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Management Succession in a Two-Family-Owned Business: A Case Study

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Management Succession in a Two-Family-Owned Business

A Case Study

by

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Abstract

The purpose of this paper was to examine the impact in a two-family-owned business of the management succession process to the second generation. The research explored the use and makeup of a management team in transferring the leadership of the company. The study looked at the preparation and determination of which members of the family would assume positions formerly held by the two patriarchs and who would assume executive responsibilities as president. The research endeavored to answer the following question: How is succession planning for multiple senior executive positions in a two-family-owned business accomplished in a second-generation family-executive team? The research study used case study methodology to look at a business located in Southern California. The case study focused on the two patriarchs of the business and the nine members of the executive management team. The findings of this research contributes to the body of information on management succession in a family-owned business and the importance of using a management team to facilitate the process of transferring leadership to the next generation.

Key words: *family-owned business, management succession, familiness, agency theory, stewardship theory, management team, conflict and harmony, values.*

Dedication

To my students, who have been the inspiration and drive to endeavor this magnificent journey. My hope is they will see by my example what I often taught, which is that we are never too old to learn and grow in our understanding and knowledge of all that is God's creation.

"O Lord, You are my God. I will exalt You, I will praise Your name, For You have done wonderful things; Your counsels of old are faithfulness and truth." (Isaiah 25:1)

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Upon listing those who have been so important compels me to express my thankfulness to my Lord Jesus Christ. He has given me spiritual and physical strength, persistence, and inspiration to do this work. I owe it all to Him, who calls me to shine as a light in this world and to be the salt of the earth. I recognize that which is good comes from His hand. I am grateful for His love – to Him belongs all the glory.

“In Him was life, and the life was the light of men.” (John 1:4)

“Let your light shine before men in such a way that they may see your good works, and glorify your Father who is in heaven.” (Matthew 5:16)

Table of Contents

Chapter 1: Introduction

Much has been written on the family-owned business (FOB) and its importance to the economic fabric of nations. Family-owned businesses constitute the most popular form of organization in the world (Pindado & Requejo, 2015). In the United States, an estimated 24 million FOBs comprise 89% of business tax returns and employ 82 million people or 62% of the workforce (Cater, 2004; Rivers, 2018). Businesses with less than 500 employees, a majority of which are family-owned, create approximately 75% of new jobs and generate 64% of the U.S. annual gross domestic product (Astrachan, Manners, & Pieper, 2013; Rivers, 2018).

As important as FOBs are to the economy domestically and globally (Chrisman, Chua, & Sharma, 2003), succession and succession planning remain a major challenge (Avloniti, Iatridou, Kaloupsis, & Vozikis, 2014; De Massis, Chua, & Chrisman, 2008; Morris, Williams, Allen, & Avila, 1997; Rivers, 2018; Sharma, Chrisman, Pablo, & Chua, 2001). The research underscores the importance of succession planning in FOBs, indicating that 40% of FOBs expect to change leadership by 2023, and over 56% by 2033 (Rivers, 2018). Although FOBs are considered to be the economic engine of North America, research further indicates leaders of more than 25% of these businesses have no plans for succession (Rivers, 2018). Those who do often think of succession in terms of the transfer of assets rather than who is going to do the “dirty work” and run the business (Rivers, 2018, p. 6). Little attention is given in the literature to management succession for FOBs (Rivers, 2018), whereas the topic of succession dominates the field in strategic management, with 22% of the articles written mentioning succession as a primary topic and 8% as secondary (Chrisman et al., 2003). The roles, responsibilities, accountability, and strategic business planning necessary when planning for succession receive scant attention by business experts (Rivers, 2018). A KPMG study of family firms in Australia found that succession planning was the third most important challenge faced by family firms, while seven of the top 10 challenges involved dealing with management succession in some form, including selling the business, exiting by retirement, and establishing professional business management (*2006-KPMG-Survey-Summary.pdf*, n.d.). When asked why they do not have a succession plan, business owners responded that "time to deal with the issue" was a significant restraint. A 2019 global family business survey conducted by Deloitte found when respondents were asked how ready is your company currently to meet the challenges of the next 10 to 20 years, 41% responded they were ready for succession which left 59% neutral on the topic or not ready at all ("Global family business survey 2019 | Deloitte Insights," n.d.). Earlier survey of researchers at KPMG (2015) found 60% of the family firms intend to pass on the leadership of the company to a family member and of those passing on leadership in the next 2-3 years, 55% believed they were not ready. Only 14% of the family firms surveyed were preparing and training a successor before succession (Noye, 2019). In another survey only 58% of those surveyed claimed to have a succession plan, and most were informal (PricewaterhouseCoopers, 2019). Succession in a FOB is therefore one of the most important issues found in family business literature (Avloniti et al., 2014) and an issue that is not sufficiently covered when addressing two families and a management team.

The Family Business

A company established in Southern California in the mid-1980s by two very close friends served as the institution studied to examine the phenomenon of succession in a two-family-owned business (2FOB). The two unrelated patriarchs of the business built the company from scratch to reach well over $100 million in sales as a critical distributor of products used both commercially and residentially. The founders' faith, witnessed by their conversion in their adult lives, has been the cornerstone of their business that has influenced the core values employed in every business decision. They began with modest resources but were driven by a strong desire to promote products that could have sustained market value and repeat sales. The business steadily grew over the years, representing major and increasingly more significant original equipment manufacturers in their industry. The company expanded by opening offices in several strategic locations across the United States while broadening their influence in philanthropic endeavors that mirrored their devotion to helping others less fortunate and their Christian faith. Their values, culture, and the causes they support have helped to attract a loyal staff of employees and customers sympathetic to their beliefs and vision.

The two founders recently stepped down from their positions as chief executive officer (CEO) and chief operating officer (COO), and they passed the operational leadership to one founder's three sons and to the daughter's husband of the other founder. The four positions comprise the CEO, COO, and two company presidents. The management team consists of four next-generation managers and two outside executives. One external executive oversees sales, while the other attends to the company finances. The two recently retired patriarchs and cofounders serve as cochairs of the board of directors.

The company has a strong vision and culture shared by the family members and that extends to the stakeholders of the business. The business recently went through the process of succession. The uniqueness of the organizational structure and founding makes this 2FOB succession process a phenomenon of interest. The business was not merely transferred from one generation to the next within a family or to more than one related family, but from two unrelated families with equal ownership and control to the next generation. The process, the timing, the preparation, and shared commitment are being researched in this case study to evaluate the initial results of the succession.

An extensive amount of literature exists on management succession in a single FOB or in a business dealing with the second or third generation of family leadership from the founding family. However, little has been written about FOBs in which two distinct, unrelated families started a company and have passed leadership to a management team in the next generation. The gap in the literature on 2FOBs and multiple successions to establish the next generation of leaders in an executive management team were addressed in this case study.

This 2FOB research study is unique due to the values, culture, and faith of the two founders, who not only demonstrated a keen ability to be successful business owners but also instilled these same character values into the next generation of family entrepreneurs. While operating a profitable business that has over 300 employees, they managed to keep their priorities with the family and create a balanced view of work that was favorably adopted by the next generation. Also unique to this company was changing from two unrelated business owners managing the company for nearly 35 years to transitioning leadership to a management team where collaboration, adept communication skills, and personal motivation are paramount to the continued success of the company. The preparation and business acumen necessary for each position formerly executed and overseen by the two patriarchs as part of the succession process was examined for its significance. Understanding how each of these critical elements influences the steps taken in the succession process helped to add to the literature on FOBs and lends insight to family business owners who are wanting to transition the leadership of their business to a management team of competitive business owners.

Statement of the Research Problem

Data from family firms show approximately 75% of FOBs are owned or controlled by the founding entrepreneur or a married couple. Siblings control another 20%, while 5% are owned or controlled by cousins (Cater, 2004). A vast majority of business owners (over 80%) intend for their children or other family members to succeed them in managing the business (Vincent, 2017). However, barely 30% of FOBs are expected to survive into the second generation, while only 12% are expected to be operating into the third generation (Cater, 2004; Le Breton-Miller, Miller, & Steier, 2004; Pindado & Requejo, 2015; Rivers, 2018). Researchers have conducted empirical studies to gain a greater awareness and understanding of the problem of the low number of FOBs that remain in business after the patriarch or first-generation leader steps down or retires. Some of these studies focused on the successor, while others focused on the family or the incumbent leader (Le Breton-Miller et al., 2004). The process of succession is not always smooth and can involve several different factors, including such aspects as the career interests, psychosocial needs, and life-stage needs of successors (Handler, 1994). Departing founders or CEOs who typically enjoy a long tenure and have a profound influence on the company culture, values, and performance of their firms will need to prepare for the time when they will step down and pass the governance to the next generation or to professional management hired outside of the family (Sharma, 2004). Generally, the average tenure of a CEO for all types of businesses, according to statistics gathered in 2008, is only 5.3 years, yet many businesses and boards of directors are not confident about their succession plans (Rothwell, 2016). While family businesses have longer tenures as founders or CEOs, dealing with succession issues is no exception, as many family firms struggle with succession planning and find unique challenges when transferring a company to the next generation (Rothwell, 2016).

The survival of family firms often depends on the owners' plan for the succession process and on developing the next generation to take on the governance of the enterprise (Pindado & Requejo, 2015). If there are several children, the oldest son often becomes the primary inheritor of the business, but he may not be the best equipped with the business acumen, vision, or motivation necessary to run the business (Rothwell, 2016). Succession may be further complicated by poor relationships between the FOB founder and the successor or by non-family managers negatively affecting the implementation of succession and threatening the family businesses (Barnett, Long, & Marler, 2012). The importance of succession planning is especially critical to the survival of family firms when passing down FOBs from the founding patriarchs to the next generation (Björnberg & Nicholson, 2012). Issues such as family members' skill set, training, preparation, passion and engagement with work, commitment to business, integrity, competence, and relations with siblings and incumbent; involvement of family members and outside members in the process; business and family climate and environment; shared vision; timing; values; culture; and familiness contribute to the smooth transition of succession (Avloniti et al., 2014; Barnett et al., 2012; Chen, Liu, Yang, & Chen, 2016; Chrisman, Chua, & Sharma, 1999; Chrisman, Chua, Sharma, & Yoder, 2009; Miller, 2014; Sharma, Chrisman, & Chua, 2003b).

Applying the case study method to a single unit (a family firm) allowed me to research a 2FOB to shed light on the systems and preparation implemented to effectuate the succession process for this company. Quantitative research alone would not be suitable for examining the phenomena of planning and “familiness” (Habbershon, Williams, & MacMillan, 2003, p. 452) in sufficient detail to study the succession arrangements and lived experience of family members in a 2FOB, as this topic was better suited for qualitative research (Gartner & Birley, 2002). Many research studies on FOB succession have taken place using both quantitative and qualitative methods (Alcorn, 1982; Chittoor & Das, 2007; Filser, Kraus, & Märk, 2013; Gordon & Overbey, 2018; Ibrahim, Soufani, & Lam, 2001; Sharma et al., 2001). Little is known about management succession in 2FOBs founded and managed by two distinct, unrelated families for several decades and in which the next generation of leadership has taken over the governance of the business. Further, most studies only consider the succession of the CEO and not successions involving other senior-level management positions critical to a family firm and involving several family members at one time. Le Breton-Miller et al. (2004) noted,

> There is also the issue that most studies consider only CEO successions, whereas succession of a whole host of top management positions needs to be planned to ensure complementarity and an appropriate repertoire of skills on the top management team. (p. 7)

The above statement by Le Breton-Miller et al. (2004) applies to this study, as the two patriarchs have passed the business to the next generation through four key management positions given to next-generation family members and two outside executive positions (vice president of finance and vice president of regional sales). Rather than succession involving only the incumbent and the successor CEO, the succession included a management team comprised chiefly of family members who are all owners, and to non-family members who have no ownership interest. The bounded single-case design as a qualitative study was suitable for the research and contributes to the literature on management succession in a 2FOB.

Research Questions

The qualitative study examined the following central research question:

RQ: How is succession planning for multiple senior executive positions in a 2FOB accomplished in a second-generation family-executive team?

The sub questions embodied selected themes that needed to be addressed as they emerged from the study:

1. How does the process of management succession in a 2FOB help effectuate the transition to the next generation?
2. How do the relationships among the second-generation family-executive team and the founding patriarchs in a 2FOB help to achieve multiple succession transitions?
3. How do stewardship, shared values, culture, and religious beliefs influence succession planning and implementation?

Definition of Terms

Entrepreneur: A risk taker who organizes, manages, and initiates decisions and activities of a business he or she developed or helped to create.

Family business: A business that has some family involvement in ownership, management, governance, or succession, where the next generation manages, controls, and influences the vision of the firm (Pounder, 2015; Siebels & zu Knyphausen-Aufseß, 2012). The family business has been further defined as

> a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. (Chua, Chrisman, & Sharma, 1999)

Management succession: Promoting experienced and prepared workers in an organization who have acquired the skill set and abilities necessary to lead and assume higher-level management responsibility (Rothwell, 2016). Family business succession involves “the actions, events, and developments that affect the transfer of managerial control” (De Massis et al., 2008, p. 184) among family members.

Management team: A group of managers equipped to plan, organize, and initiate organizational activities for a family firm.

Stewardship: Values and ideals such as credibility, honesty, respect, modesty, and cooperation that embody the culture of business (Davis, Schoorman, & Donaldson, 1997; Pounder, 2015).

Two-family-owned business (2FOB): A business established by two entrepreneurs from two unrelated families, where the two families in charge primarily handle decisions and responsibilities relating to ownership, management, governance, or succession.

Limitations and Delimitations

Research on the succession process for a FOB could involve several FOBs to make more definitive findings compared to a single bounded case study. While the succession to the next generation of a 2FOB founded by two unrelated patriarchs equal in ownership interest and involvement is unique, finding companies similar in structure with a similar intent for family succession would enhance the findings of this study and its conclusions. Other limitations might have included researcher bias, as I have worked in several FOBs in varying executive capacities and as an outside board member. Additionally, my firsthand knowledge of the 2FOB under study and my friendship with one of the patriarchs over 15 years might have influenced my interpretation of the research findings and led to a bias in the study.

This study was bound by one 2FOB, and other 2FOBs were not considered. The research was limited to interviews with the management team and the patriarchs, but it was not an intention of the study to interview non-family employees other than the vice president of finance and the vice president of sales. Conducting more interviews with non-family members might have shed more light on the company values and practices, as well as on reasons for placing family members in their executive management positions. The study took place over several months and not years. To evaluate the success of the management succession over years would be beneficial to the research and would more definitively determine the success or failure of the succession process. Therefore, the study examined the process and the decisions leading up to the placement of family members in their respective positions and the initial results of the management transition.

Significance of the Study

Most researchers who study management succession only consider the succession of the CEO to the next generation of leadership (Le Breton-Miller et al., 2004). However, succession can relate to multiple positions, all of which are essential to the management of a FOB (Le Breton-Miller et al., 2004). The critical transition of a firm is the transfer of leadership to the second generation, and only 30% of the firms survive such a transition

(Handler, 1994). The transformation may require the leadership of a company to rest with a management team trained for their position of responsibility within the family firm (Aronoff, 1998). The importance of a succession plan of a FOB is magnified when the business is a 2FOB, where the complexity and importance of the selection, training, and development of the next generation of leadership becomes the keystone to the survival of the business (Avloniti et al., 2014; Jayantilal, Jorge, & Palacios, 2016; Morris et al., 1997). The succession process should include elements to reduce sibling rivalries that result in divisions among family members (Ward & Aronoff, 1992) and the disruption of management and the business environment (Ward, 1997).

Researchers have found that management is becoming more of a team effort, especially in second-generation family businesses (Aronoff, 1998). Nearly 50% of the founders of family firms polled in the early 1990s in the United States expected two or more of their children to own and run their FOB (Ward & Aronoff, 1992). Given the complexity and importance of selecting the next generation management team from family members, the successors need to appreciate the significance of shared values and beliefs disseminated from the patriarchs. Successors are charged with the continuation of the vision and culture of an enterprise and the success of the transition. It is also essential to understand how each person on a management team who is also a family member accepts his or her role in the company, where one will be the next CEO or COO and the others will be tasked as company presidents (Sharma et al., 2003b).

The altruistic focus of a family firm where shared values take on greater importance in avoiding rivalries and conflicts among family members (Bigliardi & Dormio, 2009) is a crucial element of consideration when looking at a 2FOB experiencing a generational transition within its management team. Effective succession planning must include careful consideration of the effect of performance objectives, family values, and beliefs (Sharma, 2004). The process of preparing successors to take control of a business is critical to the leadership transition. Discovering the factors that contribute to change and the selection process among four heirs of a 2FOB is of great importance to its success and to stakeholder acceptance.

The case study explored the process of selecting the youngest of three sons to be the next CEO and the development of a senior management team dominated by two unrelated families. The study also explored how the leaders designated the specific family members for critical positions and the dynamics of one family taking the two top spots on the management team, a son-in-law named a president, and a third son also named a president. The uniqueness of the company arrangement involving two unrelated families as equal owners and the importance of the successful succession to the sustainability of the business is essential in examining the succession process in this case study. This study adds to the research on the succession to the second generation within a FOB, with special attention given to the unique characteristics and succession demands of a 2FOB.

Chapter 2: Literature Review

The literature contains multiple studies on a variety of topics relative to the FOB (Chrisman et al., 2003; Habbershon & Williams, 1999; Pounder, 2015; Sharma, 2004; Sharma, Chrisman, & Gersick, 2012; Zahra & Sharma, 2004). Studies have covered such topics as what a FOB is (Alcorn, 1982; Astrachan & Shanker, 2003; Chrisman et al., 2003; Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, & Sharma, 1999; Pipatanantakurn & Ractham, 2016); the success and survival of FOBs (Morris, Williams, & Nel, 1996; Morris et al., 1997; Pindado & Requejo, 2015); the importance of succession planning (Handler, 1994; Ibrahim et al., 2001; Rothwell, 2016); generational influence on succession planning (Calabrò, Minichilli, Amore, & Brogi, 2018; Davis & Harveston, 1998; Higginson, 2010; Lansberg, 1988); the process of succession planning (Bigliardi & Dormio, 2009; Le Breton-Miller et al., 2004; Sharma et al., 1997; Sharma et al., 2001); the importance of relationships (Lansberg & Astrachan, 1994; Milton, 2008; Mitchell, Hart, Valcea, & Townsend, 2009); harmony, conflict, and sibling rivalry (Avloniti et al., 2014; Gilding, Gregory, & Cosson, 2015; Jayantilal et al., 2016; Kidwell, Kellermanns, & Eddleston, 2012; Pieper, Astrachan, & Manners, 2013); factors preventing FOB succession (De Massis et al., 2008; Lockamy, Carson, & Lohrke, 2016); team effort (Aronoff, 1998; Sreih, Lussier, & Sonfield, 2019); culture (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008); altruism, stewardship, and trust (Caldwell, Hayes, Bernal, & Karri, 2008; Davis, Allen, & Hayes, 2010; Dede & Ayranci, 2014; Eddleston & Kellermanns, 2007; Miller, Le Breton-Miller, & Scholnick, 2008; Tosi, Brownlee, Silva, & Katz, 2003; Zahra et al., 2008); and spiritual leadership in FOBs (Dede &

Ayranci, 2014; Le Breton-Miller & Miller, 2018; Madison & Kellermanns, 2013; Pearson & Marler, 2010).

Compared to other disciplines in business such as strategic management, finance, accounting, real estate, and risk management and insurance, the research on family-owned and controlled enterprises as a scholarly discipline is relatively new and considered an emerging field of study (Chrisman, Kellermanns, Chan, & Liano, 2010; Siebels & zu Knyphausen-Aufseß, 2012). Additionally, researchers have failed to develop a standard definition of what constitutes a family business (Chrisman et al., 2010) with literature neglecting to find a consistent classification useful for research (Siebels & zu Knyphausen-Aufseß, 2012). This provides an opportunity to contribute to the literature to gain a better understanding of the uniqueness of a FOB as it pertains to management succession issues relative to the family business or, in this case, a 2FOB.

Definition of a Family-Owned Business

While many researchers have underscored the importance of the family enterprise to the global economy and indicated they are the predominant form of business organization in the world, the literature is not clear about what constitutes a FOB from an organizational point of view (Sharma et al., 2012). Given the current stage in the development of research on FOBs, having a single clear definition among researchers regarding what constitutes a family business may still be unrealistic (Chrisman, Chua, Pearson, & Barnett, 2012). Researchers often accommodate a more operational definition with a focus on family involvement in a business surrounding issues such as ownership, management, and transgenerational succession (Chrisman et al., 2003). For example, it is unclear whether ownership means 100% or something more significant than 50%, whether management is entirely run or only predominantly driven by family members, if the CEO can be an outsider, or if succession has to include a family member. These and other questions pose problems for researchers who try to define a FOB by the extent of involvement of family members, by ownership percentage, or by some other operational element (Chrisman et al., 2003).

When researching FOB definitions documented in the literature, Chua et al. (1999) found 21 different definitions characterized as operational. The results of their research show that family involvement variables explain only a small portion of how a FOB operates (Chua et al., 1999). For research and findings on FOBs to be consistent, Chua et al. (1999) concluded that there must be a distinction between those businesses that have “the essence of a family business and those that do not” (p. 2). The collection of definitions of a FOB tended to favor the combination of family-owned and family-managed compared to other groupings where the business is family-owned but not family-managed or family-managed but not family-owned. Additionally, ownership varied on eight different levels, including two persons unrelated by blood or marriage and, more than one nuclear family, which adequately covers the subject case study involving a 2FOB as being a genuine and authentic family business (Chua et al., 1999, p. 2).

Definitions focused on such elements as family stock ownership versus public ownership, entrepreneurship, emotional kinship, succession rights to a younger family member, influence and participation, alignment with family interests and objectives, family influence on management, and family influence on the direction of the business.

Chua et al. (1999) found that the predominant qualifying criterion among those definitions for a family business is a business owned and managed by a nuclear family.

A narrow definition of a FOB can interfere with the complexity of research. Studies involving FOBs need to reconcile the findings based on the description of a family business (Chua et al., 1999). Two companies may have the same makeup of ownership interest and management, but the owners of one may consider the business to be a FOB while the owners of the other may not. Additionally, as noted by Chua et al. (1999), one company may not even behave as a family business.

The sheer variety of FOB organizational forms demands a broader definition of FOB. Any attempt to arrive at a familiar or standard definition of a single FOB would be considered inadequate. Many FOBs are owned by multiple generations from different sides of the family. Many are run by multiple unrelated families (Chrisman et al., 2003). In this study, two unrelated individuals formed the company, and after running the business for more than 35 years, they have passed control of the firm to family members as part of the management team.

A more inclusive definition of a FOBs might include the following:

> A business is a family business when it is an enterprise growing out of the family's needs, built on the family's abilities, worked by its hands and minds, and guided by its moral and spiritual values; when it is sustained by the family's commitment, and passed down to its sons and daughters as a legacy as precious as the family's name. (Lea, 1998, p. 1)

Lea's (1998) FOB definition is broad; it includes moral and spiritual values that may heavily influence the culture of a business. However, the definition fails to address, for instance, the passing down of a company to someone other than a son or daughter, such as a management team composed of family and non-family members. The definition also does not include companies run by a small group of families.

Chua et al. (1999) proposed a more expansive FOB definition that addressed the behavioral and operational complexities of such businesses:

> The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. (p. 9)

Including the vision of a FOB gives “context, meaning, and reason for family involvement” (Chua et al., 1999, p. 11) and provides the necessary motivation to develop the strategy addressing functional policy decisions. The vision of the 2FOB under study was an integral part of the family business culture and influence (see Astrachan, Klein, & Smyrnios, 2002) underpinning the moral and spiritual foundations of the company that provides a broader reason for existence as a family enterprise and lends to the importance of stakeholders. Focusing on vision, behavior, and intentions promotes the ability to understand, predict, and modify behavior that facilitates family businesses achieving their goals and provides both a functional and a broader definition of a FOB (Chua et al., 1999). Moving a step further with the definition of a FOB, a business is considered family owned when the family actively controls the strategic orientation and the destiny of the company (Marcoux, Guihur, & Koffi, 2016). To realize its future as a viable and healthy business, leaders of a family business undoubtedly need to prepare for management succession.

Succession Planning

Succession planning is not new to researchers who study the sustainability of family businesses (Sharma, Chrisman, & Chua, 2003a). A degree of succession planning is critical to the success of the family firm as it involves the preparation of the successor, the transfer of knowledge of the founder's, and a successor transition process (Ghee, Ibrahim, & Abdul-Halim, 2015; Märk, 2012; Mokhber et al., 2017). The relative importance of succession planning is not readily acknowledged by founders who have failed to prepare for the management transition of the business (Mokhber et al., 2017). However, the founders who realize the importance of planning to the sustainability of a company take steps to prepare the successors for their leadership roles (Ibrahim et al., 2001).

Most FOB owners want their business to survive them, and over 80% intend to pass their business to their children or family members (Vincent, 2017). However, up to 80% of FOBs do not survive to the second generation, often due to no or little planning for succession (Vincent, 2017). Of those businesses that do survive, only approximately 12% make it to the third generation (Vincent, 2017). According to a survey conducted in 2013 citing research extracted from many sources, "92% of respondents felt there were varying degrees of risk to a company's longevity not to have a plan for succession" (Rothwell, 2016, p. 54). The survey also found that the owners of 77% of firms that have a succession plan claim that the motivation is to "continue the company's legacy and uphold its good reputation" (Rothwell, 2016, p. 54).

Succession planning requires more attention and development in research (Pipatanantakurn & Ractham, 2016) even though it is a frequent topic in FOB literature

(Sharma et al., 2003b). Succession usually involves dealing with either the technical areas covering legal or tax issues or the social areas focusing on sibling rivalries or trust and influence between owner and successor (Pipatanantakurn & Ractham, 2016). Succession in a FOB is typically thought of as the head of the family business passing the company to another family member (Marcoux et al., 2016) or a non-family member who is a professional manager (Pipatanantakurn & Ractham, 2016). This research project examined passing a business not to one successor or a professional manager but to a management team primarily composed of family members. The delegation of duties and responsibilities within the firm of the CEO and COO (cofounders) and critical senior-level tasks to the management team involves placing individuals according to their ability and readiness to assume the job.

Researchers have indicated that succession planning is more critical to a FOB than a non-FOB due to the limited pool of potential successors and the complications that can arise between the incumbent and potential replacement (Bagby, 2004; Le Breton-Miller et al., 2004). There is no guarantee the family member assuming the leadership role is capable of taking over the required duties (Lansberg & Astrachan, 1994). The succession process involves preparing while at the same time keeping both the family together and the needs of the business as a priority. Reflecting on succession planning, Lansberg (1988) commented,

> Succession planning in a FOB involves making the preparations necessary to ensure the harmony of the family and the continuity of the enterprise through the next generation. These preparations must be thought of in terms of the future needs of both the business and the family. (p. 2)

Considering the needs of both business and family, (Sharma et al., 2003a) identified several components of the succession process to be selecting and training a successor, developing a vision or strategic plan for the company after succession, defining the role of the departing incumbent, and communicating the decision to key stakeholders (p. 3). Sharma et al. found the primary driver of succession planning activities was not the desire of the incumbent to keep the business within the family, but the presence of a trusted successor to preserve the FOB.

Having a trusted successor (Sharma et al., 2003) facilitates a business founder passing knowledge between owner and successor (Pipatanantakurn & Ractham, 2016) in a process that helps to promote a successful transition (Bigliardi & Dormio, 2009). However, Pipatanantakurn and Ractham (2016) concluded that there is yet to be any concrete theory on how to reduce the high failure rate of the succession process. The transfer of business know-how to the next generation though essential to the successful succession of leadership (Pipatanantakurn & Ractham, 2016), is no guarantee of the ultimate success of ownership succession.

Developing a succession plan and communicating that plan to stakeholders and family members is crucial to remaining profitable as a business entity after succession (Lansberg & Astrachan, 1994). Empirical evidence has shown that planning the succession process in FOBs is essential to company performance in the next generation (Pindado & Requejo, 2015). Therefore, succession planning should not be considered an event that will occur sometime in the future but rather a process involving time and multiple variables both within and external to the company (Davis & Harveston, 1998).

The process of succession planning is not always smooth or continuous (Handler, 1994). Family leaders must be willing to let go and be psychologically prepared to pass leadership and ownership to successors (Marler, Botero, & De Massis, 2017). Marler et al. (2017) referred to incumbents as needing to be “succession ready” (p. 63) or mentally prepared to leave their role as a leader and to transfer authority and decision-making power to successors. Incumbents’ ability to initiate and cooperate in the succession process has a bearing on the outcome.

Incumbents can be facilitating, accepting, delaying, postponing, or impeding (Handler, 1990; Marler et al., 2017; Morris et al., 1997). Incumbent resistance, when there are two unrelated family patriarchs, can become even more complex in the succession process. Further, when both families have multiple family members in various management positions, founders need to be more proactive in the role transition to prepare the next CEO and company leadership in what they must know and learn in order to succeed (Bigliardi & Dormio, 2009). Likewise, the family members involved in the day-to-day operations can be proactive in learning new leadership roles to effectuate successful change in the transition (Morris et al., 1997).

The primary influence across generations in the family business is the family (Davis & Harveston, 1998). Regardless of which generation is in control of a company, the family holds the primary guiding influence on the business. Therefore, it is essential to ensure the survival of the family business so that close family members take on positions of responsibility to ensure the continuation of the enterprise (Davis & Harveston, 1998), even when a professional manager is hired to assume executive leadership positions within the FOB. Therefore, succession planning for FOBs involves more than just a “one-time incident” (Sreih et al., 2019, p. 33) but an ongoing and systematic process that begins with the first-generation entrepreneur and passes down to successive generations. Family firms that manage the succession process poorly often fail, whereas those that manage succession well survive and position themselves for the future (Milton, 2008).

Successor Selection

Successor selection is a process that may take many years to implement (Le Breton-Miller et al., 2004). The succession process involves transferring leadership from one family member to the next (Sharma et al., 2001). Typically, a FOB plan for succession depends on life-cycle changes or changes in products and markets (Lansberg, 1988). Planning around expected major events does not help when sudden changes happen, such as a death in the family or sudden economic convulsions affecting the business. Neither does planning around major events allow for sufficient time to prepare successors for their new role (Handler, 1990; Lansberg & Astrachan, 1994). However, when planning for succession, the health, educational progress, and age of the parties are critical to the timing (Le Breton-Miller et al., 2004). Environmental factors must also be considered. A steady and healthy business environment can provide more time to prepare the successor, whereas in a more turbulent environment, the timing for a change in leadership may have to be accelerated given the demands of the business and the needs of the incumbent (Le Breton-Miller et al., 2004; Ward, 2011). Whatever the timing for succession and the degree of planning needed, family businesses are not a homogeneous group, and what works well in one situation will not necessarily work in another (Sharma et al., 1997). Therefore, studying family requirements in succession, the training and skill set of the next generation, sibling relationships, intergenerational issues, and family goals is essential in the succession process (Sharma et al., 1997, 2001).

Reviewing the requirements of the various executive positions in a FOB and the abilities of the potential successors early in the process is necessary to address the needs in succession planning (Handler, 1990; Le Breton-Miller et al., 2004). Family business discussions with children, while they are young, prepare the children to think about the business, develop their interest, and help them to be more favorably inclined to one day work at the company (Goldberg, 1996; Keating & Little, 1997; Sharma et al., 1997).

When considering a successor selection, Le Breton-Miller et al. (2004) developed four factors: “1) Who should be performing the evaluation and selection, 2)What criteria should they be using, 3) When and how should the assessment be carried out, 4) What are the range of positions to be filled?” (pp. 314-315). Company leaders may choose to solicit the help of an outside consultant to monitor the succession process, or they may select an external board member to assist (Le Breton-Miller et al., 2004; Rothwell, 2016). The selection of an outsider is based on the needs of the family and the ability of the outsider to be objective in his or her contribution (Le Breton-Miller et al., 2004). Consideration of a successor should go beyond just finding a CEO replacement and extend to other managerial positions that need a succession plan to complement the skill set of the management team (Rothwell, 2016). Furthermore, the process should allow for sufficient time to implement the transition.

Those involved in the day-to-day operations of the FOB must see the selection process as being legitimate and fair. Setting the criteria and the rules for the selection process in advance will help to build consensus and solicit broad agreement from family members as well as outside management before succession takes place (Le Breton-Miller et al., 2004). Further, a healthy relationship built between the potential successor and the incumbent increases the probability of success in succession (Goldberg, 1996). Some cultural traditions may favor succession going to the firstborn child, whereas other cultures may support succession going to the oldest male and therefore passing over daughters as possible heads of a family business (Perricone, Earle, & Taplin, 2001). However, when family succession involves a willingness to break with primogeniture (succession by the firstborn child, typically the eldest son) and therefore have the courage to choose the right successor, research has shown that the family preserves the affect-related value of the firm (the socioeconomic benefits) while securing healthier post succession economic performance (Calabrò et al., 2018).

Conflict and Harmony in the Succession Process

The relationships in a FOB have a profound influence on whether conflict or harmony exists in the company headquarters (Avloniti et al., 2014; De Massis et al., 2008; Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004; Lockamy et al., 2016; Ruiz Jiménez, Vallejo Martos, & Martínez Jiménez, 2015). The working relationships in this case study among the several second-generation family executives who are members of the management team and the founding patriarchs are impacted by whether the relationships are seen as being either argumentative or respectful during the succession process. It is important to determine if, for instance, the relationships are seen as self-dealing and manipulative, or if they are seen as what is best for the family business and as congenial? Whether there is conflict or harmony is critical to transitioning the company to the next generation. As an example, the lack of forgiveness within a FOB was cited as the second most common obstacle to FOB succession planning (Hubler, 1999). The most common barrier is a lack of appreciation, recognition, and love

(Hubler, 1999). The quality of work in families deteriorates during times of transition and when anxieties escalate (Dunn, 1999). Ensuring mutual respect between generations and the management of the business while establishing family boundaries are essential to building positive influences toward succession (Dunn, 1999).

Family businesses have been referred to as “fertile fields for conflict” (Harvey & Evans, 1994, p. 331). Research has shown that succession can exasperate conflict in family firms due to the challenges of confronting change (Jayantilal et al., 2016). Perricone et al. (2001) found that a typical pattern among businesses was “resistance on the part of the older generation of owners and managers to changes that the younger generation wanted to implement” (p. 111). However, the leaders of firms who successfully manage conflict are more likely to see their business passed down to successive generations (Eddleston & Kellermanns, 2007; Ibrahim et al., 2001). Frequent disputes that arise in FOBs involve members using the family business as the conduit to settle their fights, act out their disagreements, and rehearse other points of tension while at work that are not freely or openly discussed within the family (Pieper et al., 2013). Other conflicts may originate from having an overly authoritarian family leadership style that creates an atmosphere that retards maturity, creates dependency, and stifles creative expression (Pieper et al., 2013). The challenge is to create a family culture that keeps the offspring close to the family while allowing them the freedom to direct their own lives, independent of the family and business. Another source of conflict emerges when business owners, or patriarchs, are unwilling to change their business model to explore new opportunities and markets or to close down unproductive segments of a business (Pieper et al., 2013). In cases where these types of conflict exist, Pieper et al. (2013)

recommended interventions to help the family and the business. Disputes can hinder successful business transitions and terminate any succession activity within a family.

Another source of conflict is sibling rivalry, where perceptions of unfairness may contribute to the failure of succession (Avloniti et al., 2014). Parental attitudes, roles, and behaviors influencing childhood may extend into adulthood and affect sibling relationships (Avloniti et al., 2014). Additionally, age gaps, gender, number of siblings, birth order, and attitudes toward the oldest child as the heir apparent or toward girls in the family may influence sibling relationships (Avloniti et al., 2014; Davis & Harveston, 1998; Higginson, 2010; Keating & Little, 1997). Rivalries within family relationships can be anxiety-provoking, especially during times of transition when family conflicts may be chronic or acute (Dunn, 1999). Parents who are business owners may not be aware of how their messages and actions facilitate or impede the succession process (Keating & Little, 1997).

Although conflicts within the family can be destructive to a family firm, "productive family relationships can be a source of competitive advantage" (Eddleston & Kellermanns, 2007, p. 548), harmony and positive energy in successfully working together are especially beneficial during business transitions. Open and constructive communication is essential in facilitating the transfer of knowledge (Higginson, 2010), and promoting greater cooperation and more cohesiveness between family members helps to safeguard intergenerational succession (Jayantilal et al., 2016). Additionally, altruistic attitudes in which family members' interests align with the success of a business aid in enabling family succession (Eddleston & Kellermanns, 2007). Other characteristics considered positive in building harmony and crucial to the transfer of knowledge include “mutual respect, trust, sensitivity to each other’s needs, shared values, and reasonable expectations” (Higginson, 2010, p. 3). The shared characteristics of altruism, fairness, and strong family values are a positive reinforcement to the succession process and to building harmony in a family business. Ward (1997) noted, “Wise family-business leaders invest substantial energies to nurture and strengthen family-member harmony, trust, and satisfaction” (p. 329). How members of a FOB choose to handle conflict will ensure the failure or success of that FOB in transitioning the business to the next generation (Jayantilal et al., 2016; Kellermanns & Eddleston, 2004). The positive characteristics found in maintaining an environment that upholds respect for others and builds on trust in the relationship are essential to the succession process and the development of the successor (Berendt, Christofi, Kasibhatla, Malindretos, & Maruffi, 2012; Lockamy et al., 2016).

Agency Theory and Management Succession

Agency theory has chiefly influenced modern organizational theory and business policy (Davis et al., 1997). Management, as the agent for a corporation, serves the interest of the shareholders, and shareholders provide incentives to management to increase shareholder wealth. Although management is morally responsible for working in the best interest of the owners of a corporation, when the interests of the principals (owners) are different from those of the agents (management), agency theory posits that management will work for its own gain (Davis et al., 1997). As long as the incentives benefit management, management will perform to increase financial rewards favorable to both management and the principals. According to agency theory, those in positions of power who have superior information use it to exploit others for personal gain; this postulate concerning agency theory derives from the economic view of man (Le Breton-Miller & Miller, 2009), in which man is seen as individualistic, opportunistic, and self-serving in his motivation (Davis et al., 1997; Tosi et al., 2003). When their interests diverge, agents work rationally to maximize their benefits at the expense of the owners (Davis et al., 1997).

To protect shareholder interests, Davis et al. (1997) suggested minimizing agency costs by ensuring the alignment of the goals and needs of agents (management or successor) and principals (owners or founders) through proper monitoring and a well-planned compensation system. Since both agent and principal seek to maximize their welfare but in different ways (principals through the increase in their return on invested capital in the firm, and agents through their involvement and compensation in the firm), the challenge is bringing those interests closer together to achieve maximum results for each party (Tosi et al., 2003). Agency costs decrease when both owners and agents are honest and trustworthy (Le Breton-Miller & Miller, 2018). As the successor of a FOB, heirs may find themselves motivated by goals or values that are different from their predecessors, especially when the successor is outside the family (Michel & Kammerlander, 2015). In either case, the successor, as an agent, is the custodian of the jewels in the FOB that the founder and entrepreneur created.

Agency theory stipulates that the successor interests and goals for the business are more closely aligned with those of his predecessor and other family members through compensation incentives, ownership, or both (Tosi et al., 2003). Owner-manager agency costs are considered to be lower for FOBs because family members have the “votes and knowledge to avoid being exploited by their managers” (Le Breton-Miller & Miller, 2009, p. 1172). However, owners of a FOB can use influence and power to benefit members of the family over nonmembers by appropriating company assets for personal and family purposes (Le Breton-Miller & Miller, 2009). In this instance, agency costs are minimized from the family perspective. However, favoring family may lead to family members assuming company positions they are not able to handle and using economic resources for personal purposes that would otherwise be earmarked for company growth and infrastructure improvement, core competency development, and product-to-market expansion (Le Breton-Miller & Miller, 2009). Nevertheless, empirical evidence has not indicated that family control and governance are either beneficial or detrimental to firm performance (Pindado & Requejo, 2015). The uniqueness of the family business phenomenon and its distinctive structure and motivation give FOBs definite advantages with their long-term orientation, strength, and social and financial capital (Habbershon & Williams, 1999; Le Breton-Miller & Miller, 2018; Ward, 1997).

The family business preparing for succession may decide to use an outside advisor to guide the process (Michel & Kammerlander, 2015; Strike, 2012). Advisors acting as agents for FOBs include such professionals as lawyers, accountants, consultants, executive coaches, and advisory boards who have expert knowledge and provide high-quality feedback critical to matters such as succession planning (Bozer, Levin, & Hartel, 2008; Michel & Kammerlander, 2015; Strike, 2013). A trusted advisor can mitigate agency problems by improving the succession phase by helping the family define the vision, goals, and guidelines for the process (Michel & Kammerlander, 2015). Bozer et al. (2008) found that advisory boards were also helpful in generational transitions as part of FOB succession.

Difficulties arise when agents are working to achieve their own goals and benefit themselves and are not looking out for the interests of the principal or the family members. Trusted advisors mitigate these costs with their specific expert knowledge, experience, and skills (Michel & Kammerlander, 2015) are often lifelong participants in the family business, are deeply involved in having access and intimate knowledge of company finances and decision making, and provide counsel on both business and family matters (Strike, 2013). However, even with a trusted advisor, agency costs may increase when the advice given by the advisor is not accepted by the principle or family members over such matters as to the timing of management and owner succession. Conflicts over the diverging goals of incumbent and successor increase agency costs unless the advisor can be a good steward of the interests of both incumbent and successor by generating a continuous flow of critical inside and outside information that is equally distributed to both parties (Michel & Kammerlander, 2015).

Stewardship Theory and Management Succession

A contrasting perspective to the agency theory of governance is the stewardship theory. The foundation of stewardship theory rests on goal congruence where principal and agent are in line with each other over the objectives and vision of the organization (Zahra et al., 2008) and on the notion of self-actualizing actors who are purpose-driven beyond “self-oriented economic considerations” (Meier & Schier, 2016, p. 258). When comparing agency theory and stewardship theory, agency theory is generally seen as self-serving by being motivated by economic and physiological needs, including the need for security and economic well-being. Stewardship theory, by contrast, is more collective and serves the higher order of needs, including the need for growth, achievement, and selfactualization (Davis et al., 1997). According to stewardship theory, family members need to work on common interests in a firm in a participatory process that tends to increase firm performance while decreasing family conflict (Eddleston & Kellermanns, 2007).

Comparison of Agency Theory and Stewardship Theory

Researchers have found it more useful to use stewardship theory to explain the deep emotional investment family business owners have in advancing their company and the inherent satisfaction they experience when the business succeeds (Corbetta & Salvato, 2004; Davis et al., 2010). The stewardship theory of human motivation is likely to be more attuned to high levels of family identification with a commitment to an enterprise activity beyond extrinsic motivation such as immediate short-term profit motivation, thereby aligning values between family and the enterprise with a view toward long-term success and financial rewards (Davis et al., 1997; Zahra et al., 2008).

Stewardship of a FOB is pro-organizational, in which the duty of the leader is to maximize wealth creation to benefit all stakeholders and society (Caldwell, Hayes, & Long, 2010). In essence, good stewards in a FOB are decision-makers motivated to serve the business over self-interest and personal advancement and who work to pass a healthier and stronger business to the next leader or generation (Davis et al., 2010). Self-serving family members are not good stewards of a family business or its assets, nor are they good stewards of non-family employees and stakeholders (Davis et al., 2010).

Stewardship conjures thoughts of value commitment and trust (Davis et al., 2010; Hernandez, 2008), the inspirational motivation of the family patriarch (Eddleston, 2008), a cooperative work environment, self-management, self-development, responsibility (Eddleston, 2008), competitive advantage (Zahra, Hayton, & Salvato, 2004), high levels of shared commitment, mutual interdependence, reciprocal altruism, and support of long-term goals (Eddleston, 2008; Zahra et al., 2008) and is pro-organizational (Davis et al., 1997). Stewardship governance drills down beyond theory and emphasizes structures that facilitate and empower rather than those that monitor and control (Davis et al., 1997). These structures are not created through formal rules but rather are enabled and facilitated within a FOB (Hernandez, 2008).

Empirical evidence has specified that stewardship is associated with owner-manager values including those with strong religious beliefs shaping the culture of FOBs (Le Breton-Miller & Miller, 2018). Le Breton-Miller and Miller (2018) found that devoutly religious families (Protestant, Catholic, and Jewish) were attentive stewards of sustaining successful enterprises. Further, strong values, discipline, and generosity were apparent in the family firm, which served as a benefit for the organization and stakeholders (Le Breton-Miller & Miller, 2018). These values and beliefs were further reflected in the religious commitment found in the roles of the marriage partners and in the responsibilities and motivations of their children to help positively shape the values and actions of the FOB (Le Breton-Miller & Miller, 2018). Organizational values that include faith and hope are beneficial in meeting followers' spiritual needs and in transforming an organization's culture (Le Breton-Miller & Miller, 2018; Madison & Kellermanns, 2013).

Applying the characteristics of stewardship as a form of governance in FOBs increases the social capital of the firm (Arregle, Hitt, Sirmon, & Very, 2007). Arregle et al. (2007) defined social capital as "the relationships between individuals and organizations that facilitate action and create value" (p. 75). A FOB breeds social capital by its nature as a business organization. Built on trust, social capital is developed within the family unit (Bubolz, 2001). The environment cultivates guidelines helpful to cooperation and coordination that foster principles of mutual benefit and exchange (Arregle et al., 2007; Bubolz, 2001) found in the norms exemplified in the stewardship of a FOB.

The enviable position of FOBs is their close ties and enduring sense of stewardship regarding family assets (Eddleston & Kellermanns, 2007) that facilitate action, create sustainable value to the enterprises, and promote long-term benefits, including the relational trust found in having a depth of social capital (Arregle et al., 2007; Shi, Shepherd, & Schmidts, 2015). Trust is an integral part of social capital, and developing trust builds openness and honesty among family members, including confidence in family members' reliability and integrity (Morris et al., 1997). Trust among employees is higher in a FOB than in a non-FOB, and there is a better work environment and greater participation among employees in a FOB, which contributes to organizational harmony (Jiménez et al., 2015).

Trust is associated with such character qualities as "consistency, competence, fairness, responsibility, helpfulness, and benevolence" (Morris et al., 1997, p. 398). Family members create an ideal environment within family firms by modeling trust. The family establishes the bar for moral behavior, which provides guidelines for cooperation and coordination, as well as reciprocity and exchange (Arregle et al., 2007, p. 76). The potential family successor to a business, whether a family member, members of a management team, or an outsider, needs to demonstrate the competency and skill to be the next leader and possess the social capital to direct the FOB more effectively (Calabrò et al., 2018).

With the positive values found in stewardship, such as altruism, trust, and integrity, the next generation of family leaders is considered to be desirable if the leaders carry out their directives for the FOB with high integrity (Sharma, 2004). The founding entrepreneur of a FOB is likely to have a high degree of stewardship due to a focus on the long-term prospect of the business, the degree of wealth representing the family fortune, the reputation that the company carries, and the founder's concern for the future (Chen et al., 2016). Successors of family businesses, if they show themselves to be competent and have the desire to lead their company, often adopt values, beliefs, and culture in line with stewardship behaviors found in the family business established by the founding entrepreneurs (Chen et al., 2016; Corbetta & Salvato, 2004; Hernandez, 2008). The succession process involving the transfer of control and ownership is enhanced in the context of stewardship behavior. Intergenerational conflicts, sibling rivalries, and issues of control between the incumbent and the successor are more effectively resolved when they experience more altruistic motives. Considering the welfare of each helps to resolve disputes and disagreements between family members and contributes to building trust (Kellermanns & Eddleston, 2004; Meier & Schier, 2016; Shi et al., 2015; Ward, 1997).

Familiness and Management Succession

Having a sustained competitive advantage is essential to any business and no less to a FOB. Owners and managers engage their business to gain a strategic advantage by employing and effectively using the company resources at their disposal. The owners of a FOB have the strategic resources to employ to provide a competitive advantage in the marketplace. The competitive advantage of a FOB has been described as *familiness*. Familiness refers to “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business” (Habbershon & Williams, 1999, p. 11). Habbershon and Williams (1999) characterized the resource-based view of the FOB as familiness, where the personal assets, capabilities, organizational processes, firm attributes, information, knowledge, know-how, business model, and other family-specific assets influence the family resources engaged in the economic outcome of the enterprise.

Family-centered noneconomic (FCNE) goals, which are a derivative of familiness, reflect the drive and behavioral emphasis unique to the family firm and consist of the vision, attitudes, and aspirations of the FOB (Chrisman et al., 2012). Stewardship theory, as related to the FOB, stipulates the potential importance of FCNE goals (Corbetta & Salvato, 2004) and the unique interests of the controlling family (Chrisman et al., 2012). Family goals are typically oriented toward the long term beyond the lifespan of the current generation, thereby demanding continued family involvement and control (Chrisman et al., 2012). These FCNE goals are critical to understanding the essence of family generational succession to sustaining the family business, maintaining control, and involving continued family commitment (Chrisman et al., 2012). The elements found in familiness provide family social status, identity linkage, and harmony essential to FCNE goals (Chrisman et al., 2012).

Researchers consider familiness to be the source of intrafamily altruism and trust (Dede & Ayranci, 2014). Leadership in a FOB is a function of recognizing the familiness characteristics of the family firm. Altruism and elements of trust are found in family leaders employing their resources to bear on the future of the business (Dede & Ayranci, 2014). These resources are unique to the family business and include elements of Habbershon and Williams's (1999) four resource categories to develop the competitive advantage of the firm. The distinctiveness of their systems, including a unique culture of family values that are self-sustaining and self-regulated, as witnessed in familiness, lends the FOB its competitive advantage (Aronoff, 2004; Habbershon & Williams, 1999). The preparation of the heirs in succeeding the founding patriarch, including their formal education and training, must include developing their business skills, managerial capabilities, knowledge of company operations, and attitudinal predisposition to running the business (Morris et al., 1996) and their ability to nurture the familiness of the FOB.

Management Succession and Establishing a Top Management Team

The team approach is increasingly the norm in management succession, especially with the second generation, where leadership is more defined as a team of top managers than by an individual (Aronoff, 1998). The "passing of the baton" in management succession to a single individual tends to be ineffective in successfully transitioning leadership in a FOB (Aronoff, 1998, p. 181). However, installing a successor team as an integral part of a generational transition in a FOB aids in reducing family conflicts related to strategy, taking business risk, establishing the managerial culture, and facilitating the decision-making process, all of which increase the probability of business success (Aronoff, 1998; Sreih et al., 2019). An Anderson/MassMutual survey found that 42% of family businesses are considering co-presidents for the next generation (Astrachan & Dean, 2000). In this case study, the team approach for generational transitioning of a 2FOB consisted of family members in the second generation from both families being appointed as the next CEO, COO, and two company presidents, with each representing equal ownership and authority. Having a top management team as the successor for a 2FOB, according to the empirical studies previously cited, may help to reduce conflicts among the two families and sibling rivalries.

Successful transitions in FOBs involving a top management team also build qualities such as trust, open communication, and encouraging shared values among family members (Morris et al., 1997). Additionally, the postsuccession process was found to be more successful when it stressed the human element to maintain family cohesion among family leadership (Morris et al., 1997). By stressing the human element engenders more of an entrepreneurial spirit within the next generation to cope with changing markets and economies, thereby improving the probability of business success (Sreih et al., 2019). Assigning leadership responsibility to one individual can create more conflict and failure in business transitions (Aronoff, 1998). Passing a business to a top management team in the second generation of owners may further enhance the process of succession to succeeding generations of family owners (Sreih et al., 2019).

Conclusion

The unique structure of the FOB formulated by two unrelated patriarchs presented an enticing study of a family firm going through the generational transition from the founding entrepreneurs to the second generation of family ownership. Researchers have proposed many structures and elements encompassing a FOB. Establishing a FOB with two unrelated families and establishing a top management team made this study particularly interesting. Additionally, not having equal family representation on the management team, but equal ownership, creates a setting for the researcher to understand better the succession process and the family dynamics of running a family business owned by two unrelated families.

Researchers have attempted to define what a family business is because its existence is critical to the economic well-being of countries throughout the world. Researchers have wanted to develop a consistent framework that they can study to understand better the inner workings and motivations of a family enterprise. Some have defined a family business based on operational elements such as size, organizational makeup or governance. For the purposes of this study, I chose a more expansive definition of FOB that addressed both behavioral and operational complexities that include a business governed and managed by a dominant coalition of the same family or group of small families to pursue and shape a vision that is potentially sustainable across generations (Chua et al., 1999). The definition incorporated two unrelated families who collaborated on the goal to supply products and services to small and large companies from multiple locations across the United States.

Most FOB owners want their business to survive them; however, few FOBs survive from the first to second generation (Vincent, 2017). Of those that survive to the second generation, few have initiated a comprehensive plan for succession. More development needs to be undertaken in research on handling such issues as planning for succession (Pipatanantakurn & Ractham, 2016). Succession is not a single event taking place sometime in the future, but a process that includes training and preparing members of the family to be equipped to take on expanding leadership roles and better understand the future needs of both the business and the family (Sharma et al., 2003). More research is necessary to learn about passing the company not to a single family member who becomes the CEO (Marcoux et al., 2016), or an outside professional manager (Pipatanantakurn & Ractham, 2016) but to a management team that would base the individual responsibilities of each on their readiness and competency to handle the duties of their new respective position in the FOB.

Succession planning is not always smooth and is often met with some disappointment, conflict, divided interests, and complications (Handler, 1994). With the understanding of family and company priorities and cooperation in the succession process, the transfer of leadership from one generation to the next can be accomplished. To ensure the survival of the FOB, the members of the next generation needed to take positions of responsibility that would ensure the continuation of the enterprise (Davis & Harveston, 1998). Managing the process well helped to determine the survival of the business and the vision of the patriarchs for a multigenerational enterprise (Milton, 2008).

Understanding the thinking behind the preparation and selection of the various top management positions assumed by family members of the next generation may lend insight into the selection process. Indeed, the involvement in this case study of two outside members in the top management team and their influence on the structure of the organization, as well as their commitment to the family business as non-family members, shed light on the future of leadership and business architecture in a 2FOB. Further, the culture and values adopted by family members and stakeholders of the company provided an understanding of the context of succession that underscores the influence that family harmony and building mutual respect among its’ members has on sustaining a viable business into the future (Eddleston & Kellermanns, 2007; Jayantilal et al., 2016).

Family-owned businesses facilitate stewardship by developing higher levels of shared commitment, mutual interdependence, and support of long-term goals provide a FOB with a competitive advantage in the marketplace (Eddleston, 2008; Zahra et al., 2004, 2008). The firm values, discipline, and generosity often found in family firms that depict the religious faith of their founders, benefit the organization as well as the stakeholders (Le Breton-Miller & Miller, 2018). When these values are sustained within the family business, they impact the business culture, transform the organization and create positive levels of social capital to support the health and well-being of the company while promoting long-term benefits to the family business (Arregle et al., 2007; Morris et al., 1997; Shi et al., 2015). These benefits are often seen in the outcome of transferring leadership from one generation to the next where maintaining the strong values by the next generation of family leaders provides the foundation to sustain the business. When members of the family choose the values of the patriarch that have become a part of the business culture, the leadership of the management team is strengthened in their oversight and stewardship of the enterprise.

Productive family relationships can be an advantage to a FOB. Strong family values and altruistic tendencies in the business create a healthy environment from which to take advantage of family resources to build the company (Habbershon & Williams, 1999). The competitive advantage of the unique bundle of resources found in a family business allows the company to build upon its success. These resources include personal assets, capabilities, organizational processes, firm attributes, information, knowledge, know-how, business model, and other strategic assets. These resources found in a family are referred to as familiness. Familiness contributes positively to the economic outcomes of the enterprise and organizational identity, and helps to facilitate the succession process by perpetuating these values and characteristics into the next generation of leadership (Zellweger, Eddleston, & Kellermanns, 2010).

The research that has taken place on FOB has been extensive, including what constitutes a family business and management succession issues and processes unique to the family enterprise. However, little research has been conducted on two unrelated families collaborating to form a company in Southern California that developed over more than 30 years to have more than 300 employees, to exceed $100 Million in sales, and to have locations around the country, and where succession involves transferring the business to family members on a management team composed of family and non-family members. Issues pertinent to the succession process, such as the preparation of successors, selection of family and non-family members in individual senior management positions, stewardship of the family assets, family values, culture, religious faith, the effect of using family resources and, familiness were researched to contribute to the body of knowledge on management succession in a family business.

Chapter 3: Research Design and Methodology

Introduction

Family succession research has dominated the literature covering the transition from founder to the second generation and transitions that extend down to the fifth generation in a family firm (Cater, 2004; Goldberg, 1996; Ibrahim et al., 2001; Rivers, 2018; Sharma et al., 2001, 2003a). The succession process typically proceeds from the founder CEO to a successor and covers a variety of challenges that accompany succession in a FOB (Miller, Steier, & Le Breton-Miller, 2003). However, research involving a FOB with two unrelated founders transitioning the business not only to a new CEO but also to a management team that consists predominantly of family members from both entrepreneurs is scarce. This qualitative study contributes to the research on family firms and succession with the unique involvement of two distinct families and a successor management team.

Research Design and Rationale

The research method was a qualitative, bounded, single-case study to investigate the process of family succession. Discovering and understanding events and their implications is the primary objective found in qualitative research (Merriam, 2002). Case study research is an inquiry into a phenomenon that involves describing, understanding or predicting what might be a program, event, activity, or process bounded by time. (Creswell, 2014; Woodside & Wilson, 2003). Qualitative methodology is a research strategy with a focus on the changing aspects present in a single setting (Eisenhardt, 1989). Qualitative researchers study *how* people make sense of their lives and their worlds and uncover and interpret their meanings to help explain *why* things happen

(Patton, 2015). The basic categorization of qualitative research questions typically asks *who*, *what*, *where*, *how*, and *why* questions (Yin, 2018). The three purposes of qualitative research are exploratory, descriptive (confirmatory), or explanatory approaches (Johnston, Leach, & Liu, 1999; Rowley, 2002; Yin, 2018). Researchers have found *how* and *why* questions to be more explanatory than exploratory or descriptive (Yin, 2018). Qualitative research design favors case study research as being “appropriate to answer the *how* and *why* questions or to describe a phenomenon and the *real-life context* in which it occurred” (De Massis & Kotlar, 2014, p. 16).

Business researchers have favored the case study methodology to build theory and explain specific trends, events, and occurrences (De Massis & Kotlar, 2014; Dyer & Wilkins, 1991; Eisenhardt, 1991). The single-case in-depth study is suitable for understanding complex social phenomena from a holistic and real-world perspective (Yin, 2006, 2018), such as 2FOB succession planning. The case study approach is the most often employed qualitative methodology in family business research (De Massis, Sharma, Chua, Chrisman, & Kotlar, 2012). Family business scholars and doctoral students use the case study methodology to describe complex phenomena found in succession planning in family firms (Chesley, 2017; Frese, 2015; Rosensteel, 2016; Talia, 2016). Chesley (2017) adopted a qualitative single-case study to examine the conceptual framework used by leaders in a family setting to prepare future generations in a FOB to assume leadership roles in the financial services business. Frese (2015), Rosensteel (2016), and Talia (2016) conducted qualitative multiple case studies on successful management successions in FOBs. In these studies, case study was effective in understanding the complex system of the family business and succession planning to the next generation. Probing such issues as preparedness, strategies, training and support as well as understanding family values and parent–child relationships lends itself to the case study methodology for researching management succession in FOBs.

As a model, a single-case study is an exemplar for researching a phenomenon of interest (Patton, 2015), such as the succession process to a management team composed primarily of family members. The methodology is suited to producing pertinent managerial knowledge by describing complex phenomena, developing new theory, or refining existing theories and practices (De Massis & Kotlar, 2014). It is particularly relevant for family business research, as it supports an in-depth exploration into the intersection of two systems: the family and the business (Tagiuri & Davis, 1992). Even as a single-case bounded study, the elements of transition from two unrelated patriarchs running the business to a management team mixed with the dynamics of both family and non-family members adds complexity to the single setting given the multiple backgrounds, interests, and experiences at play in the succession process to a management team (Eisenhardt & Graebner, 2007). This study adds to research on the theory of FOBs by delving into the preparation, culture, relationships, process, and development of the next generation. The research further looks for similarities and differences to family firms' succession planning and implementation in a real-life context (Chetty, 1996). Storytelling about a single case creates an exemplar with which researchers can compare their experiences and through which they can gain theoretical insights (Chetty, 1996; Dyer & Wilkins, 1991) into the complexity of management succession in a 2FOB management team.

Tools of the Research

Case study research typically involves using various sources for collecting data. Collection methods include archives, documentation, interviews, questionnaires, direct observations, participant observations, physical artifacts, websites, and event videos (Eisenhardt, 1989; Hancock & Algozzine, 2017; Stake, 2010; Yin, 2018). A detailed investigation often requires the triangulation of multiple sources of data to lend greater credibility to the findings and to be more convincing as an in-depth study of a phenomenon in its real-world context (Hancock & Algozzine, 2017; Stake, 1995; Yin, 2018). Triangulation can also involve having colleagues consider the same data independently to corroborate the findings (Jones & Kottler, 2005). Triangulation helps to reduce observer bias and the observer effect that can play into the researcher's view of what is expected and the interpretation of the research findings (Jones & Kottler, 2005).

Data Collection

This case study collected data on the interviews, documentation, observation, website, and company-supplied videos. Interviews were conducted with the two founders and patriarchs, the three sons and the son-in-law in the management team, and the five outside members of the management team, for a total of eleven interviewees. Eight of the interviews took place at the company headquarters in Southern California, while the remaining three took place on the telephone, as the participants' location was in the southeastern United States. Interviews were recorded, transcribed, and given back to the respondents for any additions or corrections.

The goal in the interview process was to approach interviews from a naturalist perspective in which people's experiences and biases are critical to understanding what has happened in a specific circumstance (Rubin & Rubin, 2012). The recounting of the interviewee's experiences helped to explain the process of developing family members to take on increased managerial responsibility and obtain expertise to prepare them to assume critical leadership roles in the company. Rubin and Rubin (2012) noted,

> The naturalist paradigm emphasizes the importance of context, of complexity, or examining situations in which many factors interact. Within the naturalist paradigm, one school, *interpretive constructionism*, argues that the core of understanding is learning what people make of the world around them, how people interpret what they encounter, and how they assign meanings and values to events or objects. To interpretive constructionist researchers, how people view an object or event and the meaning that they attribute to it are what is important. (p. 19)

From a naturalist perspective involving elements of interpretive constructionism, I used my knowledge and experience gained in business, particularly FOBs. The qualitative interviews were semistructured to allow a level of query preparation with semistructured questions but also for follow-up with additional questions based on the responses that flowed from the inquiry. My familiarity with family businesses helped me craft the interview sessions and probe into the sensitivities and dynamics that exist in a FOB. I have had both social and business dealings with the company in the past and attended the retirement ceremony of the two patriarchs that took place in 2019 in Santa Barbara, California. Additionally, I have referred graduating students to the company for employment. However, I was keenly aware that my experience could have led to unintended bias in my interpretations of the findings. I relied upon the triangulation of data, my self-awareness of my preconceived notions, and the help of the committee that had oversight of my work to support any conclusions.

Observations took place at the company and departmental meetings. Documentation from the company records included any details that discussed the management transition, the retirement of the two patriarchs to nonoperational functions of the company, new organizational charts, and any other document or communication that added to the research. Further detail came from the company website and videos that shed light on the company culture, mission, and leadership that played a part in shaping the next generation of leadership, their values, and their vision for the business.

Ethical Considerations

The interviewees were handled in accordance with the high ethical standards prescribed by George Fox University and the Ethical Principles and Guidelines for the Protection of Human Subjects of Research summarized in the *Belmont Report* ("Read the Belmont Report," 2018). Interviewees were not coerced or forced into participation; instead, they were given respect with promises honored. They could have cancelled their interviews and declined any involvement. They received a transcript of their interviews and the opportunity to make any changes or delete any comments they later decide to eliminate. The interviews will be kept in a safe place and stored for a minimum of 5 years, and no names were listed to ensure complete confidentiality. Before the interview takes place, interviewees signed a consent form to act as a human research participant. A list of the type of questions appears in Appendix A. The George Fox University Human Subjects Review Committee reviewed and approved the list before the interviews commenced.

Qualitative Data Analysis

The interviews were transcribed, and upon being reviewed and approved by the interviewee, they were analyzed and coded to ascertain themes. Computer-assisted qualitative data analysis software (CAQDAS) was used to speed the process and to gain greater efficiency in tabulating the results. Using CAQDAS I explored possible connections between concepts, sort and code data, by keywords, phrases, and common themes (Rubin & Rubin, 2012). To assist with the data analysis for this research, I used NVivo. As qualitative work "emphasizes nuanced, context-dependent analysis" (Rubin & Rubin, 2012, p. 240), it was essential that interviews were sufficiently analyzed for new concepts and repeated themes that enhanced the findings of the research.

Field Questions

The field interviews of the participants of the 2FOB supported the research question and the sub questions for this study.

RQ: How is succession planning for multiple senior executive positions in a 2FOB accomplished in a second-generation family-executive team?

The sub questions:

1. How does the process of management succession in a 2FOB help effectuate the transition to the next generation?
2. How do the relationships among the second-generation family-executive team and the founding patriarchs in a 2FOB help to achieve multiple succession transitions?
3. How do stewardship, shared values, culture, religious beliefs influence succession planning and implementation?

Questions were designed for three distinct groups amongst the eight interviewees. The first group consists of the two founding patriarchs; the second group consists of the next-generation family members, including the three brothers and the son-in-law, who is on the management team; and the third group is the two outside non-family executive managers who are on the executive management team. Unique questions were designed to probe the issues relative to their involvement and perspective of the succession process and family participation. The list of questions is found in Appendix A.

Special attention was given to the new CEO, who was the youngest member of the family and was chosen by the two founders to fill the position. Equally important was the passing of leadership to the new COO, who is the oldest of the four family members, and the special designation of the two presidents (also second-generation family members), who oversee specific operations of the business. The research proceeded with high ethical standards, as established by George Fox University.

Chapter 4: Research Results, Findings, and Conclusions

Background

This bounded, single-case study involved examining the lived experiences of members of the management team, including the founders, the next generation of family leadership, and the non-family members of the leadership team. Interviews were conducted via Zoom in June and July 2020 as well as a review of limited documents and memos relating to the management succession. In addition to the conversations and reviewed papers, attended the retirement celebration in Southern California October 2018 for the two founders of the business, along with company employees primarily in sales and other stakeholders. The interviews were coded, classified, and analyzed using NVivo software to help identify themes and responses pertinent to the research question and sub questions.

The interviews took place at least 20 months after the second generation took the leadership role of the company. During those first few months of leadership, the company faced substantial challenges, a significant account went into bankruptcy, the coronavirus disease 2019 (COVID-19) pandemic struck, and physical demonstrations and riots took place in various cities across the United States. The transition of leadership was well planned and orchestrated. Still, the times were anything but normal, which placed increased stress on the leadership team to ensure the continued survival and well-being of the company. The economic tsunami that transpired tested the new leadership and galvanized the leaders' resolve to build an even stronger company for the future. Nearly 200 employees had to be laid off, which necessitated reducing the size of their operations and reexamining the core strength of the business. During this time, the second generation, including the new CEO, decided that additional representation beyond family was necessary on the leadership team. At the time of the transition, there were six members of the leadership team, with the two founders no longer active in the day-to-day operations of the business. The leadership team included the “brothers four” (as they refer to themselves, consisting of three biological brothers on one side of the two-family structure and a son-in-law on the other) and two non-family members: the chief financial officer and the director of sales. The family members decided to add five non-family members on the senior leadership team, which included top management personnel from operations, information technology, and human resources.

Among the family members, the person with the longest tenure in the business was the son-in-law, with 25 years, closely followed by the oldest of the three biological brothers, with 24 years of experience. The next was a brother with 20 years, and the youngest and now CEO of the business had 17 years of experience in the family business. The longest tenure among the non-family members on the executive leadership team was 25 years, and the shortest was 3 years, which represented some of the talent acquired just before the leadership transition to the second generation took effect.

The interviews were conducted in the environment of uncertainty and challenge, which added considerable significance to the study of management succession in a 2FOB. Eleven members were interviewed for this bounded case study: the two founders, the brothers four, and the five non-family members of the executive leadership team.

Research Study Findings

The data collected via interviews addressed the sub questions directly and yielded rich results that affirmed the critical importance of process, relationships, and culture in the 2FOB succession transition.

1. The importance of process to management succession in a 2FOB.
2. The importance of relationships in handling conflict and building a strong executive team in a 2FOB.
3. The importance of culture being immersed in strong values and religious beliefs in a 2FOB succession.

Although each of the three themes stands on its own, there was also overlap as the interview participants gave a more holistic view of the family business. They presented a company culture that was rich in relationships, religious beliefs, and the desire to succeed as a company. The study is an authentic view of two separate family units passing ownership to the second generation and reflecting how they managed the challenges of succession and relied on their faith.

Theme 1: The Importance of Process to Management Succession in a 2FOB

The main research question was as follows: How is succession planning for multiple senior executive positions in a 2FOB accomplished in a second-generation family-executive team? The first sub research question was the following: How does the process of management succession in a 2FOB help effectuate the transition to the next generation?

Planning for succession. Succession planning began as “more of a tax strategy,” according to the founders. The process of preparing for management succession to the second generation began around 2010 when the founders discovered a legal trust mechanism recommended from their tax and trust advisor that would allow them to pass the ownership of the business to their heirs with limited financial impact to the company or the founders. The two families each represented 50% of the ownership in the company. A sophisticated tax strategy allowed the founders to sell the majority of their stock to their heirs legally with nominal tax consequences. In one family, the heirs were three sons, and for the other family, the heirs were a son who was not active in the business and a daughter and her husband who would serve in executive management. At that time, one founder commented, “I wasn’t thinking of them leading the company yet. They wouldn’t have been ready.” The youngest brother, who would eventually become CEO, was barely 30 years old at the time, while the oldest in that generation was closer to 39.

The founders having already achieved revenues of more than $175 million would take the task of preparing the next generation to lead the company to even greater heights and realize the family dream for a 2FOB. The three sons who grew up in the company started at an early age. One of the founders stated,

> One of the unique things that I did as a young father was my boys knew my income. From the time they were probably 8 or 9 years old, we talked about money and income and the business. . . . They grew up with it, and I think that was an important part of their preparation.

The two founders governed the speed at which the company grew to allow them the time to spend with family, community, and church-related activities. As one commented,

> I don’t want to work at night. I don’t care how big we could get. I’m not going to take on extra stress to make an extra couple of hundred thousand dollars. No thank you. I have a beautiful life, I have enough money, and the family is more important than an extra—whatever. No, I’m coaching baseball, and I’m going to be at the boys’ games than come up with 10 million to grow the business.

Family and deep relationships were crucial to both entrepreneurs.

Mentoring entrepreneurship. One of the sons commented, “I just grew up with kind of business conversation always being part of the family dynamic. When we had stuff going on, we would chat about it.” This interaction with both founders “was all part of what molded and shaped us and prepared us for our roles now, and this kind of thinking just had been ingrained in us from a very early age.” Another remembers coming in on weekends to stamp packages, handwrite the weight, and handwrite the address on the shipping labels when he was only 8 or 9 years old. He went on to say,

> I remember going in on Saturdays with my dad, and we play a game: we get the mail, and we’d try to guess how much money came in. And so I’d open up the envelopes, and I’d read him the check, and he’d be on the calculator.

Referring to the other founder, he said he “is like a second dad to me, growing up.” Both founders were committed to their marriages and family and “faithfully devoted and committed to the Lord,” which left a strong impression about business and life. Another son who would become the next CEO of the company commented,

> I got to watch my dad enjoy the pains and the privileges of leading his own business with his friend. I was able to see the ups and downs and what happens with not just leading the business but leading people and the opportunity for influence and the opportunity to help people change their lives.

These impressions left by the two founders had a significant influence on his life from an early age. He concluded, “I knew I wanted to be in the family business.”

No free rides – learning the trade. All four sons started at the bottom and worked in the warehouse, purchasing, customer service, and sales, thus covering all aspects of the business. They sat in every department of the company. They learned the responsibilities entailed in each, as well as how to excel before progressing to the next. The founders brought the four into the inner circle from the beginning and exposed them to situations and decisions involving the business. One son commented his dad was "completely open and transparent in pretty much every area of his life." The son-in-law, who is the oldest of all brothers and the first to enter the business full-time after his marriage to one founder's daughter, was told by the founders,

> We want to just kind of rotate you through all of the different parts of the business so you get an understanding of how everything kind of works together. And, we want you to spend 2 years in sales because we feel like understanding how we get a customer and what could affect the losing of it and all of that is very vital.

He would spend evenings with his father-in-law, who went through each order making comments such as,

> Look at this, we didn't make anything on this, but look at this, this is all the profit and see how this works and see, if we didn't get this blend of products. And you see these are [name deleted] big customers and like literally in such a tangible way to help me see because I'm out there getting small little orders on the small side but getting the picture of what is it that drives the profit engine and see, we got this return, and this happened and see how we messed that up and even driving the truck and setting up the warehouse early on and walking up flights of stairs, bringing 40 cases of lamps up and then finding that someone put the wrong color in and then I had to go pick them up and bring them back.

And then there was the lesson about collecting money the father-in-law instilled, saying,

> Listen, so everybody's a person. So connect relationally with the person on the other end of the phone. . . . This is a friendship sort of a thing and what you could expect to make a deal with them and then hold them accountable to that deal.

He learned negotiation skills and how to read a balance sheet and turn a profit: "He was an incredible tutor of all the basics of business—he's a relational giant." He concluded, "He taught me the mechanics of the business, and when I was in sales, the basics of how to make money." The instruction and training helped the son-in-law recognize and bring in some very profitable business, although the time to learn was some of the most challenging times in his career. The other founder, who was more of the entrepreneur compared to the operational technician capabilities of the partner, helped him to think of new ideas and ways of doing business to capture an account.

Selecting the next CEO and COO from the four presidents. Succession was not determined by blood or by marriage. One founder stated, “I wasn’t necessarily convinced that any of them would be the CEO, but I was not thinking of those terms until probably the last 5 or 6 years.” Even the structure was not decided, following the Nordstrom model where multiple family members serve as presidents overseeing different aspects of the business without one necessarily being the CEO. Although one of the founders held the title CEO and the other COO, they were both in charge of the company with equal authority and influence as well as equal pay. In essence, they each served as president. However, they recognized that each had unique skills that allowed one to be a better fit as CEO and the other COO. Along the way, several years before the founders retired, the four brothers each became president. They had specific responsibility for running a given aspect of the business, whether in sales or marketing, operations, or heading a subsidiary company. One of the brothers four reflected upon the leadership represented by four presidents:

> We were going to follow the Nordstrom model and have four presidents, and the four of us will effectively run [the company], and there won’t be any hierarchy in our relationship. Then we talked through that and felt like we needed to go back to a traditional CEO, COO model.

Another brother commented,

> Well, when you have four second-generation owners, who potentially all might want the CEO role or the COO role, you want to make sure we’re getting to the root of people’s feelings and really understanding their feelings, but also recognizing strengths and weaknesses and being able to get that out in the open and work through [each]. At the end of the day, our goal and our role as owners is to make the business as profitable as possible.

One founder commented about the brothers four and the leadership structure:

> At some point, it'll be the four of them at the top, and they'll have to figure out if they hire a CEO and who works for the family [business]. But we all [family members] understood that no one's going to be the CEO if they're not qualified.

The founders used consultants from time to time to help with individual decisions necessary for business, but also to consider as potential senior executives of the business. One non-family member stated,

> [the founders] were looking to bring in somebody fairly experienced. I guess the best way to describe it is probably another gray hair. They met their fair share of individuals who fit the bill. And I got to work with some of them. But ultimately what it boiled down to was that they wanted the control to stay within.

One founder commented on the consideration of consultants for executive management:

> We wanted to have the choice. We didn't want to lock someone in, introduce them [the consultant] to the company that this is the new CEO or the new president or whatever. We wanted to see how this person would first gel with the company. Based on that, we would make a determination; should we make this person part of the inner circle, part of the board, and we tried a few people, and they were very gifted people. One of them had a pretty high position at Home Depot. One of them went to Harvard Business School. I mean, these were very gifted people, and in many ways, very successful people, but back to that humility we were talking about, that's an ingredient we have to see is how teachable they are. And so, anyway, we felt like we were gravitating more towards these four young men who we were grooming who understood the philosophy, understood the rigor of being challenged in a healthy way. And we just decided that that would be the road we wanted to take.

One of the four brothers commented on one of the consultant executives who was known to the family but did not work out:

> So I would say in 2010, we had a situation where one of our executives left the organization. And it wasn't a great situation. It was unexpected, and he left, and it was very, very difficult for the family. A close friend of mine, close for the rest of the leadership team. I saw him as a mentor of mine up until that point. But what that did is it forced the second generation into an increased level of opportunity and responsibility.

The decision and the selection of the four brothers to take over the business was a process. The founders were open to ideas and suggestions. At one time, the founders were offered a considerable amount of money for the business—a sum that would have allowed them to retire, but the offer was declined. One of the founders would have accepted the offer if the other agreed. But the other founder looked forward to having his boys in the business; it was a lifelong dream to work with his sons. The other acknowledged the desire of his close friend and was pleased to continue in the business and work through the issues of developing the four sons to take on the responsibility of running the company.

Appreciating the weight of the business. While commenting on the process of developing the four into leaders, one brother stated,

> The preparation started long before we even had the idea that eventually [the founders] would need to retire. That was way back and in the dark corners of our brain 10 years ago. They helped us work through the responsibility and the weight that comes with ownership. Most people, they think, “Oh, ownership; great, you get to share in all the profits. Wow, wonderful.” But what they don’t understand is the impact that that has on you personally. Things like having your homes as a part of the leverage, as a part of the bank covenants and requirements. There are things like lawsuits that come up that you’re potentially liable for. There’s an additional responsibility in ways that you carry as an owner, that most people just don’t recognize or don’t think of. Nor should they. But [the founders] helped us understand this isn’t just a title on your business card. This is who you are; this is now. Life, like everything, intersects into this decision of being an owner of an organization.

He concluded, “I’d say they did a fairly excellent job with us long before we even knew about a transition.” One of the other brothers said of the two founders passing the business to the next generation,

> They have done an amazing job. If you had asked me to predict if they would be able to do it as well as they did at the beginning of the process, I would have never believed it. They’ve just blown me away. It takes a lot, I mean, it takes a lot.

One non-family member of the executive leadership team noted,

> It was something that was very deeply considered over the years. And there were multiple steps and phases that were put into place. It was not an overnight decision. It was not something they went into lightly. There was even some trial and error, I think, in fitting the different boys into different roles to see what was the right fit for them, making sure they were the right person for that position. And I think at this time, they've got them in the right places. I know there are a lot of family dynamics, a lot of family conversations, and consulting of other leaders within the company over those many years before they finally made the decision and made that transition."

Referring to the four brothers and the founders, another commented, "They had the best counselors of all . . . teaching them how to do this [the business] right now."

Transitioning the business. Although the founders are out of the day-to-day operations of the company, they still meet with the four, especially the CEO. With the economic changes that have recently taken place with COVID-19, the founders are particularly interested in risk management. Even so, the four brothers and the non-family members of the executive management team are anxious to run the business, to make the critical decisions, and to call in the founders when their input is advisable and needed in higher risk decisions. The process involved transitioning the day-to-day activities of the business to the second generation, who also relied on the executive leadership team to help run the company. Recognizing the limitations of the new leadership team and being ill-equipped to grasp all the elements necessary to running a profitable and robust company, the new CEO decided to expand the leadership team to include five non-family members instead of only two. The newly assigned CEO of the 2FOB concluded,

> This isn't about what family thinks. This is about what our leadership team believes is best for our organization moving forward. . . . The truth is we don't have all the answers, and we do need those team members to help us lead the organization.

Upon taking the role, the new CEO sent out an internal memorandum to all employees (see Appendix B). The memo was very personal and uplifting and reflected the strong relational tone the family is noted for in their management of the business. He told of his aspirations to be in the family business from an early age and how he always wanted to work with his “two dads” and “three brothers.” He reiterated the strong emphasis upon the company’s core values referring to RISE, the legacy of the founders who built the business to what it is today, and the loyalty and commitment of the employees and stakeholders who played a key part in the success of the enterprise. The CEO writes,

> Each one of you have played a significant role in the development, growth and profit of [company] and we couldn’t have done it without your commitment to our family, your coworkers and our customers. You truly are the best part of what we do, so I am humbled and honored to have this opportunity to serve you.

Education and work experience of the second generation. Although the founders did not complete their college education, all members of the second generation completed their college degrees. The eldest son in Family A (one of the founders having three sons in the business) wanted to work in the family business rather than continue his college education after he was disqualified from playing football due to a knee injury, so he dropped out in his junior year and told his family, “I’m just going to leave school, and I’m going to start working.” Thus, he started his career in the family business, although he did end up going back to college at a local university after getting married and studying on nights and weekends while working. Eight years later, he graduated magna cum laude. Before coming to work for the family, he took on seasonal-type jobs in high school and in his initial years of attending college. His precise attention to detail made him ideal in operations and for overseeing the planning aspect of the business. He has now been in the family business for 24 years.

Another son in Family A went to college but was preparing to be a missionary, so he attended a Bible college. He stated, "I was passionate about developing my walk with the Lord and studying Scripture." During this time, he spent time in England, Spain, and China for 10 months, where he underwent discipleship training helping in the mission field. He did not grow up wanting to work in the family business. He thought about being a veterinarian, becoming a sports lawyer, and serving as a missionary to China. However, after returning from the mission field in China, he prayed about his future and decided he wanted to work for the family business where he could live out his faith in the business world. He changed colleges, was married, and started working for the company in 2000 after graduating with a degree in anthropology and a minor in theology. His work experience before being employed in the family business was small jobs and working at a local restaurant. His outgoing nature and keen ability to engage people landed him in sales in his 20 years with the 2FOB.

The third son, who has only been in the family business for 17 years, thought of quitting college during his first semester. His father was very keen on keeping one's commitments, and told his son,

> You need to finish out that first year of your commitment. And when you're done with your freshman year, we'll talk about whether or not you're going to come home and work for the family business or if you're going to stay at school.

He ended up finishing his degree in business, met his future wife in his second year of college, got married, and started working for the company. While in college, he worked for another family business local to the college. There he began to "recognize what it's like to be in leadership in a family business" working as inside sales. His skill set includes the ability to work well with people, be engaging, understand the financial and operational demands of a successful business, and see the importance of the details.

The son-in-law is the oldest of the brothers four. He did not have the same background as the others, where he spent his early days working for dad on the weekends in the family business. Rather, he was raised on a farm in Montana. He started driving farm vehicles when he was 9 and continued until he left at age 18 to attend college in Southern California. That was his means of earning money. The family farm started by his grandfather had only 100 acres. His grandfather bought the property after World War II and developed a cattle, wheat, and barley operation on what would eventually include over 30,000 acres of land. He attributes those years working on the farm with his grandparents to his entrepreneurial instincts and creative drive. While in college, he worked in various jobs where he learned the importance of managing inventory and dealing with customers. He traveled overseas during the summers to study and learn other cultures to complement his college studies in anthropology. When he fell in love with the founder's daughter in Family B and they decided to get married, he was approached by the founder to work in the family business. He stated, "My academic advisors, my pastors, my parents, they were deeply against it and thought that I was making the worst decision of my life. And other than marrying my wife, it was the best decision I ever made."

Final selection of leadership. The decision of who was going to lead the company was made over time after intentional and focused training, developing, and stretching of each brother to prepare them to lead the family business. One of the founders commented, “We were very, very blessed and fortunate. Because the four boys together make a formidable team; they had a different gifts mix.” He also stated,

> We were just concerned how would they get along together? They didn’t have the history like [the other founder] and I did growing up together. . . . How would they make decisions together? So that was a big thing. . . . So we’re very fortunate that we had these four young men to pass the baton to.

When asking the other founder about the selection of positions, he said, “It just evolved. I mean, they each worked in different elements of the company, and you saw their skills, and you saw their limits and their strengths.” The founders did not select the next CEO. Instead, the four brothers chose who they thought would serve best as the CEO. The founder added,

> [The next CEO] became the very obvious choice. He had the sales element. He had the numbers and the strategy element and the passion, and so it was a pretty easy decision. The only difficulty is that he’s the youngest, but he is also the biggest.

The new CEO commented,

> We have a unique makeup in the four owners, the second generation owners. Each one of us is uniquely gifted in different ways. And the way I described this is like the four of us make up what [the two founders] brought to the table. You know what these two men were able to accomplish, and the type of men they are. . . . And obviously, there are other skill sets that we bring to the table. But I do believe that the Lord really uniquely gifted [the brothers]. So together, the four of us make up a very, very strong ownership team rounding out the skill set that I believe is needed to run the organization. In regards to future roles, I think they need to be fluid. I think that business changes, as I said earlier, no one could have predicted what the last, I’ll say for us, the previous 12 months have been like, and so, therefore, we need to be willing to share based off of the roles of, or the needs of, the organization. And so as I said earlier, if I’m not the right person to lead this organization forward in a healthy and profitable way, then I need to step down, I need to do something in which my skill set can provide value to the organization. And so we all have to kind of lay that at the feet of the leadership team and go, am I the right guy for the job?

One non-family member of the executive leadership team commented on the selection of the CEO, stating,

> And it was amazing at that at his age. Just the mind for business that he had. He seemed to have a very well rounded, in-depth applicable knowledge and he was able to apply that very easily and build relationships both inside and outside of the company. So I do think that he was the right choice, not to belittle the talents or the accomplishments of any of the others.

Another non-family member called the new CEO a visionary. He further observed that the four brothers are

> active participants and driving the business for the success of the company, whereas I've known others that have taken over the business and they just drain the money out of it. These guys genuinely care about where the company's going and care about the current employees.

Rather than look to one person to carry the burden of leadership for the family business, in this case, there are four uniquely gifted men to take the family mantel.

The acceptance of the new leadership took some time for employees who had been with the firm for over 20 years and saw the second generation when they were young and inexperienced now running the company. But there was never any conflict. It just took time to get used to the new leadership. One non-family member commented about the new CEO, "I think he earned a lot of points with the leadership team by adopting this traction management model because it's kind of the exact opposite or perfect complement to what we were." They adopted a quarterly strategy meeting, laid out specific goals to shoot for, and increased the accountability each member of leadership had to each other. Traction has helped increase buy-in and created more visibility for the non-family members to the company financials. This has boosted the enthusiasm and commitment of the leadership team and has given them more tools to help the business get through the present challenges and build for the future. As one non-family member stated, "the management team really appreciated it," especially the non-family members. "We're committed to the success, and we love the family, and we love all this that they represent." The employees have "embraced their [the second generation's] new roles" in leading and managing the company.

The four brothers still consult with the retired founders, who serve principally as cochairs of the board of directors. They are a "good sounding board." Another brother commented,

> I think they'll always be involved. And more so as a consultative relationship advisor. I think in times of unknown, or in times of investment, or significant decisions, I think there is wisdom in a multitude of counsel, and there's wisdom in years, and they've run a successful business for four decades. And so I don't ever want to see them not have a voice. I think the best way for me to articulate this would be that it would be an invited voice.

However, the brothers four have been encouraged to lead the business and make the decisions from the first day they assumed their new roles.

While looking at the organizational chart, the CEO recognizes that his brothers, who are 9 and 5 years older than he, respectively, and who have been in the business longer, are talented and gifted.

> I still need to understand how to honor them, their experience, and gift set. That is something that I need to consider as we're building relationships. And then you move into this leadership role, CEO role. And the honor doesn't diminish during that time. I still have to understand how do I honor my brothers in this.

When referring to the founders, he further commented,

> It takes an amazing amount of character to be willing to step away to trust the next generation. To put their pride aside, their feelings or opinions aside and saying, we believe that you're the right person for the job; we believe you're going to make the right decisions for the future; even with our finances at stake, which, let me say that again, with their finances at stake, they've said, we trust you. And there is nothing more encouraging than that.

Theme 2: The Importance of Relationships in Handling Conflict and Building a Strong Executive Team in a 2FOB

The second sub research question was as follows: How do the relationships among the second-generation family-executive team and the founding patriarchs in a 2FOB help to achieve multiple succession transitions?

Honest confrontation bringing alignment to company purpose. Any relationship, no matter how close, will have moments where there is conflict over ideas or actions. This study found that there was some conflict, but the conflict was handled appropriately between parties. One non-family member observed,

> There were times when the two founders got into very heated arguments. And of course the family members got to see that their whole lives, whereas we got to see that during certain meetings. They didn't always agree eye to eye, but what they were excellent at were resolving issues between the two of them. There were times when they agreed to disagree. But when they did that, they did it respectfully. And even when they got into heated arguments in front of us, they were still able to, behind closed doors, discuss it, talk it through, and come to a resolution. So when they [the brothers four] saw that, even though they've had differences amongst the four of them, they were taught firsthand by the two founders how to resolve issues amongst themselves. And that was probably the biggest gift that the two founders gave us.

The events leading up to the transition of leadership that took place in October 2018 included moments of disagreement. One non-family member recalled there being a vetting of issues between the family members when they "weren't in alignment. . . . They were having some knockdown, drag-out fights from what I heard. . . . A lot of hurt feelings and some tough discussions." The non-family member continued,

> And so whenever that happened in those maybe 2 years was great learning or a foundation for them to walk into this because I think it brought them in alignment. And it also humbled them a little bit. Because, you have four individuals all with a strong sense of self, not that they weren't humble guys, but a strong sense of self. Everybody has a different way of looking at it. We all have different strengths and weaknesses.

A 2FOB where the family is unrelated is complicated when the company is being passed to succeeding generations. The complications arise in the leadership of the company, how much the leaders are compensated for their work, and the extent of ownership. Family members who work for the family business need incentives that extend beyond just working for the family. Some family members may decide they have other aspirations and skill sets that are better exercised outside of the company. One family's daughter and son elected not to be in the business, while the daughter's husband and the three sons of the other founder are. Over time, issues of ownership and ownership percentages will become increasingly important to those involved, and succeeding generations take an interest in the business. Ownership interest could be an area of concern and even conflict when dealing with matters related to the ownership issue.

Approximately 2 years ago, the brothers had a difference of opinion on the leadership responsibilities that resulted in one taking less money. One commented, "There were some difficult conversations for a season of time." While not agreeing with the other three, the one saw this as an opportunity to humble himself, serve the other three, and honor them. In all the time the business has been in operation, the two founders were always paid the same amount. Even when one had to carry a more significant load of the work and could have justified receiving more pay, he would never ask for more. It was understood in their partnership. However, the incident with the brothers four broke away from that standard when three of the four were given more pay. However, the one still believed in the business and his brothers and took it upon himself to address the issues that concerned them. After 2 years, the three recognized the efforts and importance of his contribution and, in the past month, raised his pay to the same level as the other owners. The act of humility and trusting his brothers were not being critical but helpful turned out to honor the brothers in their concern but also honored him for his attitude and integrity. It also demonstrated that problems and conflicts can and do arise even in smooth transitions. Harmony is not the absence of conflict but the successful handling of conflict. As the leaders in this company demonstrated, leaders in a healthy organization must learn to deal with conflict to maximize the efforts of its participants and increase the productivity of its leadership. A successful transition and succession are not without conflict, and conflict can be messy and painful for those involved. Even so, conflict is not necessarily a sign of failure. Instead, it is encouraged if it brings about an alignment, a clearer vision, and a more efficient use of talent and company assets that generates revenues and profits for the enterprise. Therefore, confronting conflict well will determine future relationships in the families and the 2FOB. One of the brothers commented,

> There was a long season of some trial, but because of the relationship with my dad and [the other founder]—their commitment to relationships, honesty, and transparency, and working things out—we've come to a place of great respect and love and care. I think [we] have a great partnership with him.

Trust bonding the relationships. In the end, it was the understanding of their faith that brought them through this trial that tested the moral fiber of their character and person. One of the brothers four commented,

> Yeah, I think there's a good amount of trust with each other. And I think we all are fairly opinionated. And so, we may second guess or challenge each other, but I think at the end of the day, we can agree, [or] sometimes agree to disagree, and trust that we all want the same thing. We all want the company to grow and be successful, and we're all putting in crazy hours to try to make that happen. And so there is a level of trust. Even if we don't necessarily agree that we're going to say okay.

One non-family executive member made the following statement about the working environment on the leadership team: "I would say overwhelmingly positive, friendly, everybody's approachable, non-confrontational. There's not a lot of that kind of thing, so yeah, I would say it's, it's pretty positive."

Theme 3: The Importance of Culture Being Immersed in Strong Values and Religious Beliefs in a 2FOB Succession

The third and final sub question is addressed with Theme 3: How do stewardship, shared values, culture, and religious beliefs influence succession planning and implementation?

Stewardship and the development of core beliefs and values. When discussing stewardship in a FOB, other areas of interest arise, such as religious beliefs, trust, values, and generosity. These values, convictions, and beliefs become ingrained in the culture and serve as a foundation for stewardship of the family business. In the subject case study, values, religious beliefs, and culture were essential to the selection and acceptance of family members in leadership positions. When discussing values, interviewees used terms such as "core beliefs," "critical," and "non-negotiable." When referring to the importance of shared values, one founder said, "I think it's critical. . . . It's a non-negotiable. I think if one of the boys hadn't had the same values, I wouldn't have transferred the shares." When referring to the strong values and culture in the business, the other founder mused,

> I think it's critical. And, again, I think that we've had many, many years of sharing those values together. Before the four boys stepped into their new role, we formed this [concept of RISE] basically together, down through the years. You know, the boys were very, very instrumental in helping [the founders] formulate as well as the consultants and advisors to us. But together, we forged this out. So what the boys have, if I could use the word inherited, is something that they

> helped to form. It's not like we created it 25 years ago, and now they're just running with it. They were part of helping us to form it.

The second-generation and newly assigned CEO commented,

> I treat people the same way outside of [the company] as I do inside the walls of [the company], and we ask our team members to do the same. I don't want to hear about a lifestyle that you're leading that is contrary to the lifestyle we would expect at [company], which is to treat people with honor and respect and dignity and all these types of things. So, it's again, it's a non-negotiable for us.

Another family member who became the COO of the business commented,

> It's part of this who's on the bus concept, like if you don't share the same values, you really can't be on this bus regardless of the skill set that you bring to the table. [The] right skill without this doesn't work now, it doesn't work. It's not worth it to us.

As mentioned above, RISE, which stands for relationship, integrity, service, and expertise, represents their core beliefs. As a company value, other family members said that RISE is "non-negotiable." These values are critical to the company and the adoption by the next generation proved essential to the transition that faced significant challenges to the business that resulted in layoffs, significant cost reductions, and financial threats to the life of the family enterprise. A family member commented,

> I think where we are at this moment is a group of people that really embody our values: relationship, integrity, service, and expertise like that. . . . Somebody asked a question at a town hall [meeting]. They asked a question of what's the most significant growth that [company [will experience]] in the future, and I took the question because character growth in the midst of this adversity, it gets dismissed. We became more—it's the stuff that greatness is made of. It's the stuff that brings glory to God. It's the stuff, and I have seen, I've seen leaders sacrifice, I've seen people who are [working] crazy hours, I've seen people cry because it was so hard to let somebody go. I've seen people financially sacrifice to help other people. So, you just put those things together. I've seen the way people kept relationships with some people that left, and you know, a relationship doesn't stop because it gets awkward.

Another family member observed, "There were some folks that are now no longer at [company] that I think did not necessarily share in our values. And when that happens, obviously there's discord and disunity." One founder concluded, "The point is that the boys have lived in this environment for years and years and years. And now they're stepping up and making these very, very important decisions." The new CEO made these observations about the culture and values of the company:

> And so because of what's gone on the last couple of years, and we've had to consolidate offices, and unfortunately shrink our staff, more recently, is specific to what's happening with COVID. The culture has had to shift a little bit, and I'll say that the cornerstone of who we are RISE has not changed. But the culture has shifted to a more healthy culture. A culture that really understands the give and take of RISE, that it's not RISE, doesn't mean that you get to ignore inefficiencies or incompetencies or that you can't hold people accountable. RISE is those things relationship is, in order to be in a relationship, you have to be able to communicate both the strengths, weaknesses, opportunities for our team members. And so what's happened over the last 18 months, 20 months as we've had to share, we've really had people buy-in into the truth behind RISE, which is really loving you, being in relationship with you. It means that I have to have an honest conversation with you. And likewise, you have to have an honest conversation with me.

Living out their values. One founder related a recent episode where the company obtained a contract worth more than $300,000 that would have been profitable and very helpful to the business, particularly at that moment. However, after much effort and time were put into capturing the business, they found out the ultimate end user and recognized that the end user's activity represented values in glaring difference to their own. They jointly decided to pass on the business. This was a bold decision on the part of the second generation and executive management team. Still, it represented their commitment to their core beliefs and the importance of the values of the business. One non-family executive commented,

> We have our corporate values. I think that we're somewhat unique in how seriously we take our corporate values. Every company has them. It seems like it's a fairly authentic thing that we, even the owners, I was kind of hearing a conversation recapped, and they were talking about the way they wanted to approach a particular thing. And then by themselves, we're talking about the "R"

> in RISE and is that really truly reflective of what we've told our employees and the people around us? And I like hearing that because that means that it's not just something they want the frontline people to do in their day-to-day. It's something they're trying to hold themselves accountable to.

Another member of the executive management team commented,

> And I was challenged at times by the founders. Because, and, of course, they were always very respectful. But the challenge was, are we doing the right thing? And what [founder] has said over the years, and this was actually when I first started [at] the company, is he said to me, we're always going to do the right thing, even if it costs us. And so, there were times when I felt as though the company was being taken advantage of and I didn't feel right, because I felt that there was some injustice. But even despite that, if he felt that we weren't doing the right thing, he would dismiss that. Those values carried a tremendous amount of weight, I think, with the second generation because I see that in them today.

He concludes,

> Because again, I have this feeling at times where I don't like to be taken advantage of by customers and vendors, and I may want to push the envelope at times. But even if the end result is one where it ends up costing us and they feel as though it's the right thing to do. I see that in them [the brothers four] as well. Actually, they [the founders] have definitely passed that mind-set to the second generation.

Another executive who was relatively new to the organization saw the core values represented in the acronym RISE as a part of the business:

> I would definitely say its part of our culture. There's probably some aspects or some areas of the company that haven't adopted it as fully as others, but I know, for example, in it, I use it throughout my entire department. So, we've fully embraced it, but my perception is that that's the case with really all of the departments. So, I believe, yes, it has become a core part of the culture and in the business.

One non-family executive observed the culture and influence of family members, stating,

> I feel like the company as a whole is more unified than anywhere else, I have been. I think that derives directly from the culture of the vision and direction coming predominantly from the family members. Those family members are tight; they're close to each other. They have strong relationships with each other. They're there for the long haul; they're not going anywhere. And so, they do a great job. Coming together at the end of the day, and so do the rest of us as

> executives with them. But they drive a unified vision for where we're going. And the rest of the company goes with them.

Another non-family member recently added to the executive management team emphasized the importance of these values:

> And so, I think it plays out in their value system [of the family members on both sides]. And their communication is how I think it publicly plays out. I think that their Judeo-Christian values have been very front and center. In that, because that is the basis of their values, their decisions, that's what they rely upon.

The member stated the following regarding the employees,

> I think the values are important to all employees. And that to some employees, the fact that they are borne out of Judeo-Christian beliefs is important, and to other employees, they're irrelevant. Still, they all value, or they all recognize and appreciate, the values that are there, regardless of the origins.

Another non-family member made this observation:

> We talk a lot about the relationship and the integrity part. And then we always forget to talk about the service and expertise part. Because those are the frankly, that's kind of even the way our meetings have always been. That's relationship and integrity are the parts that people can be passionate about service and expertise, or kind of get the job done, that makes the customers happy part. But I would say if you are not a very relational person, that that value, especially you, would struggle to make a name for yourself or move up on the leadership team.

Spirit-centered and grounded in faith. From the beginning, the strong sense of faith and religious beliefs were core to the founders who saw the exercising of their Christian faith, each with a Jewish heritage, an essential part of their purpose in life. One founder commented,

> We had no financial goals. All of our goals were spiritual goals. I wanted to be a fantastic husband; I wanted to be an amazing father. I wanted to be involved in the church; I wanted to be a blessing to people; I wanted to present the gospel.

The importance was underscored when referring to succession plans for the next generation. He went on to say,

> I would say if there would have been a break in the spiritual health of the next generation, I think that would have possibly limited the roles that the four sons would have had, depending of course, on how respectful they would have been. You know, our values, but it certainly would have caused us to really consider, you know, is this, is this what we want to do?

The other founder shared the same convictions and personal faith.

> We want to bring glory and honor to the Lord. And as we're sitting with manufacturers, big ones like Philips and Sylvania and large companies, worldwide companies, and they're asking us what do you attribute to the success of your company? It would be so remiss of me if I would ever say anything but it's just God's grace. It's His mercy. It's His blessing. It's one of my favorite scriptures, is that scripture in Corinthians, where Paul says, what do I have that hasn't been given to me by the Lord? So why would I boast in something that I've done? When I know it's God, that He's done it? And that's what I say, and have said, you know, what's your 10-year plan? What are you attributing it to? And I say, Can I just be honest with you? I think it's just the goodness and the graciousness of the Lord in our lives, and we don't deserve it. And I'm not saying we didn't work for it. And I'm not saying that we don't apply sound principles.

He goes on to explain what is meant,

> But you know as well as I know, Dwight, whether it's in sports, whether the guy shoots the basket in the final seconds, right in the last game of the playoffs, and the ball looks like it's going in. It hits the back of the rim, and it's spinning around, and it could drop, and the team wins, or it could spin around and just go out and, and you lose. Come on, give me a break. And there's life. There's only so many of those things. When I'm driving my car, and I could get into an accident, it can change my whole life. When I can make a shot or miss it. When I can get this humungous account, or they could say look, sorry, we're going to stay with who we're with. As I said, we just want to represent well, the Lord, wherever we are. So to answer your question, absolutely 100%. . . . That's the heartbeat of everything we do. Whether it's [company], or marriage, or kids, or friendships, or church. Yes. Yes.

Judeo-Christian values are emphasized but not as a Christian company. The next generation emphasizes the importance of culture and religious beliefs. One of the brothers commented,

> We certainly don't demand that everybody espouse exactly to the same beliefs that we share. But by and large, we do expect people to espouse to maybe our common Judeo-Christian values that I think are, have permeated the culture,

> things such as being honest, respectful, don't lie, don't steal, don't cheat—some kind of basic, Judeo-Christian values. So that's of the utmost importance, whether or not someone believes in God or not.

He goes on to say,

> We try to be careful, and we try and correct people. We hear people refer to us as a Christian company. We're not a Christian company. We're a company. I'm a Christian individual. But [company] did not repent of its sins and accept Jesus as their Savior. And so that obviously spills out into every area of our life, and it helps kind of govern our lives and define the core of what we believe and even how we kind of live out RISE. And yet, it's not a requirement. We have plenty of people at [company] who don't share the same beliefs. We have people on the leadership team who don't share the same beliefs. So, it's, it's not a requirement to be a Christian. It is a requirement to share the same values.

Another family member made a similar comment:

> We are not a Christian company; we are Christians who happen to lead a company. And so there are members of our leadership team that do not share the same faith. However, as we said earlier, they share the same value system. So, they wouldn't compromise the company's culture or ethics. And so, therefore, they can still be qualified to be on the leadership team. So, it is not a prerequisite to be on the leadership team and be engaged in your local church. Now, I will say that sometimes you engage in conversations that make it challenging when people don't share the same faith. And so that's just, that's a layer of leadership that I think we all experience in different levels.

One family member concluded,

> But I unequivocally believe that one of the main reasons why family businesses fail is Jesus isn't at the center of the business and isn't at the center of their relationship. And I can proudly and humbly say that that is true of [company] with my brothers and me.

Another family member affirmed, "One of the compelling messages of the gospel is that my testimony hopefully will lead people to want to follow Jesus." He goes on to say,

> I have to say that trust comes from the Lord. The trust comes from being raised in an environment where the Word of God is the backbone of our faith and our trust in Him and not man. Whether or not [the brothers four] make the right decision or not. Ultimately, we have always said to each other, and even when our dad and [the other founder] go… that Jesus is our CEO. And that can sound, I guess, a little churchy. But we genuinely believe that the Lord is sovereign and in control, and we're going to seek Him regularly, daily, for counsel, and wisdom, and

> discernment. We surround ourselves with godly men and women that speak into our lives. And so, we trust that process. And I think that's where it comes from.

Another family member concludes, "The founders made a massive investment, but I would say that the thing that makes me feel the most prepared is that spiritual foundation." The senior executive leadership team has regular meetings off-site, bringing together the nine players to discuss goals for the next quarter, year, and even 10 years. The day before those meetings take place, the brothers four get together in one of their rooms and spend time in prayer and reading Scripture, especially the wisdom literature found in the Book of Psalms, the Book of Proverbs, the Book of Ecclesiastes, and the Book of Job. "We always meet in my hotel room the morning before our meetings, and we just keep that tradition of prayer." He continued,

> The founders are gone, but God's still on the throne, and we still are submitted to Him, and we know that there's goodness, and we know they're suffering, we know things go right, we know things that go wrong, but we're submitted to Him.

The brothers four shared faith and trust in the Lord were instrumental in helping them to deal with the challenges presented by COVID-19, client bankruptcies, and massive layoffs of employees effectively.

> When things started to go to hell, and we spent ourselves locked in rooms over the weekend trying to plan which we, we jumped on it very, very quickly. And it was fortunate that we did. We pulled out Scripture again because it doesn't change. Right. That's the thing that I think has most equipped us is every moment. They're just bringing us back to our foundation is in God, in Him alone.

Their faith brought them closer together, experiencing greater unanimity of thought, purpose, and direction for the business.

Challenges to their faith and values. The challenge to keep those strong values and religious beliefs was underscored by one non-family executive who shares the same values and religious beliefs as the owners. However, the transition not just to the next generation in the family, but the next generation of workers, also presents unique challenges that need to be addressed by the company. A non-family member commented,

> I think the culture is transitioning. For a number of years, we had employees who loved the heart of [the founders], loved how great and generous they were, and loved the things that we do in ministry around the world and different [causes] we contribute to. And they were extremely loyal pre-COVID. Literally, like it changed in one day. But pre-COVID, we were experiencing a fair amount of turnover. And we were in competition with other businesses to maintain and keep employees. And I think what we were learning was all the things that people loved about [company] in the past. People can still love that about us, but it's no longer enough to keep them in their job, because now there are more important things to them, like, Can I work remotely? Are there perks, like the coffee bar and the free breakfast and a lot of those kinds of progressive values that you see happening in a lot of the tech type of communities. So I think it was changing. I think there were times where I'm hesitant to use the word hypocrisy, but it's close, where there might have been employees that felt like you guys sure do talk a nice game, but I haven't had a raise in 2 years. And it's the times. They are tough. [Employees comment] I'm having friends that work at Facebook and Google and look what they did. And I might be looking around. And so I think [company] was transitioning, and we were trying to figure out, I mean, he [the CEO] probably erased it with his own tears after all the layoffs, but on [the CEO's] dry-erase board, pre-COVID was why [company], and we were asking ourselves that we know why people stayed with [company] in the past. But why would they stay now? What would keep somebody here?

The non-family member concludes his remarks about the culture and Christian faith,

> And so we are in a cultural transition. I would say, and I think that, yeah, that when I say we can't divorce our faith from it, that's a challenge for us. Because anytime we meet management consultants or when we, if I think we're truly honest about what makes us different, a lot of it comes down to a Christian-led, private, for-profit company. But where is that going to be accepted on our website, which of our employees will not be alienated? Because they aren't believers, or potentially they don't like the fact that we're believers. So, you have to figure out how to translate it without saying it overtly.

Another non-family member of the leadership team remarked,

> I would say that the guys have big hearts. . . . They really want to do what's right for the company. Obviously, it's the family wealth. They want to do what's right for the employees; they want to do what's right for our customers, and they want to do what's right for the community.

When asking one non-family member of the leadership team how the religious beliefs have played a role in the succession process, he replied with a smile:

> Well, I'm actually the poster boy for that question. Oh, the reason being is that I don't necessarily share the same faith as they do. In other words, we may share many of the same values, but I don't necessarily prioritize my personal life based on the same belief that they have. In other words, I don't read the Bible. I don't go to church. I don't make the contributions that they make. I do it in other ways. . . . I don't talk the same language, so to speak, as the rest of the leadership team. I would say [leadership member] as well. . . . And as far as succession from the founders to the second generation, well, they grew up that way. So was it to me, there's really no succession so to speak, because they were practically born that way. And they were raised that way. So, it was a natural transition.

He went on to say,

> But what's interesting about the religious aspect of the company is that I think, for me, individuals, you know, they view it as a Christian company because of the strong religious affiliation that the owners have. But those who are not religious or who don't share the same faith, they actually are very surprised when they find out that there's somebody on the leadership team or the executive team that doesn't share the same faith as they do. And so, people are actually quite impressed by that. Not necessarily because I am, I don't necessarily follow what they follow, but the fact that the family would still consider me for this position despite that. And so obviously they favor that, meaning they want people to, to share the same faith as they do, but yet don't necessarily hold that against them. And if you think about my role and the access that I have, for the two founders there's, and they both know where I stand in terms of the terms of my religion, or my religious beliefs. Despite that, I know more about their financial affairs than anyone else in this entire planet.

The culture and religious beliefs of the two founding families are a significant driver of the makeup of the company, even with a diversity of beliefs and faith within the company. While the convictions of faith may be challenged by those who do not believe or who think it is not essential to the economic interests or well-being of the enterprise, nevertheless, they will likely be maintained and strengthened by the next generation of family leaders. At the same time, the brothers four will transition a new generation in the company workforce that has different values and aspirations that are driving their interest and belief system. The generational changes will test the mettle of the family convictions and the meaning of the company culture that has been developed over many years by the founders and provided a blessing to the business with years of financial success.

Summary

The analysis of the interviews with the founders, the brothers four, and the five non-family members of the executive leadership team led to three distinct themes that answered the research questions on management succession in a 2FOB. The themes expanded upon the process, conflict and harmony, and stewardship, which included the culture, values, and intertwining of religious beliefs in all aspects of the 2FOB, that were instrumental to and influential in the management succession process. Chapter 5 includes the implications of the study and any practical applications that may be derived.

Chapter 5: Discussion and Conclusion

The purpose of the study was to examine a 2FOB succession to the second generation using a qualitative bounded case study methodology. The 11 participants included two unrelated patriarchs, who are close friends and the founders of the business; three brothers and a son-in-law (the “brothers four”); and five non-family high-level managers of the executive leadership team. Rather than passing the business to a CEO to take over the leadership, the brothers four, comprising the CEO, COO, and two presidents, provide the vision and direction with the assistance of the five non-family members of the executive management team. The new CEO is the youngest of the brothers four, which reflects the importance of the succession process that revealed the best talent and skill set not only for the CEO position but also for the COO and the two divisional presidents.

Discussion

The main research question and three fundamental sub questions framed the study.

RQ: How is succession planning for multiple senior executive positions in a 2FOB accomplished in a second-generation family-executive team?

The research sub questions helped expand the nature and substance of the succession to reveal the character of the transition to the next generation:

1. How does the process of management succession in a 2FOB help effectuate the transition to the next generation?
2. How do the relationships among the second-generation family-executive team and the founding patriarchs in a 2FOB help to achieve multiple succession transitions?

3. How do stewardship, shared values, culture, and religious beliefs influence succession planning and implementation?

The research question and sub questions were affirmed through three distinct themes that emerged from the interview data, as reported in Chapter 4.

Theme 1: The Importance of Process to Management Succession in a 2FOB

It was evident from the work of the founders that management succession, in whatever form it was going to take, would be a process over time rather than a single event. In this case, succession looked more like a discovery process in which the founders were open to different ideas and to weighing what was best for the company while doing what was essential for their families' continued well-being. The idea of selling the business rather than dealing with succession was certainly entertained and included a multi-million-dollar offer. Still, the founders jointly decided for different reasons to retain the family enterprise and plan for management succession. The process, which lasted nearly 10 years from beginning to end, started as it does in many small businesses: hiring a professional consultant for estate and tax planning. The leaders of many FOBs stop there with professional advisors on technical components covering tax minimization, estate freezes, family trusts, buy-sell agreements, or wealth maximization when considering succession to the next generation, because they believe resolving ownership and tax issues is all that is practically necessary when planning for succession ("Family Business Succession – Managing the All-Important Family Component | Audit- Tax-Advisory, KPMG, 2014). But the founders of the 2FOB in this study had additional ideas concerning the preparation to transfer the business to the next generation. Each of the brothers four indicated he had been trained to work in a family enterprise from an early age. The three brothers spent weekends with their dad in the shop and would discuss, both at the dinner table and at other times, the business, the finances, and the challenges that come with running a company. The exposure to the daily tasks of running the company also included the son-in-law, even though he did not grow up being mentored by either founding patriarch. His experience included exposure to his family farm and cattle ranching that gave him insight into business, and he developed the work ethic necessary for handling the disruptions and successes that come with a family business. The closeness of the two families gave the three brothers and later the son-in-law a favorable impression of work and business ownership.

Additionally, work was never used as an excuse for the founders not to be involved in their children's lives, including school activities and sporting events. The second-generation CEO even remembered dreaming of one day working for his "two dads" in the family business. The positive impression the boys developed about business and establishing priorities that included their family and faith was critical in the longer term preparation for handling the company. They were never forced into working for the company. One son wanted to go into the mission field until he later saw that his mission and service could be done while being employed for his dad's business. The son and daughter of one patriarch decided not to work for their dad and pursued other personal interests and life objectives. They were encouraged and supported. All children were urged to get their college education even though and perhaps because both patriarchs did not complete theirs. The children were encouraged in their faith and to seek the life they were best prepared to enjoy and to succeed.

The openness of the families and the preparation to be business owners made it feasible for the next generation to have the drive and enthusiasm to continue the traditions of the 2FOB. Many businesses fail in the second generation due to the lack of preparation and successors being unwilling to take on the demands of owning their own business. Once the members of the second generation began to work full-time at the 2FOB, first completing their 4-year college degree and working for other companies for a limited time, they were systematically trained in every aspect of the company, starting with entry-level responsibilities. Hearing about the company while growing up and spending some weekends helping with menial tasks were cited in literature as being critical in transferring the tacit knowledge of the company from predecessor to successor efficiently (Pipatanantakurn & Ractham, 2016). These early experiences and later their work at the 2FOB, where they were involved with establishing company values and sensing the emotions of running a business, were essential in developing the practical knowledge and tacit understanding of running a family enterprise.

The brothers four understood that they would not automatically receive leadership positions if they were not ready, were not willing, or could not adhere to the values and culture built by the founders. While interviewing the brothers, it was obvious they each had a passion and drive to succeed in business and were firmly grounded in their beliefs, values, and direction in life. They were also very aware of their skills and what contribution they could and would be willing to make to the company. Although they each had some aspiration of becoming the CEO, they had collectively decided on who had the best skill set to take on the senior position. Ultimately, the brothers four, and not the founders, named the new CEO. Although the process was not free of conflict and differences, it was carried out over a long time with the full support and knowledge of the family members. The transition took place over several years, during which time each of the brothers became a president overseeing critical areas of the business, following the increasingly accepted Nordstrom model for family businesses where multiple members are assuming leadership positions as one of several appointed presidents (Conklin, J.C., 2002). Through that process and the transition period, each developed skills, handled conflict, and was prepared to take on probably the most significant threats the business had ever faced. The bankruptcy of a substantial account that resulted in a considerable loss, the pandemic crisis, and riots in some of their key territories forced the second generation to confront major challenges within the first 12 months of assuming their ownership and management positions. Their handling of the crisis served as evidence that the preparation and process of management succession was well executed by the founders, who had passed along the practical knowledge and expertise necessary to run the business successfully. The early exposure to critical positions in the 2FOB, completion of formal education, some (although limited) related work experience outside the company, and extensive coaching and mentoring by the two founders helped to support the transition and final acceptance of the second generation management team to the leadership of the business and supported earlier research findings on the importance of these factors to succession planning (Lansberg & Astrachan, 1994). The fluidity of the process engineered by the founders exposing their heirs early to the business with extensive training and decision making was instrumental to its success. The process gave the founders and the next generation the time and exposure needed to adapt to the changes in managing the family business.

Theme 2: The Importance of Relationships in Handling Conflict and Building a Strong Executive Team in a 2FOB

Relationships are essential to this company and are exemplified by the founders, who had maintained a close friendship since they were young. The positive relationships they built with their families and in the business with employees and other stakeholders was a vital part of the 2FOB. Healthy relationships have helped to handle and resolve conflict and differences of opinion when they arise. One non-family executive commented that positively resolving conflicts is probably the "biggest gift that the two founders gave us." Tension and conflicts among family members are a significant contributor to the premature dissolution of family businesses (Lansberg & Astrachan, 1994) and, at a minimum, can "decrease the performance and satisfaction of all parties involved" (Astrachan & Dean, 2002, p. 492). All four brothers, by their own admission, are competitive and strong in their opinions. Research has found that sibling rivalries are known to influence the effectiveness of the succession process and often disrupts the leadership transition to the next generation (Avloniti et al., 2014). However, while the brothers four experienced conflict they also handled it in such a way that the effectual transition of the 2FOB to the next generation was able to take place under the most trying economic and political environment. The challenge to survive the business bonded the brothers and allowed them to select the next CEO from amongst themselves and grapple with difficult decisions while staying unified on maintaining the core of the family business as a going concern.

The founders modeled in front of the executive management team how to handle differences of opinion, but also allowed the brothers four to work through conflict, be more open with their constructive complaints, and attempt to resolve conflicts at their source as opposed to letting them fester and irritate the executive team and organization. Researchers have reflected on how conflict derails family businesses (Avloniti et al., 2014; Eddleston & Kellermanns, 2007; Ibrahim et al., 2001; Jayantilal et al., 2016), but this 2FOB modeled how conflict can be used to positively build relationships and understanding and how to create greater focus to achieve the company vision and goals. In essence, the 2FOB had conflict mostly at the executive management level regarding ideas, and less frequently attitudes. Conflicts were intense at times and had to be vented and exposed in order to deal with them effectively. Following the precepts of their faith and having developed skills that would help to bring a satisfactory resolution to conflicting ideas without tearing the company apart, laid a foundation where the succession process could be better effectuated. In the midst of these conflicts, what did remain was essential; a company that experienced genuine harmony of purpose, belief, mutual respect, and understanding regarding the ultimate direction of the enterprise.

While each of the brothers four had aspirations of being the next CEO of the business following the founders' retirement, they were in harmony regarding the selection of the youngest brother to take on that role in the business. However, this decision was not made before each set out to show his strengths and abilities as presidents in the business. But with time and processing change that effectuated company goals at their operating level, each of the brothers was able to not only use his strengths to lead the organization but became more appreciative of the others' strengths and necessity to the organization. The new CEO acknowledged that his term could be temporary if it was found that another's skill set was more necessary to lead the business, in which case he would willingly step down and do what is best for the organization (that is, for the family business). The humility of the CEO and each of the other brothers (a critical character attribute of successful leaders (Collins, 2001)) is the basis for their ability to resolve conflicts and think of others and of the 2FOB as more important than themselves. These were attributes modeled by the founders and built into the DNA of the business.

The growth of businesses and the emergence of new challenges, as is the case with COVID-19 and the necessity for the executive team to expand and then oversee the laying off of a substantial number of employees in the first 20 months of taking full responsibility for the family business, create new areas for conflict that will test the ability of the second generation to survive the challenges. Ownership, involvement, and the training of the next generation of leadership are all areas ripe for conflict. The ability of the brothers four to maintain their focus and effectively manage those conflicts will be paramount to their continuing the family business. If those conflicts can be successfully handled, as they demonstrated with the unfolding of the leadership positions while maintaining humility, mutual respect, and love for each other, these challenges that could tear at the fabric of their business should instead lead to a stronger team, better ideas, and a company that will continue its growth and influence in the industry as well as the social community.

Theme 3: The Importance of Culture Being Immersed in Strong Values and Religious Beliefs in a 2FOB Succession

All businesses, including those defined as a family business, have a company culture that heavily influences the character of the company. The research findings on the 2FOB in this study showed this to be true, as the culture is wrapped in clearly defined values established by the founders, together with the brothers four, over 25 years and stands as a strength of the business. These values are represented by the acronym RISE that stands for relationship, integrity, service, and expertise. Often such slogans are posted in company cafeterias, on websites, and in critical marketing material developed in the boardroom without the full adoption of leadership and crucial areas of the enterprise. However, this is not the case in this 2FOB. The non-family members on the executive team noted the brothers four have often come back to these values, especially over the past 20 months, and asked themselves how they are doing demonstrating RISE in their leadership both within and outside the company. The members of the executive team have effectuated these cultural specifics within their given silo of responsibility. The founders have been an example for the organization. They have been, and continue to be, very relationship-oriented within and outside the company, sometimes perhaps to a fault, according to some. The founders have stood on principles that have put their family and faith before material gain and success. The brothers four were not only involved in developing the acronym RISE but have had a part in implementing these core values within the business and the ongoing stewardship of these principles as they plan forward. They are, in their own words, critical and non-negotiable. The adoption of core values and beliefs was demonstrated through the decision to turn down profitable and needed business during the pandemic in favor of staying true to the company's values and beliefs. The executive team made these decisions based on the core and the character of the organization.

Although the owners do not consider the company to be a "Christian company," as they have many employees who are not Christian and, by definition, a company cannot be Christian or based on any other faith, their firm biblical and Christian foundation has influenced the values and standards upheld in the culture of the company. Judeo-Christian values are seen throughout the business. The owners' strong commitment to the teachings of Jesus Christ intentionally influenced their business model, goals, and vision for the business. The succession to the next generation would have been more challenging for the founders if they saw that the next generation was not adopting the values the founders believed were critical to the foundation and belief system they stood for as business owners. Without strong values in the next generation, the founders would have likely sold the business, as they had several opportunities to do so in the recent past. Their insight to involve the next generation in the development of these values, and the example both founders gave to their families and the organization that epitomized the core beliefs of the 2FOB, left a heritage for the next generation to follow. Indeed, the research findings confirmed that the strong religious beliefs of the members of the second generation (Le Breton-Miller & Miller, 2018), and their commitment to family and familiness creating competitive advantage (Zellweger et al., 2010), were clearly one of the successes the founders achieved in passing down the business to the next generation management team. Stewardship engendered by trust, open communication, and shared values (Eddleston & Kellermanns, 2007) developed by the founders helped to facilitate the succession and keep it on track. The marks of humility, integrity, respect, and love for each other were embraced because the founders displayed humility, integrity, respect, and love for each other as they navigated an ever-growing business enterprise. The success of the succession to the next generation management team is a story of perpetuating the values and core beliefs of the company that made working for the business more than building wealth or inheriting vast sums of profit-generating assets.

Implications for Practice

This case study corroborates the body of research on succession planning for a FOB, the importance of effectively dealing with conflict, and the significance of values and religious beliefs to succession in a family business. The research has implications for family businesses in general and particularly for succession to a management team. Instead of planning only for an eventual CEO to lead the company, FOBs should create a management team in which multiple family members and where applicable, non-family members, are simultaneously charged to carry on the operation of the enterprise. The unique challenges faced with two unrelated families owning a business required a management team consisting of family and non-family members to oversee operations and drive the success of the company. Involving non-family members in the executive leadership but not necessarily the ownership helped the family lead the company more effectively.

The succession process takes place over years, not months, and involves much more than estate and tax planning. The process is more fluid and requires the involvement of family members in their earliest years, not just as adult. Having them join their father at work, spending time around the table at home talking business, and being transparent about business issues were critical to the training of the next generation and its favorable but realistic view of the company. Another critical issue was allowing family members to choose their career, whether it was being a part of the family business or some other profession. One son decided to go into research, where he earned his doctorate while teaching and while writing and studying the homeless population extensively. A daughter, who was also a college graduate, supported her husband joining the family business while not being directly involved in the business herself.

This case study further demonstrates that entrepreneurs who place their family and faith above business can still manage to be successful with both family and business. The patriarchs' involvement at every event their children were a part of meant sacrificing time from the company, but they did not see being wealthy as their goal as much as being the best dads and husbands they could be by helping their children to grow and develop. Additionally, their commitment to their faith, their generosity, and their participation in church-related activities, including community involvement and leadership, were high priorities before achieving a financially successful business.

The two-family structure of the enterprise opens the door for unusual challenges for a business. This study has shown, however, that sharing values and religious beliefs, mutual respect, trust, and common organizational goals play a more significant part in generational succession than blood relationships. The two families share a strong faith in Christ, from which their values and core beliefs sprung that served as the foundation to the business. Their mutual respect, trust, and commitment to their values corroborated with research that showed these characteristics were instrumental in the decision to continue the business and in planning for succession.

Finally, the positive elements of allowing conflict to help clarify organization goals and direction led to the result that conflict can be a powerful tool in the business that can help create the harmony of ideas that can better serve the company and relationships. By allowing conflict to surface, issues can be handled more effectively, which can help to avoid more costly mistakes and disruptions to relationships and business. The families demonstrated that it was both their faith and the admonition of their faith to be humble that allowed them to view differences from a spiritual context. This perspective helped them to work for the common good of the organization and the business atmosphere, while ego and strong opinions often took backstage to faith, service, and humility. This perspective was further reinforced by the company culture that highly values relationship, integrity, service, and expertise (RISE).

Perspective on FOB Research

This study encompasses research designed to explore, conclude, and make recommendations relative to a 2FOB and the succession to a management team. The research looked intently at the process that would take place to pass the business down from the founders to the second generation. It also looked at relationships and its importance in developing a successful transition, including the importance of dealing with conflict to foster more significant results and outcomes for the business and family. The study also looked at stewardship and the values and religious beliefs that helped shape the culture and business environment that would be critical and essential to accepting the second generation.

While these themes were necessary to draw insight and business application for a 2FOB, they are also relevant to be applied to a single FOB that is planning on succession to the second generation to a single child or, possibly, two or more children of the same generation. Issues pertaining to process, relationships, and culture are crucial to a FOB as they are for a 2FOB. The research is useful and relevant in either case and will help contribute to the body of knowledge on family businesses.

Limitations of the Study

This bounded single-case study was conducted on a business located in Southern California, founded by two unrelated families. The uniqueness of the target company and its founding, as well as its structure and cultural makeup, would be difficult to replicate in the same market or in different markets to add to the validity of the study. The 11 members interviewed consisted of the founders, the brothers four, and five non-family members of the management team. Although interviewing 11 respondents is significant, the study would have been enhanced by interviews with employees and stakeholders of the organization to gain additional insight into succession to a second-generation management team.

Another limitation of the study is that it took place 20 months after the second generation took over the leadership of the business from the founders. The distinct and unprecedented challenges faced by the second generation that threatened to devastate the company was an excellent test of the combined strength of the second generation in leading the business. However, extending the research over several years would validate the management team's success and enrich the analysis. Further, a study that would also include how the members of the second-generation plan to prepare for succession to the next generation would enlighten what they learned from their own experiences.

Validation of Material

I deliberately sought to affirm his research and interviews were properly reflecting the 2FOB and the participants in this study. I gave a draft copy of the dissertation's first four chapters to the two founders of the 2FOB for their review and any comments they may want to express. If I mistakenly misrepresented an event, disclosed more information than desired by the company founders, or misrepresented any comment, they had the opportunity to express their concern and to insist any corrections or changes be made.

However, n**o** changes were requested by the founders, and the only comments received expressed their gratitude and enjoyment in reading the draft copy. They were also encouraged to pass the draft to the other participants. Receiving their positive feedback both affirms and validates the research and general tone of this study and the truthfulness of the examination, reflections, and ensuing observations.

Looking Forward

More research can be conducted on the importance of a family business and on the importance of establishing a trusted management team consisting of family members who are also owners and of non-family members. Understanding the implications of creating a management team as a part of succession planning may help more family businesses and 2FOBs prepare for the generational succession of leadership. Further, researching the establishment of a management team helps to ensure the success of succession to the second and third generations. These and other issues surrounding management succession, including the employment of a management team for company leadership compared to only a CEO, would add significance in the selection process, the development of specific management and entrepreneurial skill sets necessary to lead, and the training of several family members to operate the business effectively.

Finally, more research on FOBs is necessary. Their importance to the expansion of the labor market and to creativity and new ideas, underscores the importance of understanding their unique challenges in business and their need to respond effectively to increasing economic uncertainty that threatens their existence. Researchers could further study the influence of Judeo-Christian values and faith have to FOBs and its relevance as well as importance to developing a culture that contributes to the successful transition of a business to the next generation.

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Appendix A: Interview Questions

Questions: Founders

1. Describe the thoughts you had when you decided to go into business with your best friend.
    a. What were your expectations of the business?
    b. What were your expectations of yourself?
    c. What were your expectations of your partner?
2. Did you ever consider selling the company rather than transitioning the business to the next generation?
3. What steps did you take, if any, to plan for management succession?
4. How did the concept of a management team develop?
5. Did you use an advisor or professional assistance to plan the succession process? If so, please describe.
6. When did your three sons start working in the business? (Owner R)
7. When, if at all, did your daughter work in the company? (Owner M)
    a. Why did she decide not to go into the family business?
    b. When did her husband decide to go into the family business?
    c. Why did her husband go into the family business?
8. Describe the process undertaken to put the right person in the right job.
    a. How did you select who would be the next CEO?
    b. How did you select who would be the next COO?
    c. How did you select who would be the next two Presidents?
    d. Did you ever consider an outsider to be the next CEO?
9. Why did you decide to have two outside executives on the management team?
    a. How has this worked in the family business?
10. Did the selection process create any sibling rivalries or family disputes?
    a. Why or why not?
11. How important to the process of succession was it for the successor(s) to have a formal education as well as practical education in learning the business?
12. What is your philosophy of ownership for the successors?
    a. How important, if at all, are shared values to the succession plan?
    b. How influential, if at all, is a stable company culture to the succession plan?
    c. How important, if at all, religious beliefs to the succession plan?

Questions: Next Generation

1. Describe your journey or decision to work in the family business.
2. Have you worked in any other business than the family business?
    a. How long, what positions?
3. What is your educational background?
4. How were you prepared to take on the responsibility of directing the business?
5. Do you think you are sufficiently prepared for your new position?

  a. How have the founders prepared you for management and ownership in the business?
  b. Is there anything you would like to better understand in running the business or a skill that needs further development?
6. Do you think the right people are on the management team and in the right positions?
  a. Do you see the management positions changing as time moves on in the business?
  b. How are the outsiders on the management team viewed in helping to run the family business?
7. Do you see any challenges to the business in working with multiple families?
  a. Are there any competing interests?
8. How would you describe the culture of the company?
9. How important are shared values as part of your company culture?
10. How important are religious beliefs in managing the business?
11. From your perspective, what is the most significant value in being involved in a family business?
12. From your perspective, what is the greatest challenge in running the business?
13. How have the founders supported the transition of the business to the next generation and management team?
14. Has there been a need for the founders to be still involved in supporting the management transition? Explain.

Questions: Non-Family Members on the Management Team

1. How long have you been working in the business?
2. Why did you decide to work in a family business as compared to a non-family business?
3. Before coming to the company, what did your work experience look like?
  a. How did it prepare you to be in executive management in a family-owned company?
4. Describe what you believe was the decision process used in management succession.
5. How do you view the succession process of family members?
  a. How did the management team develop?
  b. How do you view the effectiveness of the management team and the succession process for the six players on the management team?
  c. Are there any particular challenges you see in the new positions that will impact the business?
  d. Do you see any changes in the future based on the company's continued growth and success?
6. What do you think is the biggest challenge the management team will face?

    a. Are the members sufficiently prepared to effectively handle those challenges?
7. Describe the culture of the company.
    a. How vital or essential is the culture to successfully running the business?
8. How, if at all, has the culture, played a role in the succession process?
    a. How, if at all, has religious beliefs played a role in the succession process?
    b. How, if at all, have values played a role in the succession process?
9. How would you describe the working environment with the members of the management team?
10. How have family resources (such as - financial, emotional, relational, and values orientation) played into the selection of duties on the executive management team?
11. How have the employees received the new leadership of the family business?
    a. Please share examples.

Before the interviews take place, the respondents will be guided by the following statements to provide for more clarity and openness in the interview.

Where there are yes and no questions, please respond accordingly.
There are open-ended questions, yet please be specific when possible.
Confidential: Your answers will be kept confidential.

Appendix B: Internal Memo from New CEO

Team,

I hope you were able to get some rest and enjoy the weekend with friends and family.

As I sit here on a plane, heading to Philadelphia for the conference, I am playing back in my mind the amazing memories I have had growing up in this business and I cannot help but be overwhelmed with gratitude. From as early of an age as I can remember, being a part of the [company] team was the only thing I ever really wanted to do. Some kids dream of being Doctors, Lawyers, teachers or even athletes, but for me, I dreamt of being able to work with my "two" dads and my "3 brothers."

Growing up, [company] was part of who we were, but it didn't necessarily define us. What defined us, was the character in which we conducted ourselves and the service and care we offered others. As many of you can attest to, I/we have not been perfect, in fact far from it at times, but it's a conviction that keeps us returning to these "non-negotiables" and striving for excellence so that we meet the needs of our family, friends, community, coworkers and customers.

[The founders] poured their lives into this business but they also poured their lives into many of you and the communities around us. The Legacy that they leave will not go unnoticed nor ever forgotten, so my hope, is that we continue to build upon it. That our core values of **R**elationship, **I**ntegrity, **S**ervice and **E**xpertise will continue to drive who we are and how we serve one another.

Each one of you have played a significant role in the development, growth and profit of [company] and we couldn't have done it without your commitment to our family, your coworkers and our customers. You truly are the best part of what we do, so I am humbled and honored to have this opportunity to serve you.

Here's to our dreams coming true and passionately pursuing them, so that they do.