

**1B-1**

**A Study of the Relationships among Leadership Style, Psychological Capital of Successors, Generational Differences and Succession Performance of SME Family Enterprises—Taiwan hand tool industry as an example**

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## **Introduction**

- Family business inheritance is a formidable challenge. According to the American Family Business Institute research, only **30%** enterprises can be successfully passed on from the first generation to the second generation, **12%** passed on to the third generation, and only **3%** successfully passed on to the fourth generation.
- Wealth never survives three generations.

## Research Background

- According to 2020 the white paper on small and medium-sized enterprises of the ministry of economic affairs statistics, there are **1.49 millions** small and medium-sized enterprises in Taiwan, accounting for all enterprises **98%**.
- There **56%** SMEs still under control of the first generation.
- The enterprises established by most of the first-generation entrepreneurs from year 1970 to 1990 will face **the issue of succession in ten years**.

## Research Questions

- Taiwan's hand tool industry entrepreneurs are mostly post-war baby boomers. Will the **predecessor leadership styles** be handed over to the next generation?
- Most the first generation has a low level of education, and the second generation generally received higher education, even study abroad, whether the second generation has positive **psychological capital** to take on smaller traditional hand tools industries?
- Because different views and perspectives between the two generations, leading to differences in business values and concepts between the two generations cause **generation gap**, whether it affects the willingness of the second generation to succeed, and even affects **succession achievement**?

## Research Purpose

According to the discussion of the research background and research motivation, the purpose of this study is to investigate the relationship among **predecessor leadership style, successor psychological capital, generational difference and succession performance** in Taiwan hand tool industry.

## Small and Medium Enterprises

SME refers to legally registered companies which the **paid-in capital is less than NT\$100 million or the number of regular employees is less than 200**. (regulations of the ministry of economic affairs of the republic of china, 2020 establishment of SME identification standards article 2 )



## Leadership Style

Leadership style is directed by influences of personality, company and family history, previous leadership styles, external circumstances, hope, emotional awareness and empathy (Stavrou et al., 2005). The leadership style can be categorized as **autocratic leadership**, **democratic leadership** and **paternalistic leadership** (Mussolino and Calabro, 2014).

## Psychological Capital

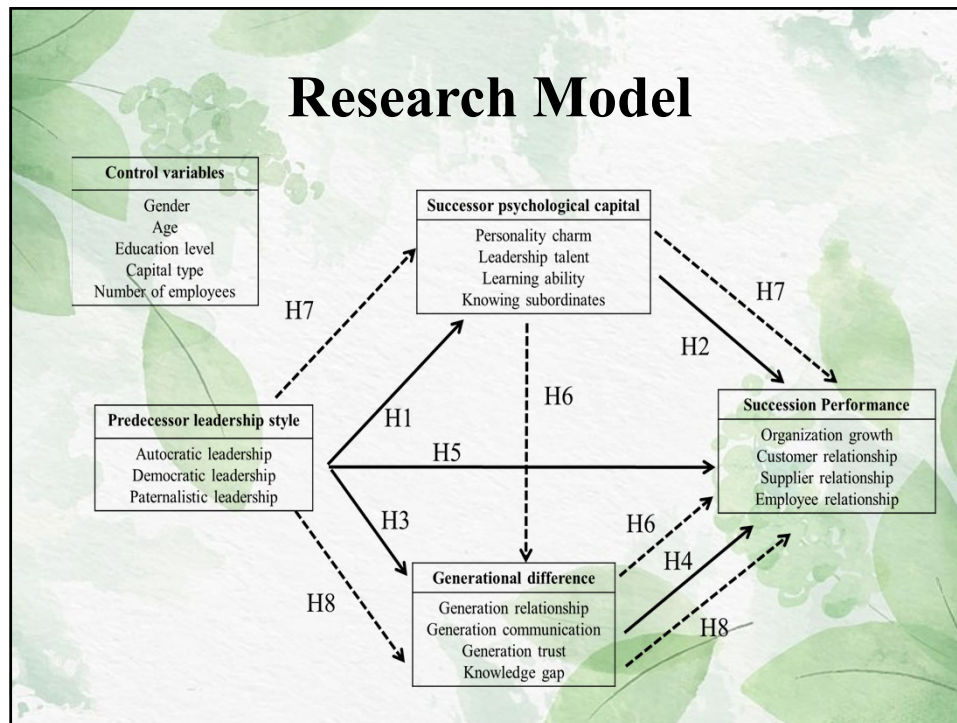
Family business successors should have the following four qualities: **charisma**, **leadership**, **learning ability** and **knowing subordinates** (Yuan, Zhu and Liu, 2007).

## Generational Difference

Explore different identities and cultures exist in each generation, **baby boomers** (born in year 1946 to 1964), **X generations** (born in year 1965 to 1980), and **Y generations or millennials** (born after year 1980), each group has its own unique characteristics, values and attitudes towards work (Jenkins 2007).

## Succession Performance

In order to make the business successful, the successors must strive to achieve **organization growth** and enhance **customer relationship**, **supplier relationship** and **employee relationship**, so as not to damage **existing goodwill**. (Gaumer and Shaffer, 2018 ).



## Questionnaire Design

In order to achieve the purpose of the research, this study based on the literature review and research model to design the questionnaires.

- control variables: **5 questions**
- leadership style: **3 dimensions, 12 questions**
- successor psychology capital: **4 dimensions, 16 questions**
- generation difference: **4 dimensions, 14 questions**
- succession performance: **4 dimensions, 16 questions**



## Data Collection

The data was collected in **May 2022**. The questionnaires were sent to 464 members of the Taiwan hand tool industry association. There are **151 samples are valid** for the research analysis after deleting **31 invalid** questionnaires from the **182** responded manufacturers.

## Statistic Analysis

- Factor Analysis
- Common Method Variance
- Descriptive Analysis
- Structure Equation Model
- Sobel (1982) Mediation Effect Test

## Sample Description

- Successor **female 63.57%**, male 36.42%.
- **Age 40-50 35.76%**, Age 30-40 23.84%.
- **Graduate school or above 37.74%**, Bachelor 34.43%.
- Capital **under 5million 33.11%**; 5-10million 23.84%.
- **Employees under 20 people 46.35%** , 20-50 employee 27.81% .

## Predecessor Leadership Style

- **Autocratic leadership 11.92%**
- Democracy leadership 41.72%
- **Paternalistic leadership 46.36%**



## Findings (1)

H1-1 The predecessor's **autocratic** leadership has **negative impact** on successor's psychological capital.

H1-2 The predecessor's **democratic** leadership can **improve** the successor's psychological capital.

H1-3 The predecessor's **paternalistic** leadership has the **most significantly positive impact** on the successor's **psychological capital**.

## Findings (2)

H2 The successor's psychological capital significantly and positively affect succession performance.

### Findings (3)

H3-1 Predecessor's autocratic leadership has **negative** effects on **generational relationship**.

H3-2 Predecessor's democratic leadership has a positive effect on generational **communication**.

H3-3 Predecessors' paternalistic leadership also has a good impact on generational **communication**.

### Findings (4)

H4 Generational differences positively contribute to succession performance.

## Findings (5)

H5-1 The autocratic leadership of the predecessor has a **negative** effect on succession performance.

H5-2 The predecessor's democratic leadership has a **positive** effect on succession performance.

H5-3 The predecessor's paternalistic leadership has a **positive** effect on the succession performance.

## Findings (6)

H6 Successors' psychological capital does **not have the mediation effect** between the intergenerational differences and the succession performance.



## Findings (7)

H7-1 Successor psychological capital **does not have** the mediation effect between autocratic leadership and succession performance.

H7-2 Successor psychological capital **has the mediation effect** between the democratic leadership and succession performance.

H7-3 Successor psychological capital **has** the mediations effect between paternalistic leadership and succession performance.

## Findings (8)

H8 **Generational difference has no mediation effect** between any of the three predecessor's leadership style and succession performance.

## Summary

- There are more and more **female successors** in Taiwan family business.
- **Democratic leadership and paternalistic leadership** is a better choice for succession performance, especially the paternalistic style.
- Successors' **psychology capital investment** is worthy for SME family enterprises.
- How to **narrow the generational gap** is an urgent and important task for SME family business.

**Thank You**