

THE ROLE OF INDIVIDUAL FACTORS IN FAMILY BUSINESS SUCCESSION

Author: Ottomar Sibul, University of Tartu

Supervisor: Krista Jaakson, University of Tartu

The aim of the bachelor's thesis was to explain how individual factors are related to the continuity of family businesses. In the empirical part, individual factors were examined as personal assessments made by business leaders that may influence succession. The theoretical framework included factors arising from family members' personal values and perceptions, or factors influenced by such perceptions. The study emphasized the importance of considering the topic in a broader context to understand the role of individual factors in ensuring long-term continuity of family businesses. The theoretical section defined the nature and importance of family business continuity, described internal business-related and macro-level factors, and presented key challenges in the succession process. Subchapter 1.1 explained the importance of family businesses and outlined what constitutes sustainability in this context. Subchapter 1.2 presented internal factors (such as the number of successors, preparedness for succession, managerial characteristics, financial viability, and generational stage) and macro-level factors (such as succession planning, valuation of successor characteristics, power distance, and gender norms). Subchapter 1.3 focused on individual-level factors, including the leader's motivation to transfer the business, the valuation of education and external work experience, family values, successor motivation, strategic planning, conflict resolution, internal family relationships, and involvement of third parties. The empirical part gave an overview of data collection, questionnaire design, and variables used. The focus was on how individual-level factors were related to two key indicators of succession: the desire to transfer the business to a family successor and the existence of such a successor.

Data was collected from 99 Estonian family businesses, and 19 main questions were analyzed. Descriptive statistics and a logistic regression model were applied. In Subchapter 2.2, the relationship between each individual factor and the two succession indicators was analyzed separately, with additional comparisons between generational groups. A statistically significant relationship was found between family values and both succession indicators. External work experience was significantly related to the desire to transfer the business, but not to the actual existence of a successor. No significant relationship was found for the valuation of formal education. Founder-generation

companies had stronger succession indicators. Subchapter 2.3 presented a logistic regression analysis, which confirmed the significant effect of valuing external work experience and family values on the desire to transfer the business. Valuing education showed no such effect. Table 10 summarized the statistical significance of each factor regarding both succession desire and successor existence. Future research could further analyze non-anonymous responses, link data with firm-specific characteristics, or involve qualitative interviews to gain deeper insight into how education, work experience, and family values shape leadership succession in family firms. Expanding the sample size could also support more accurate and reliable analyses.

Full paper in Estonian can be downloaded here:

<https://dspace.ut.ee/server/api/core/bitstreams/6e0d044d-fe2c-49bd-8a4f-c680aed179fd/content>

Tartu 2025