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Function, governance, and trust in successor leadership groups in family firms

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ABSTRACT

We examine the function and governance of successor leadership groups in family firms. In a qualitative study of nine family firms, in-depth interviews indicated that excessive competition among successor group members will hinder group effectiveness, while a pattern of cooperation, unified implementation of decisions, mutual agreement to share power and authority, and the development of trust will enhance successor leadership group effectiveness. The findings are encapsulated by seven propositions, and a model proposing how successor groups function, govern and develop trust is advanced. The results lead us to conclude that the use of multiple successors can be an indicator of trust on the part of the incumbent family firm leader as well as a catalyst for building mutual trust among members of successor groups.

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1. Introduction

The concept of trust is central to governance and successful executive succession in all types of businesses (Dyck, Mauws, Starke, & Mischke, 2002). Strong trust – a willingness to rely on others to keep their commitments and not take advantage (Rousseau, Sitkin, Burt, & Camerer, 1998; Sundaramurthy, 2008) – is especially anticipated in early stages of family-owned firms. Family firms are often formed as cooperative ventures that go beyond an economic focus to embrace stewardship of the firm and to build a governance model based on mutual trust through a generalized exchange system based on friendship, kinship and reciprocity (Long & Mathews, 2011). As the family firm grows, trust may become less effective as a governance mechanism, and an atmosphere of distrust among family members may develop (Steier, 2001; Sundaramurthy, 2008). The tenuous nature of trust is seen as a key issue that creates serious difficulties for the firm as it prepares to transition governance to future generations.

This study examines some of the more complex scenarios in the succession process; in particular, family firms that have multiple possible successors to the owner/founder. These potential successors may have knowledge, skills, and abilities essential to the business and are considered to be a group or team of owner/managers. In this study, we build on foundations laid by Cater and Justis (2010) concerning this group, or shared, leadership. A situation of shared leadership might enable the family firm to take advantage of strong family bonds based on mutual trust, or to be disadvantaged if mutual trust deteriorates over time or leads to negative outcomes such as blind faith in family actions. In this study, we consider these issues from the perspective of members of the successor groups.

Chua, Chrisman, and Sharma (1999) define a family firm as a company in which the governance and/or management are controlled by one family or a small number of families and in which behavior in the firm reflects the vision and values of the controlling family or families. Succession may be defined as a dynamic process involving the transfer of both the management and ownership of a family firm to the next generation (Cadieux, Lorrain, & Hugron, 2002). Research reports most family business owners want to pass their businesses on to the next generation of their families and about 86 percent of them expect to do so (MassMutual, Kennesaw State, & Family Firm Institute, 2007). Lambrecht (2005) gives three reasons why incumbent family leaders may want to keep the business in the family: (1) fulfillment of values (love of employees, product, or independence), (2) preservation of the family name (pride, legacy), and (3) advantages of a family firm (long-term vision, life-time engagement). Passing the family business to the leadership of multiple family members is becoming a common practice (Cater & Justis, 2010). The three goals

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of the leader and the use of multiple successors assume strong mutual trust among family members and imply a stewardship perspective (Davis, Schoorman, & Donaldson, 1997) in that leaders enhance the family firm's mission, wellbeing and the development of socio-emotional wealth rather than focus solely on financial objectives. Trust, orientation toward collective goals and cohesion are more likely to result throughout the organization when the family firm's dominant coalition, i.e., leadership group, is characterized by exchanges that exhibit stewardship-like behaviors (Barnett, Long, & Marler, 2012).

Whereas trends toward team management of family firms have been recognized as an important development (Astrachan, Allen, & Spinelli, 2002) and grooming top management corporate teams to meet the demands of the competitive environment (Hambrick & Mason, 1984; Haleblian & Finkelstein, 1993) have received a great deal of attention, there have been few studies examining a family firm's decision to employ shared leadership and evaluate its practice. We address that gap in the literature by investigating nine family firms using an exploratory case study approach. Lengthy interviews with current and future leaders were conducted, and the transcribed interviews were analyzed through an iterative grounded theory approach, resulting in a discussion of the stages in which successor groups are created and developed in family firms, a model proposing how family firm successor groups function, govern and develop trust, and seven related propositions. We add to the existing knowledge of shared leadership in the family firm by describing this form of leadership and why family firm leaders may choose this path and its implications. We find evidence that the proper nurturing of shared leadership across generations in family businesses can impact the forces that tend to erode trust over time in the family firm.

2. Conceptual grounding

The passing of authority and responsibility in the family firm from one generation to the next is an extremely significant process for the firm and the family (Steier & Miller, 2010). This is particularly true in the case of executives appointing a group of family member successors to carry on the operation. The solution of choosing multiple successors may represent an easy way out for the leader, or a decision that makes practical use of the family's human resources.

In this study, we examine the overarching research question: How do successor leadership groups function and govern in family firms? In response to this question, we used an exploratory case study approach, investigating nine small family firms through detailed interviews of the incumbent and future leaders. As this study employs a grounded theory case study methodology, we first provide a conceptual basis for our research focus and research questions with a discussion of extant theory as it relates to establishing a succession framework and the family firm succession process.

2.1. Establishing a framework for succession

Research indicates that some family business leaders may be poor teachers of the next generation. Teaching is an art that requires patience and the loosening of control. Many entrepreneurs have gained success through autocratic or dictatorial management styles. To prepare successors, they must set aside these tendencies (Aronoff & Ward, 1991). A good working relationship between the current leader and the successor is important to a transfer of power (Cabrera-Suarez, De Saa-Perez, & Garcia-Almeida, 2001) as well as a concern for family legacy, preservation of family ownership, inclusiveness and consensus (Steier & Miller, 2010). Whereas a qualitative study of 13 successions in entrepreneurial family firms found these factors to be important during a succession period, post-succession periods were more focused on developing managerial skills, removing some family managers and shareholders from the firm, and increased efforts to professionalize firm management (Steier & Miller, 2010). These areas of emphasis seem to underscore the need for the former leader to give up control of the business (Dyer, 1986) and permit the successor to make decisions and mistakes (Handler, 1990).

Another primary problem is that some family business owners are reluctant to plan for succession (Ibrahim, Soufani, & Lam, 2001). This reluctance may stem from a desire to retain the position of prominence within the family. Some owners see retirement as a loss of power and status. Some owners value control of the business above all else because they have invested their lives to achieve their status, often at great personal cost. Some entrepreneurs are simply too busy running and controlling the firm to plan for the future (Bjuggren & Sund, 2001). Others refuse to train or coach their chosen successor, resorting to a type of undermining behavior, whereas some owners simply envy their children (Morris, Williams, Allen, & Avila, 1997). They search for fault in the successor and create reasons to fire them (Lansberg, 1988). Still others act as if they are immortal and need no successor (Bjuggren & Sund, 2001). Others determine that they will die in office (Howorth & Ali, 2001). These factors seem to indicate either a lack of trust developing as a new generation comes up for succession or concerns as to whether the successors will remain true stewards in the operation of the firm.

Trust in organizations is the result of interactions among people's values, attitudes, and emotions (Jones & George, 1998). Developing trust in groups and organizations has the potential to result in higher levels of cooperation, teamwork and, ultimately, organizational performance (Axelrod, 1984; Mayer, Davis, & Schoorman, 1995). "At the organizational level, the performance benefits deriving from unconditional trust (in which each party's trustworthiness in the others is assured) include the competitive advantage that accrues from an organization's ability to reap the value added produced by teamwork, synergy, and the development of valuable organizational capabilities" (Jones & George, 1998: 542).

Building higher levels of trust within the family firm can lead to more direct, frequent and meaningful communication among family members and non-family members alike during a succession process (Barnett et al., 2012). Cooperation and performance are potentially enhanced in the family firm as exchange systems develop that reinforce an atmosphere of trust. Thus, the use of successor teams in the family firm can be interpreted by the next generation as the family firm incumbent's desire to build exchange systems that indicate trust in the next generation. On the contrary, the use of multiple successors could be seen by the successors as an incumbent's lack of trust in a single successor from the next generation, or that political issues have become entwined in the succession process thus limiting an incumbent's trust.

2.2. Successor issues and the succession process

Family firm succession is typically a long process rather than an event in which there is a management change (Handler, 1994; Steier & Miller, 2010). A case study of family firm succession revealed the importance of providing next generation members with voice in the succession process by asking them to articulate a vision for the firm and suggesting they would be asked to implement it. Giving the next generation clarity about succession and the potential future of the business indicated a fair process to the successors (Van der Hayden, Blondel, & Carlock, 2005). Such

clarity can enhance mutual trust across generations at a time when trust may be in question. This underscores the need for the incumbent leader to give up power and the successors to show ability and desire to take control of the firm. Succession has been likened to a relay race in which trust and mutual respect are key to success (Dyck et al., 2002).

Qualified family members may hesitate to join a family firm for several reasons (Covin, 1994). Some do not want the stress and pressure involved when working with family members. Others simply have different occupational interests. There may be concerns about the fairness of the decision making process, the abilities of co-workers, high turnover among non-family employees, resistance to change, or the fairness of compensation and workload. Some argue that improper management of human resources in the firm, perhaps influenced by family values, has been a major cause of family firm failure (King, Solomon, & Fernald, 2001).

Key attributes for successors in the family firm include commitment to the business and integrity (Chrisman, Chua, & Sharma, 1998; Sharma & Rao, 2000). Sharma and Irving (2005) proposed that potential successors connect to the family firm through four bases of commitment: affective (perceived desire), normative (sense of obligation), calculative (perceived opportunity costs), and imperative (perceived need). Mutual trust, shared values and pursuit of common ends not specified in advance characterize affective commitment (Sharma & Irving, 2005). A means to increase commitment among successors is to structure the process so successors feel as though they have invested time and money in the family firm. This investment by successors will lead them to assign a higher value to the business and a stronger desire to retain the firm, rather than to sell it (Shepherd & Zacharakis, 2000). A lengthy succession process starting in childhood and highlighted by the entry of successor(s) into the family business at a lower level of management and later the ascension of potential successors to the leadership of the firm allows potential successors to be groomed for many years to accept their responsibilities to carry on the family firm (Longenecker & Schoen, 1978).

In recent family business studies, Cater and Justis (2010) found eight factors or conditions that affected team or shared leadership in multi-generational family firms. Positive factors enhancing shared leadership included long-term orientation, close communication and shared understanding among group members, timely succession planning, and higher decision quality. Factors inhibiting the implementation and development of shared leadership included resistance to change, failure to release control by incumbent leaders, reporting relationship confusion, and increased decision time. Employing a case study research analysis of six family firms, Cisneros-Martinez and Deschamps (2012) examined teams of siblings in the succession process, identifying them as entrepreneurial teams. Farrington, Venter, and Boshoff (2012) found three variables – physical resources, skills diversity, and strategic leadership – to be significant determinants for the success (measured by financial performance and family harmony) of sibling teams in family firms. Two variables—competency and role clarity were not significant indicators in this study. Zellweger, Kellermanns, Chrisman, and Chua (2012) used prospect theory to develop and test hypotheses related to a family firm's intentions for trans-generational control and its relationship to the realization of non-financial goals. Their findings indicated that intent for trans-generational control, i.e., passing the firm on to the next generation of family members, is a primary factor in a family business owner's perceptions of the firm's socioemotional wealth, which relates to the realization of goals such preservation of family obligations and values that transcend monetary considerations.

3. Method

This study examines how successor leadership groups in family firms function and govern the company. Using a qualitative case study approach consisting of in-depth, semi-structured interviews and analyzing our data with grounded theory methodology (Strauss & Corbin, 1998; Corbin & Strauss, 2008), we conducted research designed to add to existing theory in family firm succession.

3.1. The case study approach

The use of case studies in family business research is well established, e.g., Barach and Gantisky (1995); Cater and Justis (2009); Dunn (1999); Dyck et al. (2002); Lambrecht (2005); Lambrecht and Lievens (2008); Miller, Steier, and LeBreton-Miller (2003); Murray (2003); Santiago (2000); Tsang (2002); Steier and Miller (2010). The case study approach lends itself to a flexible research program that gains an understanding of successor group leadership and is appropriate to investigate 'how' and 'why' questions (Eisenhardt, 1989), using the reference point of actors involved in the process (Howorth & Ali, 2001).

Case study investigators seek to use localized findings to articulate global significance (Chenail, 2009) through "an empirical inquiry that investigates a contemporary phenomenon within its real-life context" (Yin, 2003: p. 13). Eisenhardt (1989) proposed that case study researchers may choose cases that are likely to replicate or extend theory rather than examine cases selected randomly as in quantitative survey analysis. Researchers should strategically select cases that are relevant to the theory (Patton & Applebaum, 2003), resulting in qualitative samples that enhance the goal of developing theory, rather than testing it (Eisenhardt & Graebner, 2007). This strategy helps researchers explore complex interrelationships in particular cases. Increasing the number of cases examined adds confidence to the findings of the study until the researchers find a point at which responses become repetitive. Then, additional cases add relatively little. Eisenhardt (1989) proposed that examining between 4 and 10 cases is effective, even though there is no ideal number.

3.2. Study participants and their characteristics

The firms in this study are identified as Company 1 through Company 9 to ensure confidentiality of participants. Formal permission to conduct the research was received through the Institutional Review Board at the first author's university, all informants were ensured their participation would be confidential, and all names of people, places, and companies were disguised. Local business leaders, university colleagues, friends, acquaintances, and students assisted in identifying study participants; the authors had no connection with any of the 50 prospective firms contacted for this study. The first author's experience as a third-generation family business successor assisted in the research process, both in gathering and analyzing the data. Firms were contacted to determine if they met the following requirements for inclusion in the study: multi-generational family involvement, presence of a group of successors in any of four stages of development, and willingness and compatibility to participate in the study. After collecting information from nine firms, respondents began to express frequently recurring thoughts; in-depth analysis of nine cases falls in the range suggested by Eisenhardt (1989).

The firms ranged in age from 30 years to 145 years and in size from 10 to 1000 employees and represented multiple industries. Generations of family participation ranged from 2 to 5, each company involved from 4 to 12 family members in management

Table 1
Family business cases: successor groups.

Company	Successor group development stage (from Fig. 1)	Generation of family business	Retiring generation family leaders	New leadership group
1	Stage 3	2nd and 3rd	Two brothers	Four siblings, one cousin
2	Stage 2	1st and 2nd	Two family members (one from each family)	Two family members, three non-family managers
3	Stage 3	2nd and 3rd	Two brothers	One family member, three non-family managers
4	Stage 3	4th and 5th	Four cousins	Three family members, three non-family managers
5	Stage 4	4th and 5th	Three cousins	Four siblings
6	Stage 4	2nd and 3rd	One family member (Father)	Three siblings
7	Stage 3	2nd and 3rd	Two brothers	Four siblings
8	Stage 1	4th and 5th	One family member (Father)	Three siblings
9	Stage 4	1st and 3rd[a]	One family member (Grandfather)	Five siblings

[a] Second generation by-passed due to death of father.

and ownership, and the firms share a location in a central U.S. state. Several have expanded beyond the local region or own multiple, but related, businesses. (See Tables 1 and 2 for more details about the informants by company.)

Due to the number of cases and interviews involved, the data collection stretched over a three-year period. Information on the earlier cases was periodically updated through follow-up telephone conversations, e-mail, and news media articles. During the data collection period, the first company interviewed (Company 4) ceased operations and was sold through a liquidation of assets; the other eight businesses remained in operation. Our respondents included 20 family-member owner/managers, 3 family-member managers, and 10 non-family-member managers. In each case, we interviewed family owner-managers first and supplemented that information with responses from non-family-member managers. Multiple viewpoints added detail and clarity to each case. In grouping family member respondents, two are first generation, two are second generation, twelve are third generation, three are fourth generation, and four are fifth generation.

3.3. Data collection

The following strategy was used for each family firm. First, we approached a prospective subject firm and ascertained if the firm met the requirements of the study as to family involvement and leadership succession. Then, an exploratory interview was conducted with the chief executive officer of the firm to determine willingness and compatibility for the study. If this phase was satisfactory, we proceeded to the second phase—interviewing the top management team. The primary data collection method consisted of semi-structured qualitative interviews concerning the leadership in the firm. These interviews were supplemented by observation of the participants and company documents.

3.3.1. In-depth interviews

The first author tape recorded individual, in-depth interviews with members of the top management team of each firm, totaling 33 participants. The first author transcribed about 26 h of interviews, varying in length from 20 min to 2 h, averaging 45 min each. The transcribed interviews totaled 333 pages, an average of 10 pages per respondent.

3.3.2. Observations and documents

The first author observed interactions of managers in each family firm throughout the process and informally observed leadership styles in connection with the research process. Field notes and informal conversations complemented taped interviews. Management was asked to supply company documents, as well as newspaper and magazine articles, advertisements, and company catalogs. As necessary and appropriate, the first author gathered documentary information independently. Whereas observations and documents about each company were collected, these were supplemental in nature. The in-depth interview transcriptions formed the basis of the data analysis.

3.4. Data analysis

The data analysis used in this study followed procedures outlined by Strauss and Corbin (1998). First, we analyzed each case separately to understand the inner workings of each firm by writing complete case histories of each respondent firm (which are available upon request). This was an extensive and time-consuming step of analysis. Next, we employed content analysis of the data looking for patterns or core consistencies and meanings across the cases. Based upon careful examination of the transcribed interviews, we coded and analyzed the data, using the NVivo10 qualitative software program. After some trial and error, we followed a system of separating phrases and thoughts in the transcripts by highlighting important phrases, labeling the

Table 2
Family business cases: information.

Company	Industry	Number of employees	Revenues	Age of company (years)
1	Air conditioning	100	$30 Million	66
2	Oil field services—production and drilling	250	$30 million	30
3	Direct mail printing	70	$8 Million	78
4	Furniture retail	80	$11 Million	138
5	Funeral and life insurance	35	$5 Million	145
6	Civil engineering	245	$40 Million	98
7	Oil field services—human resources	1000	$75 Million	64
8	Newspaper and life insurance	10	$500,000	132
9	Flooring retail	20	$3 Million	56

Table 3
Examples of open coding.

Company	Open coding comments
1	We are very fortunate that we get along well—some say we always agree... We work it so that majority vote rules. It works
2	There have been a few times when I would have liked to retire, but there are too many people tied into this business
3	Family members carve out an area that they are responsible for and they have to manage by consensus, which is good. You are working toward a consensus position. Sometimes someone has to say "Let's do this or not do this." You strive to have a consensus
4	I know that Michael has dreams of buying out everybody's stock and not having fragmented stockholders and bringing Melinda back into the business
5	I think they have done a reasonably good job of getting around that and learning to agree to disagree or whatever in some cases
6	There are family dynamics as in any family business. My sister, the human resource manager, and I get along great. My brother and I clash occasionally
7	Before they passed any shares on to the next generation, my dad bought my uncle out. So, we have avoided the hard work of having cousins in the third generation. A cousin consortium can be a challenge from my understanding
8	Well, I haven't encouraged them too much. As I told you, the newspaper business is just not very profitable
9	Our mission statement said, "The only way we are going to get through the next couple of years is to pull together and build an 'us versus the world' mentality." That is what we did

thoughts as "references" and then "nodes" in the terminology of NVivo or categories. This is consistent with unitizing methods described by Glaser and Strauss (1967). Lincoln and Guba (1985) outline this method using stacks of note cards. We followed their guidelines except that we found the NVivo references and nodes to be more efficient and easier to share among co-authors. In the "open coding" step of the process (Strauss & Corbin, 1998), we began with the 333 pages of transcripts, and through comparisons identified 330 "references" or incidences of significant, expressions or thoughts, which we placed in 243 "nodes" or sub-categories. (See Table 3 for some examples of these open coding thoughts and expressions.)

In the "axial coding" step (Strauss & Corbin, 1998), we placed the 243 "nodes" or sub-categories into 109 categories, labeling the categories by company (1 through 9). (See Table 4.) This was the category level of analysis according to Harry, Sturgis, & Klinger

Table 4
Axial coding.

Category	Company 1	Company 2	Company 3
1	2nd Gen brother team	Leadership empowerment	Family dynamics
2	Growth of company	Exit strategy	2nd Gen 2 man team
3	Area of responsibility	Family atmosphere	Unsuitable successor
4	Pecking order	Combine fam and non-f	Strategic Plan
5	TMT—Committee	Higher standards for family	Family trust & control
6	First among equals	Concern for employees	Players fill roles
7	Difficulties of group	Cooperation/trust	Management by committee
8	Advantages of group	One big family	First among equals
9	Decision making	Future TMT	Non-family
10	Majority rules		Difficulty in decisions
11	Consensus		Advantage in decisions
12	Agreement/trust		Consensus
13	Future 4th gen distant		Agreement
14			Future family CEO

Category	Company 4	Company 5	Company 6
1	4th Gen Boys Club	Tradition—pride	2nd Gen—growth
2	4th Gen Disagreement	3rd Gen not involved	Respect for past
3	Respect for past	LT employees manage	Mentor
4	Family dynamics—German work ethic	Caring attitude	Family dynamics
5	Diverse shareholders	4th Gen Committee	3rd Gen Strong CEO
6	Go work elsewhere first—Lose best	Equals	3rd Gen—hired siblings
7	Non-family CEO	Protect interests	Unequal
8	Unsuitable successor	Decision making	Strategic Plan
9	Fifth Gen Mgt Team	Consensus or majority	Re-invent company
10	In-laws count	Agreement/trust	Family business limits
11	Establishing order	Chain of command	Exit strategy
12	Difficulties—weaknesses	Resist change	Future—4th Gen or Non-family managers
13	Rivalry—conflict	Future—5th Gen enters	
14	Future CEO?		

Category	Company 7	Company 8	Company 9
1	2nd Gen—brothers agreeable	Respect for prior gens	Family dynamics—negative patterns
2	3rd Gen – work as child – family dynamics	Family dynamics—work and home close	2nd Gen–burn out, accidental death
3	Cousin consortium averted–buyout	Love of community	Incomplete succession -house cleaning
4	Work elsewhere first	4th Gen Many hats–hard work	3rd Gen – two brothers – Us versus the world
5	College degree	4th Gen Underpaid and tied to work	By-pass from 1st to 3rd Gen
6	Non-managing owners trust mgr-owners	5th Gen—did not work in fam bus as children	Gift or note payable
7	Transition from CEO to COB	Less labor intensive	3rd Gen—equal owners, unequal mgrs
8	3rd Gen- division of responsibilities	Lack of interested successors	Half-siblings
9	Servant leadership	Daughters—not encouraged	Equal not fair
10	Succession planning	Future—retirement plan	1st Gen Advisor
11	Future – Women – daughters welcome		Decision making
12			Agreement/trust
13			Future expansion

Table 5
Selective coding–central categories.

Central categories	Corresponding proposition
1. Prior generation teams	1
2. Family dynamics	2
3. Management committee	2
4. Group difficulties	2
5. Competition—rivalry	2
6. Group formation	3
7. Cooperation	3
8. Consensus	4
9. Agreement	4
10. Group advantages	5
11. Decision making	5, 6
12. Established Order	6
13. First among equals	6
14. Equals	6
15. Unequals	6
16. Trust	7
17. Non-family employees	Discussion
18. Servant leadership	Discussion
19. Future	Discussion

(2005) in which the data were examined through interpretive lenses.

In the "selective coding" step of the process (Strauss & Corbin, 1998), we began to develop themes in the data across cases. In this step, we coded the data from the 9 cases into 19 central categories for the entire project (see Table 5), yielding a set of themes and clusters of thoughts and phrases from which we looked for unifying phrases and connective language to build a framework for analysis (Creswell, 1998). Despite differences among the nine firms, recurring themes emerged in the data. These themes were traced across cases, noting commonalities on which to construct a theoretical basis to understand successor leadership groups.

Combining these themes with relevant concepts from the family business literature, we next describe the stages of successor leadership group development. Then, we advance seven propositions and a model delineating relationships among the propositions, discuss our findings, and conclude by suggesting implications for further research.

4. Stages of successor leadership group development in family firms

In focusing on the functioning of successor groups, we first discuss the stages of leadership development observed in this study. These stages, shown in Fig. 1, include a preliminary stage and four developmental stages, varying from previous models of family business succession (Barach & Gantisky, 1995; Churchill & Hatten, 1987; Handler, 1990; Longenecker & Schoen, 1978). Of these proposals, there is some agreement on a four-stage model of succession. Churchill and Hatten (1987) envisioned a four-stage life cycle approach to succession between a founder and a successor in a family business. Handler (1990) also proposed a four-stage process in the role adjustment between predecessors and next generation family members in succession. Cadieux (2007) also adopted a four-stage model of the succession process.

We begin with a preliminary stage in which the owner has only vague retirement plans, such as a desire to pass the business on to the next generation of the family. In this stage, the owner has just started the business or completed the succession from the previous generation and there has been little time for specific succession planning. Successors are not identified and may not be present or may be very young children. By design, none of the nine companies chosen for this project fit the preliminary stage. Table 1 lists of each

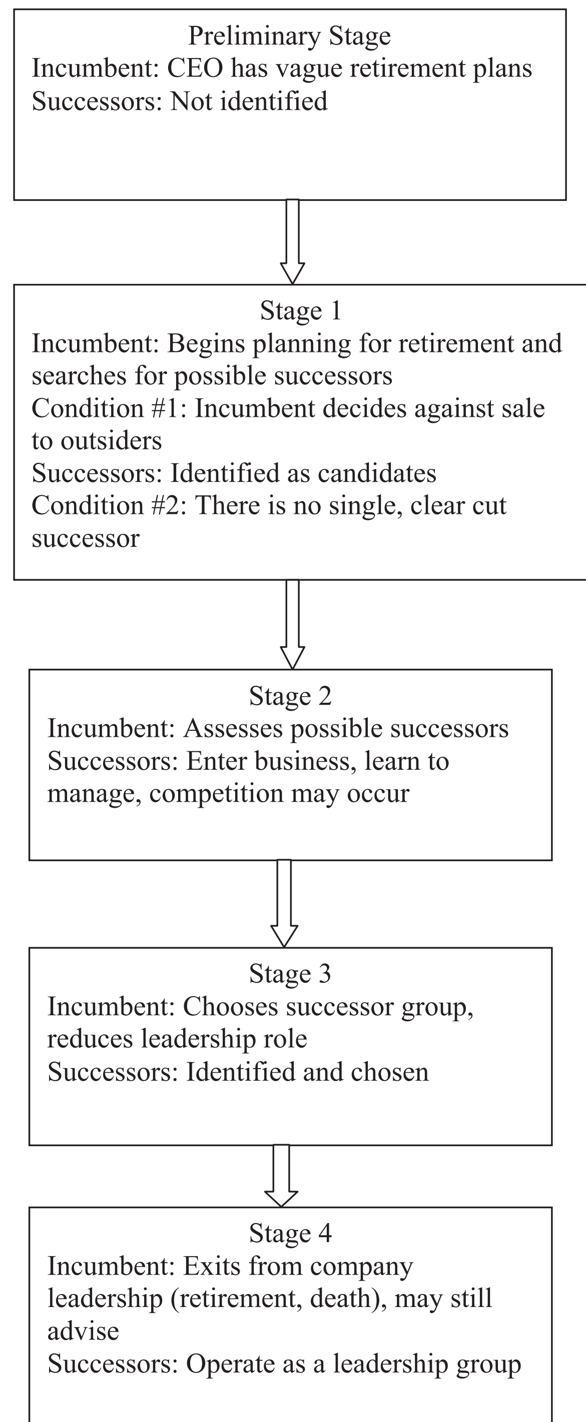

Fig. 1. Stages of successor group development in family firms.

company according to successor group stage. Stages 1 and 2 are represented by one company in each stage, whereas three companies are classified in Stage 3 and four companies in Stage 4, the most important stages for our analysis.

In Stage 1, the owner or incumbent family business leader begins to plan for retirement and searches for successors. Family members may be identified as candidates and possible family successors may express the desire to remain out of the family business at this point. Non-family managers may also be considered as possible successors. Also, during Stage 1, conditions are prepared to pass the business to a group of successors rather than a single individual and the owner decides against a sale to outsiders.

In Stage 2, the owner assesses the possible successors after they have entered the business and learned to manage in it. Here, the owner considers challenges such as the complexity and size of the business. As success continues, the company requires greater knowledge, skills, and abilities among the leadership group. Multiple successors present themselves as viable candidates and the owner considers the alternative of passing the firm to them. Competition among the candidates may occur.

In Stage 3, the successor group is chosen and the retiring generation reduces its leadership role in the company. Although family members may have entered the business, this does not assure their inclusion in the leadership group. At this stage, incumbent leaders may dissuade some family members from continuing in the business as described by Lambrecht and Lievens (2008) as a pruning of the family tree.

In Stage 4, the owner exits from the company through retirement or death. Whereas, retired owners may still advise the leadership group, the successors develop their own group dynamics, finding their areas of specialization in the operation of the company and developing trust among themselves. Once the leadership group reaches Stage 4, the process is ready to begin over again with the preliminary stage for the next generation in the family firm.

5. Propositions

Moving from the 19 central categories of the selective coding stage, seven propositions were developed from the themes discovered in this study. These propositions, shown in Fig. 2, apply concepts to the function and governance of successor groups as revealed in this study.

5.1. Pattern of shared leadership

One pattern that emerged from our study was that family leaders appeared to accept shared leadership roles repeatedly among generations within a particular firm. Family firm leaders may more easily adapt to multiple or shared leadership when it has been modeled previously in their company. For example, in Company 1, 2, 3, and 7, the retiring generation consisted of two family members who operated as partners and in Company 4 and 5 groups of cousins led the family firms. These inclusive practices set the tone of willingness to share power in the family firm. For example, Jimmy H., second generation owner-manager of Company 3, recalled his experience, "It was like we were able to have a two-man team. My brother enjoyed what he did. Jackson depended on me for the production area and I enjoyed what I did and I depended on him for the money area. It worked great. Over the years, it worked very, very well." The idea of shared power was not foreign and carried over to the next generation when Jackson H. set up a third generation leadership group of four individuals at Company 3. In a variation of the theory of Gersick, Davis, Hampton, and Lansberg (1997), the next generation leadership groups in our study consisted primarily of sibling teams with only one group containing a cousin (see Table 1). We suggest that a consistent factor may not be the composition of the teams as siblings or cousins, but the willingness to share power compared to single leader family firms. Therefore, we propose the following.

Proposition 1. The likelihood of successor leadership groups being formed increases in family firms that have shown a pattern of using family leadership teams in previous generations.

5.2. Pattern of competition

Successor leadership groups do not guarantee success in a family firm. Although the idea of groups with shared power among family members may indeed be passed from one generation to the next, other proclivities may also be transmitted as well. For example at Company 4, a pattern of competition, excessive competition, was passed from the fourth to the fifth generation. Mark D., fifth generation family member and manager, expressed the following. "There was a lot of in fighting . . . I remember every Friday was their staff meeting (fourth generation) and they would be there from eight to four in the afternoon and you'd walk into the room after that staff meeting and you could feel the heat. It was pretty rough. That is why many of my generation decided to work elsewhere." The fourth generation argued so vociferously that they alienated or turned away 17 of 18 of their children and 16 of 18 of the spouses of their children. Jack P., family member manager at Company 4, commented, "There is three of us out of 36. To be honest with you, the family does count us (spouses) because the D. family got involved in the first place as a son-in-law. Mark D.

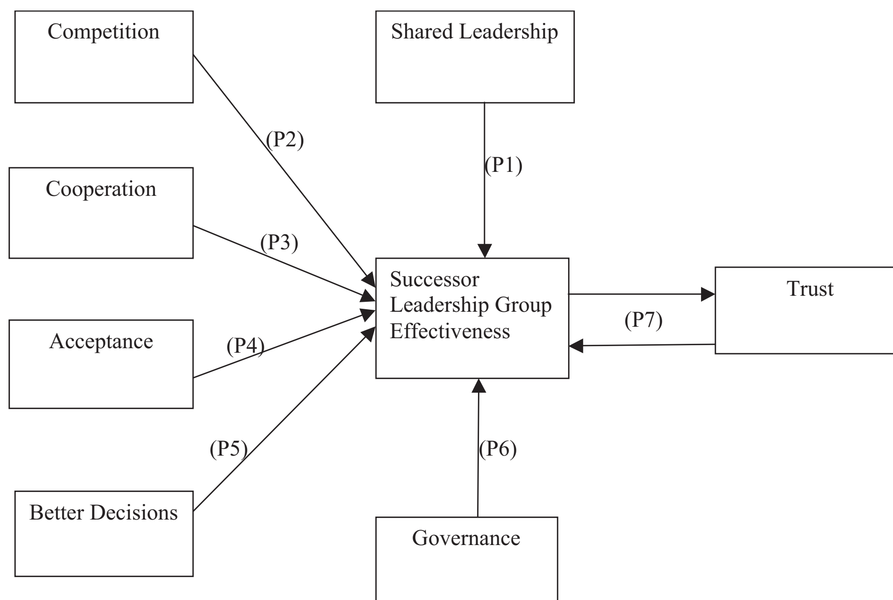

Fig. 2. Model of function, governance and trust among family firm successor groups.

continued, "My Dad and his brother and two cousins were real hard on us working here and I think that turned a lot of them off...They chose not to come into the business and I believe that was motivated by how they were treated here. It is staunch German autocratic, my way or the highway. They chose the highway."

Among the three family members who did join the family firm at Company 4, the pattern of competition continued. "Jack is very young. He did not come up in the business like my son. But, Jack—there are a lot of things I like about Jack. But there are a lot of things he is very immature about. He and my son are very competitive," remarked Michael D., fourth generation family owner-manager.

Relationship conflict was evident among the fifth generation successor group members. Jack P. replied, "I think Mark has some internal interaction communication problems that he blames on his father. This is part of the meat and potatoes of the family business. He watched his Dad yell at all those people, for all those years, and that's how his father manages...Mark is not president, he is not vice-president, and he is not anything, yet."

Family business researchers have described instances of competition among potential successors, such as a tournament to display their abilities (cf., Lazear & Rosen, 1981; Becker & Huselid, 1992), which may positively affect the firm. The internal competition among successors at Company 4 was counter-productive for the firm. While competition among family members inside a family firm may lead to positive outcomes in some cases, successor leadership groups may be more conducive to cooperative activities, which we describe in the next section of this paper. Within a short period of time after the above comments, Company 4 succumbed to spiraling difficulties concerning both family relationship issues, internal operational problems, and an increase in competitive actions by rival firms. Therefore, we propose the following:

Proposition 2. A pattern of competition among successor group members will hinder successor leadership group effectiveness.

5.3. Pattern of cooperation

Ward (1987) recognized a competitive advantage among successful family firms because of a high degree of commitment to the firm among family members and loyal employees. In the best situations, this commitment leads to a feeling of teamwork within the company. Facing increasingly complex operating environments, family businesses may find that drawing on the knowledge and experience of several family members – as opposed to just one person – is efficacious. Cooperative behavior among next generation members is important for successor groups. John R., third generation family owner-manager of Company 9, explained, "For instance, I had to be politically correct when I wanted to open these new stores. I had to go to Brian and sell him on it. We are best friends as well as brothers—we are very close .... Because of our parents' divorce, Brian was also a father-figure for me."

Repeatedly in this study, we found the dominant quality of the successor generation to be one of cooperation among the family members in top management. For example, Manny C., family owner-manager of Company 1, encouraged the involvement of his sisters, Susan M. and Elise L., in the top management team. Manny chose this path of cooperation and inclusion, often going out of his way to proactively seek out the advice of his sisters. In the second generation at Company 1, this pattern of cooperation was modeled for many years by Adrian Kaiser, Jr. and John Kaiser, who worked closely together in a very effective partnership. When the third generation at Company 1 assumed leadership of the day-to-day activities of the company, they followed the model of cooperation set by the previous generation.

Another example of cooperation occurred at Company 5. Melvin B., third generation family owner-manager consolidated the ownership of the family business back into his own hands and then passed the business on to his four children in equal shares. Melvin accomplished this with the assistance of his son, Paul B. In the fourth generation at Company 5, Paul B. invited the participation of his siblings, rather than working competitively against them. Paul is the third oldest child in his generation, but the first to enter the business. It may have been possible for Paul to politically block his siblings from entering the business; however, the pattern of cooperation, fueled by Paul's unselfish choice, has enabled the family businesses to grow stronger with the infusion of the management talent of all four B. family siblings. In the family firms of this study, cooperation among the successors was a key element to the success of their leadership approach. The spirit of cooperation began among the family members and spread throughout the family businesses to the employees. Therefore, we propose the following.

Proposition 3. A pattern of cooperation among the successor group members will enhance successor leadership group effectiveness.

5.4. Acceptance of decisions and unified action

Although the good intentions of the spirit of cooperation among group members are efficacious in successor leadership groups, affirmative actions and productive dialogue are necessary to ultimately bring positive operational results. Elise L., third generation family owner-manager of Company 1, may be overly optimistic in saying, "We are very fortunate that we get along well. Some say we always agree." The important point is not that successor group members always agree, but what happens after an important decision has been made. Cleve B., non-family manager of Company 1, captured this idea, "Once it's done, everybody's on the same page. I will just use an example. Say the issue is will we expand down to Mississippi. Maybe one or two (successor group members) are uncomfortable taking that risk right now. They get to express their opinion, but once the decision is made they go with it."

Chuck C., third generation family owner-manager of Company 1, explained: "Well, being that the five of us in the third generation have all been involved with the business for so long, even though we have a president and vice president and so forth, we really work a lot by consensus." Chuck's brother, Manny C., President of Company 1, concurred: "In a lot of cases, I am not in the position to make a decision and say that this is the way it is going to be. We share that responsibility with the group. Basically, we run this business by consensus or committee."

At Company 1 and other firms in our study, managing the company by "consensus or committee" involves respecting the opinions of those in the minority. Additionally, once a decision is made, the group abides by the choice and works for the success of that decision. Elise L., family owner-manager of Company 1, stated, "We pretty much work it so that majority vote rules. It works." Therefore, we propose the following.

Proposition 4. The acceptance of majority decisions and unified implementation of those decisions among successor group members will enhance successor leadership group effectiveness.

5.5. Mutual agreement and better decision making

Another pattern that emerged from our study was that successors seemed to understand that they worked better as part

of a group than they could have done on their own. Janice B., family owner-manager of Company 3, commented: "We just have more brain power. We have made decisions as a group that none of us would have made individually by somehow talking things through amongst the six people." Among our respondent firms, we also found repeatedly that individual family members chose an area of specialization for daily operations, but met together as a group for major decisions.

At Company 5, each of the four siblings in the fourth generation have their area of specialization according to Cathy K., fourth generation family owner-manager, "We are all involved in the businesses, the life insurance and the funeral home. . . .Paul is the president of the funeral home. Daniel is the president of the life insurance company. Steve is vice president of both companies, and I am secretary/treasurer of both companies." However, each sibling is a 25 percent owner and entirely equal in decision making authority. Common operating decisions are made by the sibling in their particular area, but larger and more complicated decisions go to the successor group. Cathy K. further explained: "Well, some decisions, we make jointly, the larger ones. We meet monthly. We have board meetings for the insurance company and managers meetings for the funeral business. Certainly, some decisions, you can make on your own. You do not need to get everyone together as a group, but the larger decisions we make as a group . . .. We prefer it that way." These observed patterns lead us to propose the following:

Proposition 5. Mutual agreement to share power and authority among successor group members will lead to better decision making and will enhance successor leadership group effectiveness.

5.6. Variations of successor group governance

Most of the successor leadership groups in our study consisted of individuals who owned roughly equivalent amounts of stock in their firm. In spite of this, the leadership positions of the individuals were often not equal. We identified four variations of sharing power and authority among successor leadership groups in our study: (1) disagreement and group destruction, (2) a dominant leader in an unequal group, (3) first among equals, and (4) complete equals. We will describe the unhealthiest scenario and progress to the more ideal variations.

5.6.1. Disagreement and group destruction

At Company 5, we described a climate of excessive competition, which we believe ultimately contributed to the demise of this firm. Although published reports cited a failed software conversion and severe liquidity crisis as reasons for the closure of Company 5, we believe that family disagreement contributed to the decision to shut down operations. The failure of the fifth generation successor group to generate confidence in its leadership ability to the retired fourth generation reflected dim hope for the future of the company. Although a successor group member was chosen as president at the eleventh hour for the company, this selection did not come with full successor group agreement and served to further divide the group and the company.

5.6.2. Dominant leader in an unequal group

At Company 9, the five members of the third-generation family leadership group each owned 20 percent of the company, but power and authority were not equal. The five owners are siblings and half-siblings with three children from their father's first marriage and two children from his second marriage. There is a 14-year age difference from the oldest to the youngest and a five-year age gap between the two sets of siblings. Because of longer tenure in the company (seven years), greater knowledge, and better leadership skills, the oldest two brothers clearly lead and dominate the group. According to John R., second oldest brother, "All of their (younger siblings) opinions are valued, but they are not consulted. . .We have a shareholders' meeting maybe once a year. The others (younger siblings) are not consulted because they do not invest their time and read the financial reports. I am willing to allow the siblings to have management responsibility, but they have to invest their time."

The dynamics of this successor group appear to be unstable. John R. explained his view, "We have five owners and three of us are less than 27 years old. If I sign a personal line of credit, I don't get anything more than the others for that. Equal ownership creates all sorts of issues. Sometimes it is unfair." John R. is ambitious to grow the company by opening new stores, "We told them (the two younger siblings) about the new stores, but had they said 'no' that would not have gone over very well. If they had said "'no' to this, I don't know how long I could stay here." While unequal disposition of power within a group does not necessarily lead to group termination, expressions of dissatisfaction with group membership may not bode well.

5.6.3. First among equals

The phrase 'first among equals' comes from the Latin phrase 'primus inter pares,' which means that a particular individual is the most senior of a group of people who share the same rank. This person may have some special authority among his peers. At Company 3, Ernie S., a non-family member is the president of the company, but not a dominant leader. Janice B., third generation family owner-manager at Company 3, explained the situation: "Ernie respects the fact that this is a family business. Before anything is done, we talk about it as a group. He has the final say-so, but it is all discussed prior to any major decisions. Communication has been the key . . .. The CEO still oversees everything, but the basis for decisions are made as a group."

Similarly at Company 1, five family members – four siblings and a cousin – comprise the leadership group. Successor team member Elise L. commented, "Manny (Company 1 President) will throw his viewpoint out there. He would love for everybody to jump on board with his viewpoint, but it doesn't always work that way. Successor team member, Susan M. further explained, "On issues that are really big, he comes to the group and says what is going on. Then, he asks 'what do you all think?' We sit together and hash it all out and vote. Majority rules. It is group oriented for all of us. It is not a dictator type of business."

5.6.4. Complete equals

At Company 5, the fourth generation owner-manager Cathy K. described the management style as complete equals. She explained, "We are all equals. The ownership is divided equally among the four of us." Although the four siblings do have different positions and titles, the stock ownership and status of the four siblings is equal. "We own all of the stock in both businesses. We are involved in both businesses, the life insurance and the funeral home," Cathy stated.

Paul B. of Company 5 admitted to "some trying times" in operating the businesses this way. However, Cathy K. describes the process as "fairly smooth. There are some conflicts because there are differences of opinion. . .Generally, we resolve all of that. We prefer to make group decisions on the big things. Certainly, some decisions you can make on your own. You do not need to get everyone together as a group, but the larger decisions we make as a group." Although the process of decision-making may take a while and the four siblings bring different personalities and perspectives to the meetings, the structure seems to be effective. Non-family manager Corey M. explained, "They have to sit down and hammer

it out until they get either a consensus or a majority. Somebody overrules somebody else. Without question that can be very difficult. They have done a reasonably good job of learning to agree to disagree in some cases."

Based on these data, we propose the following.

Proposition 6. The successor leadership group will share power and authority in four different ways—destructively, unequally, first among peers, and equally.

5.7. Developing trust and becoming a successor team

Once the roles are agreed upon among the family members, trust among the individuals within the group must be developed for the successor group members to become an effective leadership team. As family members, successor group members typically have known each other for their entire lives; however, this does not assure trust. For example, at Company 4, the fourth generation management group of four cousins did not get along well with each other. Michael D., fourth generation owner-manager at Company 5, remarked: "People ask, 'How do you put up with it?' I just don't mind it. I like board members that beat me up." This pattern of competition carried over to the fifth generation at Company 5 with poor results as the company ultimately was liquidated as previously described.

Family proximity may also lead to positive results. John R. of Company 9 explained, "There is always tension and frustration in any family business. We have many emotions, but we do not have distrust. Everyone is relatively honest and truthful in the business. There are mistakes made. There is some jealousy at times and questions are asked, but in the end, the number one overriding principle is integrity."

As well as honesty and integrity, for the successor group to solidify as a leadership team, open communication and agreeability aid the process. At Company 3, agreement among the successor group also prevailed according to Craig H., non-family manager and owner, "The biggest argument we have had is whether to renew our NFL season tickets or not. So, of course, we have been making money and when you are making money, things are a lot easier."

In successor groups where honesty, integrity, open communication, and a propensity to agree prevail, conditions are set for the development of a generalized exchange system (Long & Mathews, 2011) in which trust continues to develop and eventually transforms the group into a leadership team. Craig H., non-family manager at Company 3, continued to describe his involvement in the management team, "Our company is growing at 25 percent per year in an industry that is growing at two percent. We are going on five years of committee management and it has been a positive for us, working better and better." As the case interviews indicate, as the leadership team grows in cooperation and teamwork and experiences effectiveness working as a team, the trust among group members increases as well. Therefore, we propose the following.

Proposition 7. Successor leadership team effectiveness and trust increase as a result of an exchange system that is based on norms of reciprocity and cooperation among the team members.

6. Discussion

In this study, we examined the function and governance of successor leadership groups with a discussion of stages of successor group development, a model of function, governance and trust among family firm successor groups and seven related propositions. We now offer a few comments and observations concerning the above items. In the stages of successor group development, we describe a variation on existing models of succession in family businesses (Barach & Gantisky, 1995; Churchill & Hatten, 1987; Handler, 1990; Longenecker & Schoen, 1978) to fit a particular situation—succession to a group of individuals. The stages also highlight the dynamic and transitional nature of successor leadership groups from formation to operational maturity.

Extensive case history studies of each firm enabled us to compare patterns of development across firms, resulting in the observation found in Proposition 1 that leadership teams seemed to run within firms. Once a company had experienced success with two family leaders in a generational team, that company appeared more open to try successor leadership groups of three or more individuals in succeeding generations. Also, individuals who had successfully served together with their relatives may be more open to the concept of groups and teams, rather than focusing on the concept of unity of command.

In Propositions 2 and 3, we explored the effects of competitive versus cooperative behavior among participants in successor leadership groups. While we acknowledge the effect of positive sum competition in which outcomes benefit the firm, we found more negative effects of competition in the context of successor groups. In other words, in-fighting among group members wasted time and effort that might better be directed against external threats. Although one of the prevailing cultural dimensions of the United States is individualism (Hofstede, 1980), it may be a fair observation that there is a trend toward fostering "win-win scenarios" (Covey, 1989) among groups and teams which are more cooperative than competitive in this country.

Propositions 3–5 further the idea of cooperative spirit, describing more specific instances in which groups may excel over individual effort. A key point for group success is the willingness of those in the minority in the decision making process to accept the majority decision and "move on" to implementation. For example, at Company 6, the two younger siblings of the five-sibling successor leadership group showed wisdom and maturity by accepting the desire of their older siblings to proceed with an aggressive expansion plan to open three new stores. The willingness of the younger siblings to accept a risk that they may not have wanted has proved beneficial to all five siblings and the business as Company 9 has successfully opened the new stores, greatly increasing revenues and profit potential. Therefore, successor leadership groups may be better served to close ranks and work with each other than to engage in divisive actions, such as opening separate operations or stores.

In Proposition 6, we recognize the diversity among successor leadership groups. Three of the four types are functional—unequal groups, first among peers groups, and equal groups. We believe that as the successor groups approach more equal treatment among members that the groups will be more stable and satisfying for the individuals involved. Successor groups with unequal members may more easily devolve into single leader situations. In Proposition 7, we highlight the role of honesty and trust among group members in leading to establishment of a more cohesive and effective leadership team.

Other topics found in our study, but not fully explored, include non-family manager issues and the concept of servant leadership. At Company 3, there is a non-family CEO and two other non-family managers in the third generation successor leadership group. Janice B., third generation family owner-manager, commented: "It was a difficult decision when my father passed away. It took about a year to make that decision among the family and the shareholders...There was discussion amongst everyone to put either myself or Ernie in as president and CEO." At 15 years the senior of Janice, Ernie may well serve as a non-family bridge

between generations at Company 3. Family members still hold a majority of the company stock and it is doubtful that the H. family would relinquish control of Company 3. The common denominator across the nine firms of the study is the hegemony of the families involved as opposed to non-family managers.

At Company 7, third generation family owner-manager Peter C. expressed the idea that servant leadership may be a relevant style for family firms, especially in the context of group leadership. Greenleaf (1970) espoused the view that the basis of servant leadership is to serve others first and the results will be judged in the growth of the followers. Peter C. observed: "We are a people-based company with a thousand employees. Our business is finding and managing people. We have learned from our faith to treat other people well and to put them first. We serve both our customers and our employees. My dad has always been very approachable and accessible. I think this comes from his faith as well as the idea of servant leadership. My dad does not put himself on a pedestal and this is a great lesson for me as well. I hope that I can emulate him in that way—by not considering myself better than the hourly workers in our company." The humility of the servant leader resonates well with the aspects of successor leadership groups described above and might prove to be fruitful for further research.

Whereas joint or shared leadership and governance occurred as long ago as ancient Sparta and Rome hundreds of years before Christ, the reasoning behind it may relate to some of the trust issues that surfaced in the family firms that adopted shared leadership in this study. For example, ancient Sparta's monarchy consisted of two concurrently serving kings from rival families, who may have served as a "device to secure without absolutism the psychological uses of royalty in maintaining social order and national prestige" (Durant, 1939: p. 79). In the Roman Republic, each major office was held for a limited term by two or more colleagues equal in power and elected by a body descended from Rome's founding clans. This arrangement, with varying levels of effectiveness, allowed for a system of checks and balances that intermittently withstood attempts by Roman leaders to establish dictatorship. Later, when triumvirate leadership formed – Caesar, Pompey and Crassus followed a few years later by Octavian, Antony and Lepidus – a system of first among equals was observed that evolved into one-man dictatorship after personal ambition and the dissolution of trust escalated conflicts among the rivals (Durant, 1944).

7. Conclusion

In a family firm's early stages, a high level of trust among family members can lower transaction costs and provide effective governance mechanisms (Steier, 2001). However, as the firm goes through the stages of its life cycle, the family ties that created a high level of trust at the outset may become frayed, an atmosphere of distrust can develop and alternative governance mechanisms may be needed to supplement or replace trust as a governance structure (Steier, 2001; Sundaramurthy, 2008). Yet, when the family firm leader turns over the business to the next generation of family members, a sense of trust and confidence that the successors will preserve the family legacy is implied (Steier & Miller, 2010). This confidence perhaps enhances the entire family's perception of socioemotional wealth derived from the business, based on an exchange system that stresses cooperation, honesty, stewardship and thus ethical behavior (Long & Mathews, 2011). As an exploratory qualitative study, the findings presented here provide insights on how trust might be maintained in family firms as a next generation prepares for leadership.

We examined situations in which an incumbent family business leader chooses to transfer the firm to a group of successors, rather than a single individual. The results may indicate that the incumbent is displaying trust in multiple successors to fill the leadership role of the company and the successors are trusting each other to shoulder their share of responsibility. Instead of exit situations such as seen in the cases of monarchs and generals (Sonnenfeld & Spence, 1989 in which the incumbent may be jealous of his/her successor or does not trust the successor enough to let go of power, the presence of a group of successors may stabilize trust by reducing one-on-one interactions that are seen in typical successions. Equal successors may become experienced at relying on each other as some are part of management teams before the ultimate turnover of power.

The function, governance, and trust in successor leadership groups in family firms warrants further empirical research. Our understanding of successor leadership group dynamics, longitudinally and across cultures, should be expanded. This study occurred in a North American context, which may pose a cultural limitation. We suggest that future comparative studies between family firms of different cultures or between family firms and non-family firms as well as family and non-family leaders are in order. Although our case-study based approach is rich in detail and description, we recognize its limitations as to sample size and generalizability. More quantitative, survey-based approaches may appropriately follow our study, focusing on topics such as the likelihood of successor group formation in family firms (see Proposition 1) or the different approaches to sharing power and authority among successor leadership groups (see Proposition 6).

In this study, we add to the existing knowledge of shared leadership, describing this form of leadership and why family firm leaders may choose this path. For practitioners, family business leaders might consider group leadership as a viable alternative to a single successor if such circumstances present themselves. Many individuals in our society today consider the concept of primogeniture or favoritism to first-born sons to be outdated. It seems a better use of the family's available human resources to involve all willing and capable family members in the family business and to reward them in an equitable manner. Doing so has the potential to preserve trust – a strong asset to young family firms – in growing family firms and ultimately to succeeding generations.

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