



**Succession Planning in Different Cultures: A Comparative Analysis  
of Family Firms in Mexico and Germany.**

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**Laura Mierzal, M.A.**

Email: [Laura.Mierzal@munich-business-school.de](mailto:Laura.Mierzal@munich-business-school.de)

**Johannes Ritz, M.A., MIB**

Email: [Johannes.Ritz@munich-business-school.de](mailto:Johannes.Ritz@munich-business-school.de)

**Luis Felipe Torres Gómez, Ph.D.**

Email: [lftorres@itesm.mx](mailto:lftorres@itesm.mx)

**Prof. Dr. Marc-Michael Bergfeld**

Email: [Marc-Michael.Bergfeld@munich-business-school.de](mailto:Marc-Michael.Bergfeld@munich-business-school.de)



## **Abstract**

This paper aims at analyzing the process of succession planning in family firms in different countries and the effect of culture on differences in succession planning. To do so it studies the case of succession planning in Mexican versus German Family businesses. Thereby it answers repeated calls for more comparative studies on succession planning in different countries. To explore the differences, the authors compared an online-survey realized in Mexico with a similar survey they conducted in Germany. The results show that there are the expected differences that can be explained with the different cultural backgrounds like in risk averseness and long-term orientation. The Mexican culture is more short-term oriented, less risk averse and collectivistic. The results reflect these characteristics by showing a higher importance of the opinion of the family and less planning than in Germany. But the results also show similarities for example in the existence of succession plans in about 25% of the respondents. The papers findings rely on the comparison of surveys from two countries and it would be valuable to do further research and add other countries with different cultures to the comparative analysis. It could be shown that businesses families in both countries can draw interesting les-sons from each other to improve their succession process. For example the Mexican families could rethink the pressure they put on the next generation to enter and continue the business. On the other hand the German families might consider putting more trust into the new generations and also remind them of the responsibilities of belonging to a business family. The paper adds to existing research by exploring the influence of culture on succession planning in the case of German and Mexican family firms. It provides interesting insights on how the cultural differences are reflected in the succession planning of this two countries.



## **Introduction**

Succession and their planning is one of the main challenges for the long term survival of family businesses in order to ensure the ongoing of the business over various generations.

Family businesses are very important for the economies all around the world. In Latin America, family firms generate 60% of the GDP and employ 70% of the workforce. 47% are managed by the first generation (Ernst & Young 2014, 104). Looking at Europe, 48.6% of the world's 500 largest family businesses are located there employing more than 2.5million people (Ernst & Young 2015, 20).

However, there is still not enough research that has been done about the differences between family firms in different countries. In 1994, Wendy Handler already mentioned that the differences in succession planning between different ethnic groups is one of the fields for future research (Handler 1994, 151). In 2011, Mine Karatas-Özkan/Nicolopoulpou/Özbilgin point out again that there is a need for further research (Mine Karatas-Özkan/Nicolopoulpou/Özbilgin 2011, 4). In 2012, one of the first comparative studies were conducted. The article, written by Lussier/Sonfield, mentions that there is no existing literature focusing on country comparisons to compare the results of their study (Lussier/Sonfield 2012, 13).

Therefore the objective of this article is to explore the differences between Mexican and German family businesses concerning succession planning, the social perception of family businesses and the role of the family in the business. The authors propose the hypothesis that there are significant differences between the succession planning of family firms in the two countries. It is tested conducting surveys in Germany and Mexico and comparing the results.



## **Theoretical framework**

A variety of definitions of what a family firm or family business is. In a study done by Chrisman, Chua and Sharma (1997) there were 21 different definitions found by reviewing different 250 articles. For the purposes of this article, a family business is defined as a business where one family has more than 50% of the shares of the business. With this wide definition, it is possible to include a wide range of companies in the survey.

There are also different definitions of succession. Ip and Jacobs use the definition given by Martin et al., who define succession as, “the transfer of a business that results from the owner’s wish to retire or to leave the business for some other reason” (Ip/Jacobs 2006, 326-327). This definition will be used in this article.

In the majority of countries, there are no official statistics available about the number of family businesses, or their importance for the economy and employment. The data available is often estimated. Taking into consideration the different definitions of family firms, the estimation is that more than 60% of companies, in nearly every country, are family businesses (Casillo/Acedo/Moreno 2007, 23). Looking at the number of people employed in family businesses it is obvious that this kind of enterprise forms an important part of the employment market. Family businesses all around the world are facing a similar problem: only a small number survives the first or second generation.

Only around a third of the family firms makes it into the second generation and only 10-15% can be handed over to the third generation. The main reason is a failed succession process (Le Breton-Miller/Miller/Steier, 2004, 305). The reasons for this failure can be found in different stages of the succession process. A properly planned succession process is one of the main factors determining the success of the company through more generations (van der Merwe/Venter/Ellis 2009, 2). However, only a small percentage of family firms have an adequate succession plan (van der Merwe/Venter/Ellis 2009, 3).

Succession does not necessarily mean that somebody from inside the family has to take over the business; there are different possibilities of how a succession could take place, for example to hand over all responsibility to an external manager, or sell the whole company or



parts of the company (Leach 1993, 211). In all cases, the succession should always be a planned process (van der Merwe/Venter/Ellis 2009, 5).

There are some reasons why the planning of the process often does not even take place or if it takes place, is very complex and complicated. There are various possible origins of the lack of planning. Some are presented in the following.

The founder cannot accept that he or she has to let go of the company and hand over to the next generation (Le Breton-Miller/Miller/Steier 2004, 308). It is difficult to give away the control they had for a long time and define themselves in a new way as a non-CEO. Furthermore, the company defines many social contacts. Friendships developed over the time of running the business. The incumbent can be scared to lose the connections of the social life (Potts/Schoen/Engel Loeb/Hulme 2001, 88). Another factor can be that there are various possible successors and the founder is not able to decide who should take over or feels that nobody is able to lead the business the way he/she can (De Massis/Chua/Chrisman 2008, 186). Another extreme is that there is no adequate successor available or the one with the necessary skills refuses the position (van der Merwe/Venter/Ellis 2009, 4). It can also happen that the successor in the moment of succession is no longer available, for example because of illness, divorce or the birth of children (De Massis/Chua/Chrisman 2008, 188). The relation between the predecessor and the successor additionally have influence on the succession planning. If the predecessor feels unsure about the capability of the selected successor to take over or if they have very different ideas about how to go on with the business, then the planning can be interrupted (Brockhaus 2004, 168). Besides the founder, the rest of the family's behavior is crucial. Sometimes the partner of the founder does not want to accept a retirement because this implies that they lose their influence and status. The resistance of employees can also play a role in the planning process. They often have personal relationships with the founder and trust them. A new leader means insecurity for them, and this feeling can increase resistance (Leach 1993, 222). External factors can be the financial situation of the company and the retiree and the difficulties of an ownership succession (Potts/Schoen/Engel Loeb/Hulme 2001, 8).



Considering the impact culture from a scientific viewpoint, two important sources have to be considered: Hofstede and the GLOBE study.

Hofstede identified six dimensions of culture that separates one culture from another. Comparing the results for Mexico and Germany there are big differences that can be seen when comparing the general behavior and traditions of Mexican and German cultures concerning planning behavior, business relations, relationships or communication concerning the power distance, individualism, long-term orientation and indulgence (Hofstede G. / Hofstede G.J.).

The GLOBE study is one of the biggest studies conducted in the research of cultural differences. This study is based on nine dimensions (House/Hanges/Javidan/Dorman/Gupta 2004, 12f). One result of this study is the formation of clusters of countries that show cultural similarities. Mexico and Germany are in two very different clusters. Germany shows similarities with Austria, Switzerland, and the Netherlands while Mexico is similar to Argentina, Bolivia, Brazil, Columbia, Costa Rica, Ecuador, El Salvador, Guatemala and Venezuela. (House/Hanges/Javidan/Dorman/Gupta 2004, 191).

The different cultures influence the structure of the family business and the succession planning. This has been proven by authors like Taruwinga (2011, 186ff) or Lussier and Sonfield (2012). It is imaginable that for example the risk averseness or long-term orientation affect the planning process.

### **Family Businesses in Mexico and Germany**

In Mexico around 99% of companies belong to the PYMEs (micro, small and medium-sized companies). A big part of the PYMEs are family owned. These companies contribute to the gross domestic product (GDP), generating half of it. Besides the PYMEs, in 90% of the companies listed on the stock exchange there is a clear family representation in capital and control (KPMG 2014a, 5).

In Germany, the “Deutscher Mittelstand” (German medium-sized companies) is often seen as the motor of the economy that is present in all industries (Achleitner et al. 2009, 67). In 2009, 99% of the German companies were part of small and medium-sized companies forming



the “Mittelstand”. A large percentage of the Mittelstand companies are family-owned (Söllner 2011, 1088). They contribute significantly to the GDP of the country and the good employment situation. Besides the family businesses of the Mittelstand, there are also big family businesses. Looking at the German stock exchange DAX, nearly 50% of all listed companies were family businesses from 1998-2008 (Achleitner et al. 2009, 36).

In Mexico, around 70% of newly founded businesses do not survive the first three years of existence. One reason for the high mortality rate of companies in the first years is a lack of knowledge about specialized topics like law, finance and administration. Instead of looking for professional support in order to build a functional system and prevent difficulties, smaller companies are looking for help when problems are already very present (KPMG 2014a, 17). Other challenges are unstable market conditions in export countries, local regulations, financing and economic pressure that make them rethink their strategy in order to stay competitive and to ensure the stability of the business (PwC 2014a, 3).

Most of the German family businesses have had a very positive development in the last years. Over 80% could increase or at least maintain their revenues in 2012 and they expect an ongoing positive development in the next years (KPMG 2014b, 4).

But family businesses are also facing some difficulties. Their biggest challenge in the next years will be the ongoing shortage of skilled workers. Therefore, maintaining the current employees and training of employees is one focus of the companies (PwC 2014b, 14).

Other challenges they are facing are a decline in profitability because of increased labor costs and increased raw material costs, political uncertainty and uncertainty regarding market stability in European countries (KPMG 2014b, 7). Furthermore, they often have difficulties getting access to financing, they are confronted with the need for innovation, new products and use of new technologies in order to stay competitive. Challenges that are very specific to family businesses are potential internal conflicts, regulations and the question of succession (PwC 2014b, 17).

The share structure of a company is one indicator of strategy. In Mexico, 37% of the family firms have non-family members as actionists. 18% plans to give out shares to non-family members in the next years (PwC 2014a, 13). Additionally, 80% of the family businesses make



their decisions based on shareholder agreements (PwC 2014a, 15). In Mexico 64% of the family businesses, that have a council, include non-family members (PwC 2014a, 13). Furthermore, an increasing number of companies have a family council, a family constitution and a professional mechanism to solve conflicts (PwC 2014a, 15).

In Germany, there are often difficulties to gain access to financing for family businesses. Therefore, some companies are considering going public. The companies that are already listed at the stock exchange mostly count with executive and supervisory boards (Achleitner et al. 2009, 55). Unlisted companies are aware of the importance to have a working governance structure and well-defined processes in place. 86% have already established a structure to deal with conflicts, mainly in the form of contracts with shareholders. 20% have a family constitution. In order to establish the necessary structure, family companies are thinking about internal reorganization (PwC 2014b, 33). Reorganization often includes external managers. 64% already have external managers in their boards (PwC 2014b, 29).

Most Mexican family firms have a very poor succession plan. Only around 15% have a written plan and in some companies stating to have a succession plan, this plan is not fully developed (KPMG 2014a, 17). The majority of companies have an idea about the succession process, but no formal written document. However, they are aware of the importance of a detailed plan in order to make sure that the succession is successful (PwC 2014a, 12).

For German companies succession is a very present topic. In 24% of the family businesses, the succession will take place within the next five years (PwC 2014b, 31). A lot of families say they feel prepared for succession. However, only around 28% have a well-defined succession plan which is in 70% only partly defined. With these numbers, German family businesses are better prepared for succession than the world average (PwC 2014b, 32). Based on the experience of past successions they established processes to make the next succession easier (PwC 2014b, 33).





## **Methodology**

The surveys in both Mexico and Germany were conducted online to order to reach the maximum amount of people. In Mexico it was conducted in July 2014 and distributed in Spanish among students at the University Tecnológico de Monterrey. Of the 1643 participants of the Mexican survey 275 were taken into account for the comparison in this article because they completed all relevant sections of the questionnaire. For the German survey, the Mexican survey was translated from Spanish to German and adapted to the needs of the comparative study. The German survey was distributed by different organizations working with family businesses like the Equa-Foundation, the institute for family businesses of the University of Mannheim and the Courage Center of Global Entrepreneurship and Family Firms at Munich Business School. 140 participants answered the German survey of which 108 could be taken into account for the comparative analysis.

The survey consisted of different blocs of questions about the role of the family, intra-family relations, social pressure, the planning process, intentions of the successor. Furthermore, there was a section about personal data and in the German survey about the family company.

## **Results**

In Mexico all the respondents were between 18 and 34 years old. The majority of the respondents is between 20 and 23 years old (57%) and come from cities all over Mexico. 37% are the first born child in the family, 21% are the second child. The gender structure is very balanced. All people answering the survey are students. The majority of respondents have no mentionable work experience. 34% of the respondents had worked one year in a company that is not the family business. Only 5% have more than three years of work experience. The interviewees have more experience working in the family business. However, it is not clear, what they consider as working in the family business. As more than 10% states that they are working more than six years in the business but all are still students, the majority not older than 23 years, it is likely that they consider helping out, holiday work or spending time in the business as working experience in the family business.



In Germany the interviewees are between 20 and 76 years old. The majority is between 20 and 30 years old (50%). More men than female answered the survey. The majority is the first or second born child. The interviewees have a high education level. A large number of the interviewees has work experience in other businesses. Only 12% have never worked in another business while 13% worked more than seven years in a business that is not the family business. The interviewees have a lot of experience in the family business. Only 12% have never worked there, 22% already worked between one and five years in the business. 16% have more than 20 years in the business. With 29%, a high percentage did not specify the work experience in the company

In Mexico, around 15% of the family businesses have a succession plan. In some companies that state that they have a succession plan, the plan is not fully developed (KPMG 2014a, p. 17). In this survey, the percentage of respondents that agree or partly agree that there is a succession plan, is higher (25% and 27%) than in the study from KPMG. Only 20% say that there is no succession plan. Even though the plans exist at least partly in 52% of the family businesses, considering answers from “I agree” to “I partly agree”, only in 43% of the families, succession planning is a topic they talk about. That means that in some businesses there is a plan, but they are not talking about possible adjustments or about the status of the implementation of the plan. In other businesses, there is no plan, and they do not talk about succession either. The risk that the succession fail in these companies is higher than in businesses with a succession plan or at least an idea about succession (van der Merwe/Venter/Ellis 2009, 2).

In the cases that there is a succession plan, a timeframe for succession is often missing. 25% state they have a succession plan, but only 4% set and communicated the timeframe. 52% do not have any idea about a timeframe. The age and career status can be an explication for the missing timeframe. The families are waiting for the respondents to leave university and to decide if they want to join the business and then set a timeframe.

There are various family businesses where a discussion about succession takes place (43%). However, investors are rarely involved. Also other family members are only partly included,



even though the interviewees state that the family members can talk openly about everything concerning the business.

Growing up with a background in family business might affect the decision for a career. 47% of respondents agree or partly agree that they always wanted to work in the family business. 34% felt pressure to enter the business. Even though some felt pressure, not all of them did what their family wanted. 40% works in the business because it was their own wish and 34% never felt any pressure from the side of the family. Even though the families do not pressure the next generation, the next generation knows that over 50% of the families would be disappointed if they decide not to enter the business. The families have a high level of trust (74%) that the next generation will go on with the business, so they might not see a need to pressure. Furthermore, there is a difference between the trust in female and male successors. The male successors feel a higher level of trust that they can continue with the business than female successors. The Mexican society is still very machismo, which can be an explication for this difference.

The trust of the family is very strong. It increases until the third year the respondent is working in the business and then starts to decrease. A reason for the decrease can be that the families notice that the interviewees will not take over the business because they do not have the necessary abilities or do not feel happy working in the business. The level of trust in relation with years working in another business does not vary a lot. Only in the third year working in another business, the trust decreases to 64%. The families see the experience outside the family business as part of the education.

The participation in the decision-making follows the same trend as the trust. With more years working in the families' business, the families include the respondents more in the decision-making. After four years in the family business, the percentage shrinks again. The participation does not vary with years working in other businesses. This trend might have the same explication than the trust. The families realize that the interviewees will not take over and stop the education of a future leader and, therefore, do not include them in the decision-making anymore. Additionally, the involvement in the decision-making influences the readiness to continue with the business. With more involvement in the decision-making after



three to four years in the family business, the readiness to take over starts to decrease. Perhaps the interviewees realize that leading a business includes a lot of responsibilities and difficult decisions and, therefore, start to rethink their plans for their future.

Some interviewees are ready to continue with the business, even though they know that working in the business is not interesting and satisfactory for them. This might be a reflection of the sense of family in Mexico. They feel committed to the family and think, it is their duty to continue with the family business and take care of the family heritage. There are also some interviewees that think that the family business is interesting enough to continue, but they would prefer a different kind of succession where they do not take over because they do not feel ready, and they would not be happy working in the business. After they have entered the business, the interviewees' guilt about leaving the family business increases with the years having worked there. When they start to feel more guilt, they also start to feel more prepared to continue with the business. They start to feel committed to the family heritage.

The birth order does not seem to have an influence on the succession. The first born children do not feel more pressure nor do they feel more that the family trust that they continue with the family business.

In this survey, 48% of the German respondents agree that they are ready to continue with the business, 21% partly agree. It does not necessarily mean that they will finally decide that they take over. However, if a part of these 69% really takes the decision to take over, the percentage might be close to the result of the survey conducted by Stiftung Familienunternehmen (Stiftung Familienunternehmen 2011, 4). There are always potential successors who are already sure that they do not want to take over. These potential successors are probably the interviewees stating that working in the family business does not seem to be interesting and satisfactory, and the business is not interesting enough to continue. However, there are also interviewees that think that working in the business would not be interesting and satisfactory, but they are ready to take over the business. It seems as though they have a strong connection to the family and/or the business that makes them ready to take over even though they will not be happy.



Over 60% include the next generation in the decision-making, at least partly. This shows the knowledge about the importance of providing professional training for the next generation. This is supported by the fact that 11% of the family businesses in the survey have a double leadership by two generations making it possible for the successor to learn from the antecessor for a certain time before taking over the complete leadership. 26% of the family businesses have a well-defined succession plan. The number could be even higher because there are some families that talk about succession planning but never put the agreements into an official form. Some families talk about succession planning, but they do not come to any results, and therefore they do not do anything to develop a real plan.

In a well-developed succession plan, the timeframe for the succession process should be set and communicated (van der Merwe/Venter/Ellis 2009, 5). Even though over 60% agree or partly agree that there is a succession plan in the company only 37% agree or partly agree that the timeframe for succession exists. It seems that the succession plans of the companies are not that detailed and well developed. Otherwise, they would define in more detail how and when the succession would take place.

The number of companies with a succession plan increases with the number of successions. In very old businesses that passed through five or more successions, over 80% have a succession plan. Also, the case that two generations lead the company together has a positive impact on the existence of a succession plan.

In around 50% of the businesses, there are different people involved in the discussion about succession and in the decision for a successor. The people included in the decision-making of the company are family members. The opinion of externals is less likely to be taken into consideration. However, externals could bring a different point of view into the discussion. Excluding the family can lead to problems of the acceptance of the selected successor.

To 50% of the interviewees, the family business was not always interesting. However, some of them think now that the business is interesting enough to continue. In total 83% agree or partly agree that the family business is interesting enough to continue. 77% would be satisfied by working in the family business. That means that there is a percentage that would like the



business to continue, but they would be happier not working there. Not all of the interviewees, who decided to work in the family business, took this decision because it was their wish. They know that their parents want them to join the business, even though the parents never pressured them.

In fact, the majority of the interviewees never felt pressured to work in the business. The majority joined because it was their wish. The interviewees know that other family members would have been disappointed if they would have decided not to work in the business.

Communication is important to prepare the next generation and wake their interest in the business. Communication also includes decisions. However, there are interviewees that feel ready to take over even though they were never included in the decision-making. When the family trusts that the interviewee will take over the business, they generally include them early in the decision-making.

When the next generation never worked in the family business, the families do not have a lot of trust that they will continue with the business. They cannot be sure that the possible successor likes the work in the business and have the necessary abilities to take over. With the years working in the family business, the trust of the families increases that the interviewee will take over the business. After two years working in the business, the level of trust decreases again. Possible explanations could be that it is already clear that the interviewee will not take over and another successor is already defined or the family believes that the possible successor lacks the necessary abilities to be chosen as successor.

Years of working in other businesses has the same effect. The trust increases as the number of years increases. The family sees the work experience outside the family business as an important part of the formation and education of the interviewee. But if five years passes in another business, then the trust begins to decrease. This can be because the family and the interviewee notice that the family business is not the path the interviewee will choose.

The years of working in the business also affect the involvement in the decision-making. With more years of experience in the business, the interviewees are more involved in the decision-making of the company. For the families, this might be a part of the education. But



passing 25 years in the business, the involvement decreases again, which coincide with the decreasing trust that they will take over.

Concerning the years of working in other businesses, the effect is different. When there is no experience in other businesses, the interviewees are highly involved in the decision-making, perhaps to develop their interest in the business or because they worked their whole work life in the family business. With years of working in other businesses the involvement in the family business is shrinking while the trust of the family that they will take over is increasing. The families might see the work experience outside the business as part of the formation, and they want the interviewee to be concentrated on the job and not to be beside the job involved in the family business. With more years in other businesses, the involvement increases again while the trust that they will take over is decreasing. The families realize that the interviewee might not be interested, but they want to profit from the experience they have.

The birth order has no strong influence on the succession planning. There are no big differences concerning the feeling of pressure, the readiness to continue with the business and the trust of the family.

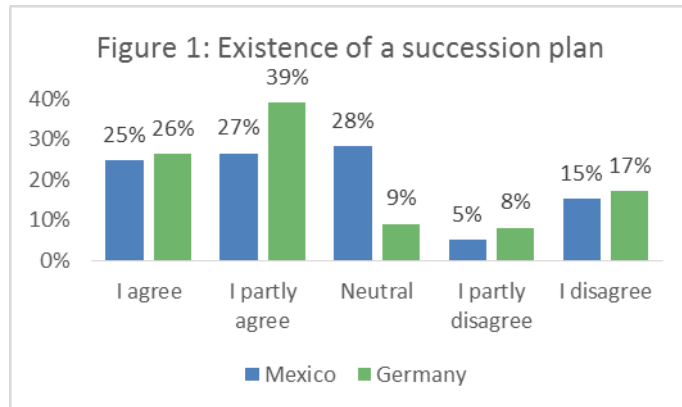
### **Comparison**

In the following, the results of the surveys conducted in Mexico and Germany are compared. There are some similarities, some differences, and some mixed results. The results are seen as equal when the difference is not bigger than 3% and similar when the difference is not bigger than 5%.

### **Similarities**

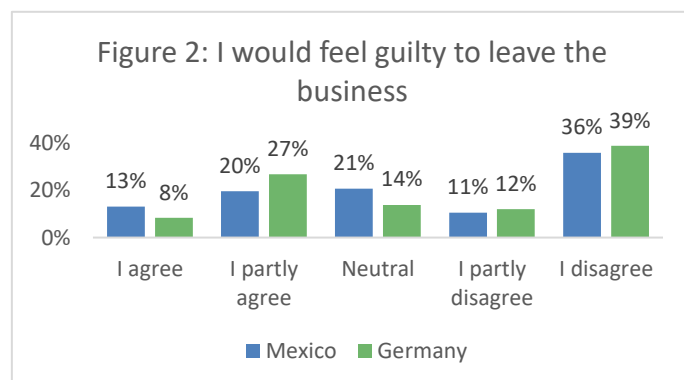
The percentage of respondents that agree that there is a succession plan is nearly equal. In Germany, more respondents partly agree, that there is a succession plan and only a small percentage that are neutral. In Mexico, the percentage of partly agreeing and neutral respondents are nearly equal. The percentage that disagrees that there is a succession plan in Germany and Mexico is similar with 20% in Mexico and 25% in Germany. The slight difference

could be explained with different definitions of what succession plan means for the respondents.



Also, the wish to enter the family business is similar with between 26% and 29%. The percentage of respondents that partly agree is slightly lower in Mexico than in Germany. However, the percentage of respondents that disagrees is nearly equal again.

Even though the sense of family is different in Mexico and Germany, the respondents know in both countries that their families would be disappointed if they would have decided not to enter the family business. Furthermore, the feeling of guilt to leave the family business after having started to work there is very similar. A small majority would not feel any guilt to leave the business while around 34% agree or partly agree that they feel guilty. That shows that once they entered into the business the respondents of both countries identify partly with the family business. The trend that they feel more guilt with more years working in the business is equal because they start to identify with the business and they know that with the time, the family members start to believe that the respondents will continue with the business.



In both countries the birth order does not strongly influence the succession planning. The first born

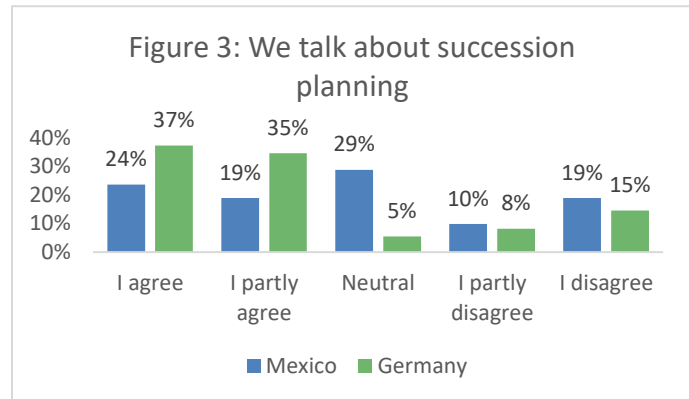
generations do not feel more pressure, neither more trust or more readiness to continue with the business. This is surprising because of cultural differences in the perception of family it was expected that in Mexican the first born child is more considered to be the successor than the others.





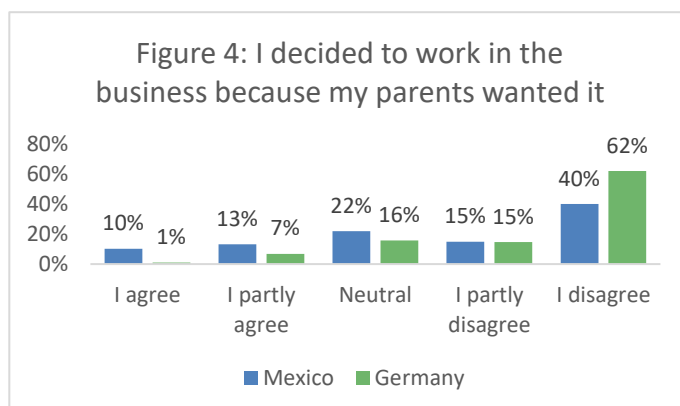
## Differences

In Germany, succession is a topic the families talk about. Over 70% agree or partly agree that the family talks about succession planning. In Mexico, this number is lower, with 53%. The topic might not be seen as very important. It is more important how



the company is currently doing. The Mexican culture is less future-oriented and less risk averse than the German culture. For the Germans, it is important to develop plans to reduce risk in the future. Therefore, in Germany 37% of respondents agree or partly agree that there is a timeframe set and communicated for succession. This number is still low. However, in Mexico, only 11% of the family businesses have a timeframe for succession.

There is a big difference in the involvement of investors in the decision-making in the family businesses. In Germany, 36% completely agree that investors are involved, and 27% completely disagree. In Mexico, combining the family businesses that agree and partly agree that they involve investors in the decision-making about succession, the percentage is with 24% still lower than in Germany. The Mexicans are very collectivistic, which means that the family is very important. They might not like to involve non-family members in decisions that are related to the family. But, in nearly 40% not even other family members are involved in the decision. In Germany, in over 70% of the family businesses the decision is a group decision.

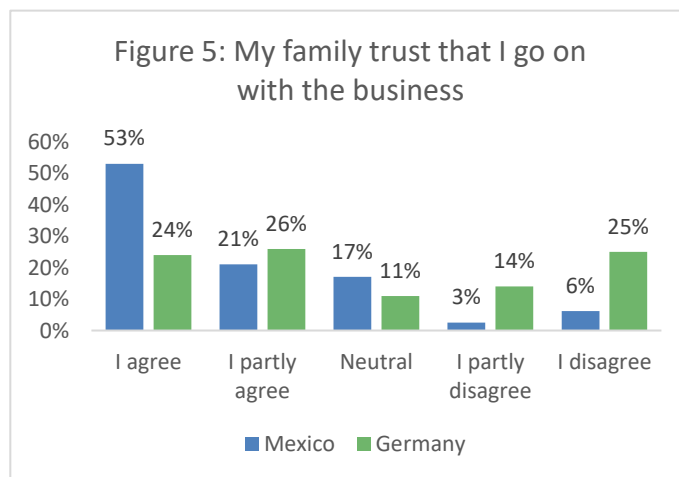


There is a big difference between the Mexican and the German respondents concerning the reason to enter the business. In Mexico, only 39% disagree that they entered the business because their parents wanted them to do so. In Germany, 62% disagree and only 8% agree or partly

agree. In contrast, in Mexico 23% entered the business because of their parents. This reflects the commitment and the status the family has in Mexico. Germany is more individualistic, and the respondents were looking for the possibility to realize their own wishes, mostly independent from the wishes of their parents. This result is in line with the general cultural differences that can be seen for example in Hofstede's work.

The families in Germany seem to understand better that the next generation does not necessarily want to join the family business. They do not pressure the respondents. 67% disagree that they feel pressure from their family. In contrast, 34% of the Mexican respondents felt pressure to enter the family business. The same percentage did not feel any pressure. This difference also reflects the different feeling of familiness in the two countries.

Concerning the trust of the families that the respondents continue with the business it is obvious that the Mexican families have more trust in the next generation than the German families. In Mexico, only 9% disagree or partly disagree that the families trust in them. In



contrast, in Germany nearly 40% disagree or partly disagree. Also, looking at the trust of the family in relation with years working in the family business and years working in other businesses, the Mexican families always have more trust that the respondent will continue with the business than the German families.

This result again shows that the German culture is more individualistic. The families know that in the case that the next generation is not interested in taking over the business, they will not do it. However, in Mexico the families believe that the respondents will finally do what is best for the family. Furthermore, the Germans are less included in the decision-making of the company. 26% partly disagree or completely disagree that they are asked for their opinion about decisions in the family business. As the families cannot be sure that the respondents



will finally take over the business, they might include them less in everything concerning the family business, until it is clearer that the respondent will start working there.

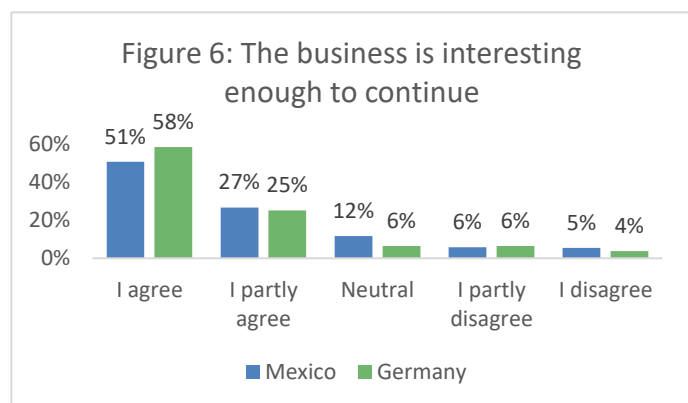
In another point, it is also possible to see that in Mexico the family is more important. 57% of the respondents agree that the family members are flexible in their personal interest for the good of the business while in Germany only 29% completely agree. In Mexico, 72% of the respondents agree or partly agree that family members can talk openly about everything concerning the family business. In Germany, the percentage is lower with 61%. 17% even partly disagree that the family members can state their opinion about the family business. In Germany, probably only the family members that are actively involved in the family business have the right to talk openly about the business. The part of the family that is not involved in the business does not intervene in anything concerning the business.

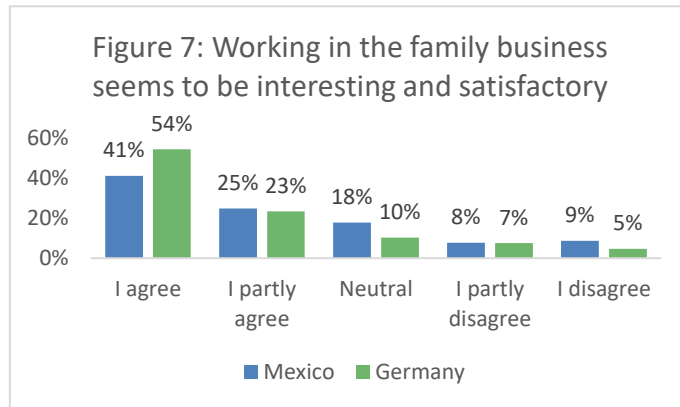
### Mixed results

In Mexico, 51% of the respondents agree that the business is interesting enough to continue. In Germany, the percentage is with 58% even higher. The same percentage disagrees that their family businesses are interesting enough to continue.

In both countries, the percentage of respondents that think that the business is interesting enough to continue is higher than the percentage of respondents that think that working in the business is interesting. However, in Germany the

percentage of respondents that would work in the businesses because it seems to be interesting for them remains 13% higher than in Mexico. The percentages of respondents that disagree are similar.





Even though, especially for the Mexicans working in the family business where it does not seem to be very interesting and satisfactory, nearly the same percentages of respondents (69% in Germany and 67% in Mexico) feel ready to continue with

the business. A possible explanation is a strong connection with the family in Mexico. The next generation might have the feeling that they have to be ready to continue with the family business. In Germany where the culture is more individualistic, the percentage of respondents stating that they do not feel ready to continue with the business is 10% higher than in Mexico. A different possible source for this difference is the work experience inside the business that the German respondents already have. They have an idea about what it means to work in the family business and what it means to lead the family business.

Looking at the readiness to continue with the business in relation with years working in other businesses, the percentages of respondents that are ready to continue with the family business are different. However, they follow the same trend. With no work experience in other businesses, between 70% and 80% agree that they are ready to continue with the business. The readiness starts to shrink with the years of work experience until the fourth year when it starts to increase. The German respondents always feel better prepared than the Mexican respondents do. The trend is similar because with no work experience in other businesses, it can be that they spend their whole working life in the family business or they feel ready to take over because they still have no real idea about what it means to lead a family business. With more experience, they start to notice that they still have a lot to learn before they are ready to take over the family business.

The readiness to continue with the business in relation with the years of work experience in the family business is more difficult to compare because the German respondents have a lot more experience. However, it can be seen that, as in the case of work experience outside the family business, the Germans feel better prepared than the Mexicans do. The readiness



increases in both countries with years working in the business. The explication is the same. They learn more about the business when they start working there and, therefore, start to feel more ready to continue with the family business.

### **Discussion of results**

The objective of this article was to investigate the differences between Mexican and German family businesses concerning succession planning. The results of the conducted surveys confirm the hypothesis that there are significant differences. Thereby this research confirms the results of prior work done for example by Taruwinga (2011, 186ff) or Lussier and Sonfield (2012), and contributes a new perspective comparing the situation of Mexican and German family businesses.

There is strong evidence that makes clear that differences are present in all areas. In Germany, the topic of succession is more openly discussed and planned. The families involve more people in the decision-making. In addition, the reasons for entering the business are different. In Germany, the respondents entered the business because it was their own wish. In contrast, in Mexico, more respondents joined the business because it was the wish of the family. Therefore, the Mexican families have more trust in the respondents than in Germany. At the same time the families put more pressure on the respondents.

The results clearly reflect differences related to the origin of the culture. The Mexican culture is more collectivistic and the society prioritizes family. A part of the respondents entered the business only because it was the wish of the family. Not all families pressure the next generation. However, the respondents know that the family sees them as obliged to enter the family business. All family members feel involved in the family business and therefore, would be flexible when it is for the good of the company. In Germany, the culture is more individualistic. If the respondents have other plans than to enter the family business, they will say to their family that they will not enter the business. Most families will respect the decision. The German respondents do not feel pressure to enter. On the other side, the families consider the possibility that the next generation has other plans and therefore, they have less trust in the respondents. Also the differences in risk averseness and long-term orientation can be seen. The German family businesses have more detailed plans and involve



more people in the decision-making in order to develop the best long-term plan involving less risks. In Mexico, the plans are less detailed and less people are involved.

Further this research provides novel findings in the sense that there also exist surprising similarities. The results of the comparison show that the percentages of businesses with a succession plan are similar. In addition, the percentage of respondents that always wanted to join the business is similar and in both countries, the respondents know that their parents would be disappointed if they decide not to enter the family business. Once entered the business they all identify with the business and would feel guilty to leave again. A surprising result is that in both countries the birth order does not influence the succession planning and the perception of the family. It was expected that at least in Mexico the first born son was preferred as a successor and would feel more pressured because of the Mexican culture.

### **Implications for practice**

The importance and the need of communication are obvious for both countries. Only with communication is it possible to develop a detailed plan that can be successfully implemented and to avoid conflicts. In addition, in this way all family members know what the other family members want to do, what their objectives are, their goals and their dreams. Due to communication, they know who they can consider as possible successors and the next generation can develop more freely.

Business families in both countries could learn from each other with regard to the perception of the family. The Mexican families should rethink the pressure they put on the next generation to enter the business and to take over. They should consider that the next generation might have different plans and would not be happy working in the business. There are alternatives for the succession in the company besides an internal succession. In Germany, the families nearly do not pressure at all at the next generation. They let them go their own way. It might be good to remember the next generation from time to time that they are part of a family with a business and therefore have a certain responsibility. Also German families can learn from their Mexican counterparts to put more trust into the next generation and make them feel supported which might increase their motivation to get involved with the



business. On the other side, the respondents, that are the next generation, should reflect more the possibility to enter the family business and try to understand what it means for the family if they do not enter the family business. In contrast, the Mexican future generations should be more aware that they live their own life and that they do not have the obligation to do what their parents want them to do. However, these behaviors are strongly influenced by culture. Culture cannot be changed easily, it is a process. It would help both countries if in the process of change of culture they achieve a balance between personal wishes and needs and the responsibility for the family.

#### **Limitations and implications for further research**

With all the above said, the authors are fully aware of limitations of this research and factors to take into account when comparing the results of the two surveys. The composition of the respondents in Germany and Mexico differ as in Mexico all the respondents were university students with a family business background and in Germany the sample was more diverse. This led to differences in age structure and working experience. The survey was conducted in two different languages which presents the theoretical possibility of different interpretations. Moreover the focus on only two different countries limits the scope of the results as we only compare two different cultures. Therefore as direction for further research it would be highly desirable to add more countries to the comparison. Especially including countries with very different cultures like in Asia would be interesting. Also it could be of value to examine the issue with a different methodological approach, for example using qualitative methods like interviews or case studies to enhance the understanding of underlying factors in the influence of culture on succession planning.



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