shareholders, they have specified claims on the firm in terms of mortgage plans, maturity and interest claims. If the firm cannot meet these fixed claims, it can be forced into liquidation/bankruptcy. The remuneration that lenders and also suppliers can get is then dependent on the value of assets for others than the bankrupted (liquidating) corporation. Fungible assets with a well-functioning second-hand market are valuable to others and can therefore serve as collaterals for loans. Consequently, firms that own such assets to a larger extent than other firms can use these loans as a source of finance (Williamson, 1988).

Figure 2

Turning our attention to the firm's contractual relation with suppliers and customers (contracts to be found on the input and output sides of the firm in figure 2), value-added chains, vertical integration and supplier, specific/customer, specific specialisation are important concepts. A value-added chain shows the different stages in the processing of a raw material to final consumer product e.g. from axe to loaf, from stone to house, from iron ore to a car. In a value-added chain, there are several technologically separate stages.

In the contractual relations with customers and suppliers, there is often asset specificity of the kind described above. If nothing else, there is frequently what is called human asset specificity in these relationships. Firms have long-standing relationships and their representatives know each other well at a personal level. A routine has entered into these relationships that lower transaction costs. These cost-decreasing routines have developed over time as the parties have come to know more and more about each other´s idiosyncrasies. Repeated transactions at a personal level develop trust and thus an assurance that no one will behave opportunistically and use these transactional relationships to their own advantage. It is valuable to both suppliers/customers and the firm that these transactions are not disturbed by change in key personnel in transacting parties.

Succession in a family firm poses both a threat to the various transactional relationships and an opportunity to take advantage of this transactional dependency opportunistically.

The nexus of contracts that constitutes the firm is sensitive to disturbances of different kinds. An obvious example of such a disturbance is bankruptcy. Both the bankruptcy of the firm itself due to solvency problems and bankruptcies among suppliers and customers can destroy valuable asset specificities. These problems have been described by Williamson (1988) and Bjuggren (1995). In this paper, we focus our attention on succession as a threat to vested asset specificities. The threat of lost asset specificities for both family members representing close stakeholders and suppliers/customers representing non-close stakeholders, is considered. How important these threats are discerned to be by these stakeholders is assessed from answers given to a recently conducted survey.

Figure 2 is a simplified stylised depiction of the firm as a legal person, production unit and nexus of contracts. Outside the figure are the authorities (national and communal) that supply a necessary supporting infrastructure of public goods character as among other things a legal system and transportation network.

## 5 Close stakeholders, asset specificity and a nexus perspective in cases of succession

Entering a marriage, as well as the wider concept of raising a family, can be seen as a contract. We prefer to reason in terms of family ties and human asset specificities.

Family ties can include business relations that are, or are not, based on contracts. However, we regard asset specificities in the form of family ties and close friendship as more influential in cases of succession. This kind of valuable human asset specificity can be lost in the process of succession as well as other kinds of idiosyncratic knowledge acquired in family relations (see Bjuggren & Sund 2001, 2002). Family members (at least a spouse and children) must generally be regarded as the closest of the close stakeholders. The human asset specificities in the form of family ties can with caring foresight considerably lower several important transaction costs. One example is a marriage settlement, aiming at avoiding disruptions in ownership positions, in the case of a divorce (Sund, Almlöf & Haag 2010). Another example is a gift of shares during the lifetime of the older generation or a will where the shares are bequeathed to a child, solving the dilemmas of intergenerational ownership transfer (Bjuggren & Sund 2005). In a succession process, family members that are not co-owners can exert a legally enforceable impact only if they are supported by stipulations in a charter for a family council.

Even assuming that the co-owners have no family ties to the majority shareholder, we can still presume that there are close personal links (except in relations with passive companions). Running a business as active owners, perhaps also represented in the management team or among the directors, with a joint interest in a growing business, will in the long run induce dependency and friendship. Contractual relations can take the form of a shareholders' agreement. Such a document can entail transfer restrictions, for example. These can be used with the purpose of keeping the ownership of shares within a family or opportunistically with the intention to hamper the entry of new shareholders in the younger generation (Sund & Bjuggren 2007, 2011). Another form of potentially influential contract relation is if a co-owner can rely on stipulations in a charter for a shareholder council.

Members of the management team are contracted and salaried employees. They have no direct influence on the transfer of shares during intergenerational succession. However, the leaders of family-owned SMEs are often also shareholders and members of the owner-family, and thus the human asset specificity acquired through coordinating the different activities of the firm over a longer time period can be substantial. Hence, these consequences are also very important for shareholders in a succession process and they are likely to influence the outcome of the succession process.

According to the results of our survey, the opinions of close stakeholders during intergenerational ownership successions in family-owned businesses play a role for majority shareholders. A qualified majority of respondents (130) consider it important to have the approval of family members (79.2 %), co-owners (68.5 %) and members of the management team (75.5 %) (see Table 1 in the Appendix).

Many majority shareholders also reported that some close stakeholders had given an opinion on who should be the next majority shareholder; co-owners (33.6 %) and members of the management team (30.8 %) (Table 2).

We do not know whether family ties, friendship or contractual considerations influenced the majority shareholders. The important point is, however, that close stakeholders obviously have, or can have, an impact on the process.

The scenario of influencing close stakeholders is depicted in figure 3.

Figure 3

## 6 Non-close stakeholders

However arguable, in cases of succession it seems as asset specificities play a more important role for close stakeholders. Examples are family ties and other forms of close friendships.

When it comes to the influence of non-close stakeholders on intergenerational succession, the reasoning must start with each contractual relationship, which form a part of the nexus of contracts-scenario. This certainly has a higher explanatory value than does reasoning in terms of asset specificities of a friendship character. At the end of this section, however, we deal with some angles of this factor.

According to the results of our survey, non-close stakeholders are not indifferent to the potential results of intergenerational ownership succession in a family-owned business. Majority shareholders reported that a few non-close stakeholders had expressed an opinion on who should be the next majority shareholder in the family business; cooperating businesses and competitors (4.2 %), suppliers/customers (5.6 %), creditors (5.6 %) and authorities (1.4 %). (Tables 3 and 4).

It should be emphasised that only a minority of each group of non-close stakeholders gave an opinion on this crucial matter. However, together they represent almost one fifth of the successions. It is thus obvious that non-close stakeholders exercise an influence on the succession scenario and its outcome.

According to respondents (130) it is also important to listen to the opinions of non-close stakeholders, such as suppliers/customers (28.5 %) and creditors (60.9 %). This further stresses the importance of non-close stakeholders in ownership succession in family-owned businesses (Table 5).

The scenario of various non-close stakeholders exercising an influence on the succession process in a family-owned business is depicted in figure 4:

Figure 4

Any non-close stakeholder who makes a proposition or a claim, related to an intergenerational succession of shares in a family-owned business, which is backed by the law or a legally enforceable contract, has a stronger position than does a proponent who lacks such support.

Cooperation between businesses can take many forms, such as joint ventures or market sharing. They are all formed with contractual agreements. In the case of intergenerational succession in one of two cooperating firms, Alfa Ltd, the other, Beta Ltd, may display various interests. Perhaps the representatives of Beta prefer a merger with Alfa as the subsidiary. Other possibilities are that they wish to continue a previous joint venture on their own or just let the scenario of cooperation continue. In any case, they will have to deal with the older and younger generations of shareholders (and often leaders) in Alfa. If the latter exhibits no interest, the representatives of Beta can rely on previous contract(s) and contacts with member(s) of the management team in Alfa. These will, however, be dependent on the ambitions of the future majority shareholder(s).

Customers and suppliers have contractual relations with the family firm, Alfa. However, it is not a question of cooperation (as part of a joint venture), but rather delivering or receiving goods or services. As business partners, they thus become more distant than are cooperating firms. This is also mirrored in their interests in the succession process. Their opportunity to sell or buy goods to/from the family firm does not have to be affected. However, the human asset specificities based on personal relations with the owners might be jeopardised. If a potential new majority owner also has known ambitions that will hamper continuing business relations, the story may be very much a cause of concern.

In an assumed line of business interest holders, in relation to a potential intergenerational ownership succession in a family-owned business, among non-close stakeholders we can picture creditors as more distant than are cooperating businesses and customers/suppliers. The former has only an interest in the result or residue of the family business in relation to its ability to honour previous credit engagements. Again, this may not at all be affected by a succession as such. However, if the process generates costs it can turn out quit to the contrary. Excessive taxes, as well as costly buy-outs of siblings, may provide a creditor with reasons to act. One example is if a business family has three children, C, D and E, and only C is interested in taking over the firm (Alpha Ltd). Neither the parents, A and B, nor C can afford to compensate D and E. If the next majority owner, C, starts his/her own business Gamma Ltd, which – via a loan from another creditor – buys the family firm, Alfa, from A and B, it will provide them with money to compensate D and E. However, the financial position of the concern, with Alfa as the subsidiary, may be compromised. This can provide the creditors of Alfa with reasons to interfere in the process. Further, the new creditor can behave opportunistically by demanding too much in return, i.e. forcing (the representatives of) Gamma to pay e.g. a relatively high interest rate.

A next stop on the diminishing line of non-close interest holders are the authorities. Tax authorities, as one example, have no interest of business cooperation in any form with the family firm. In addition, the firm´s economic viability is of no interest. In other words, there are no contractual considerations. Such authorities are there only to fulfill their legal duties, i.e. tax profits, collect capital gains tax and so on. Regional and local authorities have other duties, such as guarding environmental restrictions on the production or establishment of new production sites. The important point about these non-close stakeholders is that they are serving only public interests and they do it under the rule of the law system (not stipulations in a contract).

The most remote non-close stakeholders are competitors. They have no legitimate contractual interest in any cooperation and they are not concerned about the economic viability of the family firm. Competitors can even be presumed not to always act in a lawful manner in relation to the business interests of the family firm. Contractual obligations are nonexistent. Additionally, competitors can, if the succession process is prolonged and the owner- and leadership questions remain undecided, be provided with an opportunity to gain cautious customers from the family firm.

It should be said that, dependent on the circumstances in each case of intergenerational succession, there could also be other relevant stakeholders. One example is if the majority shareholders do not have descendents and wish to sell the family firm to the employees. In such a case, they certainly are stakeholders in the succession process.

Asset specificity, at least human asset specificity in the relationships, may also play a role when it concerns non-close stakeholders in a succession case. At a personal level there can be close ties because of routines and friendship between the majority shareholder(s) in the older and the younger generation and various non-close stakeholders. Further, the possibility of such relations is enhanced if the whole family is involved in the succession process. This can be the case if the majority owners have relinquished their influence on the process to a family council (Sund & Melin 2008). This is also an example of a case where family ties, as asset specificity, can replace contractual relations and obligations.

## 7 Conclusions

A firm can be viewed as a nexus of contracts through which the activities of several legal and physical persons are coordinated. Over time asset specificities develop among the different parties that have contractual or friendship relations with the firm and its owners. A succession threatens to disrupt these relations with a loss in the values of asset specificities as a result.

Family members and/or co-owners have or can have a decisive influence on the scenario because of either family ties/friendships or transfer restrictions/stipulations in a charter for a council. Members of the management team, who have no family ties and are not co-owners, have in most cases no legally (owing to statutes, cases or stipulations in a contract) enforceable influence. But their support might in spite of this be considered to be important.

When it concerns non-close stakeholders, an intergenerational succession scenario is dominated by contractual relations. This is especially the case for cooperating businesses, customers/suppliers and creditors. The asset specificity aspect is downplayed, at least in comparison with the situation for close stakeholders. By contrast, we can assume that there are no contractual obligations in relation to authorities and creditors and that asset specificities are limited. Tax authorities, as one example, will under the rule of law and serving a public interest impose taxes on capital gains in the cases of transfer of shares or assets belonging to the firm. Furthermore, competitors can be presumed to act opportunistically and take any chance to expand their market shares at the expense of the family firm. In doing so, they may not even act in accordance with the law system (as a contradiction to the authorities).

This contractual view of asset specificity stakes affected by a succession offers an explanation of the results of our recent survey of firms subject to successions. We find that the opinions of close stakeholders, such as family and incumbent management, as well as those of other stakeholders, such as suppliers and customers, are important in a succession process. Additionally, we show how the potential influence on a succession process can be dependent on a manifold of circumstances, not least legal rules and duties owing to contractual stipulations.

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# Appendix

## Survey results

**Table 1** How important are the following factors in order to reach successful intergenerational ownership succession?

| | Rating level | Frequency | Percentage of N |
|---|---|---|---|
| The importance of having the approval of family members | 1-Has no bearing at all | 2 | 1,5 |
| | 2 | 2 | 1,5 |
| | 3 | 12 | 9,2 |
| | 4 | 41 | 31,5 |
| | 5-Very crucial | 62 | 47,7 |
| | Don´t know | 11 | 8,5 |

N=130 Mean 4.48 Standard Deviation 0.942

| | Rating level | Frequency | Percentage of N |
|---|---|---|---|
| The importance of having the approval of co-owners | 1-Has no bearing at all | 2 | 1,5 |
| | 2 | 2 | 1,5 |
| | 3 | 9 | 6,9 |
| | 4 | 30 | 23,1 |
| | 5-Very crucial | 59 | 45,4 |
| | Don´t know | 28 | 21,5 |

N=130 Mean 4.74 Standard Deviation 1.023

| | Rating level | Frequency | Percentage of N |
|---|---|---|---|
| The importance of having the approval of members of the management team | 1-Has no bearing at all | 3 | 2,3 |
| | 2 | 2 | 1,5 |
| | 3 | 12 | 9,2 |
| | 4 | 36 | 27,7 |

| | | | |
|---|---|---|---|
| | 5-Very crucial | 62 | 47,8 |
| | Don´t know | 15 | 11,5 |

N=130 Mean 4.52 Standard Deviation 1.021

**Table 2** Did any of the following persons express an opinion on who should be the next majority shareholder?

| | | Frequency | Percentage of N | Mean | Std.Deviaton |
|---|---|---|---|---|---|
| Co-owners | Yes | 48 | 33,6 | 1,71 | 0,542 |
| | No | 89 | 62,2 | | |
| | Don´t know | 6 | 4,2 | | |
| Members of the management team | Yes | 44 | 30,8 | 1,72 | 0,509 |
| | No | 95 | 66,4 | | |
| | Don´t know | 4 | 2,8 | | |

N=143

**Table 3** Did any person from the following groups express an opinion on who should be the next majority owner?

| | | Frequency | Percentage of N | Mean | Std.Deviaton |
|---|---|---|---|---|---|
| Customers & suppliers | | | | | |
| | Yes | 8 | 5,6 | 2,03 | 0,374 |
| | No | 123 | 86 | | |
| | Don´t know | 12 | 8,4 | | |
| Cooperating businesses & competitors | | | | | |
| | Yes | 6 | 4,2 | 2,04 | 0,354 |
| | No | 125 | 87,4 | | |
| | Don´t know | 12 | 8,4 | | |
| Creditors | | | | | |
| | Yes | 8 | 5,6 | 2,03 | 0,374 |
| | No | 123 | 86 | | |
| | Don´t know | 12 | 8,4 | | |

N=143

**Table 4** Did any circumstances caused by local or regional authorities influence the choice of new majority shareholder?

| | | Frequency | Percentage of N |
|---|---|---|---|
| Local/regional authority | | | |
| | Yes | 2 | 1,4 |
| | No | 137 | 95,8 |
| | Don´t know | 4 | 2,8 |

**N=143 Mean 2.01 Standard Deviation 0.205**

**Table 5** How important are the following factors for reaching a successful succession within the family?

| | Rating level | Frequency | Percentage of N |
|---|---|---|---|
| The importance of having the approval of customers/suppliers | 1-Has no bearing at all | 10 | 7,7 |
| | 2 | 15 | 11,5 |
| | 3 | 36 | 27,7 |
| | 4 | 36 | 27,7 |
| | 5-Very crucial | 14 | 10,8 |
| | Don´t know | 19 | 14,6 |

N=130 Mean 3.66 Standard Deviation 1.423

| | Rating level | Frequency | Percentage of N |
|---|---|---|---|
| The importance of having the approval of creditors | 1-Has no bearing at all | 4 | 3,1 |
| | 2 | 4 | 3,1 |
| | 3 | 24 | 18,5 |
| | 4 | 39 | 30,1 |
| | 5-Very crucial | 40 | 30,8 |
| | Don´t know | 19 | 14,6 |

N=130 Mean 4.26 Standard Deviation 1.191

# Figures

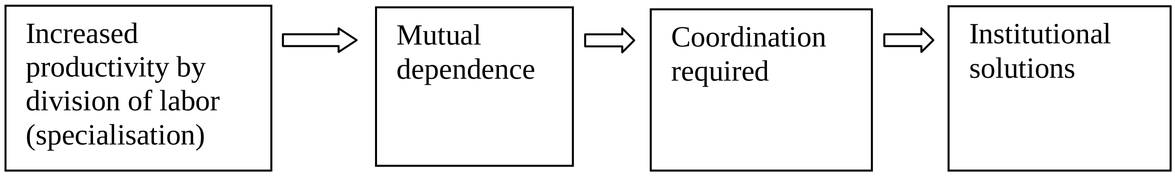


**Fig1 1** Specialisation and Institutions (from Bjuggren & Palmberg 2009)

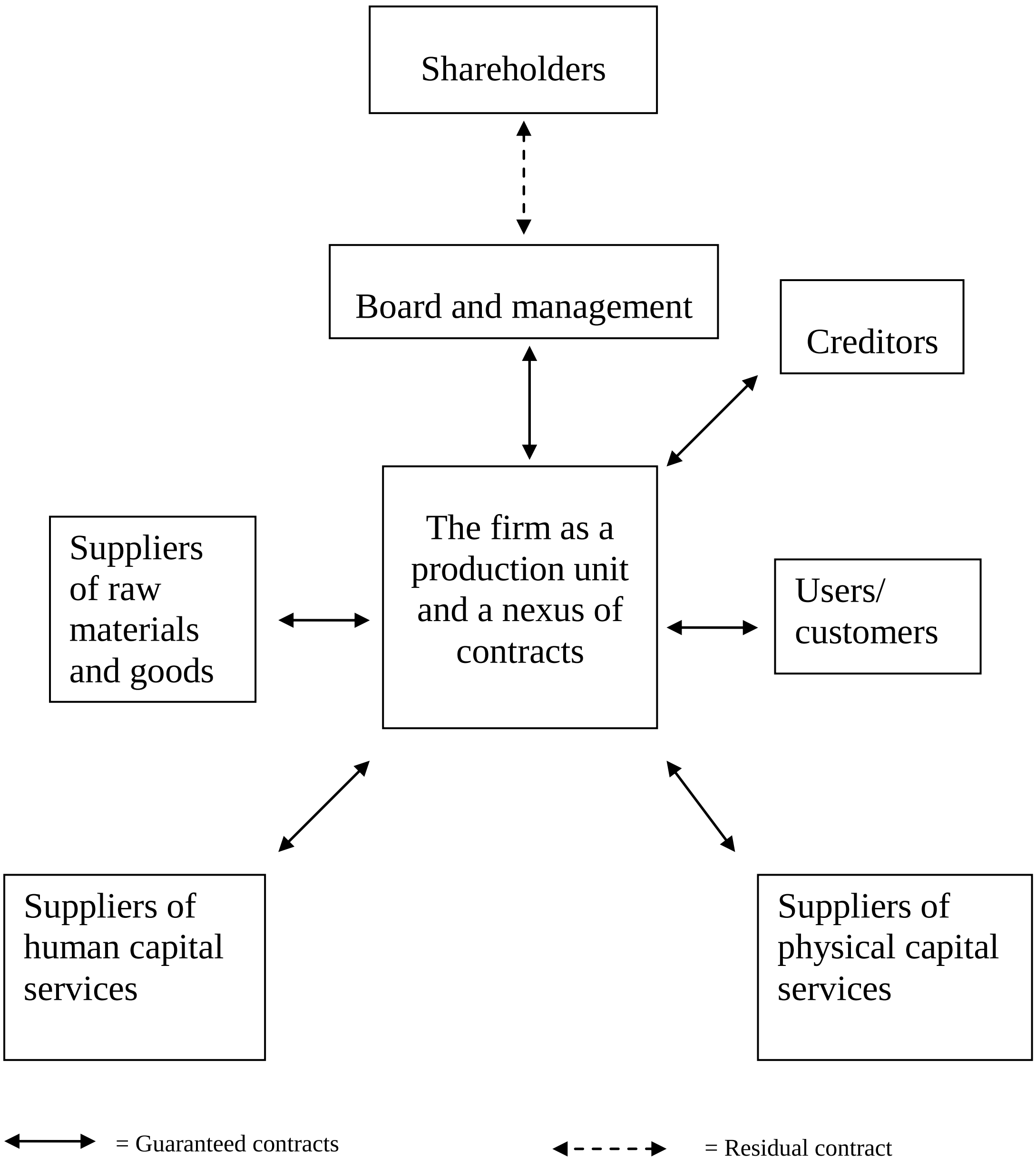

**Fig. 2** The firm as a nexus of contracts[4]

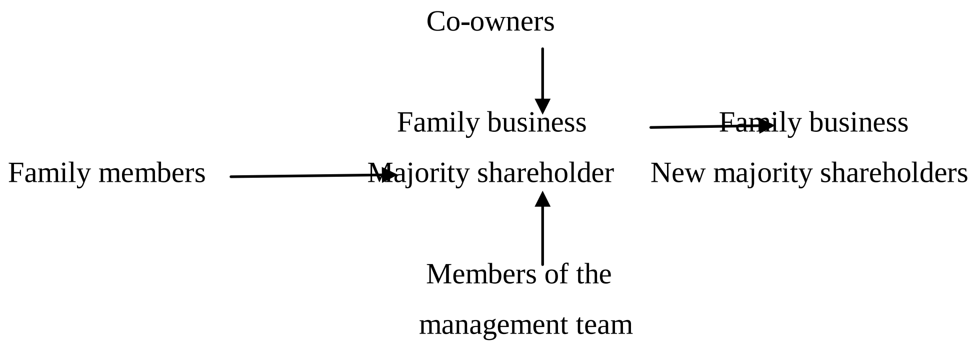


**Fig. 3** Influencing close stakeholders

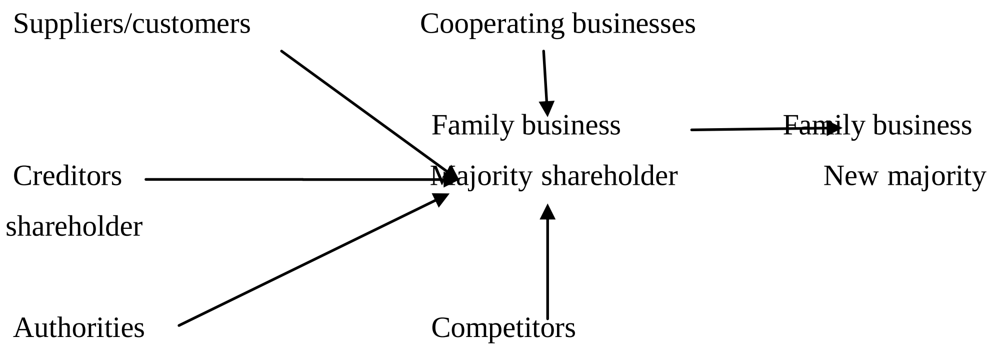


**Fig. 4** Influence of non-close stakeholders

[4] The figure is inspired by Ståhl (1976) and Bjuggren and Palmberg (2009).