
The Key to Making Succession Work in Family Business



By Jian Bai Li, National University of Singapore Business School, and Henning Piezunka, INSEAD

Transferring power to the younger generation can be profoundly disorienting - but help can be found in surprising quarters.

It's no secret that succession planning is a major challenge for family-owned and -managed businesses. Experts have been warning about the issue for many years, but the message doesn't seem to have sunk in. In many countries the percentage of family firms with a defined roadmap for succession is actually declining, according to recent reports.

Why are family business managers seemingly unconcerned with the survival of their legacy? Some say managers are too busy putting out fires to think about the far-off future or would prefer not to contemplate retirement - and what lies beyond. Others point out the difficulty of convincing millennial next-gens to choose Mom and Dad's stodgy old firm over newer and cooler competitors. Also, often successors are not sufficiently prepared to take on the task of leading a family business.

But we suggest that a large part of the problem is that family and business often do not mesh well – particularly when it comes to succession. Relatives who also run a business together have a so-called *multiplex relationship*, one that spans multiple domains. Succession replaces a simple hierarchy – wherein the older generation dominates both the family and the business – with a more complex one where elders still wield power within the family, but relinquish control of the business. Such inconsistent hierarchies often result in great tensions and may even lead to the failure of the succession.

Most notably, our research has uncovered a thus-far neglected figure who is pivotal in determining whether succession will succeed or fail – whom we call the *uniplex third*.

Succession in Chinese family firms

The uniplex third helps both generations minimise the confusions of hierarchy inconsistency by enforcing the boundaries between the personal and professional domains. An example of such enforcement would be ensuring that domestic disagreements don't leak into the workplace, and vice versa. This prevents professional and personal conflicts from becoming entangled, and thus more intractable.

In a detailed study of successions in Chinese family businesses where we conducted hundreds of interviews over six years, (forthcoming paper at [*Administrative Science Quarterly*](#)) we explored how family businesses can overcome these tensions and make the transition a success. In line with China's largely traditional norms, the successions we studied were father-to-son. Consequently, the most natural candidate for the role of uniplex third was the mother, i.e. the founder's wife and mother of the successor.

At two of the companies we studied, the mothers made a conscious decision to be removed from the business as preparations for succession got underway. In one case, that meant stepping away from a senior role in sales and business development. In the other, the mother had never taken part in management, but nonetheless redoubled her insistence to abstain from all discussions about the succession. When business conflicts arose between father and son and both men lobbied for matriarchal intervention, the mothers in each case staunchly kept to their policy of non-involvement. But when it came to family matters, the two women held their position as preservers of the homestead, preventing professional disagreements from becoming ungovernable domestic quarrels. In the end, not only did these

women effect a fairly smooth generational transfer of power, but they also did so without damaging relationships within the family.

Another firm struggled with succession for three years while the mother was in the managerial frame. Once she decided to step away, the process started to move much more smoothly and was eventually completed. Under the successor, market share and profits have increased, and the company has become a regional leader.

At yet another firm in our study, however, the mother retained her managerial role throughout succession. As a result, company managers told us, family dynamics kept intruding into the professional sphere. The son came to feel that despite ostensibly being groomed to take over, he was constantly being “educated like a kid” by the united front of Mom and Dad. The mother attempted to keep office conflicts out of the home, but she lacked credibility in her son’s eyes due to her involvement in the business. After four years, the family gave up on succession in order to preserve peace within the family. As of 2018, the firm had no leadership plan to sustain it beyond the father’s retirement.

What these examples show us is a clear pattern where the mother made a decisive and positive contribution to succession, but only when she occupied the role of uniplex third, i.e. remained within one domain (in this case, the family sphere). Because she was anchored in only in the family domain, she was allowed to be perceived as neutral and trustworthy – two characteristics that are generally difficult to combine. We normally tend to trust people who we know will take our side. But when our relationships do double-duty, there needs to be a mutual recognition that problems that arise in one sphere can only worsen if they are permitted to enter the other.

However, the position of uniplex third can sometimes prove untenable, as we saw in three other firms. In these cases, the “in-laws” or the mother’s blood kin (e.g. her brother), having taken management positions within the companies, demanded that she advocate for their interests in various dust-ups within the firm, accusing her of betrayal when she refused. Meanwhile, her husband and son tried to get her to discipline her side of the family. For all three mothers, the turmoil caused by these clashing family imperatives took a heavy toll. They completely disengaged from the succession process in both business and family, finding the whole mess too painful. Without their involvement, rising father-son conflicts and the in-laws’ manoeuvring

threatened to destroy both the succession and family relations. Realising the seriousness of the situation, in two of the three cases the founder chose to send the in-laws packing – and the succession got back on track, ultimately coming to successful completion. However, in the remaining case, the in-laws stayed and the battles continued. Finally, the son who was the appointed successor left the company in disgust to strike out on his own, poaching many of its best employees in the process.

The lesson here is that even when there is recognition of the need to stick to one domain and desire to do so, the broader web of relationships at play may make that impossible – unless some very tough decisions are made, such as sacrificing extended-family harmony to the best interests of the business.

Broader implications

Our conclusions are not restricted to China or father-son successions. Our analysis finds no reason why the uniplex third cannot be the father, or for that matter any other close family member, a key investor or a valued colleague. The most important requirement for the role is being seen as neutral and trustworthy, which comes from a strict refusal to cross the line between professional and personal. Without such an individual in the mix, succession attempts may succumb to the discomforts they create. Our study thus emphasises an important aspect that family businesses need to get right for successful transitions.

Jian Bai Li is an Assistant Professor at the National University of Singapore Business School.

Find article at

<https://knowledge.insead.edu/family-business/key-making-succession-work-family-business>

About the author(s)

Henning Piezunka is an Associate Professor of Entrepreneurship and Family Enterprise at INSEAD and a Visiting Professor at The Wharton School.

About the research

"The Uniplex Third: Enabling Single-domain Role Transitions in Multiplex Relationships" is published in *Administrative Science Quarterly*.