

NEWS RELEASE

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Study focuses on transition of leadership in local family businesses *Majority choose to retain leadership of the business within their bloodlines*

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WATERLOO – A new study of local family businesses found that over half either have transferred leadership to the next generation in the last five years or will do so in the next five. But the study by two professors with the school of business and economics (SBE) at Wilfrid Laurier University also found that most seem to be slow in planning for such generational ownership transitions.

Pramodita Sharma and Greg Irving found that 30 out of the 33 families that responded to a research survey intend to retain the leadership of the business among blood relatives. And many are moving away from primogeniture, where the eldest son takes over the business. Children of all birth orders and genders are moving into leadership roles for family firms.

The researchers recommend all family firms take stock of their plans related to generational transitions and become proactive in their planning.

“The preliminary results suggest family firms are not paying enough attention to issues of generational transition planning,” says Sharma, an associate business professor at Laurier. “Given the reported plans to transfer leadership of firms within the next five to 10 years, it is important to give careful attention to this time-consuming and critical process.”

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The researchers asked 43 families associated with the Centre for Family Business (CFFB) to participate in the survey and received a reply from 72 percent. Recently, Sharma presented the findings to over 60 members of the CFFB at a breakfast meeting held at the Westmount Golf Club in Kitchener. This study is part of a broader, national research project that should be completed by December.

The study also found great optimism amongst family firms in the Kitchener-Waterloo area. More than 80 percent of the survey respondents expect to experience increased revenues in the next three years.

The results of the local study are similar to those found in studies in the United States and Europe. A fundamental change in cultural trends seems to allow family firms to choose their best talent to lead the firms into the future. In today's highly competitive business environment, this change shows astute decision making by family business leaders.

Trends away from primogeniture are also considered great news for a business family's junior members. It allows females and second or subsequent males more flexibility to choose careers, within or outside the family firms, that are more in line with their interests. This lessens the pressure to make obligatory or duty-bound career choices.

Research has suggested that when juniors join family firms, based on their desire to do so or an alignment of intrinsic interests, they are more likely to engage in efforts beyond the call of duty. This has a positive influence on the organizational effectiveness and long-term firm performance.

Information on the Centre for Family Business (CFFB) can be obtained from Jill Weaver at (519) 749-1441 or by visiting www.familybizcentre.com

With more than 3,000 students and 100 full-time faculty members on campuses in Toronto and Waterloo, Ontario, Laurier's SBE is one of Canada's largest and most innovative business schools. For more information, please visit www.wlu.ca/sbe.