

A Family Development Approach to Understanding the Transfer of Family Business Ownership

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Abstract : The intention to transfer ownership control across family generations is acknowledged to be central to developing a theoretical understanding of how family businesses differ and are distinct as a business group. However, in practice, most business-owning families face challenges to transfer their business ownership from one family generation to the next. To date, researchers have paid little attention to how and when ownership is passed across family generations and what the dynamics of such transitions are. This is primarily due to the prevailing assumption that ownership transfer is an unimportant and legalistic issue that occurs within a wider family management succession process. Yet, the limited evidence available suggests that family ownership transfer occurs inside and outside of the management succession process and is a difficult process for business-owning families to navigate. As a result, many otherwise viable family businesses are closing, leading to unnecessary loss of jobs and knowledge. This qualitative paper examines how family members understand and navigate the ownership transfer process. This study uses an inductive qualitative research design, conducted through in-depth interviews within eight business-owning families. It draws on family development theory and shows how a wide range of family-related events and dynamics outside of family business involvement underlie and shape the ownership transfer process. The findings extend the theory on how these events trigger ownership transfer and how they shape the ownership meanings held within business-owning families. This study found that ownership transfer meanings extend beyond that of transferring the legal control and financial appropriation rights of shareholders. The study concludes there are three different stages in the process of ownership transfer -symbolic, re-balancing, and protectionist. Each stage creates distinct family social constructions of the rights of family members to hold business ownership, and each stage occurs within a specific family development phase.

Keywords : business-owning family, family development theory, ownership transfer, process

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