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Impact of Family Control on Intrafamily Succession Intention and Firm Investment

Amarjit Gill*

Edwards School of Business, University of Saskatchewan, Canada

Abstract

Studies show that family control motivates business owners for intrafamily succession and enhances firm investment. This study tested the impact of family control on intrafamily succession intentions of family business owners and firm investment. This study utilized a survey research design to collect survey data on family control, intrafamily succession intentions, and firm investment from Canadian and Indian family business owners. The empirical analysis shows that family control plays some role in increasing intrafamily succession intentions of family business owners and firm investment in Canada and India. The results show that family control has a higher impact on family business owners' intrafamily succession intentions and firm investment in India than in Canada. By relying on the perceptions of the owners of family business firms, this study contributes to the literature on the impacts of family control on intrafamily succession intentions of business owners and firm investment. The findings may be useful to financial management consultants, business owners, and other stakeholders.

Keywords: Family Control, Intrafamily Succession Intentions, Firm Investment, Family Business, Canada, India.

JEL classification: G30, G32.

1. Introduction

Intrafamily succession and investment are necessary for the sustainability of family business firms from generation to generation. According to Lodh *et al.* (2014), "family control is the dominant form of business around the world" (p. 7). Literature shows that family control is a norm instead of an exception (La Porta *et al.*, 1999), and it is maintained through intrafamily succession. Zhou *et al.* (2016) defined intrafamily succession intention as "business owners' willingness to choose their offspring as successors" (p. 711). According to Kuan *et al.* (2011), "in family-controlled firms, a family or its members own the majority of shares to have control over the firm" (p. 757). Berle and Means (1932) asserted that many firms start as

*Corresponding author.
E-mail address: gill@edwards.usask.ca.
Address: Department of Finance and Management Science, Edwards School of Business, University of Saskatchewan, 25 Campus Drive, Saskatoon, SK, V7N-5A7, Canada.

family-owned and family-controlled entrepreneurial entities. This study defines family control as ownership structure (i.e., the percentage of shares owned by the family), family management of the family-controlled firm, and CEO duality. Succession intention of the family business owner(s) is among the most valuable factors to have continuity and sustainability of family business(es) across generations and family control (Sharma *et al.*, 2001; Gilding *et al.*, 2015).

Succession intentions of the individuals cause actual intrafamily succession, which is essential to minimize the loss of legitimacy to external shareholders through dilution of shares (Zhou *et al.*, 2016). Thus, the most crucial purpose of succession is the harmony of the family and businesses' continuity across generations (Lansberg, 1988; Gilding *et al.*, 2015). Previous studies showed that business owners chose successors either as outsiders such as professional managers (Bennedsen *et al.*, 2007; Chang and Shim, 2015) or promoted their family member(s) (Cao *et al.*, 2006; Zhou *et al.*, 2016).

However, success is one of the most critical issues that almost every family business firm faces (Handler, 1994). Among the crucial factors that cause succession issues is the survivability of family business firms since approximately 30 percent of family firms survive the transition to the second generation, and only 10 percent make it to the third generation (Beckhard and Dyer, 1983a and 1983b). Tsoutsoura (2015) found that succession taxes strongly affect family business owners' succession intentions to keep the firm within the family, which in turn negatively affects family control. Tsoutsoura (2015) also showed that succession taxes decrease investments in family business firms and depletes cash holdings.

Notable studies by Sharma *et al.* (2003) and Zhou *et al.* (2016) used planned behavior theory to determine business owners' intentions for intrafamily succession. Another study by Anderson *et al.* (2012) showed that family ownership and family control affect investment in the firm; that is, family firms prefer less long-term investment than firms with diffuse ownership structures. Committed shareholders from the same family vision engage in investment activities to ensure the long-term viability and health of the firm. Another reason for the commitment to invest in the firm and to increase investment in the firm can be the family business owner's intrafamily succession intentions.

To remain consistent and to extend the studies of Sharma *et al.* (2003), Anderson *et al.* (2012), and Zhou *et al.* (2016), this study concentrated on the impacts of family control on intrafamily succession intention and firm investment by using the following research questions:

Does family control influence intrafamily succession intentions of family business owners?
Does family control impact a firm's investment?

Since culture, family system, the legal system, and economic system differ between Canada and India, which may impact the intrafamily succession intentions of family business owners and firm investment, both countries were selected as data collection sites. Whereas Canadian society emphasizes a single-family system

(Gucciardi *et al.*, 2004), Indian society emphasizes collectivism and interdependence (Chadda and Deb, 2013). Therefore, some differences are expected in results related to family control's impact on intrafamily succession intentions of family business owners and firm investment between Canada and India.

Collecting and using data from Canadian and Indian family business owners, this study found that family control plays some role in increasing intrafamily succession intentions of family business owners and firm investment in Canada and India. The results further show that family control has a more significant impact on family business owners' intrafamily succession intentions and firm investment in India than Canada. The findings of this study lend some support to the findings of Zhou *et al.* (2016) in that family control affects the intrafamily succession intention of family business owners. The findings of this study also lend some support to the findings of Andres (2011); Anderson *et al.* (2012); Choi *et al.* (2015); and Cao *et al.* (2018) in that family control impacts financial investment in the firm. By lending some support to the earlier studies, the current study contributes to the literature on family control's impact on family business owners' intrafamily succession intentions and firm investment in family business firms.

The paper is organized as follows: section two provides a literature review. Section three describes the methodology utilized in this study. Section four concentrates on data analysis and describes the findings. Section five provides a conclusion, implications, and recommendations for future research.

2. Survey of Literature

Literature shows that about 70 percent of Indian firms are family-controlled firms (Lodh *et al.*, 2014). Intrafamily succession and firm investment develop the firm's sustainability to meet the needs of future generations (Chow and Chen, 2012). While Sharma and Vidisha (2018) showed that corporate governance reforms influence investment in the firm, Ventura (2004) investigated a pitfall in aggregating shareholders' preferences. An increase in firm investment improves corporate sustainability performance since this introduces economic factor(s) into the operations which affect society (Artiach *et al.*, 2010). The following subsections 2.1 and 2.2 survey the relevant literature.

2.1 Family Control and Intrafamily Succession Intention

Family and nonfamily shareholders have conflicts of interest; therefore, family business owners prefer to keep all the shares within the family through succession (Meier and Schier, 2016). Family control of the firm encourages familism. Zhou *et al.* (2016) asserted that owners of family business firms with strong familism are receptive to keeping the business within the same family. Familism motivates family business owners to maintain ownership and control and thus, making succession intention stronger (De Massis *et al.*, 2016). The theory of planned behavior (Ajzen, 2001) showed that attitudes toward behavior lead to intention to engage in that

behavior (i.e., succession intention).

Helwege and Packer (2009) indicated that the firm's family control is a function of the benefits of private control. Familism emphasizes loyalty, commitment, and contribution to the family (Sharma *et al.*, 2003; Zhou *et al.*, 2016). Thus, familism leads to succession intention and the decision of family business owners for succession. Succession decisions of business owners minimize agency problems in the family by showing that family business owners are working in their families' best interests. Decision theory also helps business owners' (agents') reasoning choices (i.e., succession choices) for the beneficiaries (principals) to minimize agency problems (Jensen and Meckling, 1976) in the family. Decision-makers' options (i.e., options for business owners) are usually translated into future actions (Weirich, 1983). Thus, the succession intentions of family business owners translate into future actions for actual succession decisions.

Principal-agent conflicts are prevalent at the lower level in family-owned and family-controlled firms. These firms, however, can give rise to principal-principal conflicts causing expropriation of the wealth of minority owners by family owners (Yoshikawa and Rasheed, 2010). In most cases, the owner of the family business serves as the chairperson of the board so that he or she can control the firm (Chu, 2011) to minimize agency problems (Jensen and Meckling, 1976; Pieper *et al.*, 2008) and to improve the outcomes of the corporation (Lane *et al.*, 2006). Thus, higher family control leads to intrafamily succession intention. Zhou *et al.* (2016) also found that familism and family control positively affect business owners' intrafamily succession intention.

In summary, succession is crucial for the continuity of businesses across generations and to minimize agency problems in the family. Therefore, succession is vital for family-owned business firms. Hence, the following hypothesis:

> ***First Hypothesis:*** *Intrafamily succession intentions of family business owners are positively associated with their family control of the firm.*

2.2 Family Control and Firm Investment

Previous studies by Tan and Lee (2015) and Eslami and Imomoh (2016) showed that risk asymmetry develops when the agent (i.e., management of the firm) and the principal (stakeholders) share risks but have different outlooks regarding risk, resulting in a divergence in risk-taking decisions. Family control reduces risk asymmetry between the agent (management) and principal (stakeholders) since the majority of the shareholders are from the same family and are involved in the firm's management (Jensen and Meckling, 1976). Thus, the reduction in risk asymmetry through family control enhances a financial investment in the firm.

Relevant finance literature illustrates the conflict between influential owners and other stakeholders (Croci and Petmezas, 2010) that impact investment in the firm; therefore, undiversified shareholders may favor investment rules based on their risk preferences (Fama and Jensen, 1985). Family-controlled firms, however, have fewer

conflicts of interest since owners represent considerable shareholdings, and these firms tend to be undiversified. Although family-controlled firms prefer less long-term investment, they can mitigate firm-risk by making long-term investment decisions and continuing commitment to their firms (Anderson *et al.*, 2012). However, the findings of Andres (2011) suggest that family-controlled firms are more responsive to their investment opportunities compared with nonfamily firms, and thus, additional investment growth takes place in these firms.

Most firms operate as small and medium-sized enterprises (SMEs), and these firms are owned and operated by family members (Kallmuenzer, 2018). Family control in the firm enhances investment for innovation purposes. However, investment decisions in family-controlled firms are influenced by incentives associated with the ownership structure, and these family-owned firms tend to rely on internal financing sources that come from family savings and owners' personal savings (Andres, 2011). Kallmuenzer (2018) found that the entrepreneurial family is a crucial driver for the firm's innovation, which can be done through investment(s). Although family ownership and control encourage investment in the firm, Anderson *et al.* (2012) found that family-owned firms prefer less long-term investments and are receptive to investing in physical assets than riskier research and development projects.

The findings of Choi *et al.* (2015) showed a negative relationship between family ownership and research and development investment, but the relationship becomes positive when growth opportunities are present. Cao *et al.* (2018) found that institutional ownership generally improves firm investment efficiency. The findings of Panousi and Papanikolaou (2012) showed that firm investment increases when managers own a larger fraction of the firm, and investment in the firm decreases when the idiosyncratic risk (unsystematic risk) rises. In summary, family control enhances an investment in the firm. Accordingly, the following hypothesis:

Second hypothesis: *Firm investment is positively associated with family control.*

3. Methodology

This study used a survey research design to study family business owners' opinions, attitudes, preferences, and behaviors and collect data (Gall *et al.*, 1996). Since it was impossible to obtain a list of all members of the business industry's focal population, a non-probabilistic (purposive) sample was obtained to screen research participants (Huck, 2008). The Canadian focal population included owners/operators of family business firms for British Columbia, Saskatchewan, Ontario, and Alberta provinces of Canada, and the Indian focal population included family business owners living in Punjab, Haryana, Himachal Pradesh, Maharashtra, Rajasthan, and the Utter Pradesh States of India. To avoid sampling bias, the data collection team selected research participants who represented the target population.

An exhaustive list of family business owners' names and telephone numbers was created to distribute surveys and conduct telephone and in-person interviews for data

collection. While the sample from Canada included 750 research participants, the Indian sample included 900 research participants encompassing family business firms' owners. Two hundred thirty-two (232) surveys were successfully collected from Canada, and four of them were non-usable. Two hundred ninety-nine (299) surveys were collected from India, and six of them were non-usable. Thus, the response rate was 30.93% from Canada and 33.22% from India. The remaining population was assumed to be similar to the research participants. All the research participants were assured that their confidentiality would be strictly maintained. Of course, no one was forced to participate in the study. A majority of surveys came from the micro and small family business firms. Appendix A shows the survey questionnaire, and Table 1 describes measurements of all the independent and dependent variables.

Table 1. Measurement of Variables

Variables		Measurement
Intrafamily Succession Intention	*S_INTENTION*	Measured as a dummy variable with assigned value 1 if a research participant says yes to intrafamily succession intentions and 0 if a research participant says no to intrafamily succession intentions.
Firm Investment	*F_INVEST*	Measured as the actual average investment in the firm over the last five years.
Firm Performance	*FP*	Measured as the actual average net income divided by average sales over the last five years.
Family Ownership	*F_OWNERSHIP*	Measured as the actual percentage of family ownership of the firm over the last five years.
Family Management	*F_MGMNT*	Measured as a dummy variable with assigned value 1 if a research participant says yes to 'family members managed the firm' and 0 if a research participant says no to 'family members managed the firm' over the last five years.
CEO Duality	*CD*	CEO duality (*CD*) is a dummy variable with an assigned value of 1 if a business owner is both CEO and Chair of the Board of Directors in the same company, 0 otherwise.
Internal Financing Sources	*IFS*	Measured as a dummy variable with an assigned value of 1 if a research participant says yes to adequate internal (personal and family) financing sources to invest in a family business firm and 0 if a research participant says no to adequate internal (personal and family) financing sources to invest in the family business firm.
Assets	*ASSETS*	Measured as the total assets of the family business firm.
Sales	*SALES*	Measured as the actual sales of the family business firm.
Firm Age	*F_AGE*	Measured as the actual age of the family business firm.
Firm Location	*F_LOC*	A dummy variable with assigned value 1 if a research participant lives in an urban area and 0 if a research

		participant lives in a rural area.
Owner Age	*O_AGE*	Measured as the actual age of a family business owner.
Owner Education	*O_EDU*	A categorical variable with an assigned value of 1 = High school or less 2 = College diploma 3 = Bachelor's degree 4 = Master's degree 5 = Ph.D. degree or more.
Owner Experience	*O_EXP*	Measured as the actual number of years of owner experience.
Female Gender	*FEM*	A dummy variable indicating whether family business owners report that they are female.
Industry	*IND*	Assigned 1 for production firms and 0 for service firms.

Note: To reduce heteroscedasticity (i.e., stabilize variance), the natural logarithm (ln) was calculated for firm investment, assets, sales, firm age, and owner experience.

4. Analysis and Discussion

4.1 Econometric Models

Literature indicates that family control (measured by *F_OWNERSHIP, F_MGMNT*, and *CD*) not only improves succession intention (*S_INTENTION*) of the family business owners but also enhances firm investment (*F_INVEST*). The following regression models were used to test hypotheses:

$$S\_INTENTION_i = \alpha_0 + \alpha_1 F\_OWNERSHIP_i + \alpha_2 F\_MGMNT + \alpha_3 CD + \sum \beta X_i + \varepsilon_i \quad (1)$$

$$F\_INVEST_i = \beta_0 + \beta_1 F\_OWNERSHIP_i + \beta_2 F\_MGMNT + \beta_3 CD + \sum \beta X_i + \varepsilon_i \quad (2)$$

In the above regression Models, i refers to the individual family business firm, and X_i represents individual control variables corresponding to family business firm i. ε_i is a normally distributed disturbance term. In the estimated Model 1, α_1, α_2, and α_3 measure the magnitude at which family control increases the family business owners' succession intention. In the estimated Model 2, β_1, β_2, and β_3 measure the magnitude at which family control enhances firm investment. Equation 1 was used to test the first hypothesis, and Equation 2 was used to test the second hypothesis by considering the different sets of control variables once at a time. Because succession intention (dependent variable) is a dummy variable, the coefficients of variables of Model 1 were estimated by applying logistic regression. In Model 2, the variables' coefficients were estimated using the ordinary least squares (OLS) method for firm investment (dependent variable) because it is a continuous variable.

4.2 Descriptive Statistics

Table 2 shows and compares descriptive statistics between Canada and India. The mean scores of *S_INTENTION* of Indian family business owners and *F_INVEST* in India are higher compared with Canadian family business owners (0.72 versus 0.57) and *F_INVEST* in Canada (14.62 versus 12.78), all significant at the one percent level. Likewise, the mean score of *F_OWNERSHIP* in India is higher compared with *F_OWNERSHIP* in Canada (0.64 versus 0.57), significant at the five percent level.

The mean score of *IFS* in Canada is higher compared with the mean score of *IFS* in India (0.72 versus 0.66), significant at the ten percent level. Similarly, the mean scores of *ASSETS* and *SALES* are higher in India compared with Canada (14.59 and 15.64 versus 12.80 and 14.99), all significant at the one percent level. Likewise, the average *F_AGE* of Canadian firms is higher compared with Indian firms (2.54 versus 2.40), significant at the five percent level. Further, the average *FP* of Indian firms is higher compared with Canadian firms (0.31 versus 0.28), significant at the five percent level.

O_AGE's mean score is higher in Canada compared with *O_AGE* in India (3.80 versus 3.70), significant at the one percent level. Similarly, the mean scores of *F_LOC* and *FEM* are higher in India compared with the mean scores of *F_LOC* and *FEM* in Canada (0.78 and 0.78 versus 0.72 and 0.69), significant at the ten percent and five percent levels, respectively.

Table 2. Descriptive Statistics

	Canada (N = 228)					India (N = 293)							
	Mean	**SD**	**Minimum**	**Median**	**Maximum**	**Mean**	**SD**	**Minimum**	**Median**	**Maximum**	**Canada**	**India**	**Mean Differences**
S_INTENTION	0.57	0.50	0	1	1	0.72	0.45	0	1	1	0.57	0.72	-0.15**
F_INVEST	12.78	1.04	11.35	12.61	16.38	14.62	1.19	11.23	14.51	18.42	12.78	14.62	-1.84**
F_OWNERSHIP	0.57	0.31	0.10	0.50	1.00	0.64	0.28	0.10	0.70	1.00	0.57	0.64	-0.07*
F_MGMNT	0.71	0.46	0	1	1	0.73	0.45	0	1	1	0.71	0.73	-0.02
CD	0.67	0.47	0	1	1	0.73	0.44	0	1	1	0.67	0.73	-0.06
IFS	0.72	0.45	0	1	1	0.66	0.48	0	1	1	0.72	0.66	0.06†
ASSETS	12.80	1.09	11.16	12.62	16.52	14.59	1.20	11.16	14.51	18.42	12.80	14.59	-1.79**
F_AGE	2.54	0.76	0.00	2.71	3.71	2.40	0.64	0.00	2.40	4.17	2.54	2.40	0.14*
SALES	14.99	1.25	12.58	15.51	17.30	15.64	1.10	12.61	15.88	18.60	14.99	15.64	-0.65**
FP	0.28	0.17	0.03	0.21	.71	0.31	0.14	0.06	0.29	0.73	0.28	0.31	-0.03*
O_AGE	3.80	0.26	3.09	3.86	4.30	3.70	0.22	2.94	3.71	4.17	3.80	3.70	0.10**
O_EDU	2.43	1.03	1	3	4	2.49	1.00	0	3	4	2.43	2.49	-0.06
O_EXP	2.52	0.76	0.00	2.64	3.71	2.51	0.63	0.00	2.64	3.69	2.52	2.51	0.01
F_LOC	0.72	0.45	0	1	1	0.78	0.41	0	1	1	0.72	0.78	-0.06†
FEM	0.69	0.46	0	1	1	0.78	0.41	0	1	1	0.69	0.78	-0.09*
IND	0.03	0.16	0	0	1	0.01	0.12	0	0	1	0.03	0.01	0.02

Notes: † p<0.10, * p<0.05, and ** p<0.01; Variables include intrafamily succession intention (*S_INTENTION*), firm investment (*F_INVEST*), family ownership (*F_OWNERSHIP*), family management (*F_MGMNT*), CEO duality (*CD*), internal financing sources (*IFS*), firm's assets (*ASSETS*), firm age (*F_AGE*), sales (*SALES*), firm performance (*FP*), owner age (*O_AGE*), owner education (*O_EDU*), owner experience (*O_EXP*), firm location (*F_LOC*), female gender (*FEM*), and industry (*IND*). *SD* = Standard Deviation

Table 3 provides and compares Pearson Bi-variate Correlation analysis. The Canadian sample shows that *F_INVEST, F_OWNERSHIP, F_MGMNT, ASSETS*, and *SALES* are positively and significantly correlated with *S_INTENTION* ($\rho_{F\_INVEST,\ S\_INTENTION}$ = 0.442; $\rho_{F\_OWNERSHIP,\ S\_INTENTION}$ = 0.352; $\rho_{F\_MGMNT,\ S\_INTENTION}$ = 0.393; $\rho_{ASSETS,\ S\_INTENTION}$ = 0.417; and $\rho_{SALES,\ S\_INTENTION}$ = 0.326), implying that firm investment, family ownership, family management of the firm, assets, and sales encourage Canadian family business owners for intrafamily succession. Similarly, the Indian sample shows that *F_OWNERSHIP, F_MGMNT, CD, IFS, ASSETS*, and *O_EDU* are positively and significantly correlated with *S_INTENTION* ($\rho_{F\_OWNERSHIP,\ S\_INTENTION}$ = 0.483; $\rho_{F\_MGMNT,\ S\_INTENTION}$ = 0.720; $\rho_{CD,\ S\_INTENTION}$ = 0.177; $\rho_{IFS,\ S\_INTENTION}$ = 0.197; $\rho_{ASSETS,\ S\_INTENTION}$ = 0.123; and $\rho_{O\_EDU,\ S\_INTENTION}$ = 0.150), suggesting that family ownership, family management of the firm, CEO duality, internal financing sources, assets, and owner education encourage Indian family business owners for intrafamily succession.

Likewise, *S_INTENTION, F_OWNERSHIP, IFS, ASSETS, SALES, O_AGE*, and *IND* are positively and significantly correlated with *F_INVEST* ($\rho_{S\_INTENTION,\ F\_INVEST}$ = 0.442; $\rho_{F\_OWNERSHIP,\ F\_INVEST}$ = 0.370; $\rho_{IFS,\ F\_INVEST}$ = 0.136; $\rho_{ASSETS,\ F\_INVEST}$ = 0.830; $\rho_{SALES,\ F\_INVEST}$ = 0.507; $\rho_{O\_AGE,\ F\_INVEST}$ = 0.167; and $\rho_{IND,\ F\_INVEST}$ = 0.284), indicating that succession intention, family ownership, internal financing sources, assets, sales, owner age, and industry enhance firm investment in Canada. Further, *F_OWNERSHIP, CD, IFS, ASSETS, F_AGE, SALES, O_AGE, O_EDU, O_EXP*, and *F_LOC* are positively and significantly correlated with *F_INVEST* ($\rho_{F\_OWNERSHIP,\ F\_INVEST}$ = 0.317;

$\rho_{CD,\ F\_INVEST}$ = 0.173; $\rho_{IFS,\ F\_INVEST}$ = 0.328; $\rho_{ASSETS,\ F\_INVEST}$ = 0.972; $\rho_{F\_AGE,\ F\_INVEST}$ = 0.117; $\rho_{SALES,\ F\_INVEST}$ = 0.644; $\rho_{O\_AGE,\ F\_INVEST}$ = 0.206; $\rho_{O\_EDU,\ F\_INVEST}$ = 0.154; $\rho_{O\_EXP,\ F\_INVEST}$ = 0.256; and $\rho_{F\_LOC,\ F\_INVEST}$ = 0.180), implying that family ownership, CEO duality, internal financing sources, assets, firm age, sales, owner age, owner education, owner experience, and firm location enhance firm investment in India. However, *FP* is negatively and significantly correlated with *S_INTENTION* ($\rho_{FP,\ S\_INTENTION}$ = -0.194 and $\rho_{FP,\ S\_INTENTION}$ = -0.139) and *F_INVEST* ($\rho_{FP,\ F\_INVEST}$ = -0.301 and $\rho_{FP,\ F\_INVEST}$ = -0.236), suggesting that firm performance reduces the intentions of family business owners for intrafamily succession and firm investment in both countries Canada and India, respectively.

Table 3. Correlation Analysis

					Canada			
	S_INTENTION	*F_INVEST*	*F_OWNERSHIP*	*F_MGMNT*	*CD*	*IFS*	*ASSETS*	*F_AGE*
S_INTENTION	1							
F_INVEST	0.442**	1						
F_OWNERSHIP	0.352**	0.370**	1					
F_MGMNT	0.393**	0.111	0.218**	1				
CD	0.100	0.057	0.154*	0.116	1			
IFS	-0.002	0.136*	0.045	0.183**	0.104	1		
ASSETS	0.417**	0.830**	0.344**	0.083	0.024	0.064	1	
F_AGE	-0.043	0.046	-0.162*	0.103	0.122	0.194**	0.066	1
SALES	0.326**	0.507**	0.146*	-0.008	-0.043	0.007	0.517**	-0.163*
FP	-0.194**	-0.301**	0.016	0.020	0.071	0.070	-0.265**	0.271**
O_AGE	0.069	0.167*	-0.087	0.113	0.320**	0.108	0.191**	0.545**
O_EDU	0.005	-0.021	-0.105	-0.027	0.245**	-0.035	-0.028	0.132*
O_EXP	-0.021	0.106	-0.075	0.130*	0.150*	0.091	0.101	0.718**
F_LOC	-0.072	-0.080	-0.044	-0.019	-0.050	0.202**	-0.112	0.149*
FEM	0.009	-0.061	-0.030	0.148*	0.147*	0.093	-0.092	0.115
IND	0.087	0.284**	0.097	0.106	0.058	0.040	0.290**	0.197**

	SALES	*FP*	*O_AGE*	*O_EDU*	*O_EXP*	*F_LOC*	*FEM*	*IND*
SALES	1							
FP	-0.780**	1						
O_AGE	-0.015	0.120	1					
O_EDU	-0.181**	0.198**	0.177**	1				
O_EXP	-0.211**	0.280**	0.711**	0.197**	1			
F_LOC	-0.211**	0.270**	-0.019	0.094	0.137*	1		
FEM	-0.214**	0.219**	0.044	0.063	0.065	0.169*	1	
IND	0.010	0.064	0.122	0.117	0.157*	-0.141*	0.111	1

					India			
	S_INTENTION	*F_INVEST*	*F_OWNERSHIP*	*F_MGMNT*	*CD*	*IFS*	*ASSETS*	*F_AGE*
S_INTENTION	1							
F_INVEST	0.102	1						
F_OWNERSHIP	0.483**	0.317**	1					
F_MGMNT	0.720**	-0.064	0.336**	1				
CD	0.177**	0.173**	0.075	0.125*	1			
IFS	0.197**	0.328**	0.137*	0.104	0.295**	1		
ASSETS	0.123*	0.972**	0.305**	-0.048	0.171**	0.337**	1	
F_AGE	0.049	0.117*	0.038	0.068	0.206**	0.078	0.124*	1
SALES	0.024	0.644**	0.093	-0.034	0.135*	0.278**	0.634**	0.175**

FP	-0.139*	-0.236**	-0.108	-0.036	-0.084	-0.179**	-0.241**	-0.034
O_AGE	0.091	0.206**	0.032	0.041	0.283**	0.212**	0.225**	0.529**
O_EDU	0.150*	0.154**	0.180**	0.018	-0.029	0.177**	0.166**	-0.095
O_EXP	0.029	0.256**	0.043	-0.005	0.237**	0.102	0.270**	0.637**
F_LOC	0.108	0.180**	0.175**	-0.009	0.104	0.068	0.195**	-0.046
FEM	-0.057	-0.045	0.010	-0.101	0.229**	-0.036	-0.030	0.041
IND	-0.057	0.095	-0.043	0.072	0.006	-0.038	0.098	0.093

	SALES	*FP*	*O_AGE*	*O_EDU*	*O_EXP*	*F_LOC*	*FEM*	*IND*
SALES	1							
FP	-0.295**	1						
O_AGE	0.191**	-0.131*	1					
O_EDU	0.166**	-0.233**	-0.042	1				
O_EXP	0.198**	-0.076	0.715**	-0.138*	1			
F_LOC	0.022	-0.086	0.034	0.078	0.048	1		
FEM	-0.175**	0.065	0.062	-0.137*	0.109	0.020	1	
IND	0.093	-0.142*	0.109	0.001	0.027	-0.223**	-0.009	1

Notes: * p<0.05, and ** p<0.01. Variables include intrafamily succession intention (*S_INTENTION*), firm investment (*F_INVEST*), family ownership (*F_OWNERSHIP*), family management (*F_MGMNT*), CEO duality (*CD*), internal financing sources (*IFS*), firm's assets (*ASSETS*), firm age (*F_AGE*), sales (*SALES*), firm performance (*FP*), owner age (*O_AGE*), owner education (*O_EDU*), owner experience (*O_EXP*), firm location (*F_LOC*), female gender (*FEM*), and industry (*IND*).

4.3 Regression Analysis

Table 4 reports the estimated coefficients of Equations (1) and (2). The findings show that while *S_INTENTION* is positively and significantly associated with *F_OWNERSHIP, F_MGMNT*, and *ASSETS* in Canada, it is positively and significantly associated with *F_OWNERSHIP, F_MGMNT,* and *O_EDU* in India. The results show that while *F_INVEST* is positively and significantly associated with *F_OWNERSHIP, IFS, ASSETS,* and *O_EXP* in Canada, it is positively and significantly associated with *F_OWNERSHIP, ASSETS*, and *SALES* in India. The findings also show that *S_INTENTION* is negatively and significantly associated with *FP* and *IND* and *F_INVEST* is negatively and significantly associated with *F_MGMNT* in India.

The coefficients of *F_OWNERSHIP* and *F_MGMNT* in column (I) of Canada are positive and significant at the five percent and one percent levels, respectively, implying that family ownership and family management of the firm increase succession intentions of family business owners in Canada. Likewise, the coefficients of *F_OWNERSHIP* and *F_MGMNT* in column (I) of India are positive and significant at the one percent level, suggesting that the firm's family ownership and family management enhance succession intentions of family business owners in India. Thus, the first hypothesis is partially supported. The coefficients of *F_OWNERSHIP* in column (II) of Canada and column (II) of India are positive and significant at the five percent and one percent levels, respectively, indicating that family ownership enhances a firm investment in Canada and India. Thus, the second hypothesis is partially supported.

The coefficient of *ASSETS* in column (I) of Canada is positive and significant at the one percent level, suggesting that the higher level of assets increases family business owners' succession intentions in Canada. The coefficient of *O_EDU* in column (I) of India is positive and significant at the ten percent level, indicating that the owner education increases the succession intentions of family business owners in India. Likewise, FP and IND's coefficients are negative and significant at the ten percent and five percent levels, respectively, suggesting that firm performance and industry decrease succession intentions of family business owners in India.

The coefficients of *IFS, ASSETS,* and *O_EXP* in column (II) of Canada are positive and significant at the five percent, one percent, and ten percent levels, respectively, indicating that the internal financing sources, firm's assets, and owner experience increase firm investment in Canada. Similarly, the coefficients of *ASSETS* and *SALES* in column (II) of India are positive and significant at the one percent and five percent levels, respectively, suggesting that assets and sales increase firm investment in India. Likewise, the coefficient of *F_MGMNT* is negative and significant at the five percent level, implying that the firm's family management decreases firm investment in India.

In summary, regardless of individual model specifications, results repeatedly show that family ownership increases family business owners' succession intentions and enhances a firm investment in Canada and India. Bootstrapping was used as a robust check of results' stability and found very similar results to the previous results.

Table 4. Regression Results[†]

Dependent Variables* = *S_INTENTION* and *F_INVEST

	Canada (Logit/OLS Regressions)		***India (Logit/OLS Regressions)***	
Variables	*I*	*II*	*I*	*II*
	S_INTENTION	*F_INVEST*	*S_INTENTION*	*F_INVEST*
F_OWNERSHIP	1.597*	0.366*	3.788**	0199**
	(2.44)	(2.53)	(3.99)	(2.92)
F_MGMNT	2.191**	-0.002	4.706**	-0.100*
	(5.21)	(-0.03)	(8.05)	(-2.45)
CD	0.112	0.020	0.594	0.051

[†] While Indian data analysis shows that the lowest tolerance is 0.361 and the highest Variance Inflation Factor (*VIF*) is 2.770, Canadian data analysis shows that the lowest tolerance is 0.269 and the highest *VIF* is 3.722, indicating that multicollinearity is not a serious issue. Rogerson (2001) recommends a *VIF* value lower than 5.

	(0.28)	(0.22)	(1.06)	(1.24)
IFS		0.195*		0.003
		(2.19)		(0.07)
ASSETS	0.971**	0.668**	0.336	0.917**
	(3.41)	(14.22)	(1.31)	(45.58)
F_AGE	-0.026	-0.069	-0.192	-0.100
	(-0.08)	(-0.93)	(-0.41)	(-0.92)
SALES	0.428	0.070	-0.396	0.054*
	(1.59)	(1.22)	(-1.35)	(2.64)
FP	0.713	-0.535	-3.307†	0.026
	(0.41)	(-1.42)	(-1.90)	(0.21)
O_AGE	0.334	-0.081	1.586	-0.100
	(0.33)	(-0.37)	(1.01)	(-0.92)
O_EDU	0.247	0.022	0.488†	-0.019
	(1.31)	(0.57)	(1.81)	(-1.10)
O_EXP	-0.408	0.149†	-0.109	0.014
	(-1.04)	(1.67)	(-0.20)	(0.33)
F_LOC	0.121	0.056	0.522	-0.029
	(0.29)	(0.61)	(0.94)	(-0.68)
FEM	0.164	0.048	-0.068	-0.054
	(0.41)	(0.56)	(-0.12)	(-1.27)
IND	-1.139	0.420	-3.287*	0.053
	(-0.78)	(1.63)	(-2.32)	(0.36)
Constant	-21.985**	2.940**	-8.748	0.774†
	(-4.32)	(2.97)	(-1.37)	(1.74)
N	228	228	293	293
χ^2*-test / F-test*	101.55**	40.05**	209.12**	363.50**
Pseudo R^2 */* R^2	0.327	0.727	0.600	0.946

Notes: † p<0.10, * p<0.05, and ** p<0.01; In the regression models, the dependent variables are succession intention (*S_INTENTION*) and firm investment (*F_INVEST*). Independent variables include family ownership (*F_OWNERSHIP*), family management (*F_MGMNT*), CEO duality (*CD*), internal financing

sources (*IFS*), firm's assets (*ASSETS*), firm age (*F_AGE*), sales (*SALES*), firm performance (*FP*), owner age (*O_AGE*), owner education (*O_EDU*), owner experience (*O_EXP*), firm location (*F_LOC*), female gender (*FEM*), and industry (*IND*).

5. Discussion, Conclusion, Implications, and Recommendations for Future Research

This study's primary purpose was to analyze the impact of family control (measured by family ownership, family management of the firm, and CEO duality) on family business owners' succession intentions and firm investment in Canada and India. This study's findings show that family control plays some role in enhancing the succession intentions of the family business owners and firm investment in Canada and India. The findings of this study lend some support to the findings of Zhou *et al.* (2016) in that family control affects the intrafamily succession intentions of the family business owners. The findings of this study also lend some support to the findings of Andres (2011); Anderson *et al.* (2012); Choi *et al.* (2015); and Cao *et al.* (2018) in that family control enhances firm investment.

Firm assets increase the succession intentions of the family business owners in Canada. While owner education enhances family business owners' succession intentions, firm performance, and industry decrease family business owners' succession intentions in India. The negative association between firm performance and succession intention may be because Indian family business owners perceive that they can benefit more by selling a small business firm than transferring to other family members.

While internal financing sources, assets, and owner experience enhance firm investment in Canada, assets and sales increase firm investment in India. The t-values for the *ASSETS* variable and R^2 are high (i.e., 45.58), showing in Column (II) of Canada and India (see Table 4). This may be because of the high correlations between *ASSETS* and *F_INVEST* variables. This study used subjective measurements; therefore, research participants could have perceived firm investment the same as the firm's assets value in most cases. A negative association between family management of the firm and firm investment maybe because most Indian families run more than one family business firm, and owners do not want to invest all money in a particular family business enterprise. Besides, because of the joint family system in India (Chadda and Deb, 2013), these investment decisions, most of the time, are made by the head of the family (father or older brother). In conclusion, family control plays some role in enhancing family business owners' succession intentions and increasing firm investment in Canada and India. However, the impact of family ownership on family business owners' succession intentions and firm investment is higher in India than in Canada.

Although this study provides useful results, the limitations of the study should not be ignored. Family business owners who perceive a higher level of family control are more likely to perceive a higher level of firm investment in their firms and heighten their succession intention. Family control may not have the same effect on

every family business firm. Therefore, the results may not be generalized to every family business firm. Further, the findings should be used with caution and may only be generalized to family business firms similar to those that were included in this research.

The research was limited to parts of Canada and India; therefore, the generalizability of results and implications require further research, one of both a quantitative and qualitative nature, conducted among other regions of Canada and India and their demographics and in other countries. Future studies can improve the methodological focus and framework by collecting data from many family business firms and including among the investigated variables and other qualifying elements such as corporate governance.

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Appendix A

1) Please describe your firm:

Service Production

2) Please describe your company location:

Urban Rural Area

3) Please indicate your gender:

Male Female

4) Please indicate your age: _____ Years

5) Please indicate the highest level of your education:

High school or less Two-year college diploma Bachelor's degree

Master's degree Ph.D. degree

6) Please indicate the number of years you have been involved in this business: _____ Years

7) Are you the chairperson of the directors (decision-maker) in the firm?

Yes No

8) Do you have adequate internal (personal and family) financing sources to invest in your firm?

Yes No

9) Please indicate the age of your firm: Firm Age: _____ Years

10) Over the last 5 years, please describe your total assets: $/INR: _____

11) Over the last 5 years, please describe your total sales: $/INR: _____

12) Over the last 5 years, please describe your total net income: $/INR: _____

13) Over the last 5 years, please describe your total investment in the firm: $/INR: _____

14) Over the last 5 years, please describe your ownership structure: _____% of shares owned by family (e.g., 85% or 100%)

15) Over the last 5 years, did family members manage your business?

Yes No

16) Do you have intentions for succession (e.g., transferring business ownership to family)?

Yes No