

## Succession Planning Among Ethnic Groups: A Look at Family Business Owners

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Succession planning for family business owners has been widely examined in literature; however, little evidence is readily available that describes how ethnic groups differ in this regard. Using data from the 2003 and 2005 National Minority Business Owners Surveys (NMBOS), this descriptive study was to explore succession planning across four ethnic groups in the U.S. In particular, this study examined the effects of ethnicity on succession planning and investigated factors that might be associated with having succession planning. The total sample included 808 small business owners. The sub-samples consisted of 198 Black owners, 200 Korean owners, and 200 Mexican owners. For comparison purposes, 210 White small business owners were included in the analyses. A logistic regression was conducted to examine the effect of ethnic background on the probability of having succession planning and to determine business and business owner characteristics that predicted the probability of having succession planning among the minority family business owners.

According to the descriptive results, about 57 percent of family business owners reported that they would keep their businesses until they would retire, while 43.5 percent of them would sell or close their businesses before they would retire. Korean and Mexican family business owners were more likely than Black and White business owners to own or keep the business until retirement. Among business owners who were willing to keep their businesses until they would retire, 17.3 percent of them had an expectation of transferring their businesses to their children, while 7.4 percent of them expected to transfer their family businesses to other family members. Among the four ethnic groups, Black and Mexican family business owners reported they would like to transfer their businesses to their children upon retirement. Conversely, Korean business owners reported that they would like to sell the business upon retirement. The multivariate results showed that ethnic difference had a statistically significant effect on the probability of having succession planning, indicating that both Black and Mexican business owners were more likely to have succession planning than were White business owners.

The findings of this study suggest that many minority family business owners might not be aware of the significance of successful transfers of their businesses or they might not know how such planning would be developed and implemented for the future. The results of logistic regression analysis indicate that all else being equal, first generation family firms, those with less business revenues, and female owners were less likely to have succession planning as compared to the second generation family businesses, those with more business revenues, and male business owners. Professionals working with small family businesses with these characteristics should encourage business owners to consider succession planning as a well thought out process, and therefore initiate a strategic plan to smoothly transfer their businesses to the next generation, which could be their children. In conclusion, this study was intended to contribute to the current body of knowledge in succession planning of small family firms with particular emphasis on differences among various ethnic groups. In that regard, the results should provide a useful foundation for additional research including analyses that involves other ethnic groups as well.

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