Only a third of family businesses survive to the second generation, and the key to survival may be a successor's ability to maintain an entrepreneurial spirit.

Dr Shruti Sardeshmukh from the School of Management’s Centre for Human Resource Management has been studying family businesses in collaboration with Associate Professor Andrew Corbett from Babson College (USA). The research team studied 119 manufacturing organisations in the north-eastern United States. All of these organisations had started as family businesses and undergone at least one succession. The researchers surveyed the family members who were currently in senior management roles at the firms.

In this issue
Being ready when opportunity knocks pp.1–2
What is the Centre for Human Resource Management? – p.3
CHRM is on LinkedIn! – p.3
CHRM Forums – p.3
Introducing our new researchers – p.4
What CHRM is working on – p.4

Continued on page 2
Being ready when opportunity knocks

(continued from page 1)

Family businesses frequently struggle from one generation to the next. In particular, many family firms seem to lose the entrepreneurial capacity that drove them in the early days. ‘If the second- or third-generation family member who takes over the business can spot growth opportunities, the business has a much better chance of making a go of it in the long run’ Dr Sardeshmukh confirmed.

Family businesses usually take one of two routes to develop successors. One route encourages the next generation to learn the family business from within. ‘In some family firms, parents groom their children from a young age’ Dr Sardeshmukh explained. ‘Sons and daughters work in the business after school and during the holidays. And when they finish school, they take a position in the firm and work their way up.’ This route helps successors to develop firm-specific human capital – skills that apply specifically to their family business.

Other families encourage the next generation to develop general human capital through education and work experiences outside the family business. ‘Parents might think that their business needs more management and accountancy expertise, and encourage their children to attend University and develop those professional skills!’ Dr Sardeshmukh elaborated. ‘After cutting their teeth in other contexts, the children return to their family business in senior management positions.’

The research team wanted to understand how firm-specific and general human capital helped successors to recognise new opportunities for the family business. The researchers asked successors how many years they had worked in, and outside, the family business. They also asked successors to describe the quality of the mentoring and training opportunities they had both inside and outside the family business. And they asked successors to describe any new opportunities their family firm had pursued since the successor had taken the helm.

The researchers found that the longer successors worked inside the family business before succession, the more likely they were to pursue new opportunities. But the longer successors worked outside the family business, the less likely they were to pursue opportunities. ‘Too much work outside the family firm seems to impede the successor’s ability to apply external information to the family firm’s unique internal context’ Dr Sardeshmukh explained.

Further, no matter where the successors had gained their work experience, the quality of that experience was critical. Successors with more high-quality experience in the family business were more confident that they could perform an entrepreneurial role within the firm and were more likely to recognise new growth opportunities.

“What matters is the quality of the experience.”

The importance of high-quality developmental opportunities was even more apparent when the research team looked at successors’ experiences outside the family firm. Successors who had high-quality external developmental opportunities were better able to integrate their external experiences with what they knew about the family business. This integrative ability gave successors with external experience an advantage in recognising opportunities to grow the family business.

Dr Sardeshmukh emphasises that quality trumps quantity in succession planning. ‘It doesn’t matter that much whether successors get their experience inside the family business or outside it. What matters is the quality of that experience. You can’t expect a successor to develop the right skills if the family only gives the child routine tasks or straightforward jobs.’


If you would like to learn more about the project and its results, contact:

Dr Shruti Sardeshmukh
shruti.sardeshmukh@unisa.edu.au
What is the Centre for Human Resource Management?

The Centre for Human Resource Management (CHRM) was established in 2008 and is housed in the School of Management on UniSA’s City West campus.

CHRM brings together researchers with expertise in human resource management (HRM) to address major HRM-related challenges in the South Australian and international contexts.

What’s New at CHRM?

CHRM is celebrating two new Discovery Grants funded by the Australian Research Council (ARC). One three-year grant was awarded to Profs Ying Zhu (International Graduate School of Business), John Benson (School of Management), and Michael Webber (University of Melbourne) and focuses on ‘The reality of China’s socialist market economy’ (see page 4 for details). The other is a two-year grant awarded to Dr Anthony McDonnell (School of Management) and colleagues at eight other Australian, European and North American institutions. This project is on ‘Testing the integration and differentiation of national employment systems’.

CHRM welcomes two new researchers Dr Yoshio Yanadori and Dr Yiqiong Li (more details about them on page 4). We also welcome four Summer Vacation Scholars: Harold Stapleton, Morena Koh, Alexandra Mannarino, and Shu Yi Lim. The summer scholarships give high-achieving undergraduate students the opportunity to work on projects with CHRM researchers.

We congratulate Dr Gerry Treuren, who has been elected to serve as a Regional Representative on the Australia and New Zealand’s Academy of Management (ANZAM) Board of Directors. ANZAM is the peak professional body for management researchers and educators in the Australia/New Zealand region.

Professor Carol T. Kulik
Director, CHRM

CHRM is on LinkedIn!

Want to keep up with the latest issues in human resource management? CHRM has created a virtual space for HR academics and HR practitioners to share research findings and industry experiences to develop relationships around common interests and concerns.

You can find us by going to www.linkedin.com and searching the LinkedIn groups for ‘UniSA Centre for Human Resource Management (CHRM)’.

When you join the group, you’ll be able to participate in lively discussions about today’s hot HR issues. Recently we’ve debated whether organisational practice or employee talent drives exceptional performance, considered how to increase the proportion of women in senior management positions, and discussed whether the mining boom is generating a labour, skills, or experience shortage.

See you soon on LinkedIn!

CHRM forums

Since 2008, CHRM has been the South Australian research partner for ASHRR – the Australian Senior Human Resources Roundtable. ASHRR is a network of senior HR executives whose aim is to facilitate a more effective dialogue between HR practice and research. The CHRM-ASHRR partnership sponsors twice-yearly events, forums in which local senior HR practitioners and HR academics can network and debate emerging HR issues.

The 2012 calendar of CHRM-ASHRR Forums is in preparation now. In one forum, we will explore the HR issues associated with cultivating a safe and healthy workplace. In the other forum, we will investigate the relationship between employee pay and organisational performance. Stay tuned for details.

If your organisation would like more information about the 2012 CHRM-ASHRR forums, please contact sanjee.perera@unisa.edu.au.
Introducing our new researchers

**Yoshio Yanadori**
Lecturer, School of Management
yoshio.yanadori@unisa.edu.au

Before joining UniSA in August 2011, Yoshio was Assistant Professor at Sauder School of Business at the University of British Columbia (Canada). He received his PhD from the School of Industrial and Labor Relations at Cornell University (USA). Yoshio is passionate about studying the design of organisational compensation systems. A recent study examined the impact of research and development employees’ compensation on firm innovativeness. He is currently investigating whether call centres that handle calls from aggressive customers offer higher pay to their customer service representatives to compensate for the unpleasant interactions – and whether higher pay is effective in reducing turnover and absenteeism among these customer service representatives.

**Yiqiong Li**
Postdoctoral Research Fellow, School of Management
yiqiong.li@unisa.edu.au

Yiqiong joined UniSA in June 2011 after she finished her PhD at the University of New South Wales. Her research focuses on HRM in multinational corporations. She studies how multinationals’ HRM policies, strategies and practices are impacted by local labour market conditions and the interactions among firms competing within the same market. Currently, her research site is China. Her PhD research examines how skill shortages, together with employee poaching and high turnover rates, are making it difficult for foreign-invested enterprises to develop effective recruitment, training, remuneration, and retention practices. Her co-edited book, *China’s changing workplace*, describes in detail how these challenges are influencing HRM practice in current China.

Would you like to receive future copies of our newsletter and updates on CHRM’s activities? Please join our mailing list by emailing sanjee.perera@unisa.edu.au

---

**What CHRM is working on**

**China’s New Reality**

Three decades of sweeping economic reforms have generated positive outcomes for Chinese society – rapid economic growth, increased foreign investment and trade, and growing foreign reserves.

But the reforms have a dark side. Rural and inland communities have been neglected in favour of developing urban and coastal areas. Unsustainable development practices have degraded China’s natural environment. The Chinese labour force is becoming segmented, with a small proportion of high-income skilled and professional workers and a much larger proportion of low-income unskilled and semi-skilled workers.

These economic disparities are increasingly a threat to social and industrial stability and are exerting pressure on the Chinese government, management and trade unions to protect disadvantaged workers. In response, Chinese officials and trade unions are experimenting with alternative regulatory frameworks and innovative management practices. Given the strong trade relationship between China and Australia, Australia would directly benefit if these institutional reforms and labour relations practices improved China’s stability and prosperity.

Profs Ying Zhu (International Graduate School of Business), John Benson (School of Management), and Michael Webber (University of Melbourne) are launching a three-year, ARC-funded project to examine how China’s economic reforms have intensified social inequality and to demonstrate the impact of those reforms on labour and management. Studying these changes will identify which institutional and management responses are most successful in managing economic inequality in China.

If you’d like to learn more about the project, contact:

**Professor Ying Zhu**
ying.zhu@unisa.edu.au

**Professor John Benson**
john.benson@unisa.edu.au