

AN EXAMINATION OF CHALLENGES & OPPORTUNITIES BEHIND SUCCESSION IN FAMILY BUSINESSES IN NORTH CYPRUS

Nothando Moyo 

Faculty of Economics and Administrative Sciences, Cyprus International University, Cyprus

nmoyo@ciu.edu.tr

Ergun Ozgur

Faculty of Economics and Administrative Sciences, Cyprus International University, Cyprus

eozygur@ciu.edu.tr

Abstract

The research explores the development of family businesses in North Cyprus, carried out from a theoretical and practical perspective. The aim is to uncover the factors contributing to positive succession from challenges identified in six theories most referenced in literature of succession in family businesses. These six theories, Agency Theory, Stewardship Theory, Resource Based View Theory, Theory of Succession Planning and Mentoring, Theory of Family Business Rivalry and Systems Theory, are used in the North Cyprus family business community sample. The research adopts a qualitative methodology, with data collection making use of 22 face to face in-depth, semi- structured interviews. The research made use of a computer aided qualitative data analysis software called NVivo. A program, producing quantitative analysis from data that is collected qualitatively. The findings revealed that family businesses in North Cyprus have established a succession system that is breeding positive results. Most of the success attributable to the collectivistic cultural beliefs of the family business owners. The need for the government to address policy with regard to gaps in trade laws among other resolutions for issues raised would address the country's recent (2013) prediction of a looming crisis of an unemployment rate increase in their near future.

Keywords: Family Business, Entrepreneurship, Succession, Culture, North Cyprus

INTRODUCTION

Entrepreneurship and Succession are two topics in literature and in the business community that have been discussed quite a lot. Yet the subjects have not been exhausted to the point of reaching academic fulfillment on whether they have been dealt with justice. When bringing these two important arenas to family business, extant research has been conducted in the past on how best succession issues may be handled in family businesses. Theories have been formulated to explain the issue of succession in family businesses. It is these theories that this research will focus on in a bid to come up with the main challenges that are faced by family businesses where succession is involved. The key issue with family business is the search of that success ingredient that is necessary to ensure the business continuity across the generations. Researchers have in the past debated on whether entrepreneurs are born or made (Harper, 1996). This debate becomes critical when looking at family business succession as the founder of the business is faced with sharing their entrepreneurial vision and passion with their successor. Family businesses are challenged with ensuring that the enterprising spirit is passed along the generations and that succession lives on for several generations, thus the question often asked is what type of professional heritage is then required to ensure this actually takes place. Schools of thought on the subject of entrepreneurship and succession across the various academics spheres especially in Economics, Sociology and Psychology have noted theories that have been formulated over the years on the subject of succession in family businesses.

There are six theories that have stood out and been discussed extensively over the years and these have gained recognition in the research on succession and entrepreneurship in family businesses. This research will make use of these theories to try and come up with factors of succession according to family businesses in North Cyprus. These six theories are Agency Theory, Stewardship Theory, Resource Based View Theory, Theory of Succession Planning and Mentoring, Theory of Family Business Rivalry and Systems Theory. They will be used in the North Cyprus family business community sample to assess how they have handled the issue of entrepreneurship and succession in their businesses from a practical perspective. The community of North Cyprus being of particular interest as very little research has been carried out on this community. The research will make use of four research questions,

1. How do family businesses in North Cyprus perform against the impact of the challenges stated in the theories of family businesses and succession?
2. What are the factors and drivers that contribute to positive succession results in family businesses?
3. How do family relations affect the transfer between founders and successors of family businesses?
4. How does the Turkish Cypriot culture effect succession in family businesses in North Cyprus?

These research questions were used in the research to uncover how the theories of family business have revealed the challenges faced by family businesses in northern Cyprus and their success factors.

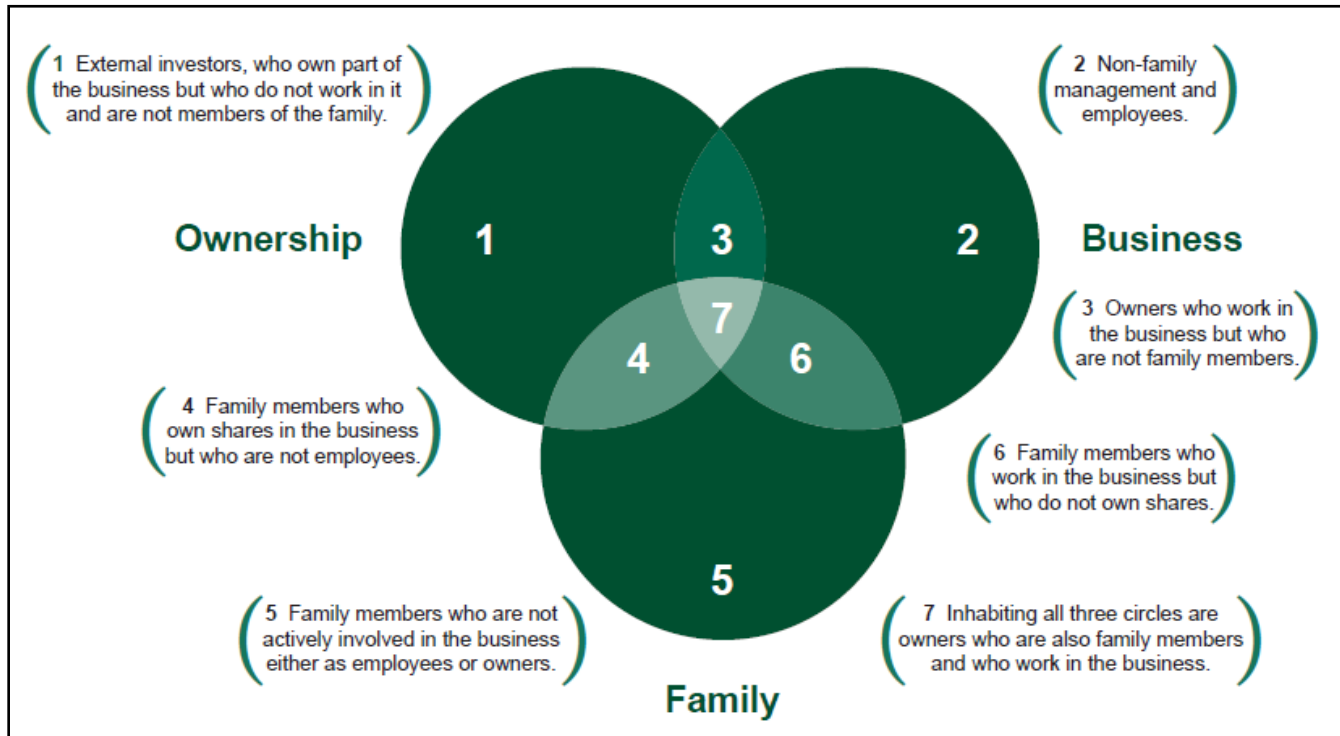
Why Family Businesses?

Family businesses have gained respect and recognition over the past years because of the part they play in the improvement of people's lives and by being a positive factor in any economy. Mandl (2008) acknowledges how family businesses have become an important part of the national economies of many countries. In a research carried out by Daily and Dollinger (1992), it is found that family- owned and managed firms do appear to achieve performance advantages over professionally run firms, whether performance is measures in terms of financially oriented growth rates or perceived measures of performance (Duh, 2004: 45). The aspect of a family business involves connecting the family and the business, which means the ability of an individual to juggle the two different relationships at once- one as a family member and the other as a business member (Astrachan, 2010).

Family businesses have gained a reputation for conflict among family members; however there are instances whereby family members have managed to resolve their conflict to the point that their differences do not negatively impact the business. Although the important factor here is the fact that the family businesses are in essence a unique business type as they allow the simultaneous coexistence of both family and business relationships (Muske et al, 2002). As such family businesses have over the years begun to be regarded as two interdependent, overlapping systems (Muske et al, 2002; Rwigema and Venter, 2004). This intertwined relationship of ownership, management and family members is best expressed through the three- circle model (Fig 1).

The three circle model acknowledges that there are three separate circles that coexist as significant accomplishment for a family business. The problem arises in most family businesses when the circles become intertwined constantly, which creates various problems that family businesses strive to avoid to begin with. According to Maas and Diederichs (2007), the family business is a business whereby members of the same family will own and directly influence that business with the intention of creating wealth for future generations. Family businesses are reported to have become a dominant form of business enterprise that is found both developing and developed countries (Muske et al., 2002). Economically speaking, the family business represents substantial economic entities within the macro economy while at the same time providing employment and a source of income for the family members.

Figure 1. The three circle model of family business



Source: Tagiuri and Davis (1996, p 197)

The importance of family businesses is true for North Cyprus as well, although there may not be a reliable database on the island to reflect the true number of family businesses. As some will not take the time to register in business association and so on to enable easy account of the number of family businesses on the island. Regardless, family businesses are acknowledged as the leading form of business that are found in North Cyprus. The importance of family businesses should not be taken lightly as plenty of the world's most influential and successful businesses are family businesses with most of them becoming household names. As such family businesses are becoming one of the largest contributors to employment and wealth creation worldwide. This is important especially for semi- skilled workers or the unemployed failing to find employment due to the state of the economy for starters; as such family businesses seem to provide assistance to any economy in this regard.

Succession

The ability to carry on a successful intergenerational transfer of ownership and leadership (succession) is by far the single most important family business issue. It is also the most researched topic in the area of family business. Most family businesses do not have a successful transition of ownership from the founding generation to the second generation.

Studies have generally agreed that approximately 30% of businesses transfer to the second generation, while only 10%–15% successfully transfer from the second generation to the third generation (Sharma, 2004). Only 4% manage to stay in the same family in the fourth generation (Sharma et al., 2013).

The majority of family firms want to keep the business in the family and pass it on to the next generation. The American Family Business Survey in 2002 found that 85% of the firms surveyed wanted to continue with family ownership (Sharma, 2003). The Laird Norton Tyee Family Business Survey (Sharma, 2004), found that 55% of the senior generation wanted successive generations to take over and almost 85% of the family businesses that had chosen a successor selected a family member to carry on the business. Succession has often been called the final act of greatness. How ideal for a family business founder to have his creation live on long after he or she is gone: That is a legacy.

THEORETICAL CONTRIBUTIONS ON FAMILY OWNED BUSINESSES

Over the years extant literature on family owned businesses has been expanding, with specific regard to the theoretical contributions. These theories stretch across all academic fields, thus for the purpose of this research six theories have been selected on the bases of their recognition. These theories will be assessed to unravel the major challenges that plague family businesses.

Agency Theory

The agency theory is known as a concept that best explains why behavior and decisions vary when exhibited by members of a group (Ward, 2000). The agency theory belongs to a bracket of theories that are renowned in academics for being used in the explanation and understanding of corporate governance, and how corporate governance was developed in the first place.

The idea that a non-family member would not have the same incentive, motivation, and diligence as an owner would have and would possibly engage in self-serving behavior is the central feature of the agency theory. To prevent this potential conflict of interest, the owner installs managers and provides them with controls, procedures, and policies to limit the effect of this conflict of interest, thus creating agency costs. Many experts believe that family businesses have fewer agency costs because of the shared ownership and management functions (Chrisman et al., 2004).

Family business scholars put forward the agency theory to explain the competitive advantage held by many family firms. However, while agency theory highlights positive benefits, it can also be a reason behind poorly performing family businesses due to unprofessional management, entrenched leadership, and altruistic behavior (Duh, 2010). There can be both

negative and positive agency benefits within the family firm. The agency theory seeks to address the issues of conflict that arise when the goals or desires of the two parties differ taking into consideration the expense involved in trying to check on what the other of the two parties has done or is doing and how it has affected the business. The agency theory is noted to have contributed certain key findings towards the resolving of the conflicts that arise in business between the principals and the agents. It is noted that some findings indicate that there are many cases whereby the agent adopts the views and desires of the principal when it is made clear to them how they stand to benefit if they follow the viewpoint of the principal as compared to sticking to their own view (Lambrecht, 2005).

Systems Theory

The systems theory evaluates family businesses as three overlapping and interdependent subsystems, namely the family system, the business system and the ownership system (Brenes et al., 2006). These three subsystems therefore interact to create family business dynamics. The systems theory is a framework popular with academics and business analysts alike who have over the years repeatedly used it to analyze and evaluate family businesses. Tagiuri and Davis (1996) created the three-circle model of the family business which has become the primary conceptual model for family business studies. The model presents family business as consisting of three complex and overlapping subsystems of ownership, family, and business. The model has been instrumental in understanding many of the complexities and dynamics within the family business domain. The intersections where the three circles meet explain the possible competitive advantages of family firms, as well as the disadvantages. With the three subsystems in mind, it is easy to understand the differences between family members who are in different subsystems. For instance, a family member who is an owner but not an employee (resides in two circles), may be more inclined to consider a buyout offer than a family member who is both an owner and a member of management (resides in all three circles). The entrepreneurial founder, who may have full ownership and control (resides in three circles), may not be willing to pay high salaries to employees who are family members but not owners of the firm (two circles). The systems theory is basically the same as the three circle model that is also used to explain those same systems involved in family business. In essence their explanations are the same such that in one's view the titles may be used interchangeably but meaning the same thing. The three circle model is also acknowledged as the standard model for assessing and understanding family businesses and it also includes family, business and ownership as the three main components (Gersick et al., 1997).

Stewardship Theory

In the stewardship perspective of family firms, the family behaves and acts as caretakers of the firm. The family feels it is their responsibility to oversee the firm in a responsible manner, which respects the generations who came before, and to pass the firm on to the next generation successfully. Stewards place knowledgeable professionals on the board who can give objective advice. The board members are chosen to complement the skills (or lack thereof) of the family. Examples of this perspective are the larger Standard & Poor's 500 family-controlled firms who have a strong board of directors entrusted to give objective counsel. Stewardship theory defines situations whereby managers are not motivated by individual goals, but are stewards whose motives are aligned with the objectives of their principals (Davies et al., 1997: 21). According to the stewardship theory altruism may explain why in some firms, members are able to successfully work together and run a business while in others, family members are laden with animosity that deteriorates performance (Kellermans and Eddleston, 2004). This theory looks at the behavior of the steward as collective, because a steward will seek to attain the objectives of the organization. This theory assumes a strong relationship between the success of the organization and the principal's satisfaction. A steward protects and maximizes shareholders' wealth through firm performance as this in turn maximizes the utility functions of the steward (Davies et al., 1997: 25).

Other studies have also revealed that a participative strategy process is expected to increase family firm performance and also decrease relationship conflict as the theory predicts involvement- oriented environments tend to encourage pro- organizational behaviors that are aimed at maximizing firm performance (Corbetta and Salvato, 2004). Control concentration is another key factor of the stewardship theory as research has concluded that the management's level of control is a key factor in the stewardship perspective (Davis et al., 1997). According to Corbetta and Salvato (2004), on expounding the view of management level of control were of the view that a low concentration will facilitate productive family processes as the sharing of power which is argued to improve motivation and lead to greater family member empowerment and involvement.

Most researchers have analyzed the stewardship theory in comparison with the agency theory, with some scholars regarding the agency theory as inferior when compared to the stewardship theory. However, Davis, Schorrmann and Donaldson (1997) felt that this comparison between agency theory and stewardship theory did not generate justice to both theories especially the stewardship theory which they felt researchers failed to assess the psychological and situational underpinnings of the theory.

Resource Based View

It is believed that the resource-based view of the firm (RBV) may explain the competitive advantage of many family firms over nonfamily firms (Moore, 2009). The RBV states that a family firm has a set of unique capabilities, resources, and relationships that nonfamily firms do not have and cannot develop. Five sources of family firm capital may help to explain the positive effects from the RBV theory these are human capital, social capital, patient capital, survivability, and governance structures. The advantage for a family firm stems from the interaction of the family and the business in the unique way that they manage, evaluate, acquire, discard, bundle, and leverage their resources (Piana et al., 2012).

The term “familiness” has been used to describe the unique and differing aspects of a family business when compared with non-family businesses. The term describes the interplay between the family and the business, including a social aspect that affects the strategic decisions of the business (Poutziouris et al., 2006). The resource based view is a theory that has been used to explain why some businesses outperform other businesses (Priem and Butler, 2001). The RBV suggests that valuable, rare, imperfectly imitable, and non-substitutable resources can lead to sustainable competitive advantage and superior performance (Barney, 1991).

Theory of Family Business Rivalry

The key difference between a successfully family- owned and operated business that prospers and one that flounders and ceases to exist is often the ability to manage the differences in the complex relationships between and among family members and non- family employees (Grote, 2003). The crucial issue in the family business is in knowing where to draw the line between friendly sibling competition and devastating family and business ruin that come from unresolved conflict. Conflict does not stem from the children alone as it has been noted that conflict also arises between the founders of the business and the successors due to what was termed as the founders` shadow by the scholars Davis and Harveston (1999), who stated that conflict in the family business results from generation and generational shadow variables. Whereby the generational shadow variables refer to the amount of influence that the parents still have in the business after the next generation has assumed control. In the same study carried out on the founders shadow, family business owners confirmed that increased organizational conflict is directly related to the amount of generational shadow and this is especially increased when the founder is still influential (Davis and Harveston, 1999). In essence this view brings an important aspect to the theory of family business rivalry as most researchers associate it with conflicts stemming from sibling rivalry which in turn affects family business succession and continuity.

The scholars Aronoff and Ward (1992) viewed the issue of family business rivalry as an underlying issue of the business owners not treating the business as a business but as an extension of their home. They came up with suggestions to counter the conflicts that arise like developing family policies that anticipate these family business issues, putting outsiders on the board of directors, initiating family meetings as a communication and conflict resolution mechanism, as well as agreeing on methods to reconcile family business conflicts (Aronoff and Ward, 1992: 50). According to other studies, it is felt that when siblings take over the family business, that they have challenges trying to separate family issues from the work environment (Berry, 2008). It is because of this that most scholars agree that siblings should find a way of working together since failure to this results in the demise of the company.

Theory of Succession Planning and Mentoring

The theory of succession planning and mentoring recognizes the need to prepare for the management control of the business in the next generation. While mentoring is the offline help by one person to another in making significant transition in knowledge, work or thinking (Groves, 2007). The lack of succession planning has been identified as one of the most important reasons many first generation family firms do not survive their founders (Lansberg, 1999). Succession planning gained momentum in literature after people like Max Weber known in 1946 as the great German sociologist, because of coming up with a concept that he termed the 'institutionalization of charisma'. This he termed as one of the greatest challenges in leadership because it refers to the act of the founder of a business turning over the reins to someone else for the continued development of a business (Weber, 1946). The challenge then stems from the fact that the business owners will hold onto the businesses far longer than they need to believe themselves to be immortal, thus leaving the issue of succession planning and mentoring until it is too late.

As such a large number of cases still exist of family firms that close down when the founder dies as no one had been groomed to take over the business and because of this, plans for continuity are not clear to the remaining family members. In such cases it becomes difficult for any family member to volunteer to take over the business as such issues always cause a lot of controversy. In order to avoid conflict, lawyers tend to advise families to sell the business entity and share the proceeds equally among themselves. The liquidation of family firms is a situation that should be avoided as family members that had assets tied to the business tend to lose out just as much as the employees who will then find themselves unemployed (Lansberg, 1999).

RESEARCH METHODOLOGY

The research was carried out through the use of a qualitative analysis. The qualitative analysis was chosen as it allowed the researcher to carry out in-depth interviews with the participants in order to access the heart of the participants where the issue of succession in family businesses is involved. The interpretive constructionist approach is appreciated in this research for its ability to guide observational and depth interviewing projects. Understanding this approach enables researchers to adapt to unexpected research problems at the same time working out solutions that would make it possible for them to gather data that is both credible and thorough (Rubin & Rubin, 2005). This approach was chosen for this research to be suitable due to the fact that this approach seeks the specific and detailed information and then tries to build an understanding based on those specifics.

To get the data needed a set of interview questions were compiled, the research has four research objectives (see page 2) that needed to be answered and to do so they were then linked with the theories mentioned in earlier that form the basis of the questionnaire.

With the research design chosen and the sample size determined the need for the sampling of the actual participants was necessary. With the aid of the Northern Cyprus Chamber of Commerce, the researcher was furnished with a database with 3174 business people registered in the association. With a database this large the researcher opted for the probability sampling method which is often recommended because it keeps sampling errors at a minimum and usually offers a sample which can be viewed as representative of the population being researched on.

The sampling technique used was the stratified random sampling technique whereby the database supplied of 3174 business people was used. To reduce the sample the participants with websites were selected randomly. From these with websites they were then investigated online to find out the generation of the business as it was important to have businesses in the study that were in the 1st, 2nd, 3rd and 4th generation. As a result each generation became a strata and the businesses that could be grouped under each strata amounted to 150 per strata. With the list of businesses under each strata a simple random selection method was then adopted to pick the businesses that would be used for the study taking into consideration that the sample size needed for this study as determined earlier was between 21-30 people.

The data was collected through the use of in-depth interviews that were carried out with 22 participants who availed themselves for the purpose of the study. The interviews were conducted at the business premises at a time deemed appropriate by the business founder or successor. The interviews individually took a time frame of about 30 minutes to an hour, but were slightly longer for interviewees that needed a translator. The whole interview process per

interviewee was recorded on a digital recorder for transcription at a later stage for analysis purposes. The study made use of a computer aided qualitative data analysis software, making use of the program NVivo. The program can produce quantitative analysis from data that is collected qualitatively. It can then produce frequency data from words and events that would have been narrated during interviews.

ANALYSIS AND RESULTS

When the research was carried out, the theories were not mentioned but the responses from the assigned questions reflected how participants identified with the various theories unknowingly. By not stating the theories, it gave the participants the chance to answer objectively. The assessment through the assistance of the Nvivo qualitative software analysis portrays a collective assessment of the different views. As the data was collected using a stratified sample the participants were spread out to almost all the sectors in the North Cyprus business community.

Table 1. Research Sample Distribution

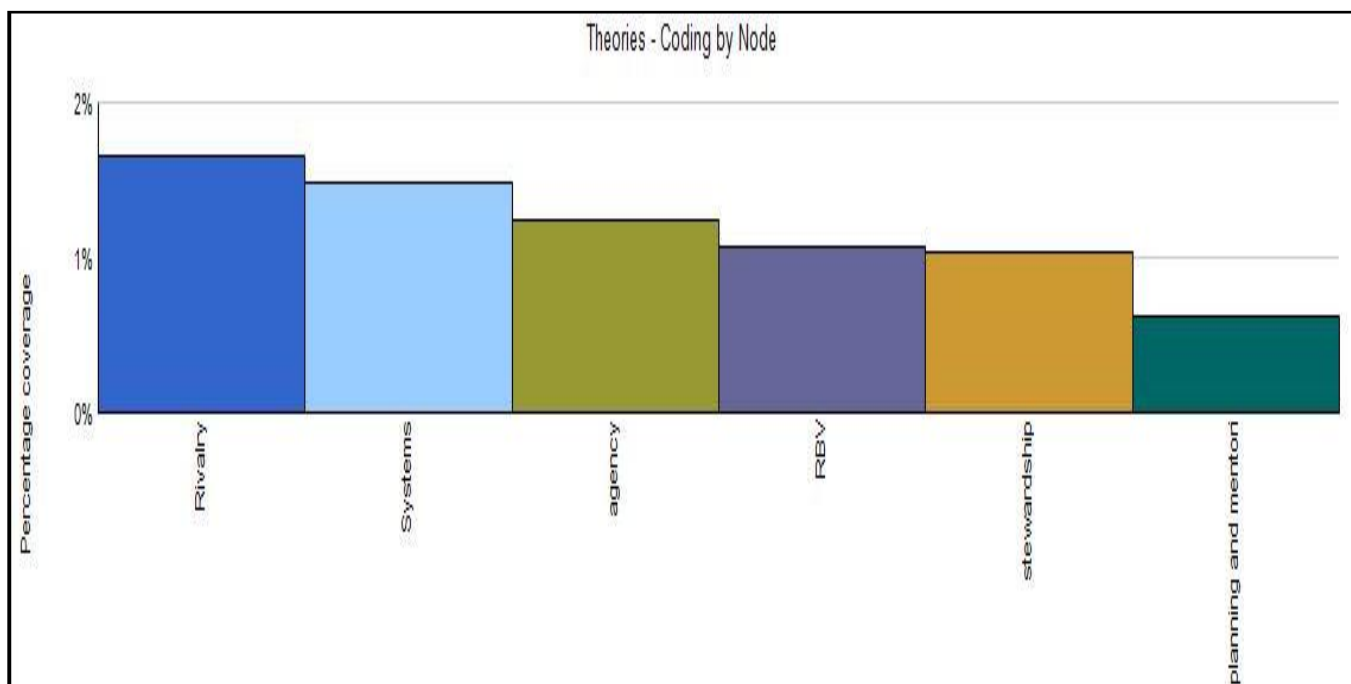
Business Type	Number of Companies	Owner	Successor
Computer Shop	2	2	
Trade Shop	2		2
Insurance Company	1		1
Travel Agency	1	1	
Construction Company	2	1	1
Cigarette Company	1		1
Wood & Carpentry Shop	1		1
Spices Shop	1		1
Plastics Shop	1		1
Communication Company	1	1	
Supermarket	1	1	
Car Sales Company	1		1
Confectionary Restaurant	1	1	
Green Energy Company	1	1	
Shipping Company	1		1
One Stop Supermarket	1		1
Restaurant	1	1	
Hotel	1	1	
Pet Shop	1		1
Total	22	10	12

The assessment is that almost all the sectors in the business market have been represented by at least one person and that means that issues pertaining to that sector have been highlighted by the participants. As a result the information obtained from this study would be beneficial to family businesses from all sectors as the views given become diverse. The research will from now analyze the four objectives mentioned in the methodology.

How Do Family Businesses In North Cyprus Perform Against the Impact of the Challenges Stated in the Theories of Family Businesses and Succession?

Over the years various theories have been formulated in a bid to unravel the key points that leads one to have a successful family business. However, for this research six theories that have been deemed most important in the research of family businesses by academicians have been used. These six theories often form the basis of research for all researchers hoping to come up with a new theory or to expand on existing family business theories. Thus before assessing the responses from the interviewees under these theories, it was important to find out the validity of each of these theories for this particular research and that would reveal which interview responses were relevant to it. For this purpose, the theories were then tested to assess if they were adequately represented and responded to throughout the questionnaire. The test checks the percentage coverage of the theories according to the highest value of 2%, as seen in the diagram below.

Figure 2. Theories Percentage Coverage



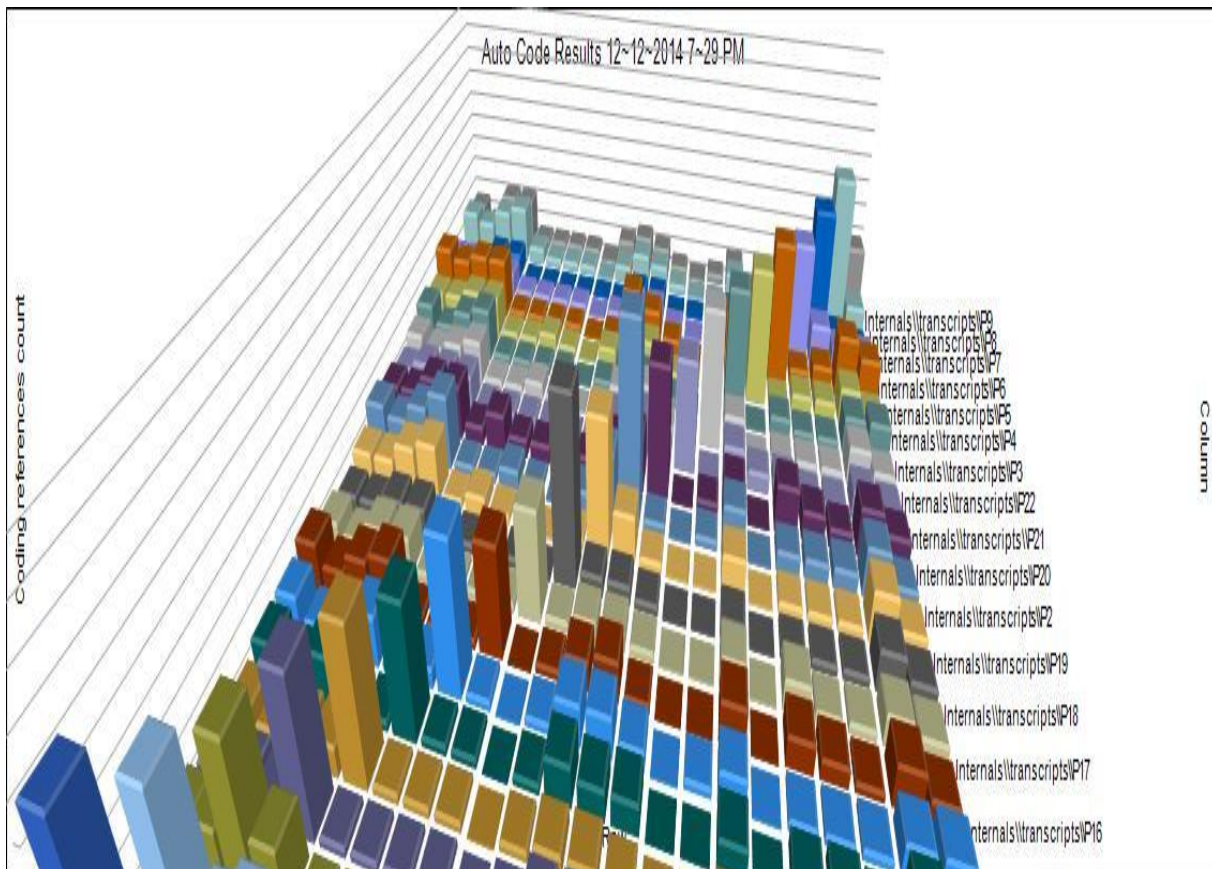
The test revealed that all the theories were adequately represented in the interview process. A correlation coefficient analysis was then done against the theories and the transcripts of the interviews conducted to test the theories against the responses in a bid to find out the validity of the responses against the six theories. This analysis can be seen in the table below.

Table 2. Pearson`s Correlation Coefficient Analysis

Source A	Source B	Pearson correlation coefficient
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P19	0,665954
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P16	0,633555
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P9	0,626309
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P2	0,618588
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P11	0,61412
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P10	0,609353
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P15	0,605183
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P18	0,604304
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P5	0,602882
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P1	0,601856
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P14	0,601014
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P6	0,599856
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P20	0,59931
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P13	0,597118
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P8	0,596556
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P12	0,594152
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P7	0,592778
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P3	0,59062
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P21	0,590435
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P22	0,588789
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P17	0,584059
Internals\\theoretical framework\\Theories	Internals\\transcripts\\P4	0,574568

The analysis thus revealed that the theories and responses were valid to be assessed for this research with a lowest rating of 0,575 and the highest rating being 0,666 indicative of the relation between the responses attained during the research with the theories that the research is based on. The validation of the transcripts with the theories thus gave necessary indicator to proceed with the analysis. To enable the analysis of each question that was asked according to the various participants the transcripts then had to be coded in order to account for each individual response in the analysis. The coding was done automatically in the analysis software for each transcript and a count was done to ensure that each participant's views had been coded. During the analysis each participant is referred to according to their coded name to allow for anonymity. The first interviewee is referred to as P1 and the others are also coded in a similar fashion all having different numbers. The count is seen clearly in the diagram below.

Figure 3. Coding Reference Count



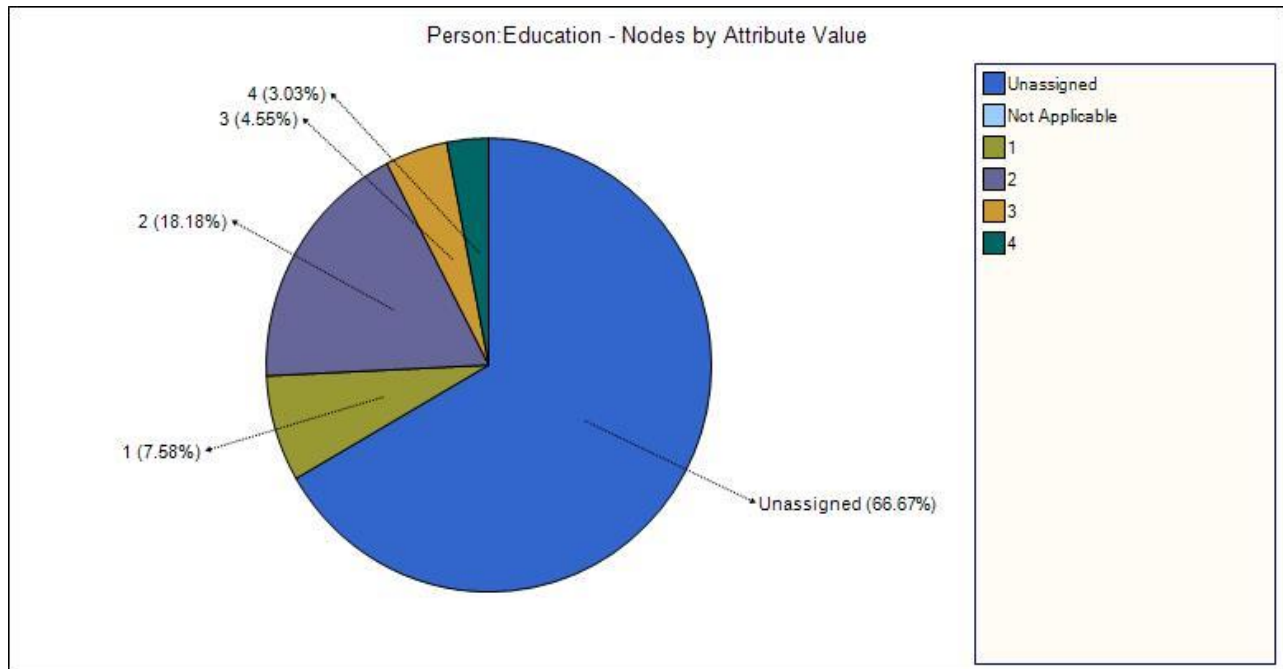
All these initial tests revealed that the responses from all the participants reflected their perceptions of the theories of succession and their impact to their businesses. The results revealing that without actually defining themselves according to any theory and without actually

knowing of these theories that their conduct lies within the framework of these theories one way or another.

What are the factors and drivers that contribute to positive succession results in family businesses?

Under this objective, the key issue was to pinpoint the factors that were said to contribute to success of family businesses especially with regard to positive succession results. The questions that were asked under this objective were under the following theories, Systems Theory, Stewardship Theory and the Theory of Succession Planning and Mentoring. In order to assess whether the education level was key to the success of the family businesses, the interviewees were asked the highest level of education they managed to reach options being first- high school, second- university degree, third- master's degree and fourth- doctorate degree. The responses revealed the following assessment,

Figure 3. Education



The results reflecting a higher percentage of participants had a first degree, closely followed by those that only went as far as high school. The masters` and doctorate degree holders much fewer than the other two options. The reason why most of the business people only went as far as the first degree was reflected in their responses when they were asked how and when they joined the business this is what most of them had to say,

“I joined after completing university (P12)” or “I started the business after I completed university and this is what I have always wanted to do (P7)” or

“I had been involved with the business from a very young age helping my father in the business (P2)”

These responses reflecting the popular responses, whereby those that did not go to university had always been involved with the family businesses from a young age and high school was mandatory, the family business was deemed as the only logical thing and they do not regret it, As seen by the one respondent who actually joked that his wife was actually the educated one and yet their business is doing well.

When asked if there was an existing succession plan in place, the results were interesting as noted in the word cloud below,

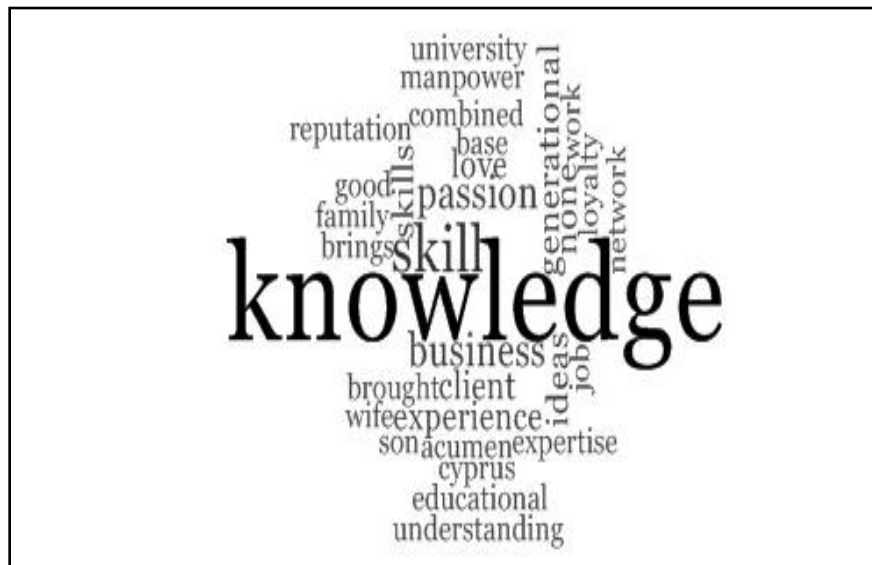
Figure 4. Succession Plan



From the analysis, it reflected that the first generation businesses had not actually planned for the succession in their businesses. The decision appears to be left pretty much to the children to say whether they would like to get into the family business although all the participants seem to appear to have hoped that the children will decide on the business. The participants without children and whose children were still too young had not even thought about it. The second and third generation succeeded businesses seem to share a common view in that their fathers had a lot to do with them ending up in the family business. The initiation starting at a young age whereby the father goes to work with his son and is familiarized with all aspects of the business such that by the time they complete high school or university it just seems to be the only logical

thing to do, to go and run the family business. This is not an actual plan that is written down by the family business founders but it is one that appears to have worked well for them. For the businesses that had been succeeded, it was interesting to find out what each successor had contributed to the business. The participants all seemed to have a healthy appreciation for each other and appreciated the uniqueness that everyone had to offer in the sense that when the frequency test was conducted on the responses given, the results are expressed in the word cloud below,

Figure 5. Successor Contribution



The results revealed that the founder and successor appreciated the knowledge that each person had with regard with the business along with the skills they would have acquired over the years especially those that had the chance to work in other companies before settling in the family business. The passion for the business seemed to be key as well, because without that passion then the manner in which one will run the business will reflect their level of enthusiasm. The founders who let their children get as far as attaining university degrees and most of them attended universities in the United Kingdom or a university in Turkey. The different business cultures they learnt in that environment was much appreciated by the founder as they felt it was best put to use in the family businesses.

The family business owners were asked about their business strengths and weaknesses that could affect the future of their businesses. The table below then shows the combined S.W.O.T analysis of family businesses in North Cyprus.

Table 3. Family Business SWOT Analysis

<u>Strengths</u> <ul style="list-style-type: none"> • Customer service • Quality products • Reputation • Good location • Specialization • Diversification • Honesty, Values • Standards • Customer loyalty 	<u>Weaknesses</u> <ul style="list-style-type: none"> • Internet • Cyprus issue • Finances • Skilled employees • Doing everything themselves
<u>Opportunities</u> <ul style="list-style-type: none"> • Growth • Expansion 	<u>Threats</u> <ul style="list-style-type: none"> • Competition • Informal businesses • Gaps in trade laws

The family business S.W.O.T analysis of the businesses representing family businesses in North Cyprus revealed that the country had some key issues to attend to in terms of policy adjustments especially in trade laws and making the country appear more enticing to skilled workers who are migrating leaving a gap in the country.

How do family relations affect the transfer between founders and successors of family businesses?

This objective set out to uncover the nature of relationships between the founders and successors of the family businesses and to assess how these relationships translated towards the longevity of the family businesses. The aim here was to assess how founders and successors related with one another within and outside the family business. The participants were asked if there had been any family members that had voluntarily disassociated themselves from the family business, the responses were confirming the question while some were not, *“No, not in this business but I disassociated myself from our family business when my father died. Me and my brother could not agree on anything so I left but the family business is still open. (P16)”* or *“My brother is not keen on animals, he is a banker and he works for one of the banks in the country (P22)”* or *“Well when the business started, it was a partnership between my father and his twin brother. They fought and separated. My father’s brother went on to open a restaurant in Kyrenia but he closed it recently (P15)”*

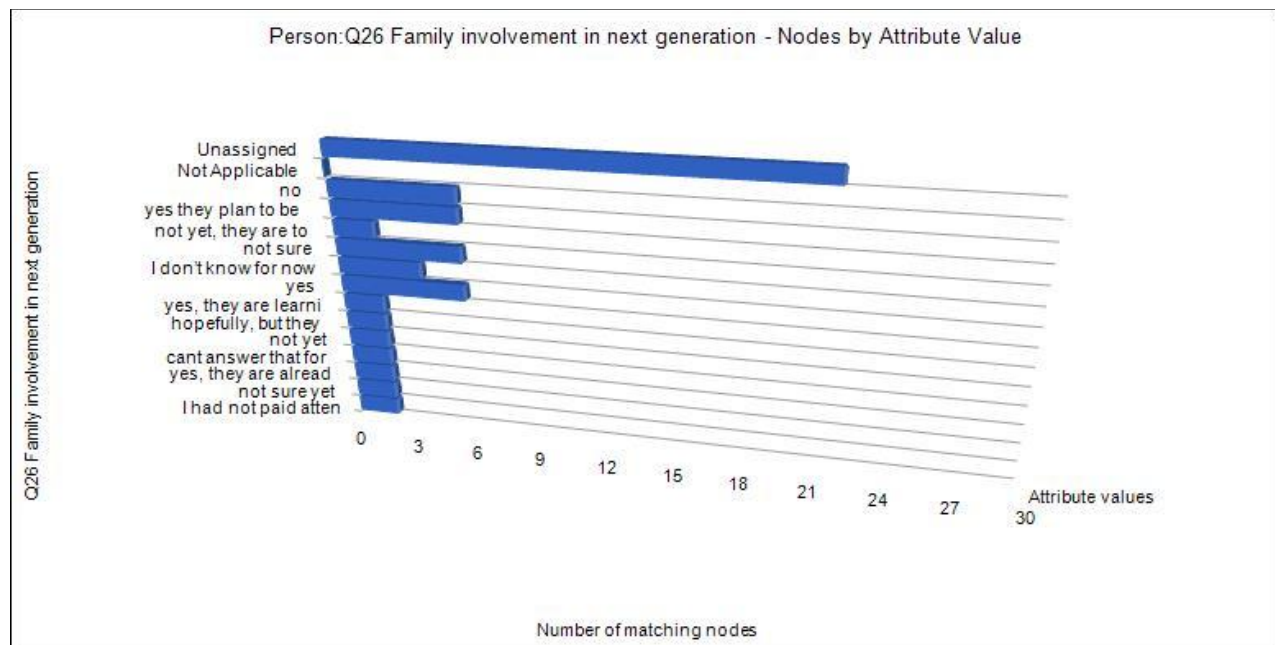
The responses revealing a different side of the coin previously revealed, whereby the first response actually reveals the existence of a feud in the family that actually caused the current family business owner to actually disassociate themselves from their family business

because there had not been a plan in place when their father passed away and upon succeeding the business, there was no unity in the decision making process as the two children took over the business. Another feud revealed is whereby two twin brothers actually started the business together but due to some differences, parted ways with one brother remaining in the current business and the other going to open another business of their own. These examples indicative that there could have been feuds in most of the family businesses but the other business owners had not been open to discuss it. There were cases whereby the children were said to have chosen to seek employment elsewhere than work in the family business. This could imply strained relations between the founders and successors that could not be put aside where the family business was involved.

“Yes, my sister refused to join said it’s not what she wants. She is into interior design (P21)” or “No, instead my brother actually came and offered to join along with my father who resigned from his job to assist in the company (P13)”

It was essential to establish just how much family members planned to be involved in the business, whether it was a temporary fancy or they actually intended to get involved for generations to come,

Figure 6. Family Involvement in Next Generation



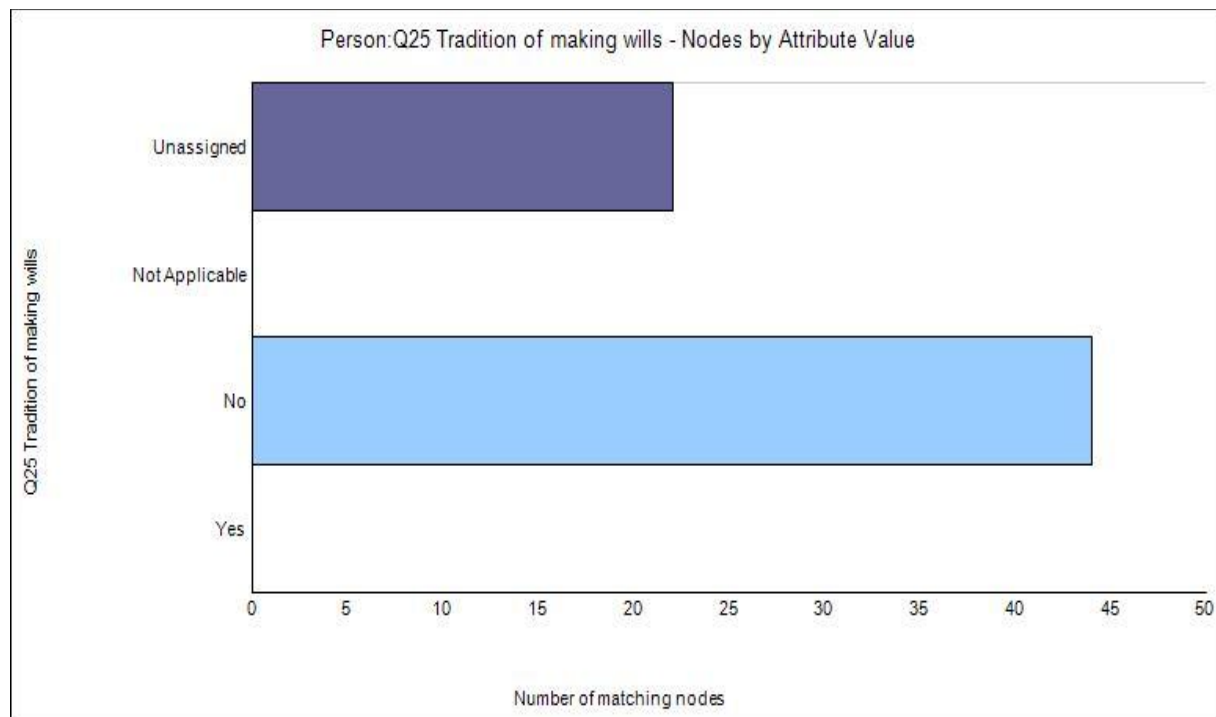
The responses showed a mixed array of possibilities. Firstly some of the participants straight forwardly said their family had no intentions of being involved with the family business in the current generation or in the next. These family members did not share the same passion for the

business as the founders of the business. Other business owners were not sure simply because their children were still too young as a result they had no way of knowing if they shared their passion. The other scenario was because the succession topic had not been brought up with the children. The view that seems to be shared is that being preceded in the family business is not an issue where they have authority over and they believe their children had the right to choose which ever career path that they felt was best for them.

How does the Turkish Cypriot culture affect succession in family businesses in North Cyprus?

This objective explored the relationship between the Turkish Cypriot culture to assess how much bearing the culture has had on the successors and founder of the business. Our culture is normally determined by the way we are brought up, the things we have grown up being associated with, such that we are not consciously aware of the influence of culture on the way in which we would arrive at certain decisions. The way we groom and conduct ourselves is influenced by culture, thus under this objective one sort to uncover how culture influenced the decisions made in the family businesses, whether it produced positive results or it affected the business negatively. In line with this objective, the family business owners were asked if they had a tradition of writing wills in their families,

Figure 7. Tradition of Making Wills



All the participants responded negatively to this question, by stating that they all do not have that tradition of writing wills. This negative response a clear indicator of the influence of culture on the decision of making wills. In the Turkish Cypriot culture there is a respect and recognition of siblings according to age and birth right, as a result it is an unspoken fact that the first born child would take over the business after a father has passed away. There is no mention of feuds with regard to who should take over the business between the siblings.

In the past years, the male children were the one to inherit the businesses and all other assets and to ascertain if this culture still prevailed for the family business owners (Tirdasari and Dhewanto, 2012). The business owners were then asked if gender played any significant role when choosing a successor.

Figure 8. Gender Significance



Most of the business owners stated that it was not an important issue for them whether the child inheriting the business was a boy or girl. An example of what some of the participants had to say on the issue is recorded below,

“Since I only have 2 boys then it is already decided. (P3)” or

“Not really concerned about it (P11)” or “I don’t think it matters. Had we been girls I think my father would have still been the same. So it does not matter to me too. (P19)”

From these responses we see that the majority of the participants felt that gender was not an issue with some business owners saying they really had no problem in the area as they had children of the same sex. One participant revealed how she instead had a bias towards women and minorities when recruiting, stating that she believed in giving women more opportunities than men.

“For me gender does not matter, although I have a bias towards women and minorities when recruiting. (P13)”

While a contradicting response was given by another participant who stated that looking at women to succeed in the family business was not quite as simple as that as there were a lot of issues to consider.

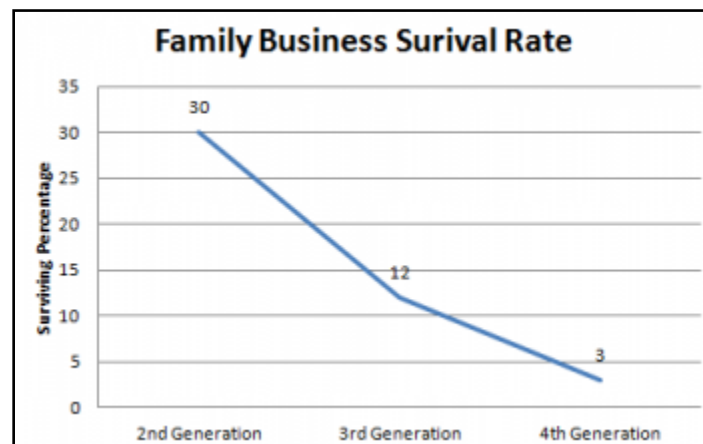
“I guess it’s easier if you have a son to take over because with a daughter you have to consider whether when she marries the husband will like them to remain in the country, remain in the business or whether he would even help her. A lot of dynamics there. (P21)”

The responses given reflecting the different views of the participants but what was the general opinion of the participants in this research was that gender was not important when it came to succession prospects.

DISCUSSIONS

Family businesses play a large and important role in any business culture. Most countries have policies in place that empower young people and women for example to start-up businesses as a result the number of family businesses found in most countries have grown significantly over the years. Due to the rapid growth rate research on family business becomes even more important as more individuals would like to take the leap into entrepreneurship but feel there is less risks of the business failing if they are empowered with the knowledge of how best to conduct affairs of their business. Family businesses are different from other businesses in that there is a stronger desire for that business to succeed in people due to the fact that the sense of continuity is desired by the family. More so, what makes a family business different from other businesses is the fact that the success/ failure of that business is strongly linked to family values and harmony. It is because of these intertwined links of family with the business that over the years the number of businesses that survive into the next generations has not improved much.

Figure 9. Family Business Survival Rate



Source: Heap (2014, p1).

As the family business progresses towards the fourth generation chances of that succession taking shape successfully become even slimmer as more issues definitely arise at this point. The research conducted in North Cyprus has produced results that show a different growth pattern than the one stated by research conducted in America illustrated in the above diagram. The difference in the two countries may be stemming from the cultural values and beliefs in those countries. As culture is defined as “the collective programming of the mind which distinguishes the members of one human group from another” (Hofstede, 1980, p.26). The survival rate of family businesses largely dependent on the countries’ culture, the USA is largely individualistic where members of that community put personal interests first before anything else is considered. Unlike North Cyprus whose culture is largely collectivistic whereby the wellbeing of the family unit is considered during decision making. There are plenty companies in North Cyprus that are promising to have entered the third and fourth generation in the next few years.

The risk exposed in this research is that by giving all the children free reign from a young age they will eventually develop a passion for different fields of work and find employment in other companies and in other countries as it has been revealed that most of the family business owners send their children out of the country to further their education. The children are sent off to Turkey or the most common destination, London. At the end these children will graduate and find employment or discover themselves in those communities. After they have grown roots in those places it becomes difficult to uproot them to come back home to run the family business. Another issue was brought up during the research concerning the education and exposure of successors to different countries, it appears the successors seem to adopt the culture of the places they would have been residing for some years. In some companies the difference in views is looked upon as an asset, whereby the Turkish Cypriot business culture is being blended with the British culture or any other culture.

When looking at the issue of succession, which is defined as the ability to carry on a successful intergenerational transfer of ownership and leadership (succession) is regarded to be by far the single most important family business issue. The continuity of the family business is not only for the family but for the employees who have found gainful employment and livelihood in those businesses. It is also for the economy as the growth of the country is also linked with the family businesses. Most of the businesses found in North Cyprus are family businesses as a result the island has been developing through the entrepreneurial abilities of the family business owners. Through licensing fees and taxes the government can also make meaningful changes and contributions to the economy. Because of this, the laws should be made favorable for the family businesses. For succession to take place, the business has to live long enough. The issue raised by the participants of the gaps in trade laws becomes a critical concern.

Because with the existence and continuity of these laws the smaller family businesses are affected and they lose clientele and income to these bigger all in one shops. The end result is the closure of these smaller businesses which is rampant on the island. At the end of the day alarm bells have not been raised because these smaller businesses are being overlooked to begin with such that the effect is not being felt immediately. However, in the near future the government of North Cyprus will have a serious challenge of creating employment opportunities for many school leavers. As the years go by the unemployment rate will increase because these are people that should have left high school or university and gone back to work in the family business aiding to its growth and with that growth more employment opportunities created. The State Planning Organization issued statistics of the unemployment rate in 2013. According to their survey they stated that Turkish Cypriots in the TRNC are facing the problem of long-term unemployment. The current unemployment rates in the country stand at 9.5% officially. This however does not include unofficial figures.

In a country where 90% of 18-30 year olds are university graduates, there are just not enough jobs for graduates. While many of them are in work, the vast majority are constantly on the look-out for better prospects (S.P.O, 2013).

CONCLUSION

The research set forth to investigate entrepreneurship and succession in family businesses in North Cyprus. The research revealed that the North Cyprus business community is made up largely of family businesses that are doing very well. They have actually successfully established a system to enable the succession of the business to be carried out from one generation to the next. Most of the business owners have established systems that can be emulated by other business owners. However, some of the participants revealed some factors that need to be avoided that other business people can learn from as well like not leaving the succession possibility to the children acquiring an interest in the business. Now when the children do not show an interest it means there would not be anyone to take over the business and no actual plan in place.

The business owners should avoid regarding their business as something to while away time while waiting to die or retire and bear in mind the importance of their businesses and the roles they are playing in the economy. The family businesses are bringing income to the economy, to the people of Cyprus and creating room for growth and recognition worldwide of the country. The banks should not be feared but embraced, business growth and potential is lying idle because of the relationships not fostered with the banks, the banks that actually have programs in place to benefit the business people.

The research began with four research questions and in short the analysis revealed for each question that when asked, How do family businesses in North Cyprus perform against the impact of the challenges stated in the theories of family businesses and succession? It was discovered that the family businesses had found a sound manner of handling the challenges that normally plague other family businesses mostly due to the early mentoring and family values that they all possess. The second research question was inquiring, What are the factors and drivers that contribute to positive succession results in family businesses? It was revealed that the family businesses in Northern Cyprus have a strong belief in establishing customer loyalty through the care and service they provide their clients. A strong sense of honesty exists between the business owners and their clients and they value their reputation far more than the money they would receive.

The third research question investigated, How do family relations affect the transfer between founders and successors of family businesses? From the research it was discovered that strong family relations and family values were key for a successful succession process as a result the respect accorded to each family member is paramount to the longevity of the business. In the research there were only two cases of siblings that chose not to work together in the family business due to disagreements on how to run the business but the fact that there were few highlights the fact that it is not an issue for the majority of the businesses on the island. The last research question set to uncover, How does the Turkish Cypriot culture effect succession in family businesses in North Cyprus Research? It is important to note that the Turkish Cypriot culture has contributed a lot to the success of the family businesses, because it is through the family values and culture that these businesses appear to have set up a succession mechanism that works well for them. Most of the families unknowingly are following the same methods of succession planning, managing their funds and having relations both within the business and with their clients which then speaks of a culture shared by most of the family business people.

LIMITATIONS & FURTHER RESEARCH

The research was plagued with the problem of language as some of the participants did not speak English as a result a translator had to be availed to make the interview process possible. The challenge also came with respondents that were not willing for the researcher to bring their own translator and opted to look for their own translators, in some cases it was the spouse and in two of the cases friends that spoke English were sort. This delaying the interview date as a date was set according to the availability of the parties involved. The interview time was much

longer where translations were being done and participants would lose interest towards the end of the interview as it felt like it had dragged on for too long.

The time frame for collecting data was stretched due to the participants that had been initially identified to take part in the research declining to take part or simply not responding to the repeated requests to get them to qualify. As a result the research could not manage to get any family business that had been succeeded into the fourth generation.

The time frame for the interview itself was extended in some cases because the participants were weary of the interviewer's intentions of acquiring the information. As a result before an interview was granted the interviewer had to undergo a rigorous interview themselves to appease the participants enough for them to be satisfied their identities would be left anonymous and that the information gathered was purely for research purposes.

For future research, a comparative research could be carried out on other countries that face similar challenges as North Cyprus or worse like being under sanctions. The results of positive succession factors from these countries when compared with those from countries like United States of America, United Kingdom or Australia for instance would provide a broader view of what family businesses need to employ for their longevity. Most importantly, the results uncovered would benefit businesses worldwide regardless of their country of operation as these findings would guide them on how to excel under situations of economic certainty and uncertainty.

REFERENCES

- Aronoff, C.E., and Ward, J.L. (1992). *Family business succession: The final test of greatness*, Family Business Leadership Series. Lausanne: IMD Library.
- Barney, J. B (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99- 120
- Berry, J. W. (2008). 'Globalization and acculturation'. *International Journal of Intercultural Relations* 32, 328-336.
- Brenes, E.R, Madigral. K, Molina- Navarro, G.E (2006). Family Business Structure and Succession: Critical Topics in Latin American Experience. *Journal of Business Research*, 59(1), 372-374
- Chrisman, J. J., Chua, J. H., & Litz, R. (2004). Comparing the agency costs of family and non-family firms: Conceptual issues and exploratory evidence. *Entrepreneurship Theory and Practice*, 28, 335-354.
- Corbetta, G., Salvato, C. (2004). Self- serving or Self- actualizing? Models of Man and Agency Costs in Different Types of Family Firms: A Commentary on Comparing the Agency Costs of Family and Non-Family Firms: Conceptual Issues and Exploratory Evidence. *Entrepreneurship Theory and Practice*, 28, 355-362
- Davies, J. H, Schoorman, F.D., Donaldson, L. (1997). Toward a Stewardship Theory of Management. *Academy of Management Review*, 22(1), 20-47
- Davis, P., Harveston, P. (1999). 'In the founder's shadow: Conflict in the family firm', *Family Business Review*, 12(1), 311-323.

- Duh, M. (2004). Family Businesses: The Extensiveness of Succession Problems and Possible Solutions. *Entrepreneurship- Gender, Geographies and Social Context*. Retrieved March 7, 2014, from www.technopen.com
- Duh, M. (2010). Applying Agency Theory and the Resource Based View in Explaining Performance Differences between Family and Non- family Businesses. *Pregledni Znanstveni Clanki- Review Papers*. NG. ST1-2. UDC 334.722.24.005.11,005.52
- Gersick,K.E., Davis, J.A., Hampton, M.M., & Lansberg, I. (1997). *Generation to Generation Life Cycles of the Family Business*, Boston: Harvard Business School Press.
- Grote, J. (2003). Conflicting Generations: A New Theory of Family Business Rivalry. *Family Business Review*, 16(2), 1-23
- Groves, K.S. (2007). Integrating Leadership Development and Succession Planning Best Practices. *Journal of Management Development*. 26(3), 239-260
- Harper, D. (1996). *Entrepreneurship and the Market Process*, London: Routledge
- Heap, D. (2014). Family Business Succession Planning 101 retrieved February 18, 2014, from <http://www.signs.com/blog/family-business-succession-planning-101>
- Hofstede, G. (1980). *Culture`s Consequences: International Differences in Work Related Values*, London, Sage Publications.
- Kellermanns,F.W., Eddleston, K. (2004).Feudingfamilies: When conflict does a family firm good.*Entrepreneurship Theory and Practice*, 28 (3), 209- 228
- Lambrecht, J. (2005). Multigenerational Transition in Family Business: A New Explanatory Model. *Family Business Review*, 18(1), 267-282
- Lansberg, I.S (1999). *Succeeding Generations: Realizing the Dream of Families in Business*. Boston: Harvard Business School Press.
- Maas, G., Diederichs, A. (2007). *Manage family in your business*. Northcliff: Fronrunner Publishing.
- Moore, K. (2009). Paradigms and Theory Building in the Domain of Business Families. *Family Business Review*, 22(1), 167-180
- Muske, G., Fitzgerald, M.A., & Kim, J. (2002). *Copreneurs as family businesses: Evaluating the differences by industry type*. Paper presented to the United States Association for Small Business and Entrepreneurship, 19 January 2002.
- Piana, B.D., Vecchi, A., Cacia, C. (2012). Towards a Better Understanding of Family Business Groups and their Key Dimensions. *Journal of Family Business Strategy*, 3(1), 174-192
- Poutziouris, P.Z., Smyrniotis, K.X., Klein, S.B. (2006). *Handbook of Research on Family Business in Association with IFERA- The International Family Enterprise Research Academy*. UK. Northampton, MA, USA. Edward Elgar. Cheltenham
- Priem, R.L., Butler, J.E. (2001). Is the Resource Based "View" a Useful Perspective for Strategic Management Research. *The Academy of Management Review*, 26(1), 22-40
- Rubin, H.J., Rubin, I.S. (2005). *Qualitative Interviewing, The Art of Hearing Data*. London, Sage Publications
- Rwigema, H., Venter, R. (2004). *Advanced Entrepreneurship*. Cape Town: Oxford University Press.
- Sharma, P. (2004). An Overview of the Field of the Family Business Studies: Current Status and Directions for the Future. *Family Business Review*, XVII (1), 1-36
- Sharma, P., Blunden, R., Labaki, R., Tsabari, N., Rivera- Algarin, J .O. (2013). Analyzing Family Business Cases: tools and techniques. *Case Research Journal*, 33 (2), 1-20
- S.P.O, (2013). Economic and Social Indicators, State Planning Organization. Retrieved December 4, 2014, from www.devplan.org

- Tagiuri, R., Davis, J.A. (1996). Bivalent Attributes of the Family Firm. *Family Business Review* 9(2), 199-208
- Tirdasari, N.L., Dhewanto, W. (2012). Family Business Succession in Indonesia. A Study of Hospitality Industry. *Procedia Social and Behavioral Sciences*, 57(1), 69-74
- Ward, J.L. (2000). Reflections on Indian family groups. *Family Business Review*, 13(4), 271–278.
- Weber, M. (1946). *On Charisma and Institution Building*. Chicago, University of Chicago Press.