

Preserving Family Legacy: BIPOC Perspectives of Small Business Succession Planning

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Introduction

Almost two-thirds of small businesses have no documented succession plan, and only about 30% of these businesses sell instead of liquidating (Baker, 2025). The transfer and redistribution of wealth through planned small business owner exits will have a significant economic impact in the U.S. BIPOC individuals can be defined as Black, Indigenous, and People of Color (Watson-Singleton et al., 2023). BIPOC business owners have been growing for the past two decades. Previous research has focused on succession planning in family businesses and dichotomous exit strategies (e.g., stewardship or liquidation). Few studies have examined how race and ethnicity shape small business owners' preferences on stewardship exit intentions. When trying to solve issues that BIPOC businesses are facing, solving business succession should be a top priority. Without a succession plan, if business owners liquidate their businesses, this is a loss to the whole economy.

Theoretical Framework

This study applied the Theory of Planned Behavior (Ajzen, 1991) to understand factors influencing four types of exit strategies: giving to family, selling to family, selling to outsiders, and liquidating. Based on the relevant literature and the theory of planned behavior, we present the following three hypotheses: H1) Business owners with positive attitudes (i.e., their expected exit intentions align with desired exit intentions and reporting low levels of conflict between owners and employees) toward their businesses will be more likely to hold stewardship exit intentions rather than liquidation exit intentions; H2) Based on its conceptualization of subjective norms, it can be hypothesized that business owners with collectivist cultures (i.e., BIPOC owners) will be more likely to hold stewardship exit intentions rather than liquidation exit intentions when compared to owners from individualistic cultures (i.e., White-Americans); H3) Business owners who report higher levels of perceived control (i.e., socioemotional wealth, family business ownership, and owners' industry experience) will be more likely to hold stewardship exit intentions than liquidation exit intentions.

Methods

This study utilized the data from the 2019 Small Business Values Survey (SBVS) to investigate racial and ethnic differences in business exit strategies among small business owners in the U.S (Marshall & Wiatt, 2019). The final sample provided consisted of 511 completed surveys by business owners across the U.S. The business owners had on average 16 years of experience, 53% were women, and 31% were BIPOC. BIPOC business owners in our sample were defined as business owners that identified as Black, Indigenous, Asian, or Hispanic. The businesses in the sample had an average age of 13 years, an average of 23 employees, and 46% had at least two family members as owners. The majority of the businesses (71%) had less than 20 employees. We believe the sample to be representative of U.S. small businesses as according to the SBA (2022), 43% of small businesses were owned by women and 33% were owned by BIPOC owners, and 89% had less than 20 employees. The descriptive results show that in terms of stewardship exit intentions, 45% of the small business owners chose to give to family, 13% chose to sell to family, and 18% chose to sell to outsiders. However, 24% of business owners chose to liquidate their business upon exit.

Results

The multinomial logit regression results indicate that BIPOC owners are significantly more likely to pursue stewardship exits (giving or selling to family or outsiders) than White owners. The findings also

showed that favorable attitudes (alignment between expected and desired exits and low conflict), high socioemotional wealth, family involvement, and industry experience are associated with higher likelihood of stewardship exits. The findings further suggest that BIPOC business owners' collectivist cultural values strongly influenced their succession intentions. The findings of this study can contribute to entrepreneurship and family business literature by underscoring the broader economic relevance of stewardship exit strategies. Additionally, the finding that BIPOC owners value preserving family legacy can provide important insights for business consultants and community leaders to help BIPOC business owners in preparing for succession planning. Further, the findings of differences in exit intention strategies among small business owners can provide implications for business consultants, advisors, and educators to help small business owners in preparing for the future of their businesses.

References

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