

Understanding Succession Processes in Family Businesses: Case Studies in the German Mittelstand



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This thesis is submitted in accordance with the requirements for the degree of Doctor of Philosophy.

Declaration

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Date: 21. December a.d. 2016

Signed:

A handwritten signature in blue ink, appearing to read "Mark Ehn". The signature is written in a cursive style with a large initial 'M' and 'E'.

Acknowledgements

Finally!

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Dedication

This thesis shall be dedicated to all the wonderful people who supported me in my private life. First of all, my parents, who not only supported me financially, but morally. You have always been there for me, opening up new and exciting opportunities, from my time in boarding school, to Singapore, Lancaster, and Strathclyde. I hope to not disappoint you in the future and to continue representing our family well, wherever that may be.

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OMNIA AD MAIOREM DEI GLORIAM

Abstract

This thesis highlights the importance of understanding succession processes within family businesses. It examines how and why family members influence the succession process, using case studies of family businesses in the German Mittelstand. These are important questions, yet most previous research on family business succession has focused on the current CEO and the immediate successor, paying little attention to the wider family. The findings of this study show the diverse perspectives of family members, highlighting the maternal role in the succession process. This study opens up a new perspective about how much family needs and desires influence the succession process in family businesses, and vice versa. The cases reveal that strategic decision making within family businesses does not take place at the office but at home in private, and that family members, regardless of their formal status with the business, have a certain influence. The thesis adds value to our empirical and practical knowledge of family businesses and their dynamics. It clearly demonstrates that family businesses do not follow strict strategies but are flexible and fast in adapting to new circumstances and challenges.

Previous research has largely neglected the role of wider internal and external stakeholders during the succession process, and has also failed to address the important question of successor motivations. To date, studies have focused solely on financial motivators or the absence of adequate alternatives as the main reasons why the younger generation engages in the family business. The results of this thesis provide a more nuanced understanding of successor commitment and motivations for taking on the emotional challenge of managing the family firm.

To further enhance our understanding of how and why family members influence the succession process in the family business, this thesis draws on the Strategy as Practice approach. This perspective captures a more accurate picture of real-life succession processes by taking into

account the interests and behaviour of directly and indirectly involved family members. In contrast to other approaches, the Strategy as Practice approach captures real-life decision making in everyday business and was chosen to theoretically underpin and guide the empirical work of this thesis, which consists of five case studies conducted in the German Mittelstand in the period from 2011 to 2014.

Key words: Family business, succession, transition, incumbent, predecessor, holistic family approach, nepotism, emotional hazard, legitimation, Strategy as Practice.

Key Definitions

Family Business: A family business is where up to two natural persons or their family members have at least 50% ownership of the company and where these natural persons are also involved in the management of the company (IFM, 2016).

Strategy: How the individuals in a family business prepare to face upcoming challenges, and the resulting implementation of patterns of activities to achieve long- and short-term oriented goals.

Succession: The process of transferring the ownership and the managerial power from one generation to another (regardless of whether internal or external) and the acceptance of the next generation to continue the legacy.

Legitimation: The recognition (formal/informal; explicit/implicit) by internal and external stakeholders of its right to govern the company: This recognition leans on the faith of the aforementioned stakeholders in the validity of the power of the leader towards values and towards standards shared about the direction (the management) of the company. (Koffi, Fillion, Ekionea and Morris, 2014, p.114)

Disclaimer

ANONYMISATION

Any account or reference to the empirical evidence underpinning this thesis is anonymised in accordance with the ethical guidelines provided by the Economic and Social Research Council (2014), by using altered names to protect the participants, their families and family businesses involved.

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1. Introduction

This dissertation aims to enrich understanding of the succession processes in the context of family businesses within the German Mittelstand through an examination of the interaction within family businesses and family members. There is clear evidence that the decision-making processes of family businesses, especially during such private and emotional affairs as succession, differ from the way strategy is usually created and implemented in non-family business organizations e.g., Marylène, Sharma, De Massis, 2014. Special attention will be given to family members who have no formal role in the family business and who have often been neglected in previous studies. In this way the thesis adds value to our empirical and practical knowledge of family businesses and their dynamics. It clearly demonstrates that family businesses do not follow strict strategies but are flexible and fast in adapting to new circumstances and challenges. Previous research has often reduced or even neglected the role that inside and outside stakeholders may have during the succession; it has also left a gap concerning why successors face the emotional hazard of engaging in the family business. The term emotional hazard is used in this dissertation to describe the perceived difficulties successors may face in taking on the family firm and the resulting hesitation to engage in family business affairs. It describes the family's dark side and might be one of the reasons why many potential successors avoid taking over their family business. The term is, therefore, based on but unlike Bosman and Winden's (2002) terminology, who described emotional hazards as an efficiency cost.

Current literature suggests that financial motivators, or the absence of good alternatives, are the main reasons for the younger generation to engage in the family business; building on this previous discussion, this thesis examines whether there are other motivations as well, and tries to explain why successors face this emotional challenge. To further

enhance our understanding of how and why family members influence the succession process in the family business, this thesis suggests adopting an alternative approach, drawing on the Strategy as Practice perspective.

This thesis follows the IFM Bonn family business definition: “A family business is where up to two natural persons or their family members have at least 50% ownership of the company and where these natural persons are also involved in the management of the company” (IFM, 2016). Strategy, here, will be termed as “how the individuals in a family business prepare to face upcoming challenges and the resulting implementation of patterns of activities to achieve long- and short-term oriented goals.” For the purpose of this dissertation, succession is defined as the process of transferring the ownership and management power from one generation to another (whether internal or external) and the acceptance of the next generation to continue the legacy. The advantages of this definition are not only that succession is defined as a process rather than an event, and that there is separation between ownership and managerial succession, but also the acceptance of the next generation regardless of whether management is, for example, undertaken by outside professionals while the shares are retained by the children. These points are discussed in detail in the succession literature chapter.

Siebels and Knyphausen-Aufseß (2012, p. 280) paid close attention to the importance of family businesses for the German economy when they claimed that:

Particularly in Germany, family firms have been found to show an unusually strong dominance. Klein estimates that approximately 58% of all businesses in Germany with more than €1 m turnover/year are family businesses... up to 95% of all German companies could be considered family businesses,

generating 41.5% of all sales and employing 57.3% of all employees in Germany.

It becomes clear what role German family businesses play within the Mittelstand and in the German economy in general. For a better understanding it should be noted that the numbers shown above do not take agriculture and forestry into consideration, industries which are traditional family businesses, so the actual numbers are most probably even higher (Siebels and Knyphausen-Aufseß, 2012). The German Mittelstand, and its family businesses, is of particular interest, as it is regarded as the backbone of the European economy (Audretsch and Elston, 1996). Especially in times when domestic European markets suffer heavily—as at present—Germany's Mittelstand could be a role model for other economies.

Previous research has focused on the current CEO and has paid only minor attention to the successor, most often neglecting the family almost completely (Timothy and Blumentritt, 2015). Siblings, spouses, mothers or other relatives have not been taken into consideration and have not been granted a voice; however, reality draws a completely different picture. This dissertation demonstrates that there are many other stakeholders who are part of the succession process and who influence the succession strategy. There is a division of internal and external participants, with a strong focus on internal participants which, most often, consist of the family or external management, and which have not yet been taken into consideration. One example of this is the unemployed mother, not visible on the payroll but of great importance, as she is either working for the family business or present and influencing family businesses strategy when decisions are taken in a private setting.

Previous research has tried to categorize succession by further clustering or explaining this phenomenon through specific approaches. Prior research, especially over the last two decades, has made

significant advances in understanding the dynamics of family business succession, but has often focused on failed successions. The aim of this dissertation is to enhance our understanding of the succession process with the help of the family. Therefore, the thesis draws on the alternative, promising, yet neglected approach of Strategy as Practice.

1.1 An alternative approach

It is the aim of Strategy as Practice to describe how strategy formation is implemented on an everyday basis by its practitioners, rather than how it should be done in theory (Mintzberg, e.g., 1979b, 1968, 1973). Many succession theories exist and entrepreneurs also have certain ideas of how succession should work in a perfect world; nevertheless, as the cases reveal, expectation and reality often differ and implementation has often been undertaken quite differently. The good and close relationship that the researcher has to his researched families, and the long-term observation and several interviews, revealed some interesting insights that put the family, their advisers and additional actors, but also the successor, into the focus of the succession process research phenomenon.

1.2 Thesis overview

This thesis is structured as follows: Chapter One is the introduction and gives a brief overview of the thesis. It introduces some of the key terms and its definitions, such as family business, succession, and strategy to describe the academic field of this dissertation.

Chapters Two and Three provide a critical literature review of previous publications in the field of family business, succession and Strategy as Practice. The fourth chapter briefly describes the German Mittelstand

and its family businesses and gives a historical and geographical overview. In Chapter Five the research objectives and the research questions are introduced and discussed and, in the context of this in the next chapter, the author details the research methods and philosophies applied for the five cases of this thesis. Chapter Six introduces the cases. Chapters Seven and Eight present the research findings, including an analysis with a synthesis of the theoretical framework and the empirical data gathered; the two chapters will then be briefly summarized and a succession process model introduced and discussed. In the conclusion chapter the benefits of this dissertation for scholarship, but also for family businesses, management and successors are discussed, presenting suggestions for future research at the end of the chapter and discussing some of the limitations of this dissertation. A bibliography and appendix chapter can be found at the end of the thesis.

1.3 Research aims and objectives

This thesis aims to provide a better understanding of succession in family business, and uses Strategy as Practice as a way to assist such understanding. The thesis' research questions have been formulated to provide a better understanding of the world in which family business operates and how successful succession can be achieved in a family business, this thesis aims to answer the following questions:

- 1) What factors motivate successors to work for and/or take over the family business?
- 2) What internal and external actors are involved during the family business succession stage?
- 3) Why are these actors involved and what activities do they pursue?
- 4) How do successors legitimise themselves among internal and external actors?

Prior studies have had a strong focus on the current CEO and the heir, but there are many more actors involved. With the help of semi-structured interviews and the Strategy as Practice approach, the thesis seeks to fill the gap with answers as to the type of groups that can be identified during the strategy formation process and how much influence they really have. Are there certain actors for certain tasks, or are there actors who are important across the whole process and even afterwards?

One of the core statements concerning Strategy as Practice is that it is not static but dynamic; something a business does rather than purely owning it. The kind of influences that the family and the business have on each other is considered, together with how these 'surprises' will be dealt with in an adopted strategy. Family can be a person's home where they feel released from their work and other threats; in terms of family business there is no differentiation between family and business, and the family often becomes an annoying group of shareholders with divergent interests which, sometimes, even threatens the future of their own business. All this emotional ballast is a burden for young successors, who have often already suffered during their childhood from the absence from their parents, or where the only topic of conversation at home has been the business; so, why should anyone sacrifice themselves for such an institution? It is not only about sacrificing oneself but also knowing that one's spouse and, most likely, one's children will also face the same emotional hazard. Previous research approaches this question by quoting socio-economic factors or, perhaps, some kind of moral obligation and tradition. Also, none of these kinds of answers are wrong, but several more have been discovered that offer the reader a new perspective on succession, successors and family business.

This thesis aims to provide a theoretical, practical and empirical contribution to our understanding of how the family influences the

succession process in family businesses. In terms of theoretical contribution the thesis develops a theoretical framework for describing and explaining how the succession process is influenced by the family. Current scientific literature often neglects the role of the family during succession and only very rarely takes outside stakeholders into account (Dyer, 2003). If it does consider outside stakeholders as influential individuals during the succession phase, these are often minimized to the case of an external succession, but the data collection of this thesis revealed many more important key players. Furthermore, does the current understanding of succession fail in differentiating between ownership and managerial succession? This is a big difference and should also be researched in different ways (Chrisman et al, 2013).

Another gap that the dissertation aims to address is the motivation that potential successors have to continue the legacy; the amount of current research is very limited and assumes that it is mostly monetary factors that influence successors but, as this dissertation will show, there is a deeper motivation which cannot be explained by money or nepotism alone. Strategy as Practice offers an important insight to these deep underlying motivations, as emotions such as pride, duty and self-fulfilment can be more easily observed than measured by questionnaires. The theoretical contribution of this thesis is illustrated in the succession strategy process model described later in this dissertation.

In terms of empirical contribution, this thesis gives an important insight into the world of German family businesses and the German Mittelstand; not so much from an economic or performance perspective but from a micro-economic point of view. The number of English-speaking publications concerning the German economy in general, and the Mittelstand specifically, is very limited, and there are only a very few authors (Klein, Knyphausen-Aufseß, Welter and others) who allow an international audience a better understanding of this important

middle European economy, with all its secrets and strategies. This limited insight is, first of all, a matter of a language barrier and, secondly, that most German academics still publicize their works in their native language, which is an unfortunate aspect, as an international comparison and debate would be beneficial for both groups of authors. Schmude et al (2008, p1.) summarized the importance of English-speaking research about German entrepreneurial activities thus:

A particular strength of the German approach to researching entrepreneurship, which can be tracked back directly to the historical roots, is found to be its consideration of context specificity and embeddedness, going hand in hand with a strong multidisciplinary tendency. These are two features where entrepreneurship research in Germany could add a distinctive flavour to the current mainstream debate. In practice, the diffusion of this perspective is inhibited by an insufficient exchange with the international scientific community.

The thesis will give a brief introduction into the typical characteristics of the German Mittelstand, the industries of the case studies and family businesses in general, in order to define the place and state where the cases operate.

The purpose of this thesis is to provide several practical implications to current and future successors, as well as their families and consultants, who have to face succession and its difficulties, and whose survival often depends on a better understanding of the challenges. The author himself learned a lot for his own succession from other cases, and the dialogue with other young, next generation entrepreneurs has helped him to face the difficulties and to gain an initial understanding of how to tackle these difficulties. Nothing would satisfy the author more than if he could help some young successors to understand what might arise and what to do when the process starts. An important piece of advice is to take a close look at traditional processes; improvements can always

be made and, often, certain problems occur because processes have never been challenged. Family constitutions are an effective way to overcome outdated shareholder contracts and to further define and discuss problems which have not been seen by the earlier generation; a family constitution should also offer some guidance for the successor and the soon-to-be-retired CEO concerning upcoming duties.

Anecdotal evidence suggests that, in particular, old families have their dark secrets and that mistrust among the family members is always present. To overcome these obstacles is the foremost and most noble duty of the young successor. A young face is unburdened and should be treated as such; it is not responsible for the past and is independent of its parents, and successors should also act as such by being open-minded and tolerant towards the rest of the family and being critical towards their parents. Successors should understand that succession is not the day when father and son sign a contract in the presence of the notary; it is the process of becoming the legitimate new CEO and this battle will hardly be won in a single day, so it is better to prepare for it from an early age onwards. More and more often consultants are recruited to support family businesses during the succession phase; this is a good thing as consultants and scholars—at least in Germany—already work closely together and learn from each other; nevertheless, consultants also have to understand how families work: they need to understand the emotions and invisible alliances, and that the strategy and plans they discuss and present in colourful PowerPoint presentations are often useless, and not the way strategy is done within the family business, at home and in real life.

1.4 Conclusion

This chapter has provided an introduction to the thesis and has described the research questions and research objectives as well as an overview of the thesis structure. The next chapter proceeds by focusing

on the advantages and limitations of previous research on the question of how the family influences the succession procedure in the family business.

2. Family Business and Succession

2.1 Introduction

The purpose of this chapter is to introduce the reader to the relevant family business literature of this thesis. The first part reviews existing family business definitions, presents a table with the most common and reviewed family business definitions and justifies the adoption of the definition offered by the Institut für Mittelstandsforschung Bonn (IfM Bonn). The second part reviews literature on succession in family businesses and introduces the reader to the succession literature. The psychological and systems theory approach are introduced, as well as some of the authors involved, as they are described in the current literature. The chapter finishes with a brief conclusion, which links to the subsequent ‘Strategy as Practice’ chapter.

2.2 Socio Emotional Wealth

The concept of Socio Emotional Wealth (SEW) is based on the work of authors such as Gomez-Mejia et al (2007), Gomez-Mejia et al (2010), Berrone et al (2010), Gomez-Mejia et al (2011) and Berrone et al 2012. The authors themselves claim their work to be in the tradition of behavioural theory. SEW is based on five principal dimensions called FIBER: *Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members, and Renewal of family bonds to the firm through dynastic succession*. There is the mutual understanding that family businesses and non-family firms do differ (e.g. Gomez-Mejia et al 2011), but SEW develops this assumption one step further by claiming that SEW is the key component why family businesses and non-family firms do differ. SEW theory suggests that firms make decisions based on their personal principles (respectively those of the family, as firms themselves have no decision-making power). It is argued that family businesses make

decisions not only based on financial benefits, but also based on emotional cost such as family influence, pride and reputation. These SEW decisions can be of a subjective and nepotistic nature, some perhaps even selfish as SEW rejects the:

“naïve assumption that family members do not pursue selfish objectives... it is not applied that family firms are self-sacrificial and/or ignore financial issues” (Berrone et al, 2012, p. 261)

It is just that the family often chooses the emotional reward (for the family) over the financial one, clearly such actions must differ from the usual decision-making pattern known from non-family firms. Some people might call this kind of behaviour patronage or even nepotism and the author of this dissertation agrees with SEW theory that it is exactly this emotional behaviour which might be the key component why family businesses and their families differ from non-family businesses. This dissertation is paying closer attention to the concept of nepotism as the empirical data of the five case studies supports the idea that socio emotional wealth is a key component why family businesses behave differently to their non-family counterparts.

2.3 Defining family businesses

When the former pope Johannes Paul the 2nd was asked: ‘How many ways are there to God’ he answered ‘As many as there are advocates’. The definition of family business is a similar case. A number of researchers have identified different definitions.

Agreeing on a universal definition is important to demonstrate what area is under study and to make the research findings more understandable and comparable. Definitions of such key words are like the rules of a game: every player involved has to stick to them, otherwise it is impossible to play as a team. Hoy and Verser (1994) called the family businesses origin prehistoric, and wondered why there

is no common and widely accepted definition yet. Zahra's and Sharma's (2004) follow-up article discovered that family business research is an interdisciplinary discipline that is heavily supported and complemented by researchers from the areas of management, psychology, family therapy and others. It can be agreed that the struggle of family business definition has a long history (Calder and Grant, 1961, Davis and Stanley 1968, Levinson, 1971).

Why is defining the family business so important? Dubin (1969, in Moores, 2009) pointed out that defining a research field and its boundaries enables researchers to build theoretical models and to compare study outcomes. Research findings are only comparable if the research was done in 'overlapping domains'. Moores (2009) therefore suggested that the family should be positioned first in the family business definition discussion. According to him, the family should be the base of all definitions, as it is the family that makes the business a family business. Westhead & Cowling (1995) summed up that family business and its definition is important because, "the vast majority of independent businesses are family owned", and as the majority of them are thinking about transferring ownership there is also a high fiscal, governmental interest to know how family businesses and non-family businesses differ. Westhead & Cowling (1995) mentioned that if family businesses do have a positive impact on the local community, such as a longer survival rate or better business performance, governmental institutions should have a strong interest in supporting family businesses, such as by a decrease in inheritance tax/death tax, for example. This dissertation will not take into consideration Dodd and Dyck's (2015) non-kinship-based universal family firm approach, which is grounded on an analysis of the Gospel of Luke, as it was never the author's intention to come up with another definition, but merely to challenge the pure financial motivations family businesses sometimes seem to pursue.

Family business scholars struggle to define what differentiates a family business from a non-family business (e.g., De Massis et al, 2015). The answer could be easy, as it is already given in the question: the main difference between a family business and a non-family business is the family. After more than twenty years of family business research, scientists are still unable to answer the initial question of the *Family Business Review's* editor in the very first article:

What is a family business? People seem to understand what is meant by the term family business, yet when they try to articulate a precise definition they quickly discover that it is a very complicated phenomenon... (Lansberg, Perrow, & Rogolsky, 1988, p.1, in Hoy and Verser, 1994.)

So on what does the family business research domain agree? Scholars agree that family involvement is the key component that makes a family business unique (Miller and Rice, 1967, retrieved in Chua et al, 1999). However, there is still no broad acceptance on what a family business really is; approaches often depend on the methodology applied and personal preferences. To approach this difficult question this paper presents and discusses the different options of defining family businesses by taking a closer look at operational definitions: the component and essence approach, the behavioural approach by Chua (1999), the family involvement approach and the F-PEC scale definition of Klein (2000) and Klein, Astrachan and Smyrnios (2002, 2005). All these definitions will be summarised and displayed in a table at the beginning of the family business conclusion section.

On the basis of these definitions developed by major authors in the field, a definition is presented for the purpose of outlining the basis for the thesis.

2.3.1 Operational definition

Hollander and Elman (1988) described the operational approach as an early age stage approach for erasing the family business definition dilemma. According to them the “purpose, function, and structural properties of the organization are forming the unit of analysis for this approach.” (p. 146). In their paper, “Performance contrasts between family and non-family unquoted companies in the UK”, Westhead and Cowling (1997) characterized family businesses in comparison to non-family institutes. Their attempt to characterize family businesses by quantitative indicators, such as size of the company or performance, measured by growth and profit, failed. “They found that family businesses are too diverse in size, as they range from small micro firms such as a vegetable trader to big firms such as, e.g., BMW” (Quandt). Interestingly enough, they found in their 1998 published research paper that some characteristics do differentiate family businesses from non-family businesses, e.g., family businesses are in general older and smaller; also, they are overrepresented in industries such as agriculture, forestry and fishing. However, those differences were heavily dependent on what kind of definition was applied: different definitions deliver different results, as there are broader and stricter definitions from taking certain businesses into account and not others. In general, Westhead and Cowling proposed to use a broad definition as it is easier, applicable and replicable.

Westhead and Cowling (1995, 1997) proved to be more successful with qualitative indicators such as non-financial motivators that drive family business families. Such factors comprised indicators such as sustainability (defined as a slow but stable growth that can financially be managed by the family and therefore helps to avoid the need for foreign capital); or succession (planning in generations rather than financial terms; the intention to pass a firm from one generation to the next classifies a family business and distinguishes that business from a non-family business or an entrepreneurial start-up).

As these characteristics are hard to measure, Westhead et al defined three key issues, from which they were able to conclude five operational definitions. The key issues included:

1. A minimum of 50 per cent of all shares in the possession of one family group.
2. The company must see itself as a family business.
3. The recruitment of family members to the management board, resulting in succession planning intentions.

Based on these simple characteristics, five operational definitions emerged:

- (1) More than 50 per cent of voting shares are owned by a single family group related by blood or marriage.
- (2) More than 50 per cent of voting shares are owned by a single family group related by blood or marriage, and the company is perceived by the respondent to be a family business.
- (3) More than 50 per cent of voting shares are owned by a single family group related by blood or marriage, the company is perceived by the respondent to be a family business and one or more of the management team is drawn from the largest family group who own the company.
- (4) More than 50 per cent of voting shares are owned by a single family group related by blood or marriage, the company is perceived by the respondent to be a family business and 51 per cent or more of the management team are drawn from the largest family group who own the company.
- (5) More than 50 per cent of voting shares are owned by a single family group related by blood or marriage, the company is perceived by the respondent to be a family business, one or more of the management team are drawn from the largest family group who own the company and the company is owned by

second generation or more family members.” (Westhead and Cowling, 1996)

It must be mentioned that Westhead et al excluded the first and the fifth definition, as they have been critically evaluated before by Landsberg et al (1988) as being too ‘inclusive’ and too ‘restrictive’.

2.3.2 The components and essence approach

Chrisman et al (1999, 2005) suggests that the components of the involvement approach are not focusing on singular characteristics but on the *involvement* of family members in the business. The components of the involvement approach advocate that a family business is a family business if there is an active family involvement, regardless of how many shares the family has or how often a succession has already taken place. Family involvement determines a family firm. Chua and colleagues (2004; 1999) defined family involvement as: ownership, management, and family succession. Another study that shared the involvement approach is Moore (2009), as he suggested that every family business definition has to start with the family and only the family.

The essence approach takes this very vague and broad definition a step further by stating that family involvement itself is not sufficient and does not distinguish by itself a family business. The essence approach is a behavioural approach: family characteristics and interests such as ‘vision, familiness and behaviour’ (Chrisman et al, 2005) must leave an imprint; otherwise there is no real difference between a family and a non-family firm. A family alone is not sufficient; it must also leave its imprint to differentiate its business from other firms and to transmit its family characteristics through its company

As Chrisman et al (2005) pointed out: the components of involvement approach and the essence approach are two converging approaches, as they are interrelated. They mentioned Astrachan’s, Klein’s and

Smyrnios' (2002) F-PEC scale as a new tool that is emerging from the components of involvement and the essence approach, and which tries to unite the two approaches by *measuring* family involvement. This approach will be reviewed below.

2.3.3 Behavioural approach

Several authors such as Basco, Rodrigo and Voordeckers (2015) but also Chua, Chrisman and Sharma, (1999, p. 25) compared the behavioural approach to other possible approaches but it was the later who defined in their definition: "The family business is a business governed 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 et al distanced themselves at that time from the components approach and argued that their behavioural approach is superior and really captures the essence of what makes a family business a family business. Chua et al (1999) reviewed 250 different papers in the family business literature and put them into three different definitional groups:

- (A) Family owned and family managed;
- (B) Family owned but not family managed; and
- (C) Family managed but not family owned.

Chua et al insisted that a general accepted and applicable definition is necessary, as results of studies are not comparable otherwise. The authors therefore decided for a broad but easily acceptable short definition: "We propose that a company is a family business because it behaves as one and that this behaviour is distinct from that of non-family firms."

However, Chua et al recognized the weakness of their definition themselves when claiming that "we need to define the distinct behaviour that makes a business a family business." Scholars are still

working on defining those characteristics and differences, and a not negligible amount of research findings is actually unsure if there really is a significant difference between family businesses and non-family businesses. Unfortunately, it often depends on the definition applied (Westhead and Cowling, 1998).

2.3.4 Family involvement approach

The family involvement approach was Chrisman et al's (2012) and Powell et al's (2016) latest attempt to shed some light on the challenging debate of family definition and was further developed by Basco et al (2015). The family and involvement approach combines aspects of the behavioural approach and the competence and essence approach in order to distinguish family businesses from non-family businesses by researching if there are any family-centred non-economic (FCNE) goals. "Based on these two theories we argue that family involvement gives the controlling family the ability to influence firm behaviour..." (Chrisman et al, 2012, p. 268). Chrisman et al assumed that all family businesses have non-economic goals and that these family-centred non-economic goals differentiate family from non-family companies. Non-family firms are described as rather financially driven (De Massis et al, 2015), and in addition they seem to have many more controlling organs, such as professional managers and boards of directors, who ensure that family-centred goals cannot be implemented, as they might decrease profitability and do not enhance the benefits of all the shareholders. This assumption of family-centred non-economic goals as a typical and unique family business characteristic is founded in altruism and stewardship theory. The authors mentioned that "stakeholder theory suggests that the greater the extent of family involvement and the influence, the more importance family firms should attach to FCNE goals, and the more these goals should reflect the underlying vision, attitudes and intentions of the controlling family" (p. 270).

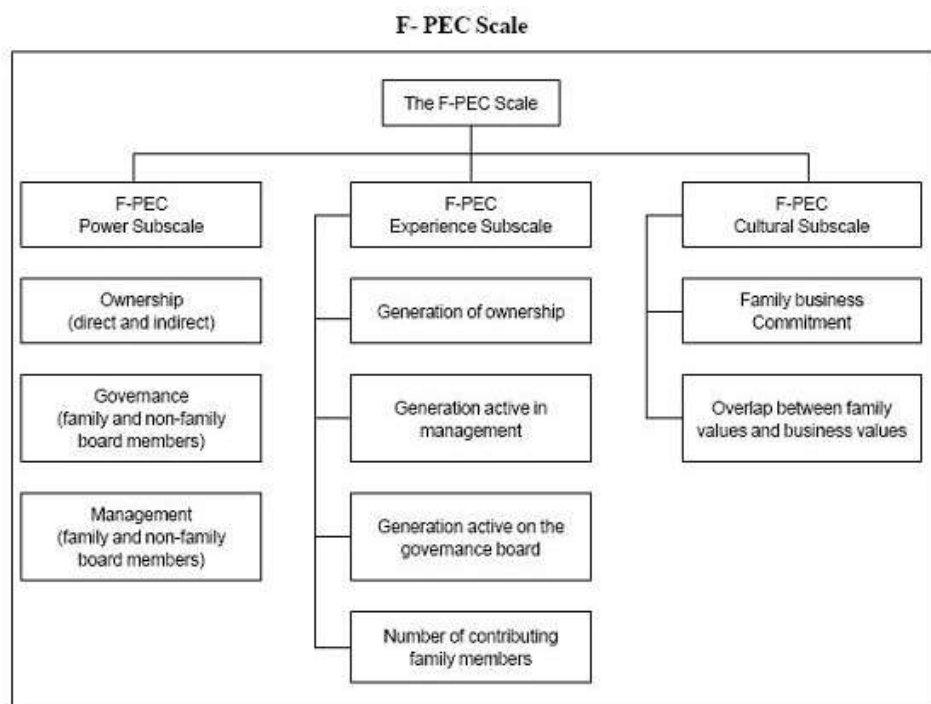
Chrisman et al's family involvement approach is a valuable further development of two already proven and applied theories. However, some fundamental questions remain unanswered and need clarification. Obviously, as described, a business that is owned by a family and that adapts FCNE goals is a family business, but what about a business that is owned by a family with purely financial motives, or which is so formalized and professionalized that there is little room for nepotism; is such a business not a family business? Even more interesting is the scenario of a family that owns a business that has FCNE goals and decides to sell the company one day where the new ownership is not a family business but decides to continue the afore-mentioned FCNE goals; does the business continue to be a family business even though there is no family anymore? There are many non-family businesses who are engaged in charity work or who pursue additional non-economic goals to increase similar factors to (family) harmony, (family) status, and (family and) firm identity. Is the only difference between their corporate social responsibility (CSR) efforts and FCNE goals the family? If so, one should rather focus on the family itself alone in the first place when we try to define what the difference is between a family business and a non-family business.

Another point which causes concern is that Chrisman et al (2012) were researching *family* involvement, but their quantitative sample was already considerably smaller than hoped, as only 1/5th participated, and of these only 1/7th could be used again by the researchers, leaving about 1,060 firms remaining. Of these firms, only the owner managers filled out a mailed survey, meaning that not only were all potential family businesses with external management avoided, but so were possible additional family members such as mothers, successors, non-employed shareholders and non-employed family members, who do not have shares but still have an influence. It seems to be wrong that family involvement is only measured by asking one single family member to fill in a questionnaire. This study seeks to overcome Chrisman et al's

shortcomings by applying a holistic family approach to get a better understanding about the family members' influence.

2.3.5 The F-PEC scale

The F-PEC (Family influence on Power, Experience and Culture) scale is a quantitative method based on qualitative perceptions for measuring if a firm is a family business or not. The F-PEC scale was constructed by Klein, Astrachan and Smyrnios (2000, 2002, 2005), and can be seen as one of the only definitions that enables researchers to generate transferable and repeatable data that allow for company comparisons between different countries, cultures and industries (Smith, Hair, Ferguson, 2014). The F-PEC scale evolved from the components and essence approaches (Chrisman et al, 2005), and tries to operationalize the qualitative criteria identified in the previous approaches measurably and objectively.



Source: Astrachan et al. (2002).

(Source: Astrachan et al (2002))

Graph: 2.1 The Family, Power, Experience and Culture Scale

According to Astrachan et al (2002), “The F-PEC power subscale assesses the degree of overall influence or power either in the hands of family members or in those named by the family.” Influence is an important characteristic when evaluating a firm as a family or a non-family firm. To have influence, power is necessary and can only evolve either through experience or money (Pieper, 2010). Chrisman et al (2003) and Merino et al (2015) praised the F-PEC scale as a research tool that enables researchers to compare different family businesses.

However, the F-PEC scale also has its weaknesses. Apart from being very complicated and difficult to use, it also neglects the perception that the family has about its business itself. This might be the case, as Klein (2005) points out, because the F-PEC scale wants to measure real influence backed up by quantitative data, and not how a family, researcher or third observer sees the company. A firm which is just a kind of investment for a certain family, similar to a private equity investment, is definitely no family business. Similarly, the pure creation of working places in a family-managed firm does not automatically create a family business. Another major point of critique is the data collection process.

To measure the influence that a family has within the business, the researcher has to count the active family members on the family board. This process seems to be logical and objective in the first instance but it bears a significant weakness: for instance, the unofficially employed but active mother, as described in the study by Hollander and Bukowitz (1990) and Gillis Donovan and Moynihan-Bradt (1990, in Litz, 1995), is not captured by this definition, despite the fact that such instances may constitute the ‘familiness’ of the family business. Those family members, be they the mother, children or other family members who do work in the business but who have no formal job or gain payment, whether because of tax or other legislative issues, still have an influence on the business and its strategy but they are not taken into account. The

only way to avoid this data collection dilemma would be to interview all family members of a certain family business. This process is not just time-consuming, it is also hard to achieve, as access to so many members might easily be denied, particularly as CEOs often want to protect their families. Furthermore, if this process involved qualitative research means, the quantitative F-PEC scale measurement would be brought ad absurdum.

2.3.6 Conclusion and family business definition applied for this dissertation

Qualitative	Quantitative	Definition
Westhead & Cowing (1995& 1997) Operational Definition		-Minimum of 50% shares family owned -Perception of being a family business -Succession planning intentions
Chrisman et al (1999, 2005) The components and essence approach		Family involvement regardless of number of shares or number of successions
Chua , Chrisman & Sharma (1999) The behavioural approach		Differences of behaviour between family businesses and non-family businesses
Chrisman et al (2012) Family involvement approach		Combination of behavioural approach and components and essence approach to

		research for Family Centred Non-Economic Goals
	Klein et al (2000, 2002, 2005) The F-PEC scale	Qualitative components of the components and essence approach are measured by quantitative means
IFM (2016)		Min 50% shares and management involvement

Table 2.1 Family Business definitions summary

As shown above, there is no universally accepted definition about what a family business is and what it is not. To our best knowledge there is also no legal governmental institution here in the UK that has faced the task of defining what a family business is for its own internal use.

As this dissertation is focusing on the German Mittelstand, several articles were reviewed regarding how this problem is faced on the continent. The Institut für Mittelstandsforschung Bonn (IMB) was founded in 1957 by the German Government and the county Nordrhein Westfalen, and since then has collected scientific data about small and medium-sized enterprises, and has a special focus on family businesses, for which it has its own sub-department. As data from IMB is used throughout this work—as it is the most reliable and up-to-date data about the German family business environment—it is also right to apply their definition criteria to make the research coherent and comparable.

On the IMB website they clearly state that their definition is purely based on qualitative measurements, as quantitative ones such as size or number of employees failed to work. They define a family business as: “an enterprise where up to two natural persons or their family members

have at least 50% ownership of the company and where these natural persons are also involved in the management of the company” (IFM, 2016).

This definition criteria is very similar to Westhead’s (1996) 3rd and 4th definition criteria, but without the perception of being a family business as critiqued by Klein (2005).

2.4 Succession

The purpose of this section is to give an overview of how previous research has approached the phenomenon of succession in family businesses. Succession is one of the main areas, if not *the* main area in family business research (Steier, Chrisman and Chua, 2015). Succession is critical to family businesses and is often treated as an idiosyncratic characteristic that distinguishes family businesses from non-family businesses. Succession may pave the way to future family business success or pose a main threat to family businesses, as most family businesses fail shortly before, during or shortly after the succession process (e.g., Shepherd, Dean, Zacharakis, 2000, Dalpiaz, Elena, Paul Tracey, and Nelson Phillips, 2014). So why is succession research so important and why is it especially so important for Germany and the German Mittelstand? According to Pinkwart et al (2005), Germany is facing a period of strong succession activities a little bit less than half of them through internal succession.

It is therefore even more important to investigate the succession process more closely, and to reflect on the advances and limitations that academic research has generated in order to generate a more accurate understanding of this phenomenon. Given that academic research has expressed continuous interest in understanding succession in family businesses, studies on succession cover a wide variety of theoretical, methodological, practical approaches and implications that provide a rich body of research. However, examining the research also generates the insight that this body of research appears to lack an overarching

framework that allows classifying and building on previous research more systematically. Following from this observation, it is suggested that there should be a broad classification of previous research on succession in family businesses that allows the organizing of previous research according to patterns of theoretical approaches dominating previous research, including the psychological approach, systems theory approach and strategic approach.

The purpose of this classification is to: (a) provide a basis for a systematic comparison of previous research; and (b) to identify the advances and limitations of previous research that in turn shape this thesis' research questions and objectives.

The following sections are dedicated to discussing the psychological, systems theory and strategic approaches to understanding succession in family businesses. Building on the advances and limitations generated from this review of previous research, the literature review proceeds to present an alternative, less known approach to understanding succession in family businesses: the strategy-as-practice approach.

2.4.1 Psychological approach to understanding succession

The unit of analysis of the psychological approach is the people, currently mostly the CEO and the successor, and in this dissertation also the family; this differentiates the psychological approach from the other approaches as it is not the business and its performance but the actors that are under research. The psychological approach is also a valid method to get better understanding about the emotions involved during the succession phase. As a matter of fact, one could even call the psychological approach a rather emotional approach. Authors such as Birley (2002) or Theune (2000) undertook considerable research about the successors: how they should be prepared and the stress and problem that children of family businesses face.

Holt and Popp (2013) pointed out that the majority of succession research neglects the family, and in particular, their emotions concerning succession. As succession, especially in family business, is a highly emotional topic, the kind of dynamics and interactions between the different stakeholders that take place during the succession phase and how this influences the succession strategy should be considered. As succession in family businesses is not only a professional but also a family topic, with lots of emotional linkages such as obligation, tradition and heritage, this side of succession should not be further neglected. The aim of this dissertation is to enlighten the dark side (emotional hazard) of succession emotions and to explain who the actors are and what kind of emotions might play a role, from the successors but also from the family's point of view. Birley (2002) and Holt's and Popp's (2013) call for more family research in the family business literature. She criticized the neglecting of third family members and even the owner managers' children in the succession literature, which is even more surprising as she demonstrated in the same paper that these children are well educated and prepared for their job; they are not dependent on their families' nepotism but are able to succeed by themselves. Her work discovered six important key wishes of families where the family business is transferred (Birley, 2002, 'Attitudes of Owner Managers' Children towards Family and Business Issues'):

- Management successors should be from the family
- The older generation should always have a formal role
- Family members make the family business stronger
- Shares should only be transferred to members of the family
- Family members should get different payments than employees
- The business should provide pensions for all family members

These statements make it clear why succession research that is only focused on the current CEO and perhaps on his or her successor is a bit

short-sighted; additional family members have to be included as they clearly also have their stake and influence. Interestingly enough, Birley also found out that there are more sons willing to take over than daughters; however, there was no scientific answer as to why this is the case.

What factors could increase the likelihood of succession seems to be one of the main questions of the psychological approach. Zellweger, Sieger and Halter (2011) found out in their quantitative study that the individual's independence has a large influence on whether a child takes over the parental family business, or decides to become an employee or to found a new business. Their international study with 9904 participants with a family business background found out that the more independent and self-confident a student was, the more he or she was likely to become a founder/successor or an employee. Carr and Sequeira (2007) found out that, "Early exposure to entrepreneurship and experience in the family business will affect the family members' attitude and intentions (p. 1092)". With the help of a questionnaire they identified that early exposure, family support for entrepreneurial activities and entrepreneurial intentions foster entrepreneurial activities in a child's later life. It is the aim of this dissertation to approach and answer the question why potential successors decide to succeed, even though they are fully aware of the emotional hazard attached to it.

Sharma, Chrisman and Chua (2003) researched about factors making succession successful or not; also, their findings are interesting in that they neither take the emotional nor the greater family into their account. They proved how important it is for a successful succession that family members accept each other's role in the family business and the clear communication of the key actors if they are willing to take over or to step aside. Preparation seems to be essential, and a good preparation makes a smooth succession much more likely than an unplanned one. This is also supported by Birley (2002), who suggested that children

usually decide in their twenties if they want to engage in the family business or not. It therefore becomes clear that open communication and clear signals are paramount. The psychological approach presents many useful factors that make succession more likely, but it does unfortunately not deliver answers to the questions of why people decide to take over their family's business or what kind of stakeholders are involved in the succession process; the vast majority of questions focus on the current and the future CEO, forgetting the rest of the family.

2.4.2 Systems theory approach to understanding succession

The main focus of systems theory in terms of family business research is the interaction of family and business systems and how the two systems interrelate. The difference between an anonymously held company and a family business is the influence that a family has on the business. “[A]t the heart of the family business field [is] the study of the reciprocal impact of family on business. No other field can claim this focus” (Astrachan, 2003, p. 4, retrieved from Pieper and Klein, 2007). One could therefore argue that systems theory is part of the core essence of family business research, as its research is closely connected to what really differentiates a family business from a non-family business, and has therefore definitional character.

In their study “Passing the torch: Factors influencing transgenerational intent in family firms”, Williams, Zorn, Crook and Combs (2013) tested different hypotheses about the likelihood of an internal succession. The findings of this study included that there is no positive relationship between age, size or gender in the success or otherwise in continuing the legacy or not, but factors such as whether the authors could find a positive relationship between belonging to a certain ethnic group and transgenerational intent are important. Family members who advise the CEO also seem to have a positive influence on internal succession, and the time period till a family business has to face the next succession has

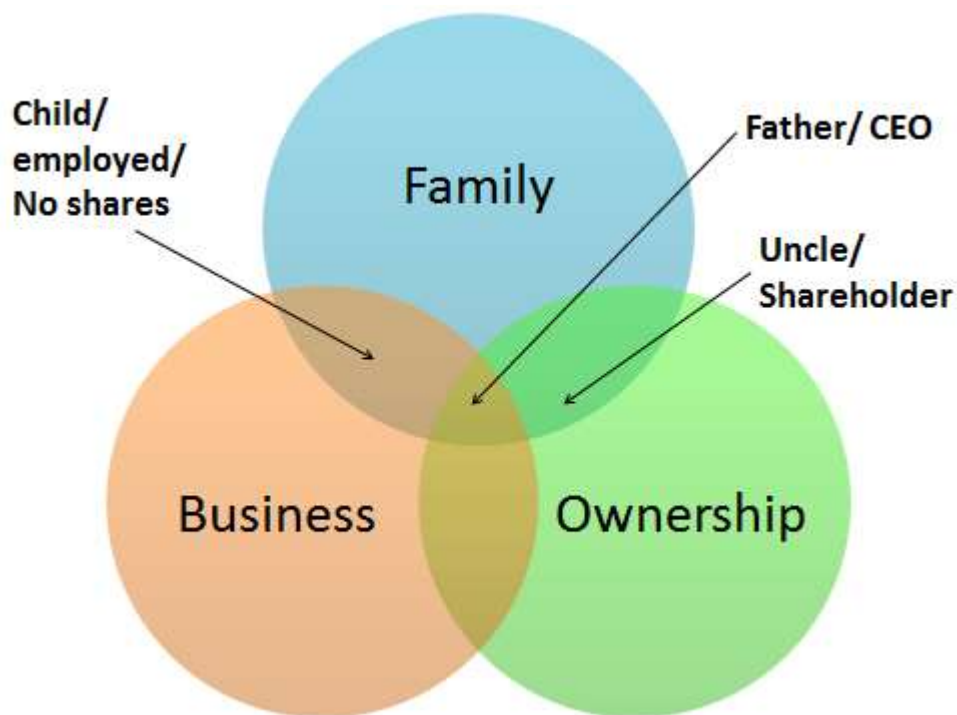
a great influence, too. The longer away succession seems to be, the more family members support the idea of internal succession. In this last point may actually lay the biggest challenge that family businesses are facing overall. Many, probably the majority of family business CEOs, avoid thinking about their own retirement and their succession. They are quite open-minded if this important action is far away in their future, but the more important it becomes the more they try to avoid it. Instead, some even try to leave the family out of it and discourage their potential successors from being interested. It sometimes seems that family CEOs decide to live forever; no case is known where this strategy has worked out, although not all cases are disproved yet. When the old CEO then suddenly dies, chaos often breaks out and the family and the business are challenged by the unprepared and unanswered question of what comes next. These are the most difficult successions, as the emotional family component is erratic. This phenomenon will be addressed as succession by accident.

2.4.3 The actors involved

There has been previous research on the kind of actors who might be involved in family business succession. The following section will present the current state of the research, the group of actors who have been identified and what models have been used to improve our understanding of the succession phenomena. Each model has its own advantages and limitations, but both certainly improve our understanding about the topic and why it is necessary to continue our efforts to improve existing knowledge and already existing models.

2.4.3.1 The three circles model

Figure: 2.1 The three circles model



(Source: von Schlippe et al, 2013)

The modern three circles model has been developed by Schlippe et al (2013), but is based on the original “three-ringed model” by Taiguri and Davis (1982). The three circles model consists of one circle that represents the family, the second circle that represents the business and the last of the three, which is called ownership. Every single circle represents certain goals, needs and interests; of particular interest are the overlaps of the three circles, because it is here where the often contradicting interests and needs meet and potential threats and problems arise. For a better understanding, typical representatives for all of the overlaps shown above have been included. There is, for

instance, the father/CEO in the middle who is not only a father, but also a shareholder and the CEO of the business he is representing in all three circles, and he must align the divergent needs and desires. The employed child who does not have shares yet is represented in the overlap between family and business, and the family business's unemployed uncle is a good example for an uncle who has shares and voting rights but no active role in the everyday business matters.

The three circles model focuses on the similarities and differences of the family, the ownership and the business. In terms of succession but also in general it gives a good overview of the different interests of any of the stakeholders involved and how they could be clustered. In this model, the family CEO has on one hand the strongest position, as he is positioned in the middle and has a saying/voting right in all three dimensions, but one could also argue that he is the one most exposed to critique and has to justify every single step he is making. Potential successors may either come from one of the family clusters in the case of an internal succession, or from the business cluster or even from outside the system.

If we assume an internal succession they may come from a pure family background and are then facing the challenge to legitimize their ambition, as they neither have internal business experience nor do they own any shares yet, and may be challenged by other potential candidates who have at least one of the former. This is most probably the weakest position from which to become a CEO candidate, not only because of one's own family but also because of outside stakeholders.

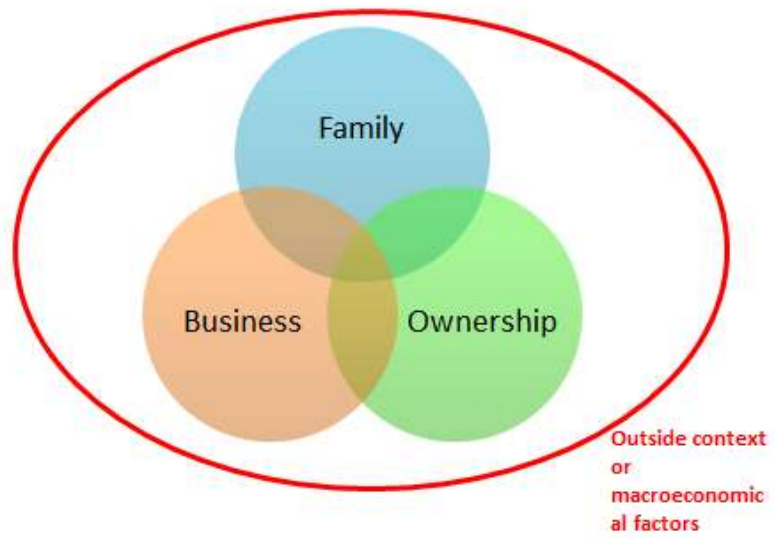
The second potential successor may come from the family ownership overlap, which is quite strong; he has his family support and in addition some voting shares, and therefore has a direct influence. These shares also give him certain information rights so he can make himself familiar with the family business and form useful alliances with other important decision makers, e.g., the board of directors. However, he still has to

face the accusation of lacking experience as he has not worked for the business himself. This might be compensated by useful outside experience.

The third group of potential successors may come from family and the business overlap, which might be the best position to start from. Potential successors have their family support, they have valuable insights about the family business and may have even already earned their spurs; also, making alliances with the board is potentially possible, depending on their position and eagerness to achieve their goal. The lack of shares is rather a theoretical shortcoming, which can be changed instantly if the family's support is guaranteed. Their only potential shortcoming might be the lack of outside experience, which does not have to be the case; -the successor may have worked externally before joining.

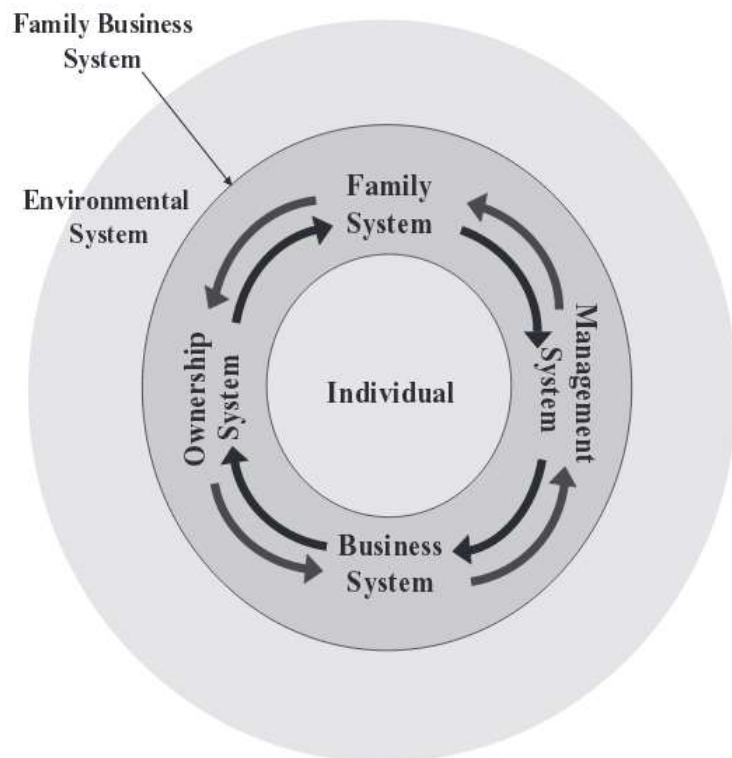
Overall, this three circles model gives us a very good overview about the family, the business and the ownership structure, and their overlapping with all its common or different interests, not only in terms of succession but also in general. However, it has a shortcoming which can easily be overcome by adding an additional circle representing the outside context or macro-economic factors, such as politics, the national economy or smaller things such as a new external CEO who has not yet worked for the family business but for other businesses, which have not been represented in the three circles model yet.

Figure: 2.2 The Advanced Three Circles Model

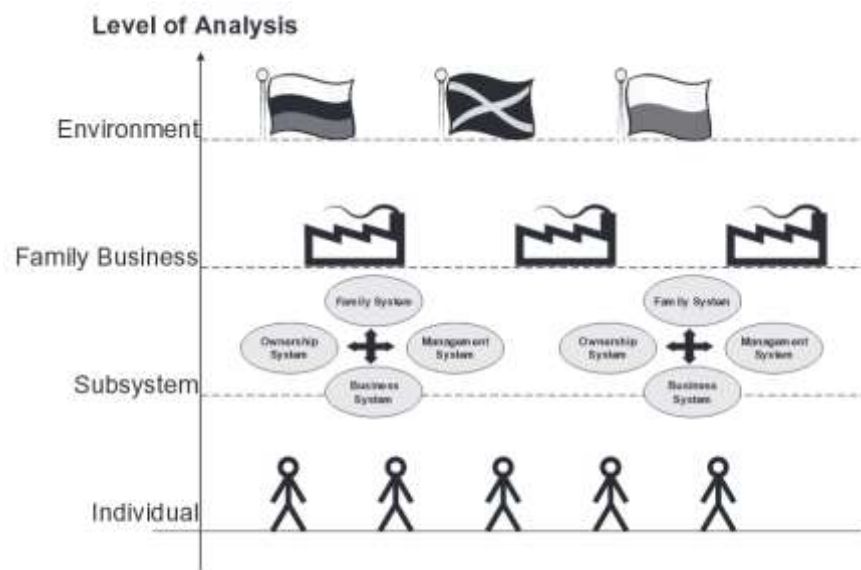


2.4.3.2 The Bull's Eye Model

Figure 2.3 The Bull's Eye Model (Source: Pieper & Klein, 2012)



Graph: 2.1 The Bull's Eye Model Level of Analysis



(Source: Pieper and Klein, 2012, p. 308)

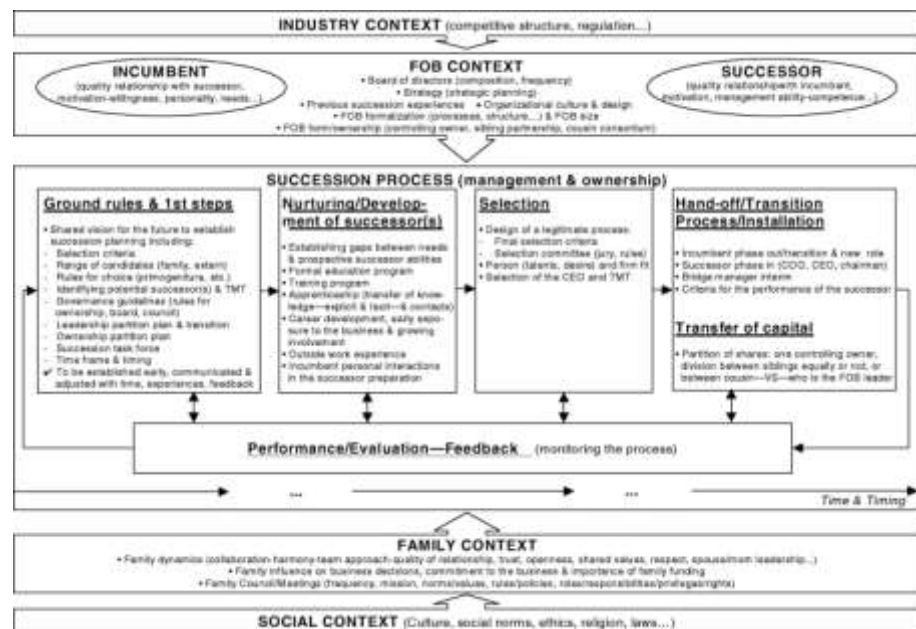
The Bull's Eye Model by Pieper and Klein, 2012 is similar to the three circles model, but it places the individual in its focus (bull's eye) and positions micro and macro influences on the outer rings. It does describe the family business and its surroundings very well, but in the researcher's opinion, it is a bit too macro focused for succession studies. Also, it places the individual in its focus, as it concentrates on all the outside threats and influences rather than the inside activities, and it surely does not explain what motivates a potential successor might have and what drives them to engage in the family business.

Both the psychological approach and the systems theory approach have their advantages and limitations. For the psychological approach it is the people themselves who are the unit of analysis; family and emotions are taken into consideration and a core question of this approach is the search for factors which are increasing the likelihood of succession. Unfortunately some questions about the successors' motivation to succeed or the actors involved remain in the dark as the psychological approach may have a focus on the family but mostly on predecessor and

successor neglecting the wider family. Systems theory on the other hand is researching the interrelation of family and business which certainly has definitional character for family business research as the differences between a family business and a non- family business are likely to be connected with the families influence but questions about the successor's motivation and the members involved during the succession phase remain unanswered.

2.4.3.3 Integrative model for successful FOB successions

Figure 2.4 The integrative model for successful FOB successions



The Le Bretton-Miller and Miller (2004) integrative model is a very detailed succession model covering many fields and aspects such as the relationship between incumbent and successor. It identifies four succession stages such as Ground Rules and 1st steps, Nurturing and Development of Successors, selection and Hand-off/Transition Process/Installation in combination of transfer of capital. It is worth mentioning that this is one of the rare models where ownership and

managerial succession is separated. Each of the four succession stages is in relationship and bound to Performance/Evaluation and Feedback. Furthermore it also takes into consideration the family context and the social context the successor and the old CEO live within. It can therefore be considered a very detailed and almost complete succession process model. One of its shortages is the successor's motivation to succeed and what kind of reasons exist.

2.4.4 Strategic approach to understanding succession

The strategic approach is not a unified body of research. Rather, it draws on a variety of strategy schools, which may differ in their assumptions, methods and implications. Hence, the purpose of this section is to answer the following questions: 1) What are the different strategic approaches prevailing in research on succession in family businesses? 2) What are the advances, limitations and implications of each approach?

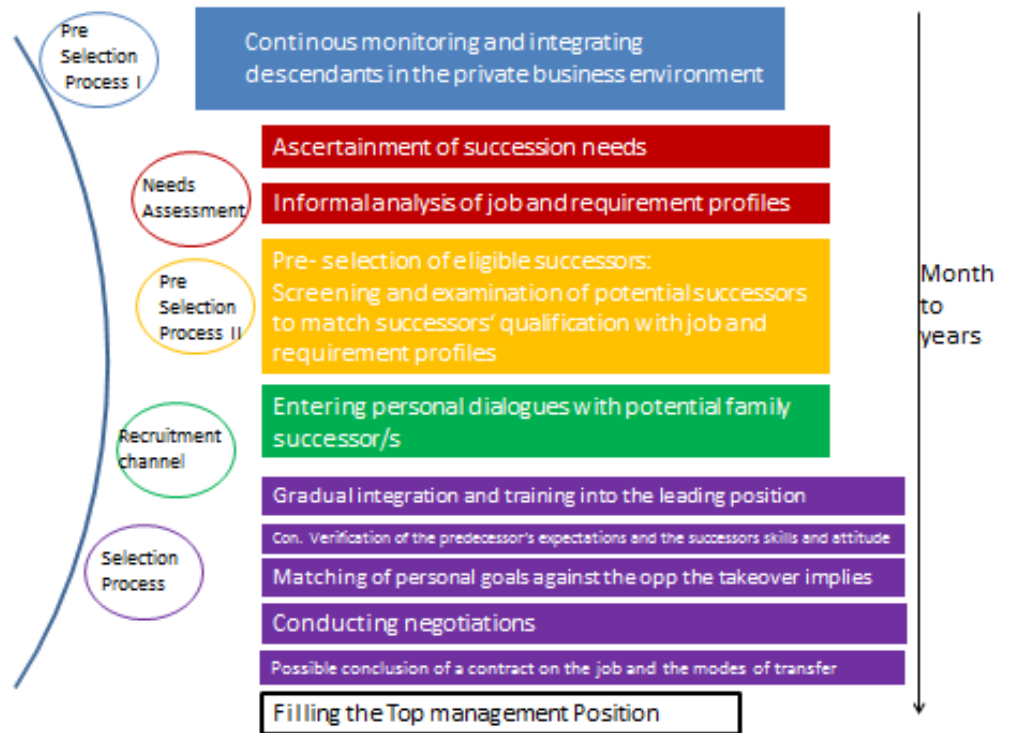
This section will cover the: (a) traditional strategic approaches, drawing implicitly or explicitly from Ansoff's planning approach; (b) the more nuanced approach to strategy advanced by Mintzberg. Building on this analysis, the section introduces the strategy-as-practice approach, which appears as a promising alternative approach to provide a more accurate real-life understanding of succession in family businesses.

2.4.4.1 Progress, stages, milestones

The scientific community is still unsure if succession should rather be seen as a process or as an event (Holt and Popp, 2013; Koffi et al, 2014). For the purpose of this dissertation, succession will be dealt with as a process, as the interview data and major publications (Schlepphorst and Moog, 2014; Koffi, Fillion, Ekionea and Morris, 2014) present a selection and recruitment chart that will in a similar way be later used to identify and describe the succession stages during the five cases presented in this dissertation. In addition the cases supported the idea of

a progress rather than an event. As the family members themselves spoke about events and timeframes and agreed that a single signature at the notary does not make a succession.

Figure 2.4 Recruitment and selection processes for family successors into management positions



(Source: Schlepphorst and Moog, 2014)

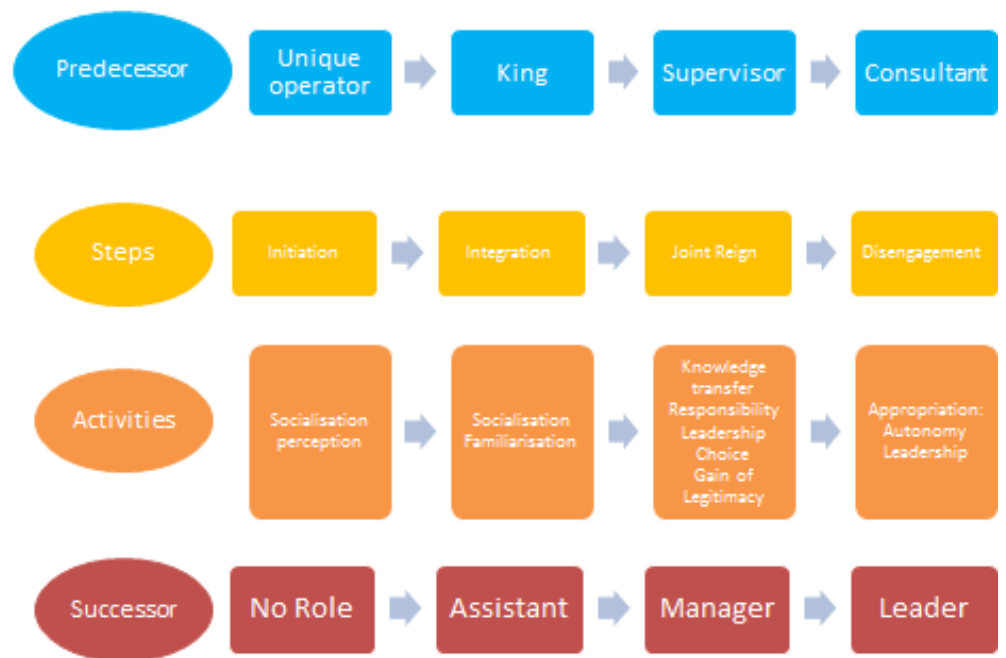
Schlepphorst and Moog identified five succession stages as:

- (1) The pre-selection process must be described as influencing the children about entrepreneurial activities from an early age onwards, probably school or even younger. One cannot know at this age if children will follow in their parents' footsteps but one can prepare them to do so.
- (2) The need assessment stage is Level Two, and it is basically a job profile designing stage. It is advised that the current CEO and the family identify the characteristics and requirements that the future CEO should have. It is important to communicate this

profile to the children, so they can decide to face or to refuse this opportunity, but it is even more important to avoid a candidate profile that describes one's own children but does not fulfil the family business' needs.

- (3) In the second pre-selection stage the pool of potential heirs will be compared with the existing job profiles. This may reduce the number of potential heirs or even result in the decision to avoid internal succession and rather decide on external succession. Schlepphorst and Moog did not include outside succession in their recruitment approach, but for a better understanding and for a more professional approach, external competition should be included. Some of the cases described later included external competition in their succession and family members' profiles got compared to those of external candidates.
- (4) During the recruitment channel stage, the recruitment committee invites the remaining potential successors to personal interviews.
- (5) During the selection stage, the most able candidate will not only be selected, but will also be first positioned below the CEO in order to prepare and train him for his future role. From there on, both the current and the future CEO shall both make sure that their expectations are met. During this stage, the compensation and retirement details of the CEO and of third shareholders who are not employed by the business need to be dealt with.

Figure 2.5 The Succession and Legitimacy Process



(Source: Koffi et al, 2014)

Koffi et al supported Schleppehorst and Moog’s diagram with their own, which does not deliver new insights in term of stages or processes, but in fact identifies only four instead of five stages, and gives an excellent overview, not only about the main strategic stages and actors, but also how they transform and change over time. Even though Koffi et al’s diagram is more detailed and is more focused on the different actors’ perspectives, it still omits key actors. The cases suggest that especially during the succession phase, the family, but also leading employees, lawyers and tax accountants, play a crucial role in the succession strategy and should not be ignored. The case description and analysis chapter will give a deeper insight into these key actors, what influence they have and how they should be included in the succession phase diagram. Gersick et al (1997) describes in his book “Generation to generation, lifecycles of family businesses”, how family businesses develop from controlling ownership to sibling partnership up to cousin

consortiums. With each of these stages more and more family members and succession actors enter the scene, it is the aim of this dissertation to identify and describe some of these actors to enhance our family business succession understanding.

2.4.4.2 Legitimation

During the interviews of the data collection in Phase One, the researcher got the impression that legitimization and nepotism play a big role in family business, especially for the successors, who did not deny that nepotism does occur but who also seemed to be eager to demonstrate that legitimization is for them a crucial part of the succession process. The impression of how important legitimization is for successors is manifested from interview to interview, but the data offered surprising results: it has been discovered that the family business succession literature is not paying much attention to this field.

The dominant legitimacy definition that is adopted for this dissertation has come from Petit and Mari (2009), and was also used in Koffi et al's 2009 paper 'Family Business Succession: What are the ways used by the male business managers to legitimize their successor?'. This paper provides a very accurate definition of legitimacy that will be adopted in this thesis. Its advantage is the inclusion of formal and informal, but also external characteristics and influences, to give a better understanding that legitimacy is a complex phenomenon which cannot be easily measured. Legitimation is defined as:

The recognition (formal/informal; explicit/implicit) by internal and external stakeholders of its right to govern the company: This recognition leans on the faith of the aforementioned stakeholders in the validity of the power of the leader towards values and towards standards shared about the direction (the management) of the company (Koffi, Fillion, Ekionea and Morris, 2014, p.114).

Koffi et al identified three different legitimization patterns: legal rational, traditional, and charismatic, which will be introduced in the following definitions:

1. The legal rational type describes the authority of a position or a rank rather than the person's natural authority or legitimization itself. One could also call it military legitimization, as the followers do obey due to the position their leader has and not due to his ideas or inspiration.
2. The traditional type of legitimization is somehow similar to the legal rational type; it is based on the social order system in which the group once identified a leader and continues to obey his orders and commands. This authority right can also be inherited, e.g., by his or her children, and the community will continue to follow—as they have previously done—their former leader.
3. The third legitimization form is the charismatic type, which is independent of the former two, as it puts the person and their abilities or characteristics in focus. The leader has to prove themselves, either through their character or through their ability to enlighten and motivate others, in order to convince them about their ideas and to follow them. At first sight this seems to be the most precious type of legitimization, but the authors also point out that in case of failure it proves to be the most harmful, as neither the position of authority nor tradition remain. However, it is the only form of legitimization which is free from nepotism.

According to Fiegenger (1996), knowledge and skills, or the personal relationship to the predecessor, are not enough to gain legitimization; one of the former three patterns has to apply as well in order to gain employees' full legitimization. This active and passive support of legitimization is also found in the cases, but was not mentioned by Suchman (1995), who described legitimization as an ever ongoing process, even though the need to legitimize decreases over time, but never stops. Similar to the legal rational type of legitimization,

Suchman introduced a so-called cognitive legitimacy, which could best be described as legitimacy that is based on a taken for granted assumption. The cases will discuss these in more detail (Right of Birth, Legal Reasons). Another aspect of Suchman's work (1995) that was confirmed in the cases was his description of formalization and professionalization factors to enhance legitimacy; it was stated that "codifying informal procedures, bringing previously marginal activities under official control... In a related manner, organizations often pursue professionalization, thereby linking their activities to external definitions of authority and competence" (p.589).

Suchman contributed to the theory of legitimization in many important ways, as he described how to gain, maintain and repair legitimacy over time; however his institutional theory approach seems to be too abstract for the purpose of family business research. Suchman's dominant focus on the organization left only a little room for individuals such as family members, consultants and additional stakeholders, who shall be under focus in this dissertation. The descriptions are very theoretical and abstract and lack real world examples. This was also not overcome by Deephouse and Suchman in 2008. Their descriptions might apply in theory but lack empirical proof. Both authors, for example, ignored or oversaw actors who might legitimise third party members (successors). In addition, both papers ignored family businesses and succession completely, even though it is the dominant form of business. This dissertation therefore applies a Strategy as Practice perspective to overcome the focus on organizations and rather have a closer look at the people who stand behind every family business, the family itself.

Suchman (1995) claims that, "we lack studies that address the full range of legitimization techniques, we currently can say very little about the nature of 'typical' legitimization progressions" (p.602). In a later study Deephouse and Suchman (2008) explain that even though so the body of relevant literature has grown it "is highly theoretical and lack

empirical case studies” (p. 49). This dissertation aims to contribute to the field of legitimization in terms of which factors and strategies are used by the successors to legitimise themselves in front of their family, employees and third stakeholders, and which other actors might be included and play an important role in this legitimization process.

2.4.4.3 Succession models

In the strategic succession literature the dominant succession model is the classification into conservative, wavering and rebellious succession, as done by Miller, Steier and Le Breton-Miller (2003).

Figure 2.6 The organizational implications of three succession patterns:

The organizational implications of three succession patterns

	Conservative	Wavering	Rebellious
Strategy	Stagnation Risk aversion Insularity	Indecisive Inconsistent Start-stop	Revolutionary change often for it's own sake
Organization & Culture	Tradition-bound, Bureaucratic, Centralized	Confused culture Conflict ridden units	New units, new values, chaotic organization
Governance	Old Guard still powerful	Mix of old and new Managers	Significant turnover, New Sheriff in town
Performance	Loss of market share, dying markets	Abortive Projects shrinking margins	Cost and expenditure overruns

(Source: Miller, Steier and Le Breton-Miller, 2003, p. 519).

Conservative succession could be described as ‘Avoid change by all means’: time stands still and the heir is focused on changing as little as possible, trying to keep everything pretty much the same as it is, as it has been and as it will hopefully always be. This might be either

because the predecessor is still there, perhaps as a member of the board, or because the heir is lacking experience, creativity or self-confidence and tries to prolong the already proven strategy to save the business for another generation. A typical characteristic of conservative succession is the internal focus a family business has. Rather than seeking opportunities, one is busy solving internal issues and trying to keep everything as it is: instead of replacing old machinery with new, it tries its utmost to repair outdated tools. A typical characteristic is that the faster the market environment is changing the more the family business holds on to its established way of doing things, therefore losing more and more market share to more dynamic competitors (Miller, Steier and Le Breton-Miller, 2003). To make things even worse, the former CEO gives the heir a hard time by controlling every movement and still intervening or even changing decisions behind the successor's back. This demonstrates to subordinates that it is still the former CEO and not his successor who has the decision power, and employees soon lose their respect and motivation to work for the young generation.

Wavering succession can best be described as being trapped in between. The young successor respects the old tradition of his forefathers, but he also wants to earn his spurs and leave a footprint, but of course without harming someone from the former generation. Therefore, ambitious and innovative attempts are often not committed with the necessary energy, or are stopped when the first signs of potential problems arise at a point of time when the perhaps good project did not even have a chance of being proved successful. Employees tend to form their own camps, such as a conservative one consisting of old employees who would like to see a conservative business strategy applied and a camp of new and radical thinkers who are limited by an abundance of rules and traditions. All these issues lead to rapid decline in performance and profits, as new projects are often stopped before they are able to flourish. Spending therefore increases, while income drops.

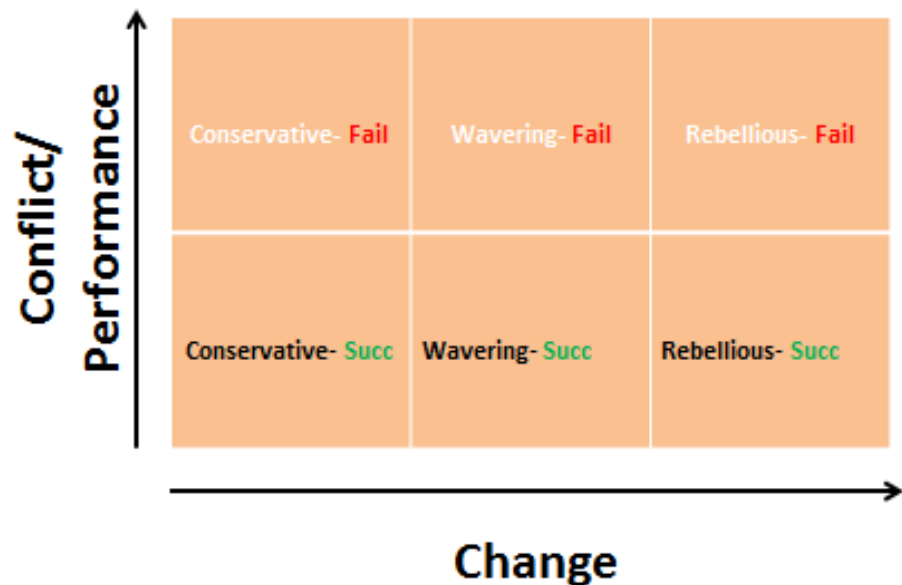
Rebellious succession is the rarest kind of the three succession patterns described by Miller et al. This is the case where either the heir or the pretender decides that there is not enough room for both of them. The incumbent often discourages the successor from continuing the legacy; very often the business is sold instead. However, if succession happens, e.g., by accident, as the former CEO's succession strategy has been to live forever (which naturally did not work out, to his own surprise), a rebellious succession of the long neglected heir is not unlikely to take place. The new successor, with his newly gained power, decides to make everything better and, most importantly, different. Design, logo, products, everything has to be changed, the sooner and the more radical the better, losing all established suppliers and customers overnight. Excellent, the successor thinks, they had no taste anyway and did not fit to the latest corporate design; new customers and suppliers are all reconstituted. Employees will be replaced as many of them will refuse those radical changes or will not understand why already proven and successful business models will not work anymore. New staff has to be young and unprejudiced, the word inexperienced must be avoided at all cost, but the problem is that there are no people left to train them. The decline, and finally the sale, of the family business are predetermined.

Miller et al's three succession patterns are a helpful aid to help to cluster family business in different groups and to categorize them. The model is very useful for researchers and there are good reasons that this model has established itself in the family business research community, but it is incomplete. Thousands of successful family business successions every year prove that there are at least three other categories of successful conservative, wavering and rebellious successions, which should also be included in the model. Prominent cases suggest that examples for conservative successions are manifested, for instance, in some of London's best shoe, suit and gun companies, which are proud of their heritage or that they have royal patronage. A successful wavering succession is this dissertation's saw mill case, and a good

example of a rebellious succession is the Aldi brothers, who introduced a rigid discount system to their father's mini-supermarket and became one of Europe's largest grocery chains.

In light of these observations, the model deserves further development that complements the three types established by Miller, Steier and Le Breton Miller with the three types of successful succession categories. This is conceptually illustrated below:

Graph 2.2 Improved Succession Pattern Model, based on Miller et al (2003)



The improved succession pattern model has three additional boxes below the already existing ones, indicating that not every succession is doomed to fail. The first box is representing a successful conservative succession, such as the London's suit or shoemaker. The second Box might be represented by the Saw Mill Case later introduced in this thesis, where the young successor initiated a dramatic change without

neglecting the companies core competencies. Followed by the third box, representing a successful dramatic change succession like the one of the ALDI brothers who proved to be tremendously successful.

2.4.4.4 Differentiation between ownership and managerial succession

In its paper from 2016 De Massis et al claim that the differentiation between ownership and managerial succession is one of their paper's weak spots, but agreed with other authors (e.g., Chrisman et al, 2013) that ownership and management succession goes hand in hand. De Massis et al also called for future research in the field of legitimacy to prove what kind of implications can be drawn. It is not necessarily the case that ownership and managerial succession always go hand in hand as it is possible to be a shareholder but not to have any managerial rights; as a matter of fact, this is an approach recommended by Wiklund et al (2013, p. 1335):

For a family that plans to retain ownership within the family and to pass it on to coming generations, it seems that it is a good idea to pass at least some ownership to the next generation while they are still young.

Having a few shares from an early age onwards gives the future generation a reason and a perspective to be interested in the family business without the responsibility to take it over at once, or having managerial responsibility. Additionally, taxes might be a good reason to transfer a family business step by step instead of once and for all. The advantages of potential tax savings, early childhood experience and a stronger family business entrepreneurial identity might outweigh potential agency costs. On the other hand, there might also be examples where the successor has been in a leading managerial position of the family's family business, perhaps even in the CEO position, but did not

own a single share, yet has been an employee like everyone else. As a matter of fact, none of the five cases presented in this dissertation have a complete transfer of shares and the gain of managerial power taken place at the same time; instead, these events have formed different milestones.

2.4.4.5 ‘Said one thing and did another’

From the informants’ accounts, what they said and what they did appear to be inconsistent, if not contradictory... said one thing, did another (Lam, 2011, p. 520).

Not only did Lam (2011) discover inconsistencies in her cases; the interviews for this thesis also revealed some contradictory quotes: the younger and the older generation’s reports often contradict, and sometimes even the same person made statements which clearly do not fit with each other. This observation was strengthened by documents such as shareholder contracts, family constitutions and the follow-up interviews that were conducted after 12 months to discover what had changed over the preceding few months. These were clear indications that succession does not always happen according to plan and these changes especially, or even succession by accident, enable the research community to take a deep look into the soul and real life of families and their family businesses. Strategy as Practice, as e.g., Mintzberg (1979b, 1968, 1973, 1976) applied it, seems to be the best way to describe how succession strategy is really conducted during the succession phase.

2.5 Conclusion

This chapter summarizes the current state of the identified literatures considered. The first part pays close attention to the question of what a family business actually is in order to define the field and its boundaries in which this research takes place. Several kinds of qualitative and quantitative definitions are introduced and discussed including their

advantages and disadvantages. There remains no universal agreement on a definition for family businesses; the chapter describes the different approaches and explains why the definition of the IMB was chosen.

The second half of the chapter pays close attention to the issue of succession, probably one of the most researched family business phenomena. This section introduces and discusses several models and approaches, and highlights some of the shortcomings of previous research and the contributions that this dissertation aims to make in order to add additional knowledge to the field of succession research in family business. It also introduces the term of legitimation, including a definition by Koffi et al (2014).

The next section shall introduce the Strategy as Practice approach: how and why it shall be adapted for this work, its different streams, and why it might be superior to other strategy theories.

3. Strategy as Practice literature review

3.1 Introduction

The following chapter summarizes relevant insights from the Strategy as Practice literature that informs this thesis' approach to understanding the succession process in family businesses.

3.2 Current state of Strategy as Practice research

As family business research is itself quite a new field in entrepreneurship research, so is the research of the relationship between strategy and family business. Previous findings (see, for example, Lambrecht, 2005; Sminia, 2009) have suggested that strategy formation in family businesses is often a rather unstructured and informal process. Strategy development does not occur during the annual board meetings, as the latter are often seen as a nasty necessity required by the law, nor does it need to take place in the company itself. Instead, decision-making and strategy formation in a family business often happen in a small private setting, such as the kitchen at home or the private living room (Kajsa Haag, 2010), those observation is supported by the case findings as later presented. This informal strategy-making can be seen as fast and effective, which it is, but it also creates its own problems. Important non-family members, such as external management board members, consultants and customers, are left out and do not have an influence on the strategy, nor are they able to understand on what reasoning these decisions are grounded (Kajsa Haag, 2010). At this point one needs to mention Lambrecht's (2005) non-employed mother/wife, who has a significant influence and importance in the decision-making process, even if she has no formal position in the firm, but more often than not it is her home where these decisions are made and she has - through her authority as mother and wife - an informal voting right (Kajsa Haag, 2010).

The above-mentioned circumstances illustrate the difficulties a family business researcher has to face when collecting data. Based on such challenges, Mintzberg (e.g., 1979b, 1968, 1973) advocated the importance of inductive research methods. Unusual circumstances require special methods and suggest the collection of anecdotal data, as it proves to be more reliable and valuable than more formal data collection (Sminia, 2009, pp. 102-103). The family business researcher has to face unique problems; getting access and generating data with common methods is very difficult, as these data, e.g., in the form of board meeting protocols, are often non-existent. Formal data is a rare resource, as the paperwork is often seen as boring and hindering. Academics are thus required to use other methods to reach their goals.

Mintzberg and Waters (1985) identified a gap between the theoretical strategy formation and how a strategy was developed in practice. Although Mintzberg is one of the modern fathers of this theory, Machiavelli must be claimed as an ancient proponent of this approach. He first wrote in his book *The Prince*, not how a government should work but how it actually works. This point of view was completely new and can be seen as the first milestone on the way to Strategy as Practice as we know it today (Clegg et al, 2011).

A good strategy needs to be applicable and needs permanent adaptation; as Clegg et al (2011) pointed out, a good CSO (Chief Strategy Officer) is “constantly involved in the cycle of thinking, planning, changing and implementing” (p. 4). It is his task to form the constant flow of information from the macro and the micro perspective together to one single approach about how to tackle current problems and future challenges. Unfortunately, this is often not the case in academic strategy research. The science of strategy is still rather dependent on predominantly positivist inspired quantitative studies that assess formal strategy making in corporations through quantitative (survey research) (Clegg et al, 2011). The opportunities that qualitative data have to offer,

such as in-depth interviews, action research or participant observation, remain largely neglected. The problems involved with quantitative data and strategy making in family businesses are described above and comprise three aspects (Mintzberg and Waters 1985): first, strategy making is unstructured and informal, not taking place in board meetings, making it hard for quantitative methods to gain useful data; second, strategy development often takes place in private settings with the family with only the family involved, regardless of whether they have a working contract or not. It is often the case that not even external management has access, though researchers have even more difficulty in getting access to these meetings, especially as business families are often very protective against outsiders. Third, even data such as meeting protocols are often problematic, as they are often only produced because the law requires them and not because entrepreneurs rely on them for their strategy. The opposite is the case—that entrepreneurs adapt their strategy on a daily basis according to the challenges they face, and every formal written statement already agreed on is a binding, limiting document which can limit entrepreneurial spirit. These protocols are therefore often very vague and will almost certainly never be adapted. The reluctance to use qualitative data might be due to a lack of access, the higher amount of time required (longitudinal research) or just that it is not fully understood that family businesses require a more customized approach.

Strategy plays a key role in family business practice and research. However, when it comes to defining strategy, it appears to be a contested field, with at least two different approaches dominating the discussion. One approach, referred to as the ‘formal’ or ‘traditional’ school of strategic thinking, was advanced in the 1960s to 1980s by scholars such as Igor Ansoff, Alfred Chandler and Michael Porter. The other approach, the Strategy as Practice school of thought, dates back to its major development by Henry Mintzberg in the 1990s, and more recent advances in that field by Whittington and Jarzabkowski. This

distinction between the two approaches has also influenced strategy research in the field of family business research. The aim of the following section is to illuminate the differences between these two approaches and clarify the implications that each of these approaches raises for our understanding of succession processes in family businesses.

The formal approach to strategy can be traced back to Alfred Chandler, who wrote in 1962 (p.13) that "strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." A similar view was proposed by Michael Porter, who defined strategy in 1980 as the "...broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals". While these definitions emphasize "the adoption of courses of action" both definitions appear static, as strategy is seen as something an organization 'has' and is not willing to change or adapt. The metaphor of a 'formula'" raises a technocratic understanding of business processes aimed at optimization and coping in 'hostile' corporate environments. Furthermore, these definitions give no information about the actors. Rather, it appears as if the 'business' has a strategy. While Chandler's and Porter's definitions certainly have their merits and have proved multiple times to be useful academic tools, they are not ideal for application in the family business context, where the interaction of family members and their business are to be researched.

Hence, it is necessary to look into an alternative approach advanced by Henry Mintzberg and Paula Jarzabkowski, who emphasized that strategy is contextual and emergent, occurring through spontaneous responses to challenges in the present and expected future. Mintzberg defined strategy in 1990 as "a pattern in a stream of actions" and Jarzabkowski (2005, pp. 21 & 40), inspired by Mintzberg, described it

as “a pattern in a stream of goal-directed activity over time”, later defining it as “situated activity”, which emphasizes context embeddedness and contingent adaptation of strategic activities. In the author’s understanding, strategy and situation are not the same.

While the Strategy as Practice definitions of strategy offer advantages in terms of emphasizing a changing process of constant coping and adaptation, rather than the linear adoption of pre-planned courses of actions, the given definitions show limitations when applied to the field of family business research. The formal conceptualizations of strategy are too static and neglect the people (family/successor), while the later definitions seem to neglect the key characteristic of strategy as a goal-oriented plan for co-ordinating different activities among a group of interdependent individuals. This differentiation between the two approaches to strategic thinking and their applications in family business research are summarized in Table 3.1 below:

Table 3.1: A comparison of formal strategy and the Strategy as practice approach

	Formal strategy approach	Strategy as Practice approach
Definition	Chandler (1962): "Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." Porter (1980): "...broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals"	Mintzberg (1990): "a pattern in a stream of actions" Jarzakowski (2005): "a pattern in a stream of goal directed activity over time" ... "situated activity"
Key Authors	Chandler & Porter	Mintzberg & Jarzabowski
Unit of analysis	Business	Individual practitioners
Key assumptions	Static, linear, step by step, top-down, objective and measurable	Spontaneous, emergent, grass roots, subjective, dynamic
Applications in FB research	Succession: Sharma, Chrisman, Chua, Family Business Review, March 2003 Bjuggren and Sund, Family Business Review, March 2001	Magnus Rosen (2011): The practice of strategy formation - opening the green box Nordquist, Melin, (2010) Journal of Family Business Strategy.
Advantages	Measurement, easy conceptualization, support from major consultancies	More realistic, practice oriented, supported by practitioners
Limitations in applying the strategic approach to FB research	Limited methodological validity neglects dynamics between family (business) members, normative and prescriptive	Difficult to research (time, access, analysis), subjective, and potential for crashing opinions

Based on the above assessment of the current state of understanding of strategy in family business research, a need to develop a new definition has been identified, responding more closely to the requirements posed by family business research on succession processes.

The definition of strategy suggested in the thesis uses the term 'strategy' to refer to how the individuals in a family business prepare to face upcoming challenges, and the resulting implementation of patterns of activities to achieve long- and short-term oriented goals.

The benefits of understanding strategy in the context of family business strategy in the way suggested above are threefold: first, this definition does not assume that a 'business' has and implements a strategy. Instead, the above definition clearly emphasizes individuals, who may be family members, successors or external managers. Second, this definition does not adopt a 'radical' Strategy as Practice perspective that reduces strategy to spontaneous patterns of action, but considers a planning element to strategy as goal-directed interactions between several individuals. The planning element is important, because planning is an important enabler of coordination. Since a family business involves more than one actor, co-ordination based on planned series of actions is crucial to prevent mere chaos and anarchy. Third, the definition clearly acknowledges that strategy is more than a 'plan of actions'. Rather, strategy is seen as an ongoing, dynamic process that results from combining goal-directed plans of action with actually implemented patterns of interactions between individuals who must make decisions and act in context contingent ways that require constant adaptations of the 'planned'. Hence, it is expected that no succession process is likely to resemble another succession process, because even in the case of similar 'planned' strategies, the actually implemented succession processes are likely to differ. In sum, the above suggested definition of strategy appears to provide a solid basis for understanding succession processes in the context of family businesses by combining

insights on the advances and limitations of the former and the Strategy as Practice approaches to understanding strategy.

As mentioned above, the Strategy as Practice approach has many fathers. Machiavelli, with his still very popular book *The Prince*, can be seen as the prime father, but it was Mintzberg (Mintzberg, 1973; Mintzberg and Waters, 1985 in Clegg et al, 2011) who has made it in business studies and practice. Mintzberg saw that the gap between strategy research and strategy implementation was becoming too big: “Many writers in the strategic management literature have ignored this critical insight apart from Henry Mintzberg, who sees strategic planning as a part of the problem, not the solution” (Clegg et al, 2011, p. 121). Mintzberg saw that having or making a strategy and doing it are two different things. Very often, the strategy plan and the real implemented strategy drift to the opposite direction. He therefore concluded that researchers should not ask what a strategy is but how it is done. To investigate this he followed decision makers in their daily work and routine and saw that the decisions that later got implemented were not made during a formal meeting but often in informal settings such as the floor, elevator or the way to and in the canteen. These findings have been found repeated in a more family-like setting, with places such as the kitchen, the car or even the hot tub, Kajsa Haag (2010) made similar observations in her study.

These strategies changed constantly and were adapted on a situational basis. They “emerge out of the interaction between learning and planning” (Mintzberg and Waters, 1985). One has to focus, therefore, on the “real” practitioners, and it becomes obvious that qualitative case study research seems to be the appropriate tool if one wants to collect the “real data” and not merely follow a pro forma protocol that was done because it needs to be done and is already out of date by the time it was written. Strategy is not a plan, but how the plan is implemented. Baraldi et al (2007, p. 889) went so far as not only crediting Mintzberg

as the founder of Strategy as Practice but differentiated between Strategy as Practice and an exclusive Mintzberg approach to strategy. Baraldi et al put Whittington (1996-2000) and the Strategy as Practice on one side and Mintzberg on the other, and compared their approaches. Similarities outweigh the differences, the major difference being that Mintzberg's unit of analysis was the whole organization and Whittington rather focused on the individual strategist. Instead, it is suggested to look at those two schools as complementary rather than exclusive to each other. Therefore, it is useful to consider Mintzberg's research as a foundation to today's Strategy as Practice (Jarzabowski, 2005; Clegg et al, 2011).

Figure 3.1 Activity as the focus of this book



(Source: Jarzabowski, 2005, p. 11)

Jarzabowski saw Strategy as Practice as the overlap of practice, practices and practitioners. She described Mintzberg (p.4) as an action researcher, doing research about the practitioners circle. Whittington

and Johnson were, according to her, advocates of the activity-based view and were researching the practice circle, which was also her main focus. Practices have been researched by Jarzabowski (2004) and Whittington et al (2002 & 2003) and are not described in more detail. One must therefore agree that all three authors (Mintzberg, Whittington and Jarzabowski) belong to the Strategy as Practice school, but research different areas within the same strategy approach.

This dissertation takes Mintzberg's approach to the study of practitioners (e.g., successor and family) and will therefore focus on their ways of describing and 'practicing' strategy:

Deliberate strategy is focused on pursuing a particular direction and tightly controlling the implementation of a strategy, whereas emergent strategy is more concerned with an adaptation to circumstances and strategic learning. (Clegg et al, 2011, p. 128).

Mintzberg must therefore be seen as a strong advocator of emergent strategy, in contrast to deliberate strategy, which represents the more traditional strategy schools. The emergent strategy approach is ever changing and adapting to new situations that have not been taken into consideration before. Jarzabowski (2005, p. 4) called Mintzberg an action school researcher "arising from the concept of strategy as emergent action, as opposed to intended strategy". She explained that strategy making should not be limited to top management (e.g., CEO) but that the action school is (p.5) "more concerned with the messy emergence of strategy at the grass roots level (e.g., the family from a family business perspective) ..." In this tradition, Jarzabowski and Spee (2009, p. 70, from Clegg et al 2011, p. 129) stated that:

The authors have observed, there appears to be little room in mainstream strategy research for living beings whose emotions,

motivations and actions shape strategy. Strategy, they suggest, is similar to an elaborate dance in which the moves are part crafted and part improvised from the resources and skills that the players can contribute... A diverse group of scholars have gathered together under the umbrella of Strategy as Practice to focus on bringing human action back into the strategy research...

The Lancaster Centre of Strategic Learning (2012), one of the leading strategy research institutions, summarizes its work as follows:

For many years now the dominant academic perspective on strategic management has looked at strategy as something that organizations have. The Strategy as Practice perspective, on the other hand, looks at strategy as something people do. It is concerned with the practice of strategizing, encompassing both the formulation of strategy and how strategies are put into action to deliver strategic renewal and change. It therefore asks questions such as: what do people do to develop strategies in organizations; how do they translate their strategies into strategic action and change in organizations; what competences are required for this; how do they actually use the concepts and tools that are advocated for strategic management; what is good practice in managing strategy?

Strategy as Practice and family business research are still a rare combination. Even important Strategy as Practice authors such as Jarzabkowski (2005 and 2009) have kept quiet about the family role in Strategy as Practice. She mentioned the importance of outside decision makers and people having influence, such as consultant's customers, but she did not mention one single word about the family. For this dissertation, Strategy as Practice will be used to research family businesses during the succession phase and to overcome certain previous shortcomings with the help of Strategy as Practice. Strategy as

Practice seems to be a very promising strategy method, especially when dealing with families and their business.

The purpose of this section was to give a brief introduction to the field of Strategy as Practice and its main authors and approaches. The subject of interest in this dissertation is the successor, which sets this dissertation into the area of Mintzberg's practitioner's approach. The unit of analysis for this study is the interplay and relationship between the successor and their family during the succession phase. The next section will position Strategy as Practice in the context of family business research.

3.3 Strategy as Practice in family business research

Family businesses are as unique as the entrepreneurs and their families who are involved in the decision and strategy making, therefore one cannot apply an industry-wide best practice approach. These best practices shall be seen as a guideline, but a true unique best practice does not exist, as businesses and families are far too heterogeneous (Dana & Smyrnios, 2010, p. 41). It would therefore be better to speak about better practices as best in the sense that it “connotes an authoritative finality that neither tolerates debate nor suggests potential improvement” (Patton, 2001 in Dana & Smyrnios, 2010, p. 44).

The value of the Strategy as Practice approach, as also mentioned by Nordquist & Melin (2010) is of a contingent nature, which reflects family business reality far more realistically than conventional managerial approaches to strategy, which are called approaches of the ‘design-school of management’ (Andrews, 1971; Ansoff, 1991, in Nordquist & Melin, 2010, p.16): “The Strategy as Practice perspective directs attention to the actors involved in ongoing strategic activities, who they are and how, when, and where they are engaged in these activities, as well as how they perform the strategic work, both in interaction with others and in relation to specific practices and activities in different contexts.” Due to these circumstances, this dissertation

follows Hall, Melin & Nordquist's (in Poutziouris, PZ, Smyrnios, KX, Klein, SB, 2006) recommendation to not just focus on the "managerial elites" (p. 256), as is currently done, but rather on the family members. The interviews were conducted with both actively involved family members and formerly involved family members, potential future candidates and family members who do not have a formal position but who do have a formal influence. This work is therefore in the tradition of Nordquist and Melin (2010, p. 16), who stated: "... there is clearly a need for more empirical accounts of the details of strategy work and strategic planning in family businesses". Clegg et al (2011, p. 124) supported the above mentioned and contributed that "Mintzberg favours a grass roots model... Management's job is to nurture and ensure fertile soil for ideas – but not to intervene and weed out the jungle". Strategy should not be enforced top down but should rather develop bottom up, as family businesses - and families in particular - employ a familiar atmosphere, and barriers are often much lower than in non-family businesses. It seems that Strategy as Practice is particularly suitable for family business research where strategy is not 'created' by a single individual but rather through the interaction of different groups of stakeholders on the basis of daily interactions such as the exchange of certain ideas during lunch or dinner around the family's kitchen table in the most informal manner.

The purpose of this section was to illustrate to the reader what role Strategy as Practice plays in the field of family business literature. Not many authors (e.g., Nordqvist et al, 2010, Astrachan, 2010) have engaged in Strategy as Practice research in the family business research field yet, but it is a promising attempt and offers rewarding opportunities for enhancing our understanding of how the family influences the succession process in family businesses. The next section will summarize the implications of previous research on the Strategy as Practice approach for research on succession processes in family businesses.

3.4 Implications for Strategy as Practice for researching succession in family businesses

Succession is a highly emotional and therefore private matter. It is not uncommon that even important long-term employees are left out and that the family deals with this matter alone or, as the cases reveal, with the help of a few trusted consultants or lawyers. It is also not uncommon that even the children/potential successors are left in doubt for a long period of the process. Gaining research access to succession cases is often the first major barrier that researchers have to face. Quantitative methods such as questionnaires undoubtedly have the advantage of a low cost rate and the quantity of cases being gathered, but family CEOs tend to be protective about their families and therefore answer these questionnaires briefly themselves. Certain biases can therefore not be avoided. It is also observable that in the retro perspective things appear to be more strategic than they actually have been. Furthermore, quantitative research tends to adopt one actor—an organization or individual—as the unit of analysis, whereas Strategy as Practice puts the focus on the people of the business (Jarzabowski, 2005). Also, researching the business and its performance during the succession phase gives scholars rich insights about what might be improved, or it might even offer a glimpse of the influence and actions that shareholders and the rest of the family take, which they do to answer other questions compared to Strategy as Practice.

Strategy as Practice, with the successor and its family as units of analysis, go far beyond the traditional research, uncovering rich data about the interactions of family members, their motivations and behaviour. Long, semi-structured interviews with the CEO, the successor, and the rest of the family, open uncovered territory. In this thesis, the interviewees have been known to the interviewer for years in many cases, and a certain bond has already been created in advance. As the interviewer has a family business background himself, it was possible to establish a relationship that allowed an open discussion

about business and family matters, even with those participants who did not know the interviewer in advance. As there were no questions about certain strategies or models, participants honestly replied how unstructured and chaotic the succession had sometimes been. Strategy as Practice and family business seemed to complement each other in promising ways. Also, the former CEO often had some kind of plan - or to be more precise, guidelines - in his head. It was reported that he either kept this to himself or that it had to be changed for various reasons, such as tax, law or the successors' personal preference, and it had to be changed or adopted constantly during the succession process. All these characteristics described above are represented in the Strategy as Practice literature and support the usage of Strategy as Practice for this thesis.

Strategy as Practice is a relatively new approach in management disciplines (Clegg et al, 2011), so it has not yet been established in the area of family business research (Rosen, 2011). It appears that Strategy as Practice and succession have not yet received much research attention. Chrisman et al (2016) critiqued the current state of strategy research in family business literature in that it is assumed that once the strategy definition is done it is expected that a successful execution is inevitable, but the authors clearly claimed that this is not always the case—that it depends on the family in how far and how successful it pursues its own strategy.

3.5 Conclusion of the Strategy as Practice approach

This section introduced the Strategy as Practice approach, its main advocates and its main streams, and explained their individual advantages and limitations. As this dissertation shall have the practitioner in mind, we will follow Mintzberg's tradition and investigate what families really do during the succession stage: which actors are involved and what activities they pursue, but also why

successors decide to take over the family business. Strategy as Practice seems to be ideal for research that has the practitioner in mind, and follows the research philosophy of critical realism - of how people actually interact with their environment and not how it seems to be. This connection will later be extensively explained in the Research and Methodology chapters. Currently, most of the family business literature and the Strategy as Practice literature is not aware of the synergy effects they could have for each other. Strategy implementation is a rather private matter for family businesses, often done at home with only a few family members and no employees present. There seems to be a gap between the typical office decision-making procedures and how business families operate on a daily basis, and how they implement their strategies. This is especially true for succession research, which is a sensitive and private topic. Retrospectively, succession always seems to be glorious, but Strategy as Practice might prove to be a useful tool to challenge this perception.

The next section introduces the German Mittelstand, the geographical and economic field where the interviews of this dissertation took place.

4. The German Mittelstand

4.1 Introduction

The purpose of this chapter is to introduce the reader to the German Mittelstand, which provides the empirical context of the five company cases. The chapter starts with a short overview of the most common definitions, including the proposal of one definition most pertinent for use in this thesis. A historical overview of the German Mittelstand is presented to demonstrate why it is a phenomenon specific to the German market. Close attention is paid to certain Mittelstand forms such as start-ups, hidden champions and the overall performance and influence of the Mittelstand on the German economy. This will enable the reader to understand how closely interrelated family businesses and the Mittelstand are, what influence family businesses have on the German economy and where the five empirical cases presented in this dissertation fit in the German Mittelstand context.

4.2 What is the German Mittelstand?

The Mittelstand is a typically German phenomenon; the word itself indicates its German origin, and neither English nor French speaking countries make use of a translation but prefer to use the German phrase (Deimel et al in Fink and Kraus, 2009, the management of small and medium enterprises). The German word Mittelstand should not be confused with the middle class, as it does not refer to a certain civil class or population but to an industry context describing small and mid-sized companies. The Mittelstand is often described as “the backbone of the German economy, as a job engine and source of substantial education” (Welter et al, 2015, p. 1). The German federal ministry states that there are at least 115,000 companies which should be included in the German Mittelstand (IFM, 2015).

Vaknin (2003) claimed that depending on the definition, 1.3 million to 3.2 million firms belong to the Mittelstand, meaning that 997 out of

1,000 are Mittelstand. Unfortunately, his article did not reveal to what kind of definition he was referring, but it gave the reader an understanding of what kind of difference it can make if terminology is not precise. As there is no universal definition, the author discusses a number of definitions in order to arrive at one definition that will be used for the purposes of this research. For a better understanding, only the most popular definitions of the most important institutes will be presented, and will be divided into quantitative and qualitative ones.

The EU defined the German Mittelstand in a statement from the 1st of January 2005 as referring to companies that have less than 250 employees and have sales of a maximum of €50 million. (IHK Berlin, 2015). The statement differentiates between micro, small and medium businesses, but these numbers apply for medium businesses. The Springer Gabler economic dictionary refers its definition to the maximum size of specific Mittelstand bank loans that a business is allowed to apply for. According to them, these are usually businesses with a maximum sales volume of €1 million. and a maximum of 499 employees. This definition is a good guideline, as financial support plays an important role in the world of Mittelstand, and several banks claim to be true and original Mittelstand banks.

The Institut für Mittelstandsförderung (IFM) makes use of both qualitative and quantitative definitions, but it clearly states the superiority of its qualitative approach. The IFM differentiates between small and medium sized Enterprises (SMEs) and Mittelstand companies. For these SMEs the €50 million and 500 employee standard again applies. Confusion is unavoidable. The question is: why does a large and respectable institute like the IFM, which is funded by the government, use a strong qualitative Mittelstand definition, and according to them an insufficient SME definition that is used for the Mittelstand as well? According to the IFM, the difference between SMEs and the Mittelstand is almost negligible.

All SMEs are seen as Mittelstand companies, but not all Mittelstand companies are SMEs. The IFM estimates that 1/3 of all large companies belong to the Mittelstand. The advantage of a quantitative definition, which is hard to overcome in qualitative terms, is that it is easier to generate quantitative data, especially by questionnaire, for such large samples, as they are applied in many cases for Mittelstand research.

Why a qualitative definition is still superior to a quantitative one was best described in the words of Ludwig Erhard (Chancellor of the Federal Republic of Germany from 1963 until 1966):

If Mittelstand is reduced to its quantitative figures and numbers, or its tax impact, than the connotation to the Mittelstand is misleading as it cannot be reduced to these measures. Rather, it is an attitude with a strong social, economic and political component.

Building on this statement, the IFM (2015) defined the Mittelstand as:

A business where ownership and managerial control are united in the same person(s) ... these firms are often Family Businesses, but can also consist of independent small and medium sized companies and large Family Businesses, but no small and medium sized companies which are not managed by their owner

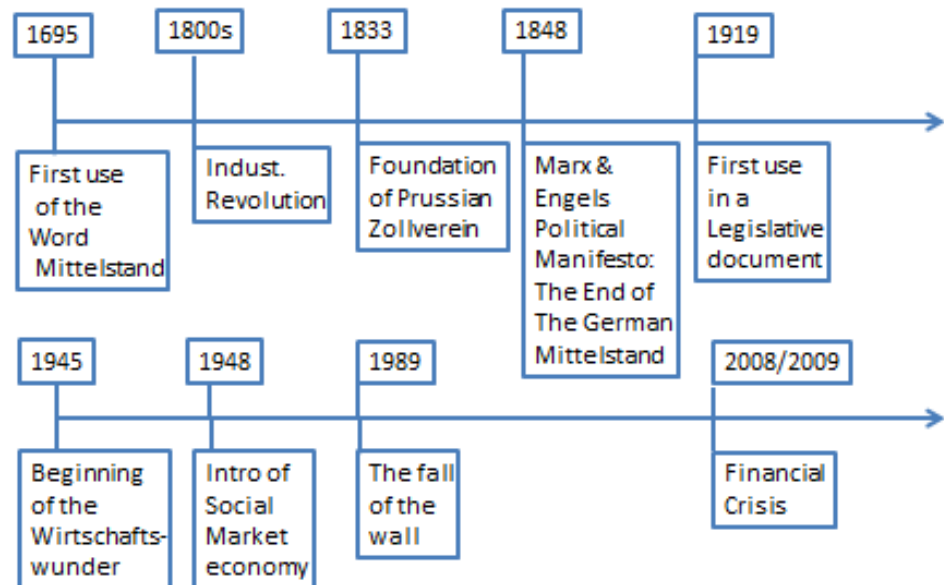
This definition will be applied for this dissertation, as it not only reflects the similarity between Mittelstand companies and family businesses, but also the observation that the Mittelstand comprises an attitude and characteristics that cannot be measured. Another advantage of this definition is that it also includes rather large companies and therefore sets a clear difference between small and medium sized companies which do not necessarily belong to the Mittelstand. Meyer-Stamer and Wältring (2000) mentioned an interesting aspect that has been neglected by former and later authors, and this is the dominant German

business form of GmbH (limited liability company), which is typical for Mittelstand companies. This legal form is often chosen when a business is not large enough for a stock corporation, and one of its characteristics is to limit the financial risk of the entrepreneur. This characteristic, however, weakens some of the qualitative preconditions per se. Nevertheless, these conditions apply as risks are only limited and not overcome, but it is important to be aware of this issue. According to this definition, all five cases of this thesis belong to the German Mittelstand.

4.3 The history and development of the German Mittelstand

Why is the German Mittelstand so unique? It has often been copied but never successfully (Stirling, 2014). Some of the answers have historical roots, which are discussed in this historical part. Mittelstand per se exists in every EU industrial country, but it has developed a little bit differently to other countries in Germany. As far as historians can say, the word Mittelstand was used for the first time in 1695, in a bill of complaint against too high taxes. In 1919 the word got used for the first time in a legislative document in which the German imperial declaration decided that the Mittelstand played an important role for the German economy and needed special guidance and assistance against overcharging and too high taxes (IFM Bonn, 2015). Therefore the Mittelstand enjoyed certain privileges during both World War One and World War Two, at least as long as the war machinery was not suffering from these privileges. This short anecdote helps to highlight that the German Mittelstand is not a new phenomenon, but a rather old tradition that has been cultivated over the centuries. The following section recounts some of the most important historical events and stages to demonstrate how the German Mittelstand developed and established itself in Germany and did not or could not be developed the same way in other countries.

Timeline 4.1 The history of the German Mittelstand



4.3.1 Pre-war history

The origin of the modern Mittelstand is closely linked to the Industrial Revolution. The German Industrial Revolution started about a century later than it did in Britain. In the early 19th century there was not a Germany as people know it today, but a disconnected group of territories, with North Rhine-Westphalia, Prussia and Bavaria being the biggest and numerous small princedoms that acted independently. The lack of unity and the abundance of different customs and tax systems made trading difficult (Watkins, Alley, 2015; Simon, 2014; Giersch, 2012). As markets were small and limited, entrepreneurs and traders were forced to export their goods right from the beginning and competition was stronger, as compared to Britain, where certain industries did not get occupied by one large family business or conglomerate, leading to one large supplier dominating the market, but there were too many small enterprises delivering to the market of their

own territory and trying to cover neighbouring markets as well through their exports. These obstacles were overcome in 1833 by the foundation of the Zollverein, a toll union initiated by Prussia, which recognized the advantages of the Mittelstand and a large strong economy in its early stages. This toll union was enlarged step by step and enabled entrepreneurs to trade without the burden of extra tax (Berghoff, 2006). Furthermore, the Prussian government invested in infrastructure. New railway technology was subsidized and tracks were built to access the coal and steel mines in the west of the territories. This later enabled Germany and its economy to become the largest coal and steel producer in Europe. The successful establishment of a coal industry triggered a chain of events that pushed the young Mittelstand; the coal industry pushed the German steel economy, which was not only important for the Emperor's army and navy, but also established a large and stable banking and capital market system. This enabled other industries, such as the chemical and electronic industries, to develop. The German chemical system soon became Europe's number one, and even today it still plays an important role in both German and European economic competitiveness, with global multinationals such as Bayer and BASF dominating, and is still located in western Germany, along the river Rhine (Watkins, Alley, 2015; Simon, 2014; Giersch, 2012).

In 1848, Karl Marx and Friedrich Engels forecasted in their political manifesto the end of the German Mittelstand. They assumed that large companies would acquire and replace the whole German Mittelstand, some kind of socialized Darwin metaphor of survival of the fittest. Their German Social Democratic Party even announced that "Big businesses are the archenemy of the Mittelstand" (p. 264); what they did not realize was that these large firms were not only competition but also customers to many Mittelstand companies. Marx and Engels and their political manifesto failed. Not only was there still a healthy Mittelstand in Germany, even though the 19th century had two major economic crises, but the German Mittelstand was engaged in a healthy

symbiosis with the large 'arch-enemy' businesses. One of the best modern examples of this is Mercedes in Stuttgart, who are one of the largest German companies in the automobile sector; they established a large supplier network spread all over Baden-Wurttemberg and the large majority of their suppliers are typical (family business) Mittelstand businesses (Berghoff, 2006).

This phenomenon did not apply for the First World War, which was fought on non-German territory and did not have the same devastating effect that the Second World War had. The Second World War came onto German territory and the weapons used in it had a much greater effect and killed millions of workers, entrepreneurs and destroyed their factories. There was not full recovery after the war till the 1990s.

The German recovery after the Second World War is often described as a Wirtschaftswunder, or economic miracle, which would never have been possible without the German Mittelstand (Hommel and Schneider, 2003; Audretsch and Elston, 1997). Also, the poor population, and especially the widows who lost everything, certainly did play their role in cleaning up the ruins of Nazi Germany, and there have been many more factors that explain the rapid recovery and transformation to its dominant economic former role within Europe. After the war, Germany was divided into four field administration units, which were monitored by Russia, the USA, France and the UK. Each of the four nations had its own masterplan of how to administer its part of Germany. Whereas the Russians decided to nationalize all major companies and to establish a state-directed economy, the USA developed and enforced the Marshall Plan, which was especially inured to the benefit of Germany, as it was their aim to not exploit Germany but to support its economic recovery as soon as possible in order to gain a strong and reliable ally against Russia who was able to withstand Russian influence (Berghoff, 2006).

In 1948, Ludwig Erhard, West Germany's first economic minister and later chancellor, introduced a social market economy, which stood in contrast to the former Nazi German dictatorship. After 15 years of tight planning, the resultant liberalization resulted in an impressive growth record in the 1950s and '60s, in which the demand for products, regardless of what kind, was huge, and reconstruction led to a boom in almost every industry (Reichel, 2015). Additional to the strong demand and the hard working population came the support of the Marshall Plan and the American government, who supplied Germany with new machines, products and techniques, at least in the American zone, which was by far the largest of the four zones. The Ruhr and the Saar zones, which were under British and French administrations respectively, applied a different politic, as they exploited the remaining German industry by shipping machinery to the UK and France, heavily restricting coal and steel production, at least for the domestic market. Instead, France and the UK were provided with a strong and constant supply (Yoder, 1955). It took several more decades until old wounds healed and these obstacles were overcome. Another example to hinder the success of German products was the introduction of the 'Made in Germany' label, which actually backfired, as it soon became a label of quality and actually supported the sales of German products (Klaus, 2012). The USA, on the other hand, heavily supported German industry in order to defend its interests in Europe against Russia.

The recovery after World War Two was also at about the time of the transformation of the Mittelstand. A few simple examples are that many businesses could not recover after WWII, as either human or financial capital was missing or that their products were not requested anymore or got replaced by new ones, but this period was also a chance for new and innovative firms. New production techniques and materials such as plastics enabled German entrepreneurs to build new products. The construction industry grew rapidly and it was difficult to satisfy the demand. Many businesses that used to sell their products regionally

now had the possibility to enlarge their customer network and started their internationalization career to Europe and the rest of the world. German products soon became popular not only in Germany but worldwide; this phenomenon is referred to as the German economic miracle.

Another important aspect was that countless people fled from the former German territories such as East Prussia, Bohemia and Moravia to West Germany. These entrepreneurs left everything behind, but brought a lot of ideas, skills and entrepreneurial thinking, and often managed to gather their former employees together and rebuild in West Germany what had been lost in the East. Another one of the reasons was that the West still had a higher Mittelstand density than the East (Berghoff, 2006, p. 278).

4.3.2 The fall of the Wall

Hommel and Schneider (2003) argue that while earlier studies focused on certain regions, none of them focused on the differences between the former East and West Germany. This section addresses this critique and assesses how far differences still exist and how far they have been overcome.

On the 9th of November 1989 the Wall in Berlin, which separated West and East Germany, was destroyed and the division between a free western state and a communist eastern state was finally over. The economic impact was striking. The previous communist state-directed economy had seen all major companies nationalized, and a free Mittelstand or even independent family businesses were not allowed by law. Compulsory acquisition was standard practice (Rainer Geißler, 2014, p. 163). East Germany experienced a ‘Wirtschaftswunder’ with the fall of the Berlin Wall: the growth rate was as high as 60% in the western counties during this so-called economic miracle and East Germany soon caught up and reached a median European GDP (Borger

and Müller, 2014). The former GDR states were fast catching up, but some 25 years after the reunion there is still a significant difference between the western and the eastern states of Germany.

There are several reasons for this gap in economic performance; one is that many important industries such as the automobile and engineering industry are (for historical reasons) located in Germany's western states and expanded to even further eastern countries such as the Czech Republic, rather than East Germany. Another reason is that the East has a low number of big firms, with only 10% of all companies having more than 500 employees in the former eastern part of Germany. The lack of big businesses makes it difficult for the Mittelstand to develop in these parts of the country. The Mittelstand is often seen as the supplier and innovator for the large German flagship companies, but innovation and patents are a quarter smaller in the East (24%) compared to the West (31%) (Borgen and Müller, 2014). This is slowly changing as the Mittelstand growth in West Germany is stagnating, but it is seeing consistent growth in East Germany (Eisert, 2013). Even if there are still differences between the West and the East, these differences get smaller every year; and differences are today even smaller than before the division of east and west, compared to the 1920s (Borger and Müller, 2014).

4.3.3 2000s

The first decade of the new millennium was dominated by the financial crisis (2007-2010). Until the US real estate market collapsed the early years of the new decade could be described as not only stable but flourishing. The Mittelstand had a constant growth and the foundation and liquidation of businesses had been around the same or even regressive, which might be explained by the strong general economy and special subsidies for start-ups and unemployment (Wallau, 2011). Germany has on several occasions (2003 and 2008) been the largest manufacturing exporting nation and has only recently been overtaken

by China. Currently, the USA and Germany compete every year for the second place (Fear, 2014).

The financial crisis did have an impact on the German Mittelstand, but it was not as devastating as many experts had expected. In other countries such as France, Italy and the UK, many firms had to lay off employees or had to stop hiring new ones. Even worse, the financial market made the access to fresh capital difficult if not impossible. The German Mittelstand also had to suffer under these financial restrictions as banks stopped lending money to each other, but it was in this situation that an old conservative German habit, often criticized, proved to be a true virtue. Traditionally, the German Mittelstand is over capitalized, meaning it has too much money, even though borrowing money from a bank and reinvesting one's own money would be so much cheaper and more profitable (Ostmeier, 2013; Malshe and Eekhoff, 2012, Audretsch and Elston, 1997). During the crisis this was a blessing, as it did not only relieve the banks but made the Mittelstand independent, which had a positive effect on the employees. When other countries had to reduce the size of their staff, the German Mittelstand employed an additional 16 percent, twice as much as the large German companies did (Lücke, 2015). For many companies the sales even increased: 34.7% were able to increase their sales in 2008, whereas only 2.8% had to face a decline in their sales numbers (FAZ, 2008).

There are many explanations for this phenomenon, one being the large dependency on exports. German exports are not bound to one single country or industry but are a true international economy, based on many strong industries such as pharmaceuticals, chemicals and, of course, automobiles. Another aspect is that the German politicians soon reacted by introducing a so called 'Abwrackprämie' (car scrapping bonus), which was designed to support the German automobile industry and to encourage buying new cars and taking old environmentally unfriendly cars off the road. Another and perhaps more important explanation is

that in 2008 all resources had still been available; if one compares the situation to 2009, the numbers of new jobs being created had been considerably lower and the industry refused to give job guarantees (Spiegel, Dec. 2008). The Mittelstand used the financial crisis effectively. Industries such as the German automobile industry and its Mittelstand suppliers that suffered most were able to benefit from various state subsidized programs and recovered very quickly afterwards, as the demand for cars did not stop in general but was shifted into the near future. One reason beside the conservative planning and financial structure of the German Mittelstand for its fast recovery after the crisis were its employees. Fear (2014) commented:

Because of the technical expertise and quality controls, firms are loath to lose key workers, even in downturns. In fact, many of those employees live in small towns alongside these technically minded owner-entrepreneurs. ‘Old School’ social relations like this help create a bedrock of solidarity that feeds into firm operations long-term.

Berghoff (2006) supported Fear’s observation and complemented it by adding:

Even in times of crisis, Mittelstand firms are reluctant to shed workers, as they value the loyalty and the skills of their staff and take their social corporate responsibility very seriously. In return, workers remain with their companies for their entire working lives and refuse to leave for better-paid jobs with competitors (p.274).

Many Mittelstand companies used the crisis strategically to invest in their staff. Instead of firing, many companies decided to send them away for further training, which had the advantage that the employees worked to full capacity while production capacity was low. This scope of training would not necessarily have been possible during normal

business operations. These trainings and strategies have often been based on political programs of the federal government (Bundesregierung, 2011; Blickblog, 2010).

4.3.4 Current developments

The German Mittelstand's profit margins are constantly growing (Mittelstandsnachrichten, 2015) and its exports have increased by 35% over the last 15 years (Lücke, 2015). One of the challenges has been the decrease of innovation, which is related to policy implementations such as retirement at 63, the minimum wage, child care subsidies, female quotas and the exit from nuclear and fossil-fuel energy (Mittelstandsnachrichten, 2015). Despite various other threats, the job market and unemployment rate in the German Mittelstand is optimistic; only taxes and a lack of qualified workers are troubling the entrepreneurs and their excellent mood (von Michel, 2015).

An interesting current development in Germany is the public focus on the developing start-up scene. This scene, which is not new, receives attention from various audiences. Politicians are keen to promote the importance of innovative start-ups for the German economy and provide various kinds of financial and non-financial subsidies, and larger TV networks have now decided to produce shows where young start-up entrepreneurs can present their products to experienced entrepreneurs and a nationwide audience to receive either advice, contacts or (crowd) funding (Schlenk, 2015). Pinkwart et al (2005) argued that external succession, management buy-in or buy outs might also be a form of start-up activity. However, the following section does not take these into consideration but only concentrates on start-ups from scratch, as external succession or management buy in/out did not occur in the cases and is not part of the scope of the research. The reason the author takes start-ups per se into consideration is because the former mentioned groups claim that these start-ups will be the Mittelstand's future in a few years. It is assumed that start-ups build a part of the

Germany Mittelstand and will become its (new) backbone in a few years.

Grimm (2015) complained that too many young and educated graduates prefer to join large international companies instead of founding their own businesses right after graduation. The argument was that this decline in new business creation might lead to the death of the German Mittelstand, as no new and innovative firms enter the Mittelstand stage. Grimm (2015) posited the idea of a German start-up crisis, and argued that even though the government is working hard to provide enough subsidies for potential young entrepreneurs, it is the young elite themselves who would rather choose a traditional job and are risk averse.

Such studies often generate interest, and all major consultancy firms are keen on not only consulting start-ups, but also in publishing data about the scene and to suggest what might be improved in general. As an example, a McKinsey study (Best, 2013) suggested that Germany has some kind of backlog: its capital, Berlin, has the potential to become Europe's new start-up capital and to provide an addition of 100,000 new jobs. Without any doubt, Berlin is, in terms of start-ups, Germany's capital; it is the place where 39% of all new businesses are founded (Skrabania, 2014). Compared to Munich, Berlin has almost three times as many newly-founded firms each year, and it belongs to the top 5% of start-up regions in Europe; only London and Paris can provide comparable numbers. Skrabania (2014) describes the typical start-up entrepreneur as male (90%), 34.9 years old and highly educated (81% have a university degree). Men tend to found their businesses in teams of two or three, whereas women tend to prefer to work alone or they find it harder to find a companion. About a half of the start-up entrepreneurs have been involved in some kind of start-up business before. What most of these entrepreneurs have in common is that they felt unprepared by their school or university to become an entrepreneur

and they fear that society will not accept them if they fail in their business and that this will have a negative impact on their further career.

Failure is the major problem for start-ups. Only about one in ten start-ups will succeed, the rest will be sold with or without profit, or just terminated to prevent further damage, or will even be treated as a hobby instead of a proper job. The main reason for failure is not of a financial nature, as one might expect, but interpersonal relationships (Skrabania, 2014). Teams fail and refuse to work together. This simple human factor accounts for about 70% of all failed start-ups (Riedel, 2013).

German start-ups are hyped and heavily subsidized and by quantitative measures they belong to the Mittelstand, but qualitative matters speak a different language. Many start-ups are not owned and financed by their managers, right from the beginning (Best 2013). The presence of foreign capital and only a minority of shares contrast with the characteristics of true Mittelstand companies. Another aspect is that many of the start-up enterprises are founded with a clear exit in mind. Many start-up entrepreneurs do not want to grow their business over the next decades into something large, but want to increase the size, sell it and make profit (Best 2013), the faster the better, merging and acquisitioning, hiring and firing. This interest not in sustainability but in quick money is rather more similar to many private equity firms than to the more conservatively oriented German Mittelstand. This does not mean that start-ups are not Mittelstand per se; clearly, there are examples such as the start-up conglomerates Delivery Hero or Amorelie, where owners and enterprises have established themselves, but many others more resemble the sort of small enterprises that are clearly not Mittelstand. Most start-up businesses cannot be considered family businesses, not only due to their unsustainable business culture but also as it is often too early for them to have transgenerational intent.

If we see the start-up enterprises at the low end of the Mittelstand, than we also have to look at its peak. Simon (2013) described the ‘Hidden

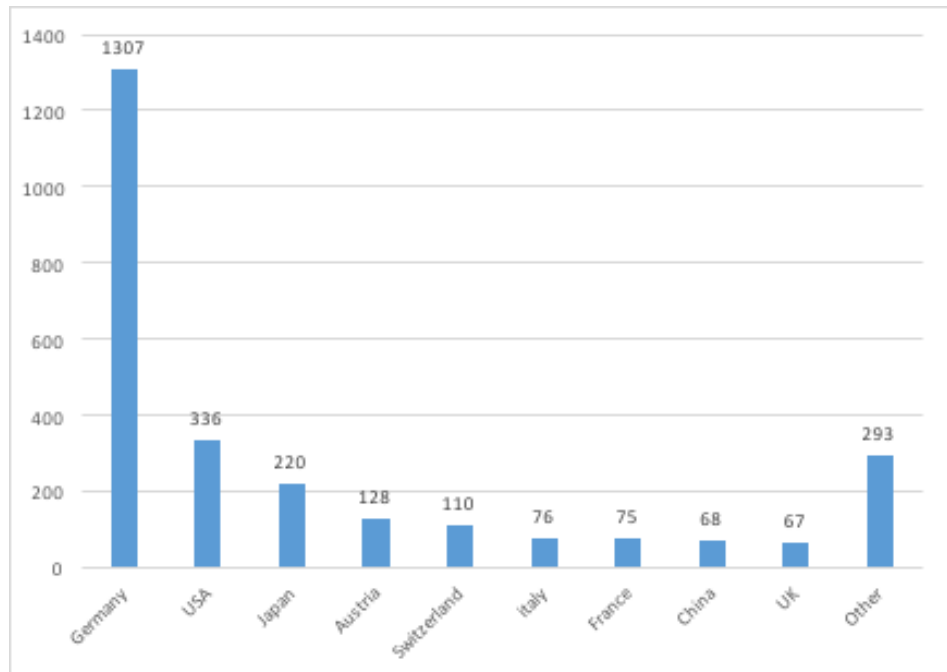
Champions' as "the elite of the specialized Mittelstand" (p.1), so who or what are these hidden champions? Simon describes hidden champions in his 2013 article "Hidden champions are much more than just a keyword" as:

The Mittelstand's elite, global leaders within their industry, not only in Germany but in Europe or worldwide. Their market penetration, competitive advantages, managerial quality, above average capability characteristics and based on that their enormous future potential. This is not an exclusive German phenomenon, but Germany has a large portion of it. (p.1)

Simon (2012, 2013) and Fear (2014), who did not call this phenomenon hidden champion but 'hidden nationals', explained this phenomenon through the Mittelstand's focus on exports and its strong international competition, where German hidden champions have to face and defend themselves against the other world-leading producers. Another characteristic of the hidden champion is that its business has low public brand awareness and is almost certainly not listed. Typically it is a key supplier to major big brands who are heavily dependent as they cannot exclude the business from its value chain. Simon (2013) cited three major pre-conditions which characterize hidden champions:

- Within the top three of the market share of their particular industry or product
- Sales volume is below €5 billion
- They are not known to a wider public

Graph 4.1 Geographical distribution of hidden champions worldwide



(Source: BMWI, 2014)

The chart above is a direct comparison between a certain number of companies and how many hidden champions each nation produces. It clearly demonstrates that hidden champions are a true German phenomenon. The numbers of German hidden champions are not only the largest, but they are almost four times higher than the number of US hidden champions, who have the second largest amount of hidden champion nations in the graph.

Due to their specialization, hidden champions are often dependent on a low number of customers, but this dependency is not one-sided but two-sided, because the hidden champion is so specialized and exclusive that the customer is also dependent on the hidden champion. Very often these customers are large businesses and cannot allow themselves any disruptions or quality problems in their supply chain, and they are therefore willing to pay good prices for hidden champion products: “their relationship is rather characterized by quality than by price, it’s a

symbiosis” (Simon, 2014). Simon, and Donald et al agreed that hidden champions practice a high customer focus and that even their CEOs are in regular contact with their customers to have a feeling for their actual demands; the customer-supplier relationship is many times more intensive than in comparable companies (Simon, 2014; Donald et al, 2003).

Hidden champions are eager to maintain their dominant industry role and their good relationship to their customers, so discretion is key. Hidden champions do not like to be in the spotlight and they hate interviews. Giersch (2012) claimed that the biggest challenge about hidden champion research is their fear of becoming publicly known. Private reasons such as kidnapping and the constant surveillance of the media might play a role in that, but as one of Giersch’s interviewees pointed out, hidden champions want to keep the niche they are operating in secret, so that no one else is paying attention to it and discovers their margins and intrudes. Having a niche industry for oneself is therefore a distinct competitive advantage. Another effective defensive mechanism is that hidden champions tend to produce their production machines on their own and only very rarely buy in engineering equipment. This does not only enlarge the depth of added value from typically 30% to 42% (Giersch, 2012), but is also an entry barrier against potential competitors, as the business remains a black box to outsiders. This observation of family businesses holding tacit knowledge has implications for the succession process. For instance, the difficulty of passing on tacit knowledge to the next generation seems to support nepotistic recruitment of family members in the interest of the business. This observation is discussed in greater detail in the succession process analysis chapter (please see 7.2.1.3: pull factors).

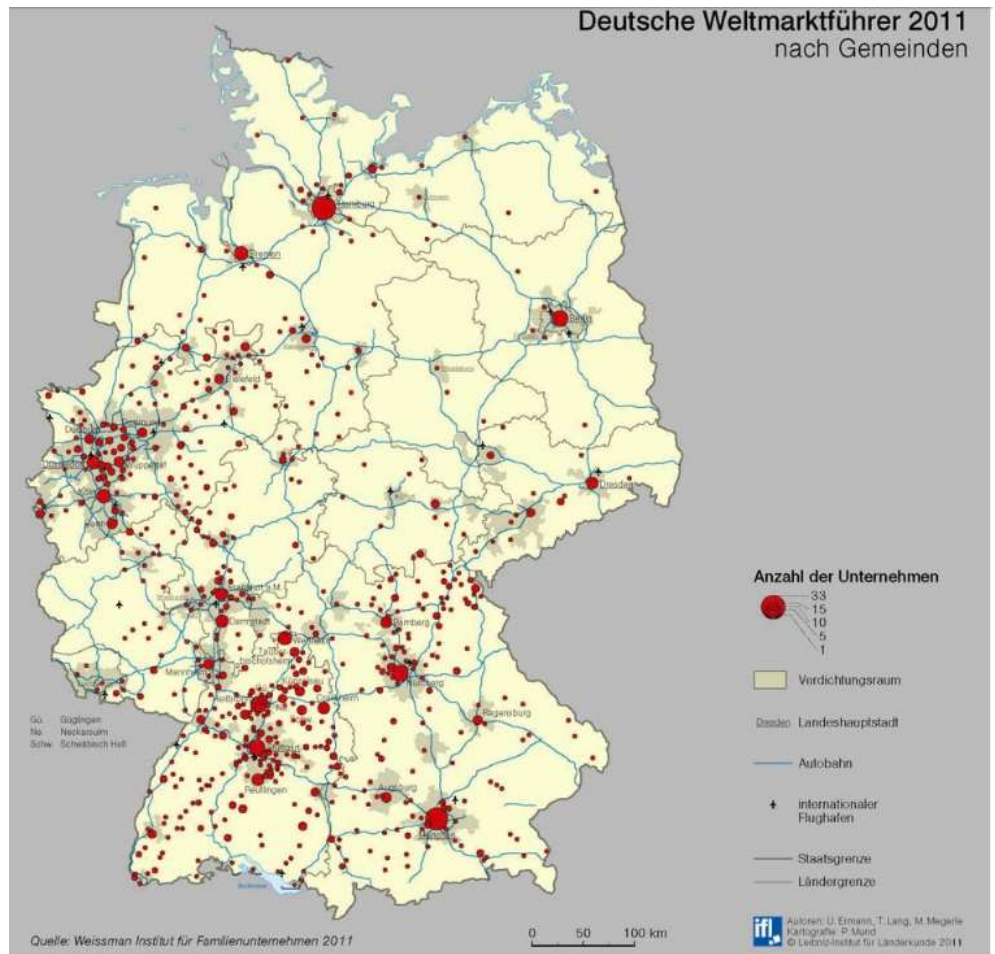
Simon (2012) made another interesting point about the competitive advantage of hidden champions, which is that women are far more often in leading roles than in comparable companies. One explanation might

be that in family businesses it might be easier for females to be promoted, especially if one belongs to the owning family. Simon discovered hidden champion clusters that are comparable to the geographical concentrations of Mittelstand companies and will be discussed below. Four out of the five cases for this thesis can be considered hidden champions. The Cable King, the Box printing machine company, the Herbal Family and the Old Sawmill family business all share the characteristics described above and avoid the wider public's attention; two out of these four cases have or will have women in leading roles in the near future.

4.4 Geographical characteristics

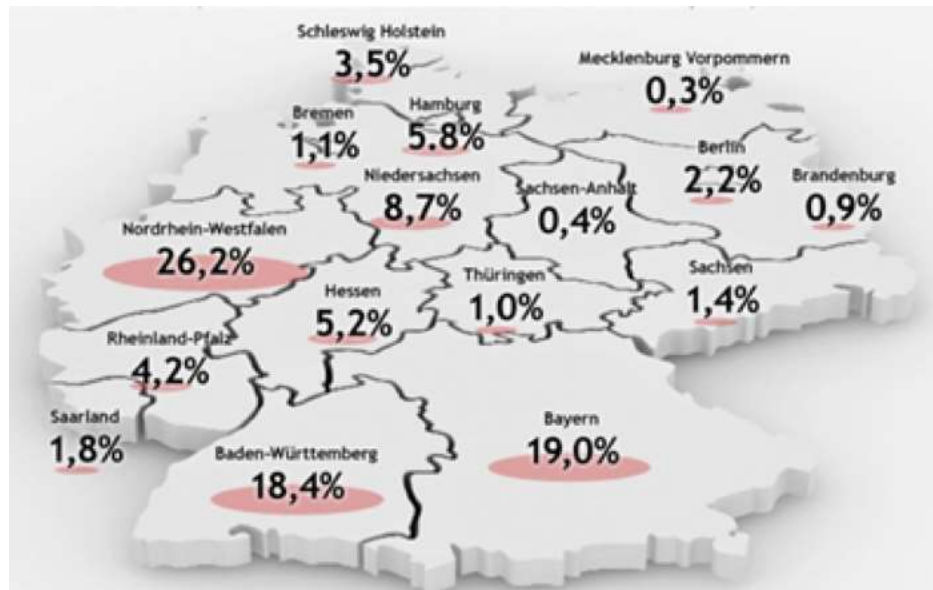
For the purpose of this section the two figures below are a good representation of the geographical spread of Mittelstand companies in Germany. The first picture shows hidden champions in Germany who are, as described in their definition, world leading within their industry. It clearly indicates that there is a higher density in the area along the western border with some recognizable hot spots in the south west. The second figure shows the spread of large family businesses with a sales volume of more than €50million per year. Again, the large overlap of family businesses and Mittelstand companies, due to the united managerial and ownership control, gives a clear indication where the German Mittelstand hotspots are. Both figures suggest that these hotspots are from north to south and from east to west, with large concentrations not only in North Rhine Westphalia, but also in Baden-Wurttemberg and Bavaria. One of the thesis' cases is from North Rhine Westphalia, two are from Baden-Wurttemberg and two from Bavaria, so the cases mimic this overall trend well. Clearly, the former eastern governmental districts still have a competitive disadvantage, as do the northern districts in general.

Map 4.1 German hidden champions



Source: Ulrich Ermann, Thilo Lang und Marcel Megerle (2011, Weissmann institute for family businesses)

Map 4.2 German global leaders (>€50 million sales per year) according to their distribution



Source (IFM, Bonn 2016)

Explanations for this pattern are the aforementioned historically important coal and steel resources, which played a big role during the industrial revolution, but also the River Rhine, which not only enables easy transport and shipment but also energy and trade with neighbouring states such as Belgium or France. A second explanation for the density of Mittelstand businesses in the South West of Germany is that these districts have been disunited for far longer and had more trade and entry barriers than the north, as they did not belong to the Prussian territory and have therefore been independent much longer. Therefore, businesses of the same industry could develop much closer to each other and were less centralized than in the Prussian territory. This phenomenon is also described above in the beginning of the Mittelstand section.

A third explanation was stated by Bopp (1999:2, in Meyer-Stamer and Wältring, 2000, p.14), which applies especially for the southern districts such as Baden-Wurttemberg and Bavaria, are their common

borders to other rich or industrial advanced states, such as Switzerland, Austria and France:

...the proximity to neighbouring countries plays an important role. For example, a quarter of the exports from Germany to Switzerland are coming from the bordering region Baden-Württemberg. The numbers are comparable in other border areas.

Furthermore, Baden-Wurttemberg and Bavaria have always been traffic junctions for travelling and trading, not only between western and eastern Europe but also, due to the Alps, between north and south Europe. This geographical advantage may be unique within Europe. The fourth and last explanation for the relatively poor development of the eastern districts is their former membership as part of the GDR to the communist regime, which restricted private ownership and enforced a strict state-directed economy. A limitation of the two figures shown and described above is that both refer to rather large businesses and not to the average-sized Mittelstand firm. This has definitely a certain impact, and as detailed earlier, the former GDR counties have caught up in the meantime and a healthy Mittelstand economy has established, which might be due to its age not being yet as large as in the western states, and therefore clearly underrepresented in the two diagrams. Nevertheless, this should not mean that the Mittelstand in Germany has not got certain hotspots, as it definitely has a higher density in the south west of the republic.

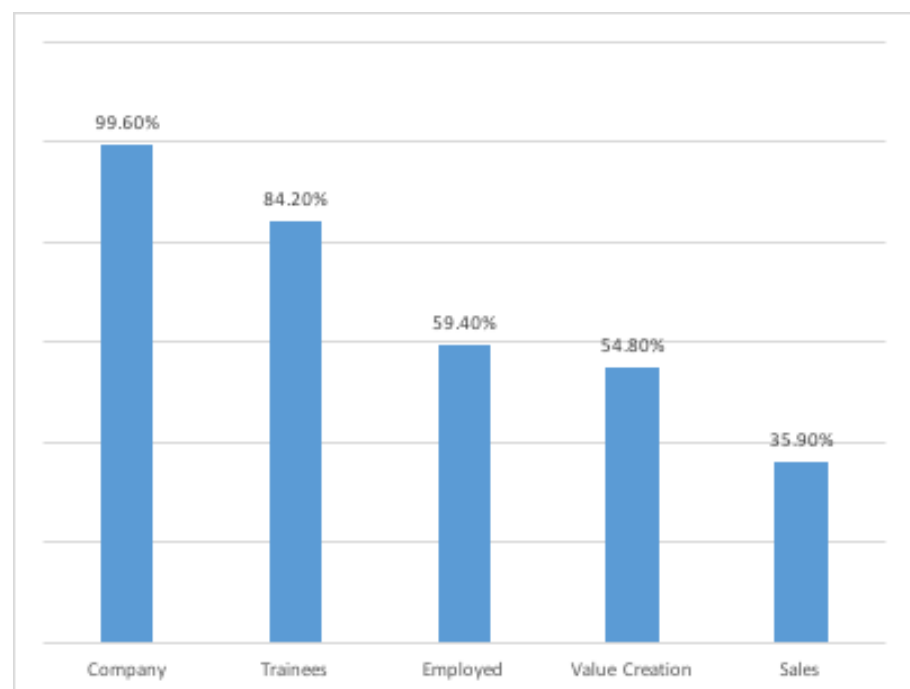
4.5 Economic influence

It is clear that the German Mittelstand accounts for a relatively large share of economic activity in Germany (Audretsch and Elston, 1997). In 2014 the German Federal Ministry for Economy and Energy released a publication called German Mittelstand: Motor der deutschen Wirtschaft (English: Engine of the German economy). The richness of this study is unique and its findings are presented here for a better

understanding about the economic influence the German Mittelstand has, not only in Germany but also in Europe overall. For a better understanding of the study itself and the graphs shown below, but also to understand why certain numbers within this chapter might not be congruent, it has to be mentioned that the German Federal Ministry for Economy and Energy's study is solely based on the quantitative definition of Mittelstand and leaves hidden champions, or other businesses which are defined qualitatively, out. The study only considered businesses with a maximum of 500 employees and 50m sales, or 250 employees with a maximum of 50 m sales. According to the study, these account for more than 99% of all German enterprises. The actual numbers might therefore—if a qualitative definition had been applied—be even more generous and supporting for the Mittelstand.

4.5.1 Employment

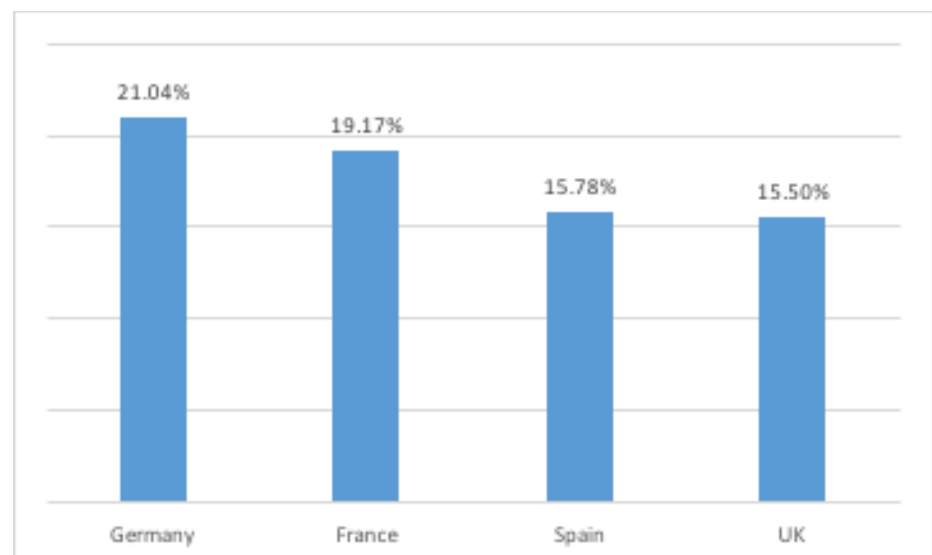
Graph 4.2 Mittelstandsanteile in Germany 2011/12



Source: BMWI, 2014

The chart above refers to small and medium sized enterprises (SMEs), although the real numbers for German Mittelstand are therefore likely to be much higher, but the picture gives a good indication about the importance of the Mittelstand for employment. So according to the SMEs definition, 99.6% of all enterprises belong to the Mittelstand and these employ 84.2% of all trainees and 59.4% of all employees in the German federal republic. Generating a creation of value of 54.8%, this equals total sales of 35.9%. These 15.7 million employees who are employed by the Mittelstand make up 60% of all social insured employees.

Graph 4.3 Mittelstand employees per country, 2014



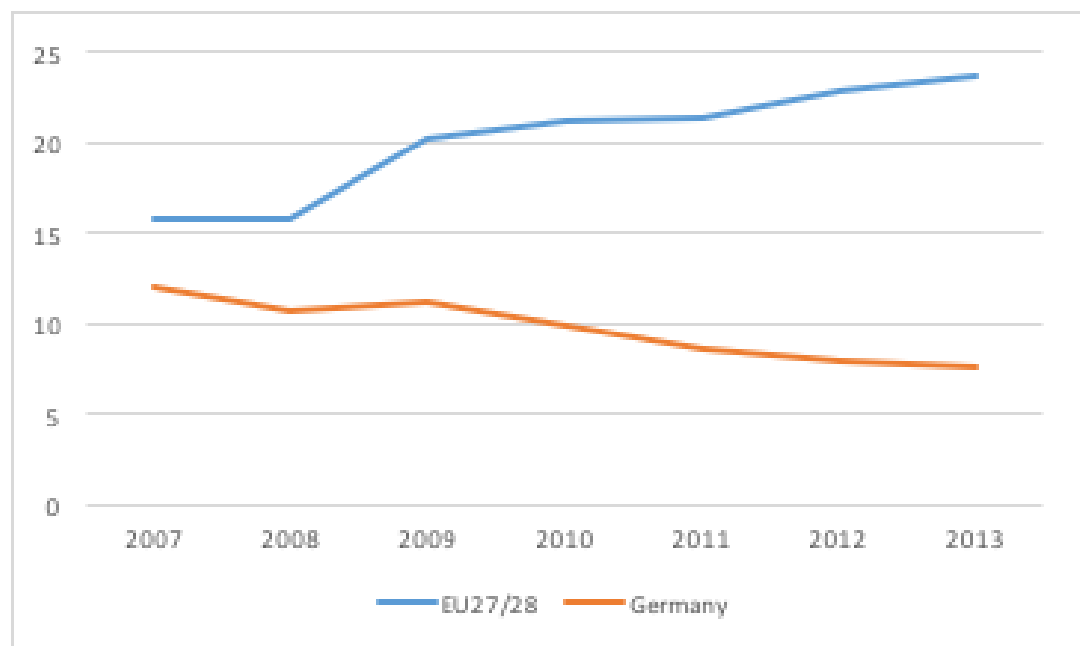
Source: BMWI, 2014

Compared to other European industrial nations, this demonstrates that Germany is not only the largest European industrial nation but also the number one in terms of employees employed by industry and SMEs per se. The graph compares Europe's leading industrial countries without Italy and indicates the differences. The big gap between Britain and Germany might perhaps be explained that Britain is far more involved in comparable large businesses such as gas and oil and that its

workforce is therefore less in the Mittelstand but rather more in large industries not taken into account.

Once again, these numbers are the best numbers available, but still refer to SMEs, as it is difficult to generate reliable numbers based on a qualitative definition, but it can be estimated that the numbers in terms of employees would be considerably higher if the large Mittelstand businesses were also taken into account.

Graph 4.4 Youth unemployment percentage, Germany vs EU, 2007-2013



Source: BMWI, 2014

The Mittelstand has another positive influence that is closely related to the education and trainee program it provides, which will be explained later in the text. The Mittelstand is the main job provider for trainees: with its help, Germany has managed to decrease the rate of youth unemployment constantly over the last few years, and further reduced it even during the recession, whereas the trend in other European countries is that youth unemployment is a fast growing problem, especially since the last recession. The average EU youth

unemployment rate compared to Germany is more than three times larger. This is closely related to Germany's apprenticeship system, which will be considered in the education section.

4.5.2 Economic performance

The Mittelstand is responsible for approximately 55% of the total economic performance and for 36% of total sales of the German economy. Every second business with a sales volume between €2 million and €10 million is a direct exporter or a supplier to exporting firms. Exports are the main reason for Germany's strong economy. Almost three quarters (72%) of all German entrepreneurs do international business within or outside the EU. This is heavily dependent on the size of their business. If their business has 250 or less employees the likelihood to be involved in international business is 62%; if it is larger the likelihood grows to 81%. The European Union is the most important market for the German Mittelstand: three out of four firms export their products to the European markets. It is not only exporting that the Mittelstand is involved in; 16% also have additional production facilities abroad, with a strong focus on the EU and Eastern Europe. The main reasons for these firms are the fast growing East European markets that they are seeking to access and exploit (IFM, 2015).

4.5.3 Education

Due to its training programs, the German Mittelstand is the main reason why youth unemployment in Germany is, at 7.8%, one of the lowest compared to EU averages (23.6 %). The Mittelstand employs 84.2% of trainees, and is therefore specifically training according to its own requirements (IFM, 2014; Berghoff, 2006). The German trainee system consists of three levels: apprentice, assistant and master. The time for

an apprenticeship is usually between two and three and a half years; one can be an assistant for one's entire life unless one decides to enlist into a master program, which lasts at least another year. The whole training itself therefore lasts four to five years, which is longer than in most other European countries (Soskice, 1994). These long and expensive training programs might perhaps be one of, if not even the most important advantage Germany and its Mittelstand has, compared with other European countries (Berghoff, 2006). Berghoff (2006, p.272) described family businesses in the German Mittelstand thus:

The typical German Mittelstand firm in its traditional form, which I call the 'classic' model, is both family run and family owned, at least when it comes to the controlling interest. Thus management and control are not separated... (Berghoff, 2006, p. 272)

The Mittelstand and family businesses are closely related to each other, and without question there is a large overlap, but they are not the same. There has already been an explanation and a definition about the differences of SMEs, family businesses and the Mittelstand above, but this section shall indicate why a Mittelstand chapter is important in a family businesses dissertation. Approximately 95% of all German businesses are family businesses and 85% of them are owner managed. Family businesses are the second largest group of businesses in Germany, right after the Mittelstand itself. So if one wants to understand the secrets of the strength and success of the German Mittelstand, one has to pay attention to the family businesses that make it so distinctive. It is logical that Mittelstand and family businesses have the same or at least similar characteristics. Both are characterized by their long-term strategy, reliable customer relationships, stable work staff and a strong bond to the region they are operating in. On the other hand, there is also a large overlap with the challenges that they have to face. The main challenges for the Mittelstand are a lack of suitable

employees, governmental over-regulation and the difficulty in accessing fresh capital (Secker, 2012).

4.6 Mittelstand conclusion

The purpose of this chapter has been to give the reader a better understanding of why the Mittelstand matters for the German economy and for family businesses in particular. All five cases used for this dissertation are true Mittelstand businesses, and four out of five are hidden champions. This chapter describes the context in which the case companies are embedded. Additionally, the chapter made a brief introduction to how one can define the Mittelstand. It explained the differences and overlaps between the Mittelstand, SMEs and family businesses, and explained why the Mittelstand is a typical German phenomenon, it further explained its development over the last two centuries and how it has become what it is today: the motor of the EU's leading economy. The conclusion shall summarize the findings of how influential the Mittelstand is and why it is so strong, but will also review the threats the Mittelstand has to face.

Main reasons why the German Mittelstand is so successful (BMWI, 2012)

- Mittelstand companies belong to the most **innovative** firms in the world
- Solid **financials** based on shareholders' equity
- High shareholders' equity quote and long term strategies make a **constant expansion strategy** possible even during recessions.
- The Mittelstand employs 84.2% of all **trainees**
- Political support
- German engineering, high quality and the brand Made in Germany

The top ten threats that the Mittelstand face have been identified by a questionnaire asking Mittelstand CEOs for their opinion about what future risks cause them most concern (Malshe, Eekhoff, 2012); their findings are in line with the most common and urgent threats identified by the IFM (May-Strobl, Welter, 2015).

Top ten threats for the German Mittelstand according to CEOs

- 1) Training of sufficiently qualified employees
- 2) Training of sufficient numbers of managers
- 3) Recruitment of new managerial material
- 4) Headhunting for other trained staff
- 5) Security and health guidelines
- 6) Understanding the tax system
- 7) Understanding the export system
- 8) Employee training
- 9) Competition for young talents
- 10) Being aware of changing legislation

Source: Malshe, Eekhoff, 2012

Surprisingly, the ten main risks can be narrowed down into two groups. The first group can be called workforce and consists of six of the ten threats. The recruitment and training of suitable employees proves to be the largest threat, regardless of if that applies to top management, white collar or blue collar workers. On one hand this is surprising, as employee training has also been identified as one of the reasons why the Mittelstand is so successful; on the other hand it makes perfect sense that companies invest in training when they are aware that this is a potential threat. It is surprising how serious employers take this danger. If it had occurred once or twice it would be already on the agenda, but naming it six times is a clear indication that this topic is the main concern for most managers. Internal training plays an increasing role in generating the future potential needed. In addition, most Mittelstand companies protect their staff with high potential against head hunters

and large industry competitors who try to employ such highly educated and well-trained staff (Welter, Levering, Strobl, 2016). Being an attractive employer becomes therefore more and more important, as there is a strong competition for high potential employees (Welter et al, 2014). During the interviews for the cases this topic was not be mentioned per se, most likely because it was not specifically asked by the interviewer, but it occurred during several interviews how important a good academic education and practical training is, not only for the CEO but also for the successor. Both stated several times during the interviews that the successor needs to prepare for the job and all interviews revealed that preparation was an important milestone for the later responsibilities. It can therefore be suggested that the shortage of qualified staff is not only an external threat but also an internal threat, as unsuitable successors endanger the future of a company as well. This threat therefore occurs on the micro and on the macro level.

The second main threat can be categorized as administration. Keeping up with the latest adaptations of the tax system, export law, security and health guidelines, and legislation in general concerns most CEOs. Regulation is cost intensive, as it does not only bind financial capital but also human resources, who have to check that the legislation is applied. This also takes a lot of their time, as previously-mentioned resources cannot be used at the same time to add value to the production of products or services. This threat might especially apply for German Mittelstand businesses, as many of them are not large enough to afford their own department or even their own lawyer who ensures that the company is aware of changing legislation and that this is applied in the correct order. Many Mittelstand companies are just under the critical size to do this professionally and it is therefore done together with the everyday business. The other problem is, which particularly applies for Germany, is that German Mittelstand businesses are not only troubled by their own bulky legislation, but also by EU laws and the legislation of the country they want to export to, or where they are producing as

well. Of course, all three can also apply to other EU Mittelstand businesses who export their products or services, but it is a particular threat to Germany, as the German Mittelstand is more involved in exports and international business than any other EU country. This might also be a reason why German Mittelstand companies are so in favour of the TTIP trade agreement with the USA, as it would make exporting to the USA much easier (Kembowski, 2016).

5. Research and Methodology

The ultimate aim of family firm research is to inform, lead, enrich, and guide managerial practice. Toward this end, scholars endeavour to find new knowledge and deepen insights into the forces that underlie family firm management. (Zahra & Sharma, 2004, p.337)

5.1 Introduction

The purpose of this chapter is threefold. Firstly, it describes the philosophical and methodological choices, focusing on the Critical Realist ontology and epistemology and the methodology of qualitative embedded case study research. Secondly, it explains the logic and reasoning behind these choices, as well as their implications for research in the family business field, which is currently dominated by a positivist inspired set of philosophical and methodological perspectives (Zahra and Sharma, 2004). Finally, it outlines the consequences of these choices for the study's research design and findings.

5.2 Research framework

The design of this study follows the frequently made, but rarely realized, call for a qualitative approach to family business research, and in particular qualitative case study research (Kontinen & Ojala, 2010). Fletcher, De Massis & Nordquist (2016, p.23) observed:

Currently, however, we know very little about how decisions are made or behaviours are manifested in family firms because the processes by which family firms execute their strategies and produce their distinctiveness remain understudied. Qualitative methodologies are well suited to fill this knowledge gap.

Concluding a review of 30 years of family business research, Heck et al (1997, p.325) recommended that future research “re-examine[s] the family firm with intense qualitative research, including case study research”. In a similar vein, Nordquist et al (2009, p.1) called for more

“qualitative [...] research in the field of family business that stands on its own, is rigorous and both draw[s] upon and generate[s] theory.” Considering the scarce insight into how the succession process influences strategic development in the family business, and in particular how the strategy formation and implementation processes manifest in practice, this study has adopted a qualitative, iterative research design.

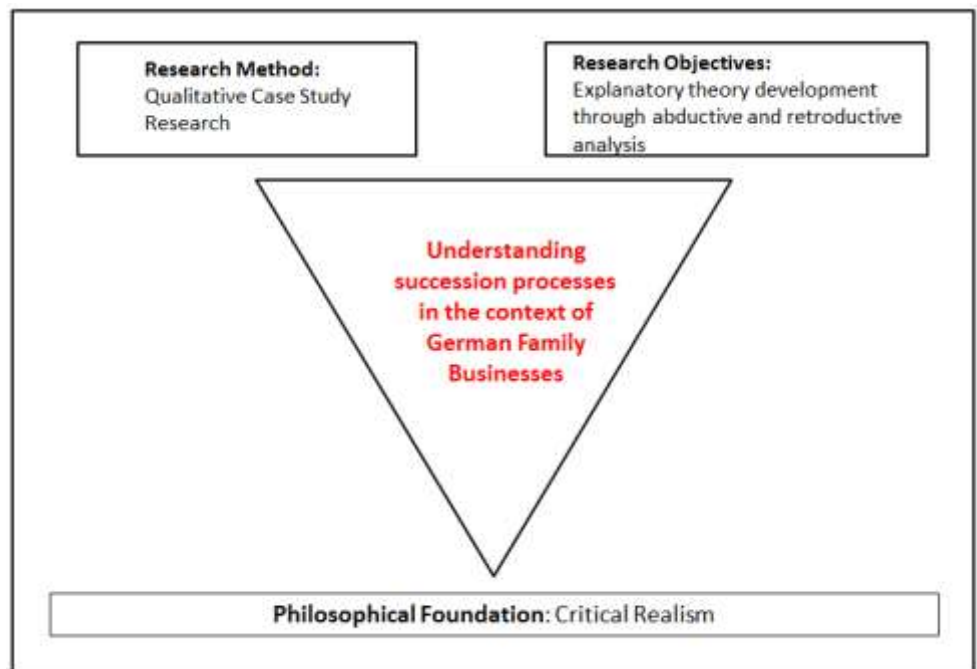
Philosophical and methodological choices are not separate from the study’s substantive content, but are deeply intertwined with the chosen problem of how succession impacts the strategic development of family businesses. Indeed, this intertwined nature of philosophy, methodology and substance is reflected in at least three ways. The research objectives, in this case descriptive and explanatory theory elaboration, are interdependent with the philosophical and methodological choices, as the philosophical assumptions govern the type of description and explanation sought, and thereby shape the methodological choice. In this particular case, the descriptive and explanatory theory elaboration objective is guided by the critical realist assumption of deep causal mechanisms, which in turn require in-depth understanding of phenomena enabled through flexible, iterative research design and close integration of theoretical and empirical evidence.

Philosophical and methodological choices shape the substance of the research evidence and findings, by guiding the researcher with regard to what, when, how and why to select certain theoretical and empirical evidence and, ultimately, how to confront the theoretical framework with the empirical evidence in the data analysis stage. Thus, the philosophical and methodological choices are a ‘lens’ that the investigator constructs for analysing the selected phenomenon. What he or she ‘perceives’ through that lens is ultimately shaped by the ‘lens’,

which works as an enabler for understanding certain facets of that phenomenon and simultaneously imposes limitations on what and how the researcher is able to perceive. In addition, the philosophical and methodological choices are parts of the research process, which (ideally) reflect most closely the researcher's own beliefs, worldview, values and predispositions, allowing for a strong personal imprint on what the study will convey, how, and why. Indeed, the word 'paradigm' implies the "basic belief system or worldview that guides the investigator" (Guba & Lincoln, 1994, p.105). Critical reflection of this "researcher imprint" is particularly important in considering the ethical implications and rigorous quality of the research process, and may also enhance the researcher's own reflective learning process. To account for this reflexivity, a special section about this topic concludes this chapter.

The core characteristic of the research framework lies in the interdependent nature of the study's research objectives, the underlying philosophical choices and the methodological choices. This research framework is founded in the Critical Realist ontological and epistemological assumptions, as conceptualized by Bhaskar (1978), Sayer (1992, 2000), Easton (2000, 2009), Reed (2005) and Archer (2010). The Critical Realist paradigm provides a superior fit with the study's research objectives and method than would be the case if the currently dominant positivist paradigm in family business research had been chosen (Lindow, Stubner & Wulf, 2010; Kontinen & Ojala, 2010; Heck, Hoy, Poutziouris & Steier, 2008; Sharma, Chrisman & Chua, 1997). The congruence between the research objectives, the philosophical choices and the methodological choices is visualized in Figure X.1 below.

Figure 5.1 The Research Framework



The research framework illustrates the study's purpose of contributing to the existing body of knowledge on succession and strategy research in family businesses through its context-dependent understanding of the processes involved in *how* succession impacts the family business strategy, and in providing explanatory propositions of deep causal mechanisms that are likely to be accountable for these processes, thus aiming at a theoretical and practical contribution in this field.

How the critical realist philosophy furthers the study of the research objectives and how these objectives will be operationalized in practice, through conducting qualitative case study research, is outlined in the following two sections. Subsequently, a detailed account of the chosen data collection, data analysis and reporting strategies will be provided, concluding with some ethical considerations influencing the study, the researcher's personal background and how it influenced the study, and a personal reflexive account of the research project experience.

5.3 Research aims and objectives

The overarching aim of the study is to contribute towards the theoretical development of how succession processes impact strategy development in family businesses. This aim was pursued through the following four research objectives:

- (1) to provide an understanding of the factors motivating successors to work for or take over the family business;
- (2) to explore the involvement of internal and external actors during the succession process, in order to provide relevant implications for family businesses and thus contribute by better informing future strategic questions.
- (3) to explore the activities pursued by internal and external actors from a strategy-as-practice perspective;
- (4) to explore the ways through which successors seek to legitimise themselves among internal and external actors throughout the succession process;

The *first research objective* addresses the motives why successors decide to take over their family's business. The successor's motivation to succeed is an integral element of the succession process. However, most research appears to take successors' motives to work for or take over the family business for granted. Present understanding of successors' motives to succeed is limited to financial motivators or to tradition (e.g., Massis, Chua and Chrisman, 2008). Hence, this thesis explores *what factors motivate successors to work for and/or take over the family business?*

The *second research objective* identifies the internal and external actors involved in three dominant succession stages: pre-succession, succession and post-succession. Other authors such identified five succession stages (e.g., Schleppehorst and Moog, 2014) or four succession stages (Koffi et al, 2014), but as the interviewees always

only talked about three stages, it was decided to apply three succession stages for the analysis. For each stage the actors involved will be identified and categorized according to the clusters identified based on the cases. This leads to the question: ***who are the internal and external actors involved in the family business succession strategy?***

Addressing these research objectives allows enhancing the present understanding of succession processes in family businesses by providing a more accurate *explanatory framework* of the patterns of activities and actors involved in succession.

The *third research objective* addresses our limited understanding of succession strategy in family businesses, which stems from a lack of research of the actual patterns of activities comprising the succession process, as well as the activities that the different actors involved in this process pursue. While previous research on succession strategy focused on the roles of the successor and current CEO in family businesses (e.g., Mitchell et al, 2009, Brockhaus, Robert, 2004), the role of other parties such as relatives and consultants has been frequently overlooked (Shaheena, 2004). In order to enhance our understanding of these important limitations of current research into succession strategy in family businesses, this thesis adopts the strategy-as-practice approach (Jarzabkowski, 2005, Mintzberg, 1979b, 1968, 1973). Strategy as Practice allows focusing on the *actual* activities and daily practices in the succession process of family businesses. In this way, the Strategy as Practice approach moves beyond the dominant normative approach to strategy in family businesses, which suggests how families *should* implement the succession process and instead investigates the patterns of how family business actors actually proceed. The third research objective

therefore translates into the following research questions: ***Why are these internal and external actors involved and what activities do they do?***

The *fourth research objective* addresses the ways successors pursue legitimating themselves as members of the family business among internal and external actors. While the different ways that successors may choose to legitimise themselves through pursuing educational degrees or external work experience significantly influence the succession process, previous research appears to take the successor's legitimacy for granted, typically referring to family ties as a sufficient qualification. The lack of existing research on the ways successors establish legitimacy throughout the succession process is surprising, and given its essential role it deserves further investigation. Therefore, this research objective translates into the following research question: ***How do successors legitimise themselves among internal and external actors?***

In order to address the four research objectives, this research takes an exploratory, qualitative research approach for investigating five case studies situated in the empirical context of the German Mittelstand. This qualitative research is informed by the ontological and epistemological assumptions of Critical Realism (Sayer, 1992; Easton, 2010) and established approaches to qualitative case study research (Yin, 1994; Eisenhardt, 1989).

5.3.1 Critical realism

This thesis draws on the critical realist paradigm as conceptualized by Bhaskar (1978), Sayer (1992) and Easton (2002, 2010). A paradigm reflects the “basic belief system or worldview that guides the investigator” (Guba & Lincoln, 1994, p.105) and therefore co-influences to a significant extent the research objectives set, the research questions asked, as well as the methodological choices and outcomes of this research. Given the significant influence of the paradigmatic choice over the purpose, process and outcomes of this thesis, it is crucial to understand the epistemological and ontological

assumptions constituting the critical realist paradigm and why this paradigm is chosen to underpin this research.

The epistemological stance refers to the “assumptions about how we can come to know the world” (Easton, 2002, p.108), while the ontological stance refers to “assumptions about how the world is”. Ontologically, the critical realist paradigm assumes a *stratified view of reality*, which in essence suggests that the world is ‘real’ and exists independent of our knowledge of it (Sayer, 1992). However, in epistemological terms, Critical Realism recognizes that this reality is only “imperfectly and probabilistically apprehensible (to the investigator)” (Guba & Lincoln, 1994, p.105). A shortened summary of the, most important assumptions and implications of the critical realist paradigm, as adopted in this thesis, has been offered by Sayer (1992, p.5):

“(1) The world exists independently of our knowledge of it; (2) Our knowledge of the world is fallible and theory-laden... (6) Social phenomena such as actions, texts and institutions are concept dependent... we have to understand, read or interpret what they mean. Although they have to be interpreted by starting from the researcher’s own frames of meaning, by and large they exist regardless of a researcher’s interpretation of them... (7) Science of the production of any kind of knowledge is a social practice. For better or worse ... the conditions and social relations of the production of knowledge influence its content. Awareness of these relationships is vital in evaluating knowledge. (8) Social science must be critical of its object. In order to be able to explain and understand social phenomena we have to evaluate them critically.”

Sayer’s (1992) conceptualization of the critical realist paradigm has been founded in Bhaskar’s seminal work entitled *Scientific Realism and Human Emancipation* (1987), yet it is more closely adapted to the

context of social sciences and, therefore, more immediately applicable to the study of family businesses. Historically, family business research has been dominated by the positivist paradigm, which is rooted primarily in natural sciences and which therefore applies a similar set of principles to the study of social phenomena (e.g., Haberman and Danes, 2007). The positivist paradigm assumes that there is a single reality, consisting of discrete, measurable entities, and which can be fully captured by the researcher, given the correct choice of methodological instruments (Perry, Riege & Brown, 1999). In other words, researchers adopting the positivist paradigm believe that it is possible to uncover the ‘truth’, an absolute knowledge of a single reality through the controlled application of predominantly quantitative research methods. As a result, the objective of most positivist research is to “enable prediction and control of social and natural events” (Johnson & Duberley, 2000, p.26) in order to propose generalizable, theoretical principles. This view complements each other with Strategy as Practice. As both agree that not everything is as it sometimes appears to be, but that it is a researchers challenge to apply the right methods to approach a holistic worldview which comes as close to the truth as possible under the given circumstances.

While certain aspects of business and management are more suitable ground for positivist research, understanding of under-researched phenomena involving social and human entities and relations—which form an essential element of family businesses—calls for an alternative paradigm. Social and human entities are not atomistic, stable entities that can be reduced to controlled, predictable behaviour. Instead, social and human entities may change through internal development and adaptation to changing environments and situational contexts. Hence, studying family business actors’ behaviour under closer, experimental conditions would blend out the context in which these actors operate, and which shapes and simultaneously is shaped by these actors. To address the nature and complexity of researching social phenomena in

the context of family business research, this thesis adopts the assumptions of the critical realist paradigm. In contrast to naïve or classic realism (underpinning the positivist ontology), *Critical* realism acknowledges that a researcher’s knowledge of reality is fallible, open to improvements and at best provides an approximation of ‘truth’. This assumption is powerfully reflected in the critical realist stratified conceptualization of ‘reality’ visualized below:

Figure 5.2 Critical Realist stratified view of reality

Ontological Dimensions Entity Level	Domain of Reality	Domain of Actuality	Domain of Factuality
Mechanisms	✓		
Events	✓	✓	
Empirical Experiences	✓	✓	✓

(Bhaskar, 1978, p.13)

The *critical realist stratified view of reality* suggests that reality consists of three layers: the domains of reality, actuality and factuality (also referred to as the empirical domain). The factual/empirical domain refers to the reality that the researcher can perceive through *experiences and senses*. The factual domain consists of “The external and visible behaviours of people, systems and things as they occur... (or) are reported (with particular attention to processes which) produce or reproduce the ordering of events and social institutions” (Easton, 2010, p.120). Of equal importance to the occurrence of events, processes or behaviours observed are those that *did not occur*.

The domain of actuality consists of events, behaviours and processes that the researcher is imperfectly able to perceive. The imperfection in perception may originate from the fact that the events occurred in

parallel or the researcher was simply unable to encounter or take notice of them.

The domain of reality is the most complex and 'deep' level of reality. It is constituted by "structures, mechanisms, powers and relations" (Ackroyd & Fleetwood, 2000, p.13) that are not directly perceivable by the researcher and which can only be approximated through scientific research, inference and analysis.

Such a stratified view of reality is not acknowledged in positivist research. In other words, positivist research "concerns a single, concrete reality...critical realism concerns multiple perceptions about a single, mind-independent reality" (Krauss, 2005, p.761). In adopting a stratified view of reality, critical realists distance themselves from the positivist primacy of empirical data (captured in the domain of factuality) and suggest a more nuanced, complex view of 'knowing' and researching (social) phenomena. This nuanced understanding of reality is also reflected in the way critical realists conceptualize entities 'inhabiting' reality. Entities provide the "basic theoretical building blocks for critical realist explanation" (Easton, 2010, p.120). The nature of entities, defined as "sets of internally related objects or practices" (Sayer, 1992, p.92) nested within structures, reflects their dynamic, adaptable nature. In that way, the concept of entities is more complex than the notion of variables. While variables can only report quantifiable change, entities require an understanding of their inherent powers, liabilities and relations between entities and entities and structures (Easton, 2010). For instance, a family business can be seen as an entity consisting of sets of interdependently related entities, such as family business members, family members not involved in the business, external consultants, auditors, investors etc., who are embedded in wider contextual structures, such as the business structure, relevant legal framework or market and industry specific conditions.

Apart from the stratified view of reality, the conceptualization of the relationship between entities, or *agents and structures*, is an important pillar of the critical realist paradigm. Critical Realism assumes a complex, but discrete interplay between structure and agency. Structures (such as a family business constitution, the distribution of shares, the contracts with other businesses, the geographical location of the business) simultaneously enable and constrain activities (Reed, 2005). At the same time, however, activities and processes performed by individual actors (such as family business members, external consultants) may contribute to consciously or unconsciously (re-) producing or transforming these structures *over time*. Hence, while structures may condition and mould activities occurring within these structures, these activities may in return shape structures through re-producing, confirming existing structures or changing structures.

Understanding of entities and the relationship between entities and structures is crucial in order to achieve the “most fundamental aim of critical (realist research)” (Easton, 2010, p.121), which is *explanation*. Explanation in critical realist terms differs from a positivist understanding of explanation in that the critical realist seeks to answer, “What caused those events (happening in the domain of factuality) to happen?” (Easton, 2010, p.121). In other words, critical realist explanation is built on asking “for the cause of something...what ‘makes it happen’, what ‘produces’, ‘generates’, ‘creates’, or ‘determines’ it or, more weakly, what ‘enables’ or ‘leads to’ it” (Sayer, 1992, p.104). In contrast to the positivist understanding of causality, which focuses on correlations and co-variation between discrete variables, a critical realist’s understanding of causal explanation concerns causality brought about by the “causal powers, or ‘liabilities’ of objects of relations, or more generally their ways-of-acting or ‘mechanisms’” (Sayer, 1992, pp.104-05). Yet, causal powers do not simply ‘reside’ in “single objects or individuals but the social relations and structures which they form” (Sayer, 1992, p.104), focusing on

examining the relationships and interactions between entities, which is crucial for this thesis' focus on family actors' strategic activities and practices in the context of succession in family businesses.

Taking into account that in critical realist terms, individual perception is a “a window on to reality through which a picture of reality can be triangulated with other perceptions” (Perry, Riege & Brown, 1999, p.18), it is crucial to allocate attention in the following sections to (a) the researcher's axiological account; and (b) methodological choice, which reflects a focus on multiple ways of triangulation. The axiological account is important in that it may enhance the reader's understanding of the ‘window’ from which the researcher engages in this research project. The axiological account enhances transparency by demonstrating the motivations, beliefs and choices that have guided many decisions throughout this research project. Moreover, reflecting on his beliefs, practices and choices in the axiological account makes the researcher more aware of his own cognitive and possibly emotional ‘baggage’ and in that way supports again the need for triangulating multiple perspectives ‘on to reality’. Ultimately, triangulation aims at providing a ‘family of answers’ that covers its reality's several contingent contexts, to “capture a single, external, and complex reality” (Sobh & Perry, 2006, p. 1203). While triangulation may provide a more accurate reflection of ‘reality’ at the time the research is carried out, the findings and knowledge claims remain situated in space and time. In other words, critical realist knowledge claims are contextually dependent and fallible and rely for verification on practical adequacy (Sayer, 1992).

5.3.2 Axiology

The personal imprint of the researcher on his work is evident at any decision and selection stage of the research process, and the awareness of his own choices, potential biases and prejudices is crucial for

ensuring the credibility and transparency of the whole findings and for understanding the research project itself in *context*. This type of critical self-reflection is not necessarily a negative influence on the research, as the investigator's personality may yield advantages at several research stages. What is important is to understand its presence and try to make the 'unconscious choices' more conscious and be aware of one's own values and their imprint. Kuhn noted (1970, in Carson & Covielle, 1996, p.56) that "what a man sees depends both upon what he looks at and also upon what his previous visual-conceptual experience has taught him to see (or hear)."

The author's own long-term contact with the involved family businesses contributed to greater commitment to the research project and greater openness on the side of respondents in revealing insights during the interviews, thus following Campbell's and Whyte's (1975; 1984, both in Miles & Huberman, 1994, p. 39) call for an "alert ... scientist who has thorough local acquaintance" and a "first, intimate, habitual, intuitive familiarity with things; secondly, a systematic knowledge of things; and thirdly, an effective way of thinking about things" (Whyte, 1984, p. 282, in Miles & Huberman, 1994, p. 39). Therefore, the author's personal involvement helped in following the "methodological mandate to be contextually sensitive, inductive, and naturalistic [through] getting close to the phenomenon under study. (As a researcher) who uses qualitative methods, (I) attempted to understand the setting under study through direct personal contact...through physical proximity for a period of time and through the development of closeness", as proposed by Patton (1982, p.10, in Dana & Dana, 2005, p.86).

Creswell (1998) and Krauss (2005, p.764) encouraged researchers to, "record their own biases, feelings, and thoughts and to state them explicitly in the research report" rather than aim at value-removal, which is considered impossible for a human mind. The interview

process and data analysis process are stages of most profound researcher intrusion; a process where the researcher's imprint, through his interpretative power, is most intense. However, the author's awareness of the presence of his own values, beliefs and biases is an important characteristic of the critical realist paradigm.

5.3.2.1 Researcher's personal background

The author comes from a German Mittelstand Family Business background himself and attended many private family business seminars about succession. It was during one of these seminars that a lecturer asked if people talk with their family about succession; the resulting answers convinced the author that action is required, as this topic is strenuously avoided by family members, which often leads to succession failure (May, 2016). Being not only from a family business background but also being a successor, the author was an authentic interview partner to his interviewees, and access was granted on this precondition of trustworthiness. It was this personal background which made access to family business families possible and which helped interview partners to open up and to reveal sensible information. The author himself clearly differentiated to his best knowledge between his role as an entrepreneur and a researcher.

5.3.3 Reflection on the research process

Getting access not only to the CEO and the successor but to the whole family is one of the key achievements of this dissertation in terms of its methodology. It was possible to apply a holistic approach not only interviewing predecessor and successor, as it seems to be common practice, but to engage with the whole family to achieve a better understanding about the succession processes. When conducting the interviews with different family members, the author became aware that

certain opinions and reflections of the family members did not overlap but instead were contradictory. The interviews with the female participants such as the mothers, but also the daughters, proved to be especially invaluable. Not only is there a big tendency of the CEOs to overestimate their own value and to shrink the support of the other family members, but also, successors and even the mothers themselves tend to underestimate their true influence.

The interview protocol, with its open and semi-structured questions, was tested in advance and proved to be a big help and success, but there were occasional situations when the researcher struggled to ask follow-up questions about certain succession topics concerning internal family rivalry between the siblings or the old and the younger generation, as the researcher already knew the answer or did not want to hurt the feelings of lifelong friends.

5.4 Research approach

The dissertation has followed Yin's (1994), Eisenhardt's (1989a) and Stake's (1998) suggestion for qualitative research and a multiple case study approach consisting of five family business families was chosen. Eisenhardt (1989) suggests four to nine different cases, after extensive discussion the supervisors and the author agreed on five cases. As succession in family businesses, and especially the driving motivations of the successor, is an under-researched theme, the multiple case study approach granted a rich insight into the family business families and their underlying emotions and feelings. The exploratory study tried to bring light on the highly private and discreet succession process through multiple case studies that include multiple data sources, which was achieved by exploring and revealing multiple experiences of the old and the younger generation and other family members.

Yin (1994, p. 13) described a case study as “an empirical enquiry that investigates a contemporary phenomenon within its real-life context; especially when the boundaries between the phenomenon and context are not clearly evident, it copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence” A case study research strategy is particularly suitable for answering the why and how questions of a study in the domain of family business (Yin, 1994). There have been calls for more qualitative family business research in general, and how and why questions in particular (Steier et al, 2015). Eisenhardt (1989) argued that a case study research strategy is a beneficial tool in developing theory. Part of this case study was the micro and macro observation of the family business families during the succession phase, in order to gain more proximity to the phenomenon (Yin, 1994). Summarizing all these factors, the case study and semi-structured in-depth interviews were the most appropriate method to collect the data needed for answering the research questions of the family business succession phenomenon.

5.4.1 Sampling

Eisenhardt (1989) believed that case studies should consist between four and nine cases. This study was based on in-depth case studies of five family businesses. The number of cases was not chosen randomly but ensured that there are enough cases to make suitable comparisons and pattern matchings, but on the other side the amount of data that was gathered during the interviews was still manageable for the researcher, but also for the reader to analyze and understand. The family businesses are all located in the south west of Germany, although they are operating nationwide or even internationally. The family businesses – respectively, the family members who form the focus of each case study – are involved in the family business and are successful within their

industry. In all, the five case studies' succession is a current and relevant topic, as one case (The Old Sawmill) is in a pre-succession phase, two cases are in the middle of their succession (Cable King and Herbal Family) and two cases can be considered to be post succession (Box printing machine company and Luxury Bathrooms). Please also see Table 6.1 on page 155. The five cases were selected according to the following criteria:

1. The first criterion was to find businesses which are by the IFM (2016) definition family businesses. To make it easier to compare the data later with other research findings, it was to be ensured that the five family business cases were to not only meet the criteria applied for this dissertation, which are rather general and wide, but also more strict and narrow family business definition criteria, such as the number of family members involved in the daily operation and as shareholders. In all five cases, family members are not only the sole shareholders but are also involved in the management, in some cases with external support. Additionally, all the family businesses are at least in their second or third generation and have the intention to hand their business down to the next generation. The chosen five cases would withstand the critique of a wide variety of researchers and their different family business definitions.
2. As this dissertation is about family business succession, it was important to identify family businesses where succession had either already taken place, was planned or is currently in the process of being executed. As all the family businesses in this study are at least in the second generation, these families have some succession expertise, as their ancestors already managed to hand their business over to a younger generation; this made it possible to apply the method of storytelling to not only interview the successor about their succession experience but also the older generation about their own succession and in how

far their own succession experience influenced them to change or continue certain succession approaches. Not surprisingly, many older generation members admitted that due to their own experience they chose different approaches, and that they do not want their sons or daughters to be treated as they had been treated by their parents, but also the younger generation learned by their parents' mistakes, and this generation has a clear vision about what could be improved for their siblings or their children's succession.

3. The third criterion was access. Also, it is common practice that researchers do not talk about this and try to convince their audience that they chose their cases because of a lot of other criteria but not access, as access is never a problem for them. Those who have worked on sensible areas before know that access is one of the main limitations and that many good case studies and ideas fail due to the access component. The previous mentioned private network of family businesses was used to find cases; additionally, two friends (gatekeepers) got identified, who were so kind as to ask other potential family businesses for access. These two cases have been the Old Sawmill business and the Herbal Family business. The use of these gatekeepers was essential, as the researcher himself knows a lot of family businesses but many of these could not be taken into account, as succession has either not been a current topic or access was denied, even though the researcher or his family were close to the family business CEO or their successors. As described in the hidden champion paragraph, family businesses are very reluctant to talk about themselves and to draw attention to their own person or their business.

The sampling strategy led to the identification of five case studies, whose summaries can be found in the case studies chapter. The research

explored the succession activities of family businesses and their successors.

Patton (2002) suggested that the strength of purposeful sampling lies in the opportunity for the researcher to select cases that are informatively rich. This enables the researcher to develop an in-depth understanding of the phenomenon, which is in keeping with the exploratory nature of this study. Stake (2000) suggested that developing a sampling strategy strengthens the rationale for case selection within a case study research strategy. The following process was followed:

1. Based on secondary data (e.g., media articles, websites) and the personal network, and in consultation with the supervisors, a pool of potential family business families was identified.
2. Applying the selection criteria described above, the majority of potential family business families were removed and three out of five cases remained.
3. With those three cases identified and approved, the other friends were contacted who might act as potential gatekeepers to generate access for two further cases. Due to the elite nature of this sample group it was necessary to use gatekeepers, as the last two cases are hidden champions, for whom it is important to remain anonymous. One gatekeeper is a private banker from Frankfurt who is responsible for the family office department of his bank. The other gatekeeper is an old lady whose late husband has been an entrepreneur himself; she is an active member of the local Christian Democratic Party and an Inner Wheel Club member; she and the author's mother are members of the same Inner Wheel Club.
4. Initial contact to the families was made either through a written letter by the gatekeeper or by a personal telephone

call to the young generation member. The purpose and topic of this dissertation was explained and anonymity and confidentiality guaranteed. After that time, slots got scheduled with the families and its individual members, and it was arranged that all members were interviewed the same day, so that interacting influence was avoided.

The use of gatekeepers in support of the researcher's own family business successor background gave credibility to conduct research with an elite group of German Mittelstand family businesses. Although the sample was purposeful, it was also tied to the ability of the researcher and the gatekeeper's access to specific individuals who met with the study's criteria.

5.4.2 Data collection

For all of the five case studies, primary data was collected mostly through the interviews conducted with the family members of the five families. It is important to mention that specific attention was given to not only interview the CEO and his successor but all family members, wherever access was possible. This study pays special attention to the non-employed family members who are normally neglected in family business research. Before the start of the first interview an interview consent form was signed (see Appendix 11.1.3); in this form the participants are informed about the content of the interview and the general procedure. The first round of interviews (see interview schedule in Appendix 11.1.1) were face-to-face interviews and were either conducted at the family business itself or even at their private home, which enhanced the private and familiar atmosphere and increased the familiarity between the researcher and his interviewees. In two cases a lunch and a dinner were included and in one case the interviewees even invited the researcher to stay overnight. Three out of the five families were old, long-term friends of the interviewer or his family already had established a trustworthy relationship, which made access and

interviewing much easier. Additional interviews were conducted via telephone, email; WhatsApp and Facebook (see Appendix 11.1.2). The first round of follow-up interviews was conducted approximately twelve months after the initial interviews took place. Later interviews were shorter and were often reduced to short messages if there was any news; if this was the case an appointment for a telephone follow-up interview was then scheduled. The interviewer and some of the interviewees met on several occasions for private purposes such as birthday parties; where relevant news was obtained the interviewer then updated the cases.

In total, five cases with 15 participants were interviewed, using a semi-structured interview schedule that was tailor-made and adopted for each case, depending if an older generation or younger generation member got interviewed. Additionally, the researcher has conducted numerous conversations over the past ten years with other successors or industry experts for the purpose of his own succession or his academic interest. These conversations have neither been transcribed nor directly used for this dissertation but certainly had an indirect influence on the researcher and his questions as they enriched his mind and way of thinking.

Table 5.1 Case Interviews

Case Study	Position	Code Name	Main Interview Location
The Luxury Bathrooms	Older Generation Father	Gustav	Daughter's Home
	Older Generation Mother	Birgit	Daughter's Home
	Daughter (Successor)	Anne	FB and Lunch
	Son (Successor)	Freddy	FB and Lunch
	Son in Law	Ferdinand	Daughter's Home and Dinner
Cable King	CEO	Herrmann	FB
	Son I (Successor)	Ferdinand	FB
	Son II (Successor)	Denny	FB
Herbal Family	CEO	Michel	FB
	Daughter (Successor)	Annika	FB
Box Printing Machine Family Business	Older Generation Father	Carlos	Home
	Older Generation Mother	Susi	Home
	Daughter	Ella	Home
	Son	Andreas	Home
Sawmill Family Business	CEO	Anderson	FB

In addition, the interview participants were asked to provide further information such as CVs, shareholder contracts or family constitutions, and the interviewer collected further information from the company's websites and marketing material. Following Yin's (1994) suggestion, a combination of interviews and document analysis for the purpose of this dissertation was decided. Yin strongly advised the use of multiple resources and mentioned that the usage of only one resource is too weak: "without such multiple sources, an invaluable advantage of the case study strategy will have been lost" (1994, p. 98).

5.4.2.1 Primary data

Case study evidence consists of six different sources, such as documents, archival records, interviews, direct observation, participant-observation, and physical artefacts. The use of these six sources calls for slightly different skills and methodological procedures (Yin, 1994, p. 78). In the following paragraphs it is explained which sources were used and what methodological procedures were applied.

Yin also suggested that the researcher should collect multiple sources of evidence and suggests that at least two of the six should be used. Participant observation was left out as there was never an opportunity to observe the interviewees during their day-to-day routine. “One of the most important sources of case study information is the interview” (Yin, 1994, p. 84); this proved correct as the interview, and especially the follow-up questions, offered a good opportunity to get a better understanding of the participants and their work, their emotions and their relationship to each other.

For every case study in which primary data was collected, the semi-structured open question interviews played the main role of data gathering (Appendix 11.1.1). The majority of the interviews, but particularly the entire first-round interviews, were conducted as face-to-face interviews, and have been recorded with the interviewee’s permission. Additionally, field notes were taken in case of technical issues or to supplement the audio recordings by personal statements, mimic observation or other relevant surroundings, or to draw first models and to discuss these models straight away with the participants. As shown above, 15 semi-structured interviews have been conducted in the first round and a total of 36 interviews overall cases, with an almost equal spread between family business and private settings as a location (Appendix: 11.1.2 Diary of data collection). This demonstrates the great familiarity and atmosphere between the researcher and his participants.

After transcription, each transcript was sent to the interviewees and they were asked to look through and to make sure there was no misunderstanding, or if they would like to adapt anything. Only minor changes occurred. Complementing this, follow-up interviews were conducted to ask if there was some kind of progress in the cases, or if they would answer the questions differently today. These follow-up interviews were conducted approximately ten to twelve months after the first interviews were conducted. From this time onwards, loose contact was kept with all cases and the interviewer would occasionally check if there was any relevant news.

Additionally, the interviewees were asked for further data such as written reports, CVs, shareholder contracts and family constitutions. This proved to be difficult; surprisingly, the participants did not feel any reticence in talking openly about their feelings or even about very private matters, and even allowed recording when they did, but they were all very reluctant to send written data. Most participants did not even have an up-to-date CV, as it was years since they last applied to a business for a job, and some of the family business CEOs had never ever felt the need for one. Shareholder contracts and family constitutions seemed to be top secret, and even though all family members got interviewed and had the permission of all family members for further material, access to these sensible documents was denied. In one case the older generation CEO handed over a copy of the family constitution but allowed private use only and not for research purposes. For another, it was possible to gain access to another family constitution, which even though it is not from one of the five cases is an important contextual artefact for family business succession research.

5.4.2.2 Secondary data

Secondary data was gathered in the form of external public documents, the firm's websites and additional websites such as, e.g., IHK (Industry and Trading Chamber) websites, which announced information such as numbers of employees, subsidies and sales. If available, newspaper and magazine articles about the family or the business in general or succession in particular were used to enhance the richness of the data.

5.4.3 In-depth interviews

Prior to conducting the interviews an interview protocol was developed and field tested to get a better understanding of how long the interviews would approximately take and how certain questions should be asked or certain areas approached. This method of a test interview was conducted with the father of the researcher and proved to be useful in terms of the quality of the questions asked, which certainly improved, but it failed in terms of time precision as there happened to be a huge variety between the length of the different interviews depending on the time available by the interviewer, private talking, personal preference for certain topics and personal affection between interviewer and interviewee.

The interview itself started with a number of closed questions about the interviewee, such as age, education, etc. The purpose of these questions was to collect some personal data that would make it easier to compare the different interviewees with each other and to take away their excitement and/or shyness. After these closed questions the real interview started, which had the form of open semi-structured questions that allowed the interviewee to answer questions extensively and allowed follow-up questions to clarify certain answers or to gain more information if the participant answered too briefly. The interview protocol, which was only used as a guideline sheet, consisted of 30 questions grouped into four topic groups, which were: closed structured personal questions, successor related questions, strategy related

questions, and internationalization related questions. A semi-structured interview technique was applied, as this technique opens a deep insight into the world of family business. To be precise, the method was chosen as it seemed to be the most appropriate for the nature of the exploratory research. It enabled us to ask and answer why, what, and how questions. The open-ended structure of the questions used in the interview enabled the participants to describe their experiences and stories more than closed questions would have done. This flexibility within a given structure allowed detailed exploration of the field, as one was able to adapt its questions and react to changing situations during the interviews to collect further valuable information that would have not been possible in a closed question interview.

The duration of the interviews ranged between one and two and half hours (for detailed information please see Appendix 11.1.2). All interviews were recorded via an iPhone with the permission of the participants; additionally, field notes were taken during the interview on the interview protocol to collect the most important information of the interview in case electronic recording failed, but also to note additional important information such as where the interview took place, who else had been present and body language, as this might later be important to understand the answers in the context given. As all interviews were conducted face to face it was possible to observe body language, and if it seemed important or necessary these observations also got transcribed.

All interviews were translated from German to English and transcribed verbatim, which was long and time-consuming work. All transcribed interviews together consist of 72 pages and 34,261 words of rich data. After finishing transcribing, an independent researcher who speaks fluent German and English read through the interviews to make sure any translation mistakes were corrected. The transcribed interviews

were forwarded to the participants and they were asked to read through and to correct or clarify if a mistake was made or if there had been a misunderstanding. As the dissertation took almost five years it was possible to establish a long-term research process with the participants and several follow-up interviews, due to academic or personal interest being followed. These follow-up interviews were conducted by telephone or via email, and the information collected was included in the recorded interviews if it seemed important for the dissertation. Whilst telephone or email may not be the perfect choice of the method, the geographical distance and the limited time available left no other option.

5.4.4 Document analysis

In addition to the data collected during the interviews it was decided to use document analysis to support the findings. “No single source has a complete advantage over all the others. In fact, the various sources are highly complementary, and a good case study will therefore want to use as many sources as possible...” (Yin, 1994, p. 80). Yin described the strength of document analysis as the repeatability, unobtrusive, exact data and often a broad coverage, as many events and a long time period are included. The limitations, or as Yin put it, the weaknesses of document analysis, are that the irretrievability can be low. Collecting documents has been the main challenge, even though a number of reminders or personal requests were made. Documents used for the document analysis were newspaper or online articles about the succession, CVs and the family constitution of one German Mittelstand family business.

5.4.3 Data analysis

The purpose of the data analysis is to give the reader a better understanding about the techniques, activities and processes applied to organize, structure, and interpret the collected data (Marshall and Rossman, 2006). To be specific, the aim was to make an empirical and theoretical analysis of the data (Van Maanen et al, 2007). Data analysis was a continuing process that started with the interviews in form of first data collection, continued over the follow-up interviews and the collection of, e.g., family constitution and secondary data, and lasted until this thesis was finished. Miles and Huberman (1994) supported this approach, as they advised to begin the data analysis parallel to the data collection in order to allow a synergy between the two processes that will certainly enrich the data.

The data analysis was an ongoing process that became more structured and organized through the use of Atlas.ti, a qualitative research organizational software tool. The author chose to work with Atlas.ti over Nvivo as Nvivo seemed to have a strong quantitative component of formula and dependencies, and was not as clear in its structure and usability as Atlas.ti (Cater III and Justis, 2009). The process of data analysis is best explained in the following four stages.

Interviews were transcribed promptly. Each interview that was recorded via iPhone was uploaded onto a computer and translated and transcribed into a separate Word document. This was a time-consuming and difficult task but it was unavoidable and it was a great help to familiarize oneself with the data as one listened at least twice (during the interview and during the transcription). The extensive transcriptions of various CEOs or their successors of not less than five different case studies allowed for the identification of key themes, key names of individuals and organizations, and repeating unique patterns within the data to be identified. The same procedure was applied for the follow-up interviews respectively: the interviews got adapted or commented on if

the follow-up interviews or the participants' reviews resulted in changes that seemed important for the work.

After the completion of the interviews and their translation and transcription, the relevant secondary data, such as websites and annual reports, got collected and read to support the development of individual case summaries (Yin, 1994), creating a thick description of the data (Langley, 1999).

It continued with the coding stage, meaning that the data got separated and classified into certain groups and codes, such as parent nodes and child nodes. The analytical framework refers to the relationship between emerging themes and contextual groups within the data. Atlas.ti was used in order to better organize the data into parent nodes and child nodes, to demonstrate their dependencies. This resulted in 31 codes, of which 28 were directly connected to each other. Using Atlas.ti software improved the structure and reliability of the data analysis. The data was grouped into different levels, e.g., division between family and business, reasons to take over, milestones, professionalization, experience or legitimization. These made it easier to access and organize the data according to their topics.

Yin (1994) advocated within-case analysis and cross-case analysis, and this informed the final stages of data analysis and strengthened the researcher's reflective position of the data. The interpretation started as mentioned above, right from the time of the interview event, but with more detail after the coding process, which enabled the conceptual association between the different themes in the data. This dissertation follows Miles and Huberman (1994) and Yin (1994), who suggested making connections and links in the data. These groups and connections helped in comparing the five different cases with each other, so as to identify general patterns and case-specific individualities.

5.4.3.1 Organizing data

Miles and Hubermann (1994) stated that one of the main challenges during the research phase is that as soon as the researcher collects data they are challenged to organize it. While they do not definitely know what they are looking for, everything seems to be important. Both authors agreed that processing the data might take four to five times longer than collecting it (p. 56); this is especially true for narrative approaches and interviews. Another obstacle was described as data retrieval, as within this huge bulk of data there is certain information that is more important than others. Coding, as described in the section below, is a great instrument to organize your data and to put it into content so that information emerges.

5.4.3.2 Coding

In 1994, when Miles and Hubermann wrote their book about qualitative data research, there was no computer software to support the coding process. Nowadays, software is often still based on the methods described in their books and makes use of, e.g., descriptive codes and pattern codes, or as they are also often referred to, child and parent nodes. Miles and Hubermann commented thus:

Coding is analysis. To review a set of field notes, transcribed or synthesized, and to dissect them meaningfully, while keeping the relations between the parts intact, is the stuff of analysis. This part of analysis involves how you differentiate and combine the data you have retrieved and the reflections you make about this information. Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes usually are attached to 'chunks' of varying size - words, phrases, sentences, or whole paragraphs, connected or unconnected to a specific setting. They

can take the form of a straightforward category label or a more complex one. (p. 56).

In terms of qualitative research, coding programs Atlas.ti and Nvivo seem to be the two dominant software packages available (Lewis, 2004). Atlas.ti and Nvivo are similar to each other; however, Atlas.ti is sometimes chosen above Nvivo for certain reasons, such as, for example, the usability, which seems to be easier with Nvivo (Lewis, 2004). Both programs were tested and discussed according to the research questions with an experienced Nvivo and an experienced Atlas.ti user. At the end, Atlas.ti was chosen due to its better usability and coding quality. Previous family business studies also chose Atlas.ti over Nvivo for similar reasons (Garcia Alvarez and Lopez Sintas, 2001, 2002; Cadieux, 2007; Cadieux, Lorrain, Hugron, 2002).

Interviews were uploaded onto the Atlas.ti software and quotations grouped into coded objects and families. The software then displayed these quotations as networks of relationships. The researcher then defined certain codes or families and drew models or relationships within the software to demonstrate how these codes were related or how they were supporting each other. A family represented a certain amount of codes and every single code represented a certain amount of quotations from the interviews.

List 5.1 Codes and code density

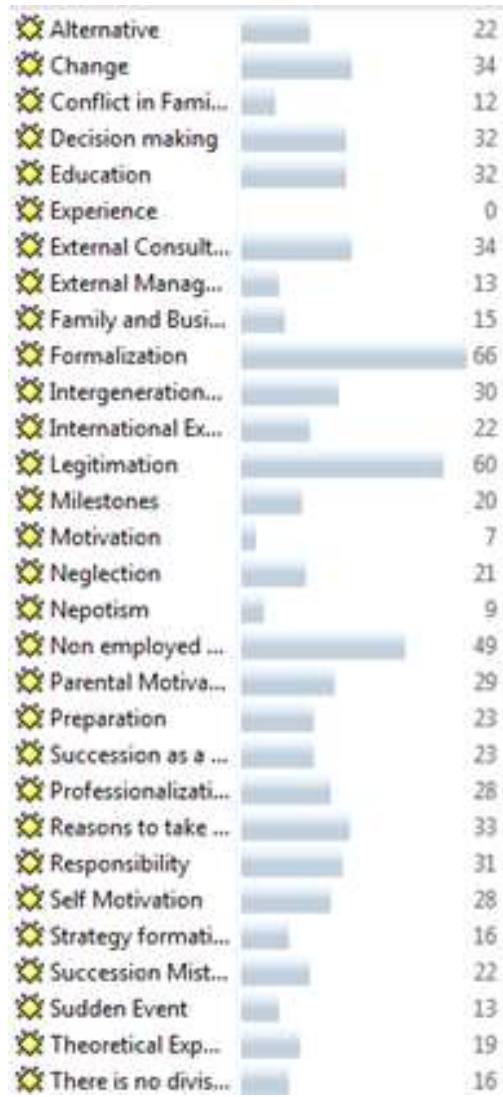
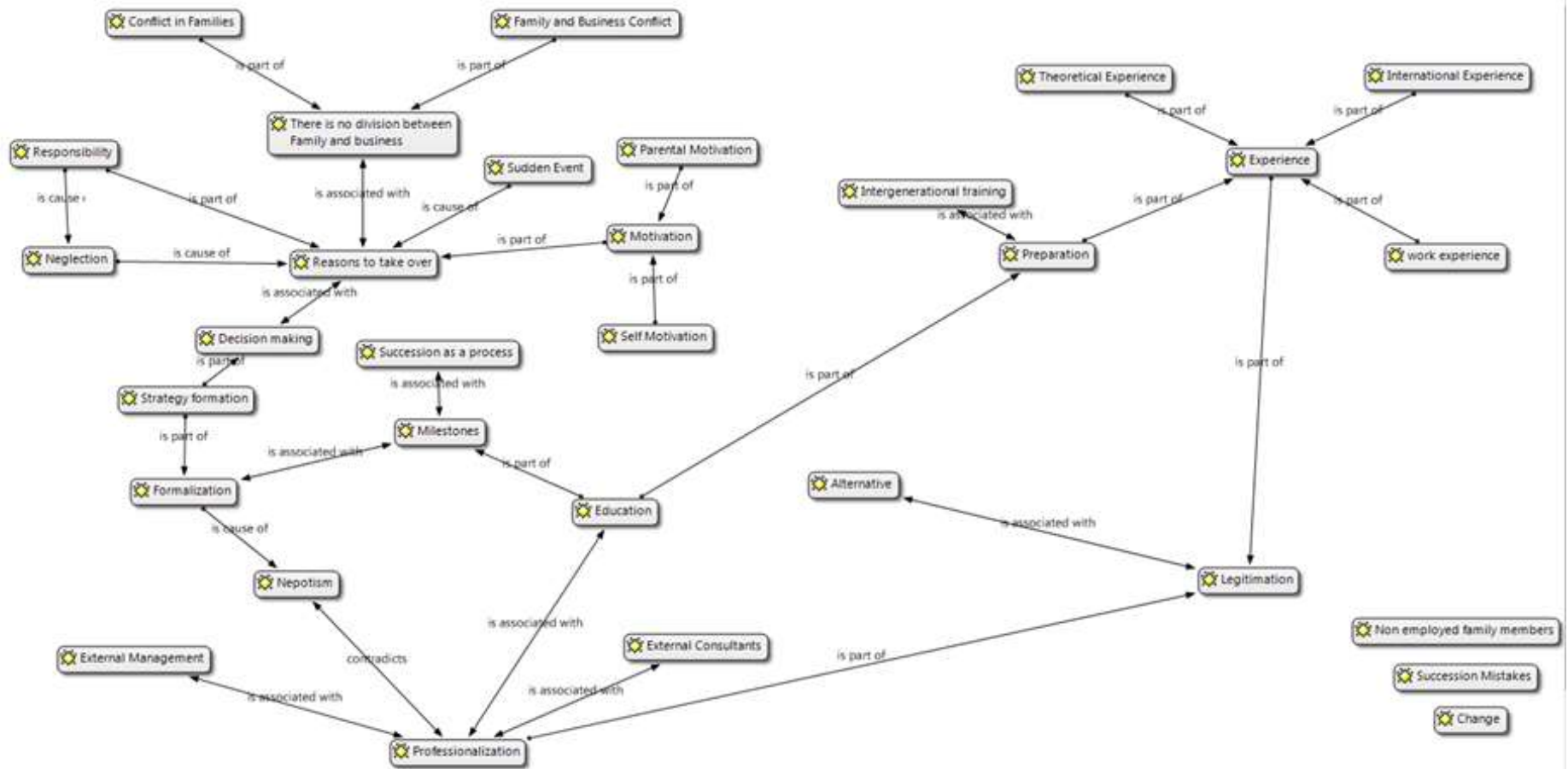
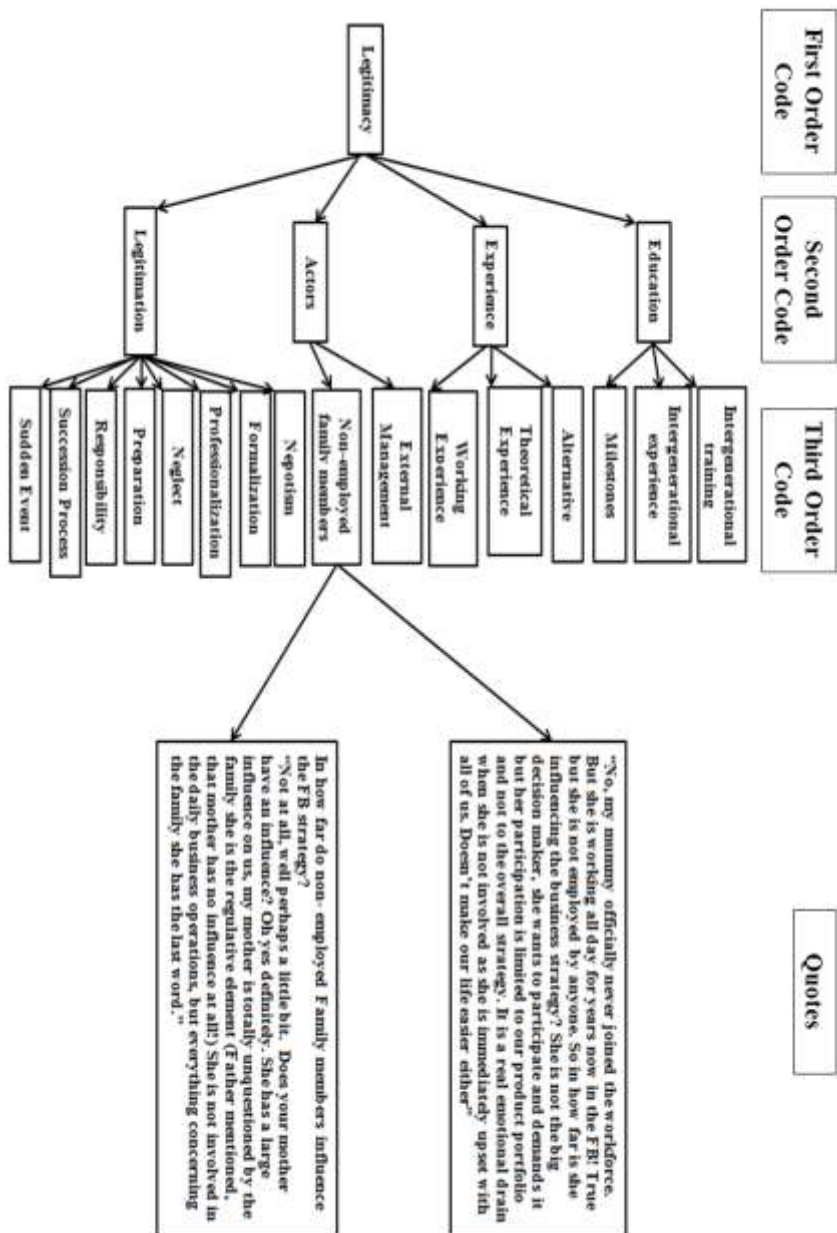


Figure 5.3 Code Relationship



After the coding of the interviews was finished, 31 different codes, including parent and child nodes, were identified, and a model was developed, as shown above, with the help of the Atlas.ti software, demonstrating the relationships of the different codes and their dependencies to each other. The model clearly indicates how the different codes are connected to each other and in what relationship they stand. Each code has a certain density, meaning how often it is backed up by direct quotations this ranges from seven quotations up to 49 direct quotations e.g. about non-employed family members.

Figure 5.4 shows the quotes and respective first, second and third order codes that emerged through the data analysis.



The figure shown above describes the coding and analysis process as it was undertaken for all four research questions. In this case, the codes were generated in the process of answering the research question: How do successors legitimise themselves?

Overall, the thesis answered four research questions and generated four parent nodes (education, experience, actors, legitimization). These parent nodes were umbrella terms for the child nodes, which have each been substantiated extensively throughout the coding process with quotes from interview transcripts, and suggested a high density (see Appendix 11.2). In other words, each child node represented one or more quotes, as shown in the diagram. The quotes stand, therefore, in a direct relationship to the initial research question, and have been conceptualized in theoretical terms using logical first, second and third order concepts.

5.4.3.3 Within-case and cross-case analysis

Yin (1994) described four dominant modes of analysis (pattern matching, explanation building, time-series analysis, and program logic models); one of these dominant models should be combined with a second lesser mode of analysis. In addition to the four main models Yin described three lesser modes of analysis that complement the dominant modes. These modes are: analyzing embedded units, making repeated observations and secondary analysis across cases. To generate the best possible case study analysis, Yin also introduced the four principles that underlie all good social science (pp. 123 & 124), such as firstly relying on all relevant evidence, collecting as much evidence as is available and interpreting all of it, and not leaving things out. The second principle is to include all major rival interpretations, and present them as alternative explanations. Is there any evidence to support these alternatives, or how could they be restated? Third, the analysis should address the most significant aspects of the case study, and last but not least, introduce one's own prior, expert knowledge, e.g., publications, but also management consultant experience.

The pattern matching mode of analysis was chosen as a dominant approach, and analyzing embedded units as the lesser mode of analysis to complement the first. Pattern matching compares an empirical-based pattern with a predicted one, and is in line with the chosen philosophy approach of Critical Realism, where one pattern or explanation is true till it fails, and then needs to be replaced with a new and better explaining or describing pattern of the phenomenon under research. This dissertation will compare the empirical findings with the already existing literature about family

businesses, succession and Strategy as Practice, and will either conclude that the already existing models and theories are supported or disproved, in which case an explanation will be presented as to why a certain theory could not have been testified and what explanation there might be to better describe this phenomenon.

Analyzing embedded units means that the different units of analysis - in this case, the families - are all analysed case by case, and that each case is seen as an individual unit that can later be compared to the other cases and then to the already existing theory. This makes it possible to do pattern matching, explanation building or to draw new models in combination with one of the main methods.

5.4.4 Data reporting

The research findings are reported as a portfolio of five case studies and are aimed at both audiences: the academic audience from the fields of entrepreneurship and family business research and practitioners. The involved family businesses will be provided with shortened versions of the PhD thesis upon the study's completion. Since the topic is highly sensitive, the requirements for confidentiality do not allow full disclosure of the company name and of the involved actors.

5.4.4.1 Reporting of empirical findings

The report is in written form and is supported by additional tools such as graphs to illustrate the complexity of the phenomenon. A cross-case analysis network was used, which was developed with the help of Atlas.ti and puts the 31 codes into a network and explain their relationship. Miles and Huberman (1994, p.228) found that a number of 30-35 variables is about right for a case specific network: 31 variables is therefore right in between this parameter. They described the cross-case analysis as follows (p. 228):

First, doing a cross-case analysis with a core list of variables found to have significance across several is a powerful way to move from case-specific explanations to findings that bridge the discovery or reinforcement of constructs. At the same time, we can identify and account for local particularities. We are going from local causality to clusters or 'families' of cases sharing important attributes. As Maxwell (n.d.) argues forcefully, 'casual explanation is a legitimate goal of qualitative research, and one for which qualitative methods have some unique advantages.' (p.1)

The model shown above in the coding section gives the reader a better understanding about succession, the actors involved and Strategy as Practice, and how these topics are interrelated to each other. It clearly demonstrates that theory, actors and practice do coexist and can be demonstrated in a model. Models make understanding complex phenomena easier to understand and enhance comparability between the cases.

5.5 Validity and reliability

Andrew Shenton (2004) identified four main criteria for trustworthy qualitative research: credibility, transferability, dependability and confirmability (p. 64). He explained that these criteria are required to prove that qualitative research is a trustworthy science, as the qualitative approach has often been under attack by positivists, particularly from the natural science community. These scientists (positivists) only believe what they can count, measure and see. Obviously, these principles only apply for a very limited area of research; social science - and family business research in particular - is far more challenging than counting the number of bones of a fish, or measuring the minerals of some kind of soil. Very often, emotions and unspoken words are part of what makes us human, but this does not mean that qualitative research is less accurate and reliable. The table shown below gives an overview of the measures taken to enhance the quality of trustworthiness for the data taken into account for this dissertation.

Table 5.3: Data analysis quality measures (Adapted from Shenton A.K., 2004, p. 73)

Quality Criterion	Possible provision made by researcher
Credibility	<p><i>The adoption of well-established research methods:</i> e.g., Koffi (2014) and Kontinen & Ojala (2015) also called for more qualitative research in the area of family business research, and asked in particular for more case study interviews, such as the ones the author used for his dissertation.</p> <p><i>The development of an early familiarity with the culture of participating organizations:</i> It is well explained in the subsections about the author’s personal background in how far the author, as an entrepreneur and family business member, is not only familiar with the culture of the organizations and its families but is even considered as one of them.</p> <p><i>Sampling of individuals to serve as informants:</i> This was achieved through the expert interviews that the author conducted as part of his own experience as an entrepreneur, e.g., during numerous encounters on next generation entrepreneurial days. The information gathered on these occasions does not stand in sharp contrast to the information gathered during the case study interviews.</p> <p><i>Triangulation:</i> Supporting data such as CVs and family constitutions were gathered and analysed to supplement interview data.</p> <p><i>Member checks:</i> Participants were sent a digital copy of their interviews to check if they agreed with the interview transcriptions and if the content matched their actual beliefs.</p>
Transferability	Extensive provision of background data was made to establish the context of study and detailed description of the phenomenon in question in order to allow comparisons to be made.
Dependability	Employment of ‘overlapping methods’ was used, plus an in-depth methodological description to allow the study to be repeated.
Confirmability	Triangulation was used to reduce the effect of investigator bias in the section about the researcher’s background; also, personal beliefs and biases have been addressed so the reader might better understand why the researcher chose certain approaches that might lead to certain biases.

5.6 Ethical considerations

Given that in-depth understanding is sought in researching several cases in detail, good access to families and the businesses was required. “Good access builds on relationships based on trust. Once established, trust might lead to the revealing of

experience, thoughts, and emotions which individuals would normally not voice” (Nordquist et al, 2009, p. 8), especially as most participants were accountable for their role in the business as well as family members. Therefore, out of “respect for the individual’s and the family’s integrity (and harmony), the researcher might have to exclude relevant, interesting – but at the same time also revealing and hurting – information even at the cost of less transparent interpretations” (Nordquist, 2009, p. 8)

The ethical issues involved in this research project primarily concerned the in-depth interviews conducted as part of the case study research. The aim of qualitative in-depth interviewing was to “take advantage of the qualitative opportunity (and exploratory power of the method) without also taking advantage of the respondent” (McCracken, 1988, p. 12). The acknowledged strengths of in-depth interviews also implied risks to interviewees, such as endangering privacy, being intellectually and emotionally demanding, and more time-consuming than most quantitative research processes.

The ethical guidelines were considered throughout each stage of the project, including contacting participants and truthfully presenting the aim, scope and purpose of the research, as well as the participants’ role in it; defining the research setting (avoiding unnecessary privacy intrusion; providing a secure and comfortable environment) and allowing respondents the freedom to avoid answering certain questions, or to mention that certain information also being recorded may not be used for the purpose of this dissertation, and allowing each respondent to review the transcribed interview and interview analysis if desired. The latter implies that ethical considerations are interlinked with the quality of the research findings: allowing respondents to review the interpretation of the transcribed data ensures that meaning was captured as intended by the respondent and the principles of transparency and disclosure were guarded between the participant and the reader (Mariampolski, 2001).

Acknowledging that it is the responsibility of the researcher to ensure voluntary participation and guard participants from any harm, the researcher ensured informed consent from every interview participant and offered to ensure anonymity and confidentiality for protecting the participant’s privacy (McGivern, 2003). All participants agreed to be recorded and their names being changed.

5.7 Methodology conclusion

This chapter has discussed the critical realist ontology and epistemology which underpins this thesis' philosophical assumption. Building on this discussion, the chapter has established the employed research method, data collection and data analysis processes. All these processes followed relevant ethical considerations, as well as criteria for rigorous research.

The methodology chapter not only introduced and explained the research framework explaining how the question of understanding succession processes in the context of German Family businesses is grounded on the research method, research objectives and the philosophical foundation of critical realism. The next part of the chapter introduces critical realism and briefly explains how critical realism and Strategy as practice complement each other. The next part introduces the research approach including sampling, data collection, how the in-depth interviews were conducted, data analysis and reporting. The final two sections examine the validity and reliability of the data collection and some of the underlying ethical considerations when interviewing interviewees and family members.

The following chapters will now report the empirical evidence, which consists of five case studies of succession processes in the context of the German Mittelstand.

6. Case Description

6.1 Introduction

This chapter describes the five empirical case studies. Each case is briefly introduced by its history, its original aim and how it developed over time; the products will be described and some general data about its employees and its turnover will be given. The business family, consisting of the older and the younger generation, will be introduced together with their responsibilities and also if they had external help during the succession phase or not, and if conflict potential was discovered during the data collection or not. The chapter also describes how the succession took place and what milestones were identified. Each case concludes with a short future outlook.

Table 6.1 Overview of 5 Empirical Cases

	Case 1: The Luxury Bathrooms	Case 2: The Cable King	Case 3: The Herbal Family	Case 4: The Box Printing Machine FB	Case 5: The Old Sawmill FB
Basic Case Information					
Business Type	Retail /Manufacturing / Services etc. B to C	Manufacturing/ Services B to B	Manufacturing B to B	Manufacturing/ Services B to B	Manufacturing B to B
Business Size in Terms of Turnover	€(1-5) Million Turnover	€95 Million Turnover	€350 Million Turnover	€60 Million Turnover	€270 Million Turnover
Location	Baden Wurttemberg	Baden Wurttemberg	Bavaria	Bavaria	North Rhine Westphalia
Established in	Ca. 1900	1940s	1930s	1950s	1880s
Branches Branches Abroad	2 0	11 8	30 Min. 9	1 0 but exports in more than 50 countries	14 12
Number of Successions	4	3	4	3, 4 th generation grandchildren already present	4, next step is Generation 5
Number of Employees	21-50	620	3,000	300	1,600
Number of Family Members Actively	4	3	4	4	0

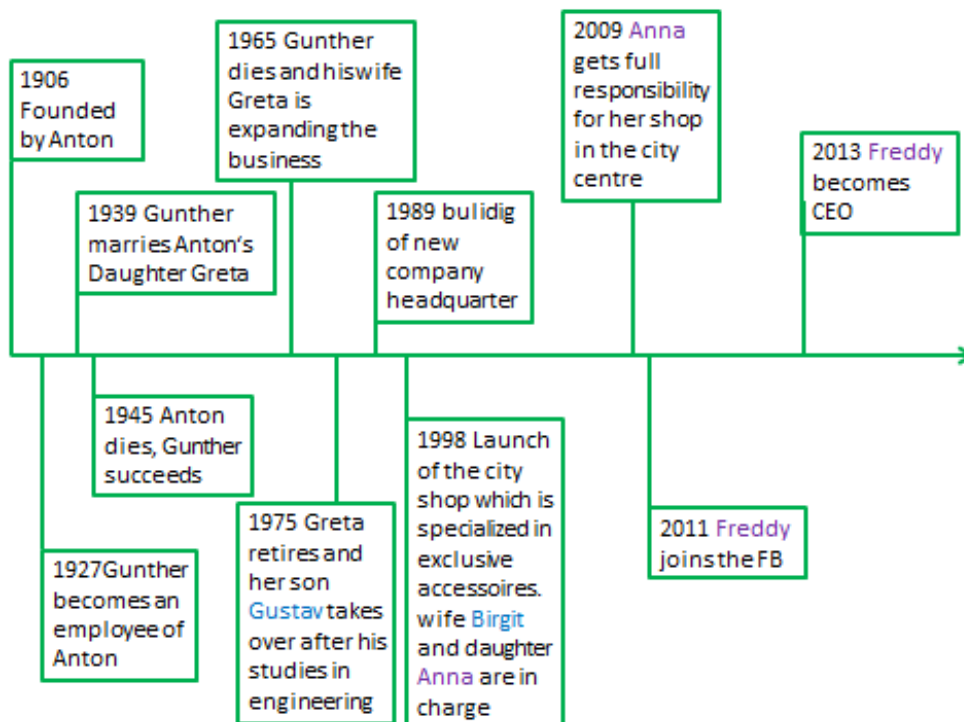
Involved in Management					
Succession Stage	Succession from the third to the fourth generation finished, third generation now retiring	Second and third generation fully in control, preparing succession of third generation.	Second generation fully in control, preparing succession of third generation.	Succession from the third to the fourth generation finished, third generation now retiring	Preparing succession of Generation 5
Empirical Evidence					
In-depth Interviews	4, Old and younger generation complete	3, Old and younger generation complete	2, One with the older and one with the younger generation	4, Old and younger generation complete	1, Present generation
Family (Business) Constitution	No	No	Yes	No	Yes
Shareholder Contracts	Yes	Yes	Yes	Yes	Yes
Formal or Informal Succession	Informal	Formal	Formal	Informal	Formal

6.2 Case 1: The Luxury Bathroom and Sanitary System Manufacturer

The luxury bathroom manufacturer, as its name indicates, focuses on luxury bathroom interiors, which cannot be acquired in any do-it-yourself shop. Products and accessories are very exclusive and designed according to the latest trends from Italy. The business is now in its fourth generation.

The business itself was founded in 1906 in the federal state of Baden-Wurttemberg. There are no records for these assumptions, but Baden-Wurttemberg might be the place with the highest density of family business activity in Germany. Its strong economy supports this assumption, as it is also represented by big companies such as Porsche and Bosch, which both have a large supplier network. These conditions support Baden-Wurttemberg's enormous wealth, which is the perfect environment for businesses of the luxury consumer goods industry.

Timeline 6.1: coloured names have been interviewed; blue indicates the older generation and violet the young generation



The family business was founded in 1906 by Anton as a small one-man sanitary manufacturer. In 1927 his future son-in-law Gunther became an employee and started his apprenticeship. Gunther must have impressed Anton by his work and discipline, otherwise it is not likely that the successful entrepreneur would have agreed that Gunther could marry Anton's only daughter and only heir, Greta. So in 1945, right

after the end of the Second World War, Gunther succeeded Anton and became the new head of the still small and regional active family business. Only twenty years later Gunther passed away and the bathroom manufacturer welcomed its first women in charge. Greta not only took over the firm, but she even expanded the business till her son Gustav was old enough to become a successful entrepreneur himself, in 1975. His engineering degree and his high motivation led to a second expansion phase, and in 1989 the 1906-established family business moved into new headquarters, as the new one got too small. In 1998 the female entrepreneurship spirit led to some kind of spin-off as Gustav's wife Birgit and his daughter Anne decided that a shop in the city centre might enlarge their customer base. This shop was more modern than the already existing headquarters and focused on accessories and design products rather than craftsmen's skills. As Birgit and Anne both spoke Italian, Italian design would be their new focus and they were lucky, as it was exactly this that their customers demanded. In 2009, Anne, who had up to now only worked as a part-time student, decided to join as a full-time employee after the sudden resignation of one of their leading employees. She quickly learned that being self-employed could be a big burden rather than a joy, especially as her parents were neglecting more and more to take over certain tasks or to do the decision making for her. In 2011 Freddy, Anne's only sibling, joined the main business and took over his father's job step by step. Freddy prepared himself to do so and gave presentations about renewable resources while still working for another employer. He joined the heating department and enlarged it by 25 new employees. In 2013 Freddy became CEO and is currently working next to his father, who is now retiring step by step.

During the time of this dissertation the city shop proved to be unsuccessful and Anne decided to sell it and to pursue a career outside the family business, as this was easier to organize with her young family.

The products and services of the main firm, which is the brother's territory, mainly focus on bathrooms and heating devices. This is done by very fashionable and designed products and an extensive service package, which does not only include all the craftsmen but even an interior designer. Freddy specialized himself ten years ago on renewable energy and modern heating technology, and presented the progress in this area to established customers before he joined the family business. These two areas, but especially the heating department, which had been neglected by his father, became

his main area of expertise, where he offers tailor-made solutions and products that use renewable energy of the latest technology.

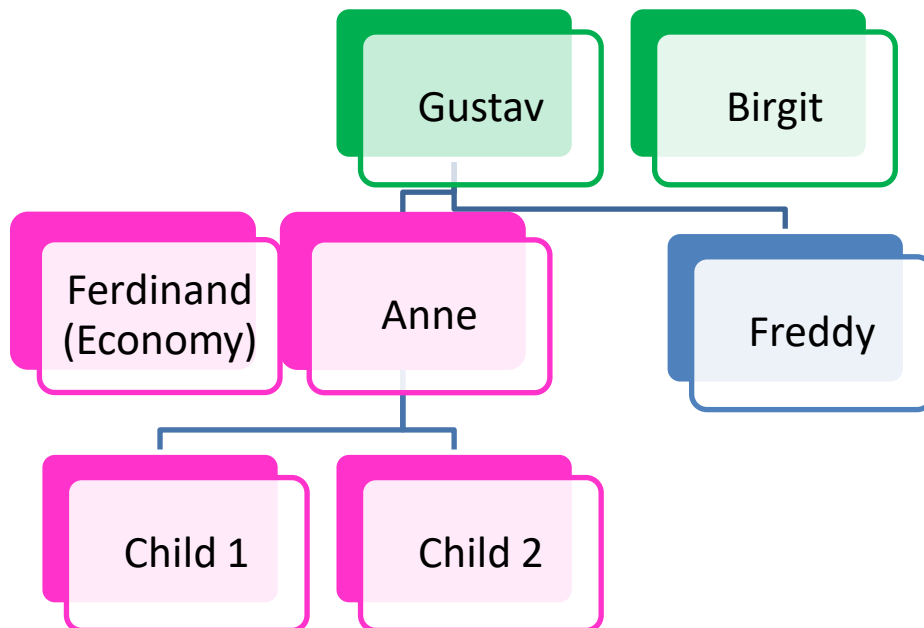
Services are completely within his and his father's responsibility, as they organize the main business craftsmen. They do everything from a plumber's job to heating and all-round sanitary fittings. Beside their own work the main business gets additional assignments from the daughter's business in the city centre if customers not only require certain accessories but also want these to be installed. Anne operated a shop in a large city in Baden-Wurttemberg, where she offered bath accessories such as mirrors, bath tubes and other original necessities satisfying her customers' demands for exclusive high quality equipment that could not be bought in one of the usual DIY markets. Her mother, who helped her to establish herself, forged an especially strong relationship with exclusive suppliers from Italy, and advised her daughter to learn Italian so that it would help a lot in making business there, especially when things get difficult and deadlines need to be met. Exclusivity contracts with almost all suppliers guaranteed uniqueness and an ongoing competitive advantage.

In terms of number of employees and turnover this family business is the smallest business in the sample. With its approximate 40 employees it is considered to be a small to medium sized company, with its annual turnover of approximately one to five €Million constantly increasing. CVs were gathered for a secondary data analysis, as the shareholder contract is confidential and not very extensive, and a family constitution does not exist, so secondary data for this case is limited.

Formalization is not Luxury Bathrooms' biggest strength. Everything is done more out of a gut feeling rather than through strategic thinking. So there are no formalized goals, nor is there a family constitution. There are shareholder contracts that focus on succession issues, but beside that, further contracts or further formalized strategies are a rare, or to be more specific, a non-existing resource.

6.2.1 Business Family

Family Tree 6.1



The interviews themselves were conducted individually with each person. The younger generation was interviewed at the company's offices, and during a lunch, the older generation was interviewed at the daughter's home while they were babysitting the young boy of the daughter. The atmosphere during the interviews has been trustworthy, sometimes even intimate and familiar. Very personal and emotional items of information have been communicated, which have not all been included in the interview in order to keep the interviewees' private sphere protected and the relationship to each other saved. These issues will be addressed in more detail at a later part in the research limitations. It is important to know that the daughter and the interviewer have had an intense and trustworthy relationship for ten years now, and exchanged their ideas in that time about every important life stage, and are therefore very close to each other. Based on this relationship, the access to detailed spoken and written information was granted and the rest of the family was also ready to speak about family matters.

This family business is today in the fifth generation, comprising a brother and sister, who are working next to each other and still receive the support of both of their parents, who are gradually retiring from full-time work in the family business. This family is proud of its origins, its family history, its 45 employees and the area it has its roots in.

One can notice this easily by the dialect the whole family is speaking in, not trying to avoid or hide it when engaging with people who are not from their region.

The mother is in her 60s and has a university degree as a translator. She has been a successful entrepreneur herself, founding an association whose purpose it is to make technical manuals easier to understand. Furthermore, she has worked as a professional translator and worked for some time for IBM USA. Also, her education was not chosen to meet the family business needs, as she neither knew her subsequent husband, nor the family business. At that point of time she worked successfully for the family business for several decades, and was at the same time a caring mother who raised her two children. Case One is a perfect example of the unemployed (no employment contract) and often in research neglected 'mother'. It is true that she did not have an employment contract but she did have an active role within the family business and certainly did - and still is - influencing her children and her husband. Also, as mentioned by all participants, strategic decisions are not made at the office but at home, and more often than not around the kitchen table. The industry experience she has got today was gained during her many years working for the family business, and as the interviews point out, her translation university degree played a big role for their first steps towards internationalization, which made it so much easier for her to get in contact with their first suppliers from abroad.

The father, who is now in his mid-60s, chose his engineering degree out of interest, and being very passionate about entrepreneurship and his own business in particular, he did not force his children to join but rather paid close attention that they were aware of their duties. His daughter, however, joined the business right after her Abitur and later took over the presentation room. As he said, "It was not possible to stop her"; his son, on the other hand, was sent away to get a decent education and also to make his first steps outside the family business. Nevertheless, succession has always been on his mind and he did not fear it or avoid the topic as many other entrepreneurs do. Within an industry specific network of entrepreneurs he raised certain questions, and succession was done beside the above mentioned network, merely without the help of further external consultants (although there was a tax accountant). When he took over the family business from his mother there had not been any alternative to it. His father died young and the head of a craftsman business needed to be a man at that time, so he relieved his mother from her heavy burden and jumped into the water and accepted

his inheritance. Perhaps for these reasons he has been so critical about his own children's idea to join the business right away.

The younger generation consists of an older daughter and her younger brother. The daughter is married to one of the Cable King sons and they have two sons (18 and 6 months). She has been known to the researcher for almost ten years and they exchanged their ideas and plans of succession on a regular basis. She is now in her late 30s and is definitely an extrovert person with an endearing personality, who is driven by her creative mind and her family business is the centre of her world. This perception gets supported by some of her quotes: "I chose my education solely for the family business, there has never been a Plan B." So when an employee dropped out she left university ("I have never been good, you know") and joined the family business right away without doing her last six months in order to graduate with a degree. One could say that she joined by accident and remained in that position for the next few years. "I still had my student contract, which was outdated for a few years and it was quiet a struggle to convince my parents to sign an employment contract for me." In contrast to her brother, who earned his spurs outside the family business, she needed that time to become aware of what she wants to do. As she said herself:

"It was more a temporary engagement. I was twenty-one at that time, totally naïve, and had no idea what succession and working time for a family business really means... to be honest I just wanted to have fun and it needed some time until it became the job of my dreams."

However hard working, creative and self-confident she is, she managed to establish her shop as an independent business unit. She is now well aware of her past mistakes (joining by accident, no working contract, no master plan, limited education) and is making up for her past shortcomings. This lack of credibility made it hard for her to establish changes at the beginning of her career, as "employees are always reluctant against changes" a complaint which was heard several times during the interviews, especially from participants who joined the family business right away. However, she got support from her family, who not only supported her changes within the shop but also her suggestions towards a new product range, which turned out to be very successful and unique: "Our products, the design and Anne just fit together" (mother, Luxury Bathrooms). The most important people from a business point of view are still family members. Her husband is more than her partner in their relationship, but must

also be seen as her main sparring partner. Along with the family comes the young entrepreneurs club, who played a vital role, especially during her succession phase, and a former KPMG consultant who helps her with the finances. Family is the most important thing to her and it is therefore not surprising that most family business decisions are made at home. This might also be due to the fact that as a young mother, entrepreneur and wife, who is married to another entrepreneur, time is a limited resource and must be managed carefully. During the time this dissertation was written Anne had to face the reality that even though she worked hard in her city shop, it did not really pay well, and that the challenges of being a mother, wife and entrepreneur over-exerted her. This was a hard thing to face but she decided to sell the shop and to choose the career of an employee with regular working hours, which makes her life a bit less challenging.

Her brother, on the other hand, chose a very different approach. He educated himself independently to the family business and decided to do his internships and first jobs outside the family business. “There was no forcing in the classical sense but they (parents) encouraged me”; he therefore never lost sight of the family business but started seminars to make customers aware of the use of renewable energy at the time when he was still employed outside the family business. While his job got more and more unsatisfactory, he was, due to his position, not able to, “initiate new things or to push things forward” as, “others decided, I wanted to be in that position”. He decided that he had seen enough and that it was time to come home, as he commented:

“I definitely recommend every young successor ... to go out first and to do your first mistakes somewhere else.”

When coming back he focused and re-established the heating department, a business unit rather neglected by his father, and “hired ten new employees to start something completely new”. Succession was done in a much more professional way and there has also been a working contract from the first day. The main sparring partners are of course the other family members, but also notaries, tax accountants and an industry club where he “initialized a succession chapter” and where he is gaining his industry-specific knowledge. He is a big advocator of a clear division between family and business and tries not to talk about business at home. Also, this is obviously very hard if the rest of the family is not sticking to this rule. He must be described as rather introverted and technologically oriented, but as his father said: “His girlfriend

definitely has a positive influence on him, as she makes him travel and opens his mind to new things.” He has been able to gain managerial expertise before joining the family business, which makes implementing new ideas easier for him as he has already worked for large international organizations, so employees are more willing to accept his authority. Industry expertise is his vulnerable point, as he has worked in other industries before but not in the family business. He is aware of this shortcoming and tries to compensate for this through autodidactic education and the industry entrepreneur club, which is a great resource to him.

External involvement will be divided into external involvement for the family business and its members and external consultants or external people who have been influencing the succession process.

Besides the usual tax accountant and lawyer who are always present, Anne has special support from a former consultant who is now working full time for her husband’s business. He is helping her to get deeper into the numbers and to understand her accounting. Besides this, all the other support that Anne gets is from her family, including her husband, who is the Economy Son of the Cable King from Case Two. As she says:

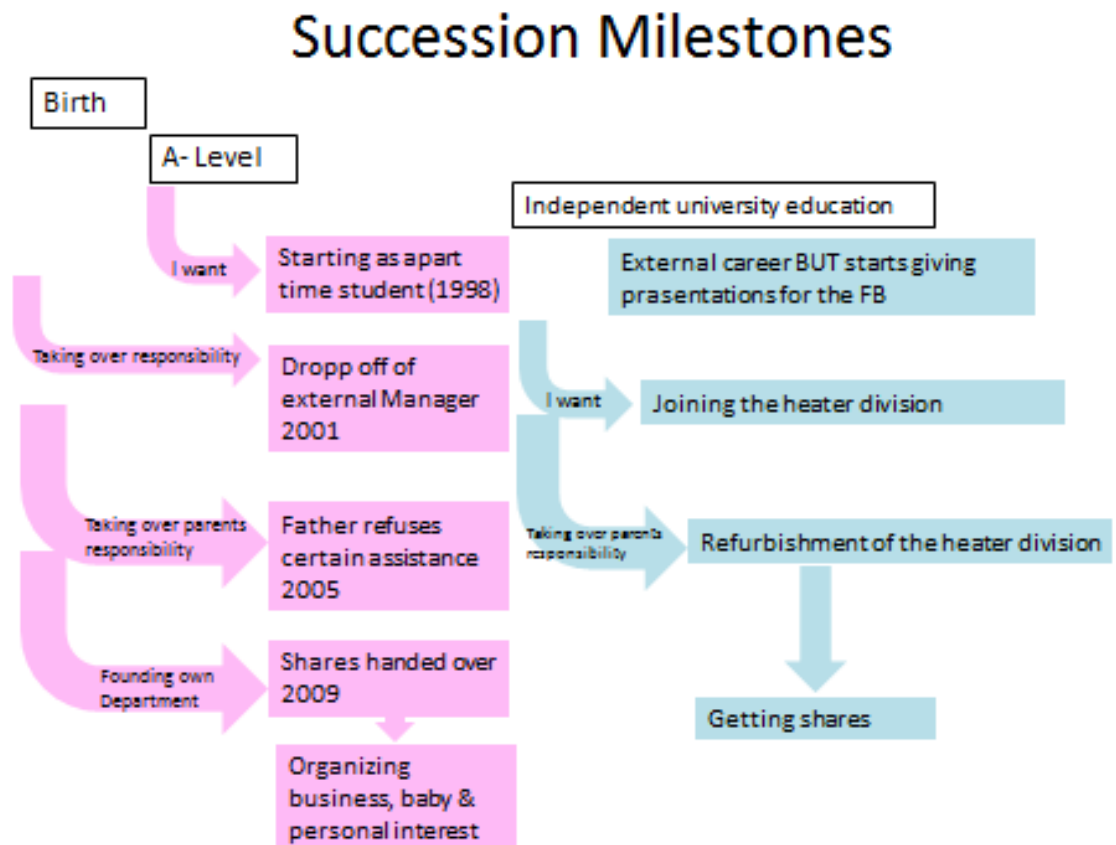
“Decision making is taking place at home around my kitchen table...”

Her brother Freddy is intensively using an industry club, not only for purchasing products within a big network but also to exchange ideas and thoughts about the latest trends and technologies.

6.2.2 Succession

Succession has been a mostly private matter. In one case it happened by accident and rather semi-structured, and in the other case on purpose. The parents did not want to inhibit succession but they can hardly be seen as fostering it either, but got constantly reminded by their daughter about this topic, who was eager to get at least an employment contract. This cannot be achieved till she gets shares of her own business unit, so she has been able to sign a contract with herself.

Diagram 6.2 Succession Milestones



The graph above shows the different milestones in the succession phase of the bathroom manufacturer family business. Pink shows Anne’s stages and blue indicates Freddy’s. The earliest point that can be seen as a true and serious succession event has been finishing high school with an Abitur. Most (family business) parents try not to interfere and to grant their children the opportunity to make a wise decision on their own, but they are well aware, most probably much more than their children, how important this decision is, even if they try not to influence their children. In this particular case, destiny played a special role, or to quote Anne:

“I wanted to be self-employed anyway, and my parents wanted the family business to grow. On the same day when I had my last oral exam for the Abitur we opened our new branch in the city centre and I entered it and knew ‘I want to do this’. This is my baby you know? Call it destiny or whatever, it just seemed to be fine.”

Also, Anne had to choose a university, so she convinced her parents to work on a dual education basis for the new business shop. Three years later a sudden incident gave her the opportunity to make the next big step:

“There has been a leading employee; she was also doing my job at the time when I have been to university. Unfortunately she always feared that I want to take her job away. Which was definitely not true, but when she left I was suddenly sitting between two chairs and decided to leave university and work as a full-time employee... my performance wasn't really outstanding either and my motivation was very limited... this was the perfect opportunity to become self-employed and to leave university without losing face”.

Anne soon had to face reality that life as a self-employed entrepreneur of eighteen years old is easier said than done; her parents refused a proper employment contract for the next few years, and this became a real problem as there “has never been a master plan, meaning I did not know and everybody else did not know when the next step was going to happen”. So Anne had to do it the hard way, which meant working for several years under close supervision by both of her parents till she had earned their trust and had her first individual successes with her new product portfolio. In 2005 her father started to refuse further assistance as he delegated more and more responsibilities onto her shoulders. 2009 became a very important year as her parents transferred their shares to her and she was finally able to sign an employment contract with herself.

Her brother Freddy chose a quite different approach. After his MSc in Sweden and a German MBA in a family-independent but applicable subject, he decided to work for one of Germany's largest automotive firms, which gave him the opportunity to work outside his own family business and to gain a good insight into other industries. Also, working for another company has its advantages: he never lost contact with his own family business and started educating himself about renewable energy and how it could be used in bathrooms. He began giving small presentations to customers and slowly increased his own attention towards the family business. A year later he joined the heater division. For him change has been much easier than for his sister, as he had already earned his credibility abroad and so it took him only a year to refurbish the heater department and to hire ten additional employees (one quarter of the total

workforce!) to make the long-neglected heating department the new driving force within the family business. When asked why he chose to return he simply answered:

“The entrepreneurial spirit per se, I liked the responsibility for my own actions and disliked the type of work one has to face as an employee... but to be honest with you it has not been social responsibility or entrepreneurial spirit that I am really interested in, it is what I am doing today that made me come back.”

So in 2009 he inherited the main business from his father and got full responsibility. Both parents are currently retiring step by step and are more and more taking over grandparents' responsibilities.

As mentioned before, one succession happened by accident and led to leaving university without a degree, while the other succession happened on purpose but without formalized goals or milestones. To date there is still no written master plan about a further succession step, nor is there a family constitution planned for the existing or for the next generation. Besides the entrepreneurial clubs there was neither external support nor any form of formalization. It is therefore necessary to consider this succession as rather unprofessional; Freddy continues to be successful in the family business whereas Anne had to sell up and pursue a career outside the family business.

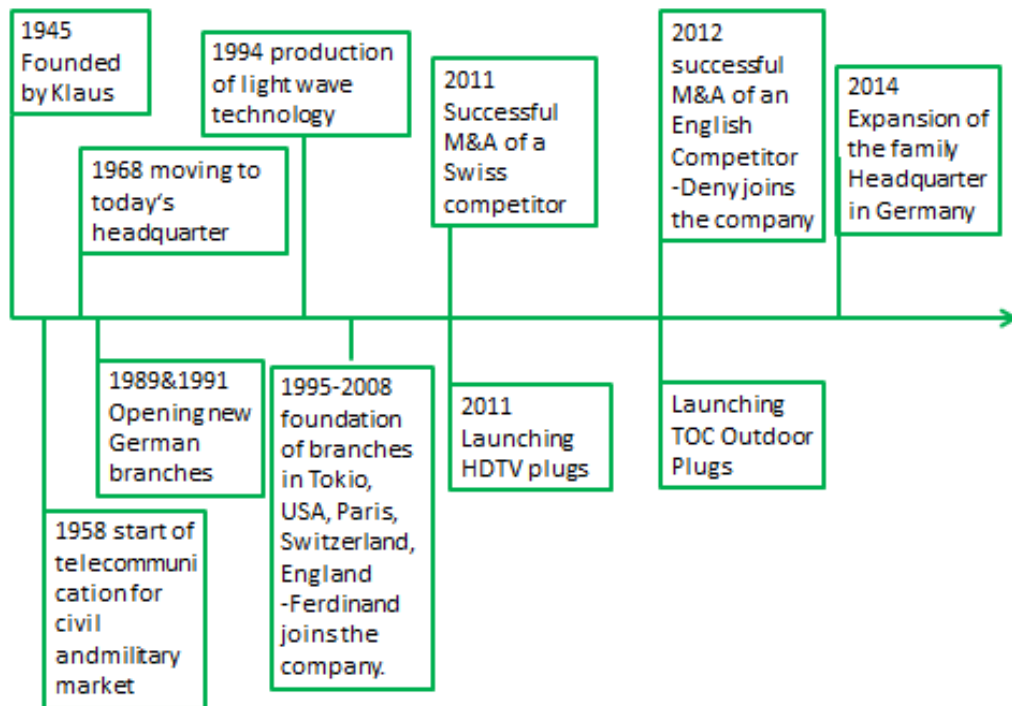
6.3 Case 2: The Cable King

The Cable King is a medium-sized family business with four family members actively involved, which has its headquarters right in the heart of Baden-Wurttemberg. The Cable King is in the communication technology industry, producing cables to transmit information, sound or light from one technical device to another.

It has to be mentioned that the interviewer knows Ferdinand and Denny from before the interviews were conducted, and that during the interviews private information was said which was not transcribed and which will not be part of the analysis due to ethical restrictions and to protect this trustworthy friendship.

Founded right after the Second World War, the Cable King started to make its fortune with—compared to today—low-tech products such as a simple bell wire. Upcoming new technologies and demands created a fruitful market and the starving German population was hungry for entertainment. Wires soon got replaced by cables and these cables got more and more technology-intensive as soon as not only sound but also light and even whole movies were transported through cables. In the late 1960s the company moved to its new headquarters, and in the mid-1990s the family business founded its first subsidiary in Tokyo, which was a world leader regarding technology and technological components.

Timeline 6.2 The Cable King's timeline



Klaus Cable King found his family business in 1945 right after the Second World War. It was a one-man business for the first few years and nothing extraordinary, but the young entrepreneur focused on low-tech products such as bell wire and other related products. The Cable King grew big when they moved in 1968 to their new headquarters, when the founder's son Hermann took over. Hermann and his older brother expanded the business continuously and opened new branches all over Germany. They focused on new upcoming technology and continued the bell wire tradition by focusing on light wave and data transmission technology. The 1990s were used to go global and to expand its markets, especially in leading high-tech countries such as Japan and the United States, or in countries that have a strong demand for its products, such as England, Switzerland or France. In 2007, Ulli retired due to health issues and Hermann's oldest son Ferdinand joined the business at a low level. With the entry of Herman's second son Denny the family business continued its expansion strategy but focused on M&A activities instead of opening up new facilities.

Wherever cables need to be connected or electronic devices need to transmit data the Cable King is able to provide an option. They offer solutions for the automotive industry, as well as renewable energy devices, medicine and, of course, telecommunications. Electronic cables and its connection devices are the company's

area of expertise. One of its core strengths is the security aspect, e.g. in the automotive or medicine fields, as many of its products are ISO TS certified. Special plugs that enable a fast transmission and the transport of high volumes of electricity or indoor data - and if necessary even outdoor - are another core competency. Especially in the medicine department, its plastic injection moulding knowledge enables the Cable King to provide its customers with better, smaller and lighter systems. The service department is eager to maintain a healthy customer relationship and is always interested to find out more about the challenges its customers have to face to provide tailor-made solutions. Typical customer demand includes higher security classes, alternative materials, special sizes, industry specific design or partially assembled products.

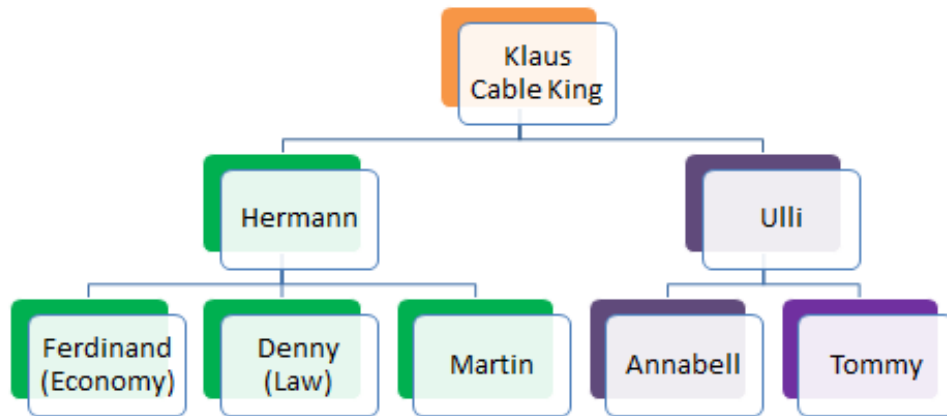
The Cable King currently employs around 620 employees and it can be expected that it will grow even bigger in the future as the firm prospers. These 600 employees are spread over all 11 branches in eight countries, but a majority is employed in Germany at its headquarters. Most of its employees are in the department of mechanics and engineering, and are therefore craftsmen, but the white collar department is also growing significantly, with a strong focus on product management.

With its €95 Million turnover, the Cable King cannot be considered as a small enterprise anymore; it must now be considered as one of the bigger players within the family business field.

There is no family constitution; during the interviews the development of a family constitution was planned, but it seems like internal rivalry brought this idea to an end. The goals are formalized in written reports, annual reviews and working contracts.

6.3.1 Business Family

Family Tree 6.2 Family tree of the Cable King



Four family members are currently in active management positions. The family can be described as having two main lines. The interviews were conducted with one of these lines, as the second line is not involved in the daily operations and access has been denied. The two lines consists of two brothers, of whom one has already retired due to health issues; his daughter has a representative role as an executive in the company's holding structure, but is not interfering in the everyday work. The second line is the active line and consists of a father who is still in charge and is acting in the position of chief executive. His two sons are both working in leading management positions for the family business and are facing the everyday work. It has to be mentioned that one of these sons is now married to the daughter from Case One; they have two children.

Today there are two generations involved in the family business. The older generation consists of the two sons of the founder. One of these brothers is retired now and not involved in the daily business operations anymore. He was not interviewed because of his health issues, nor were his children, as the rest of the family did not want them to be bothered. As the son has shares but does not influence the business, and the daughter, being head of the holding company, also has no direct influence on the business, the interview focused on the other half of the family. This

half consists of the present CEO and his two sons. The CEO is an old school entrepreneur of discipline and authority ('grow or die') and not very fond of universities or academia in general: "University was just for the title, knowledge and experience I gained during my apprenticeship". Both of his sons and also he himself claim that there was no force involved to join the business, but: "I think I would have failed if none of my sons had the interest in taking over the business". Before they could be welcomed home, both of them had to leave to show that they are worthy of the family business and had to prove themselves outside the family business, or as he expressed: "Both of them had to learn what responsibility really is... if Daddy cannot alleviate their mistakes." They spent their time well and got the respect and trust of their old man because "his sons got his main discussion partners". He is a big advocator of a clear division between business and private life, but this does not always work out, and as he confessed during the interviews, all the important conversations with his sons about their succession happened in private during long walks. He also claimed that he does not discuss business matters with his wife, but one of his sons actually admitted that she is the heart of the family, not in terms of family business daily operations but in terms of all important family matters. She even advised one of her sons not to work in the family business as she feared that this might harm the family atmosphere, but the men found their own way to work together, and even if there are harsh debates on a regular basis ("we insult each other regularly"), sharing the same problems knots a line of unity. One of the sons claimed,

"Since I am working together with my father, our relationship improved, well, we loved each other before but now I understand what frustrates and what drives him..."

As in every family business, succession is an important topic: the father has transferred 17.5% to each of his sons and keeps 15% to himself and refuses to step down. He wants to remain in the business till he turns 65. This does not make the boys' job easier, as miscommunication and conflicts between them and their father seem to happen on a daily basis and are not an exception. Also, the father fostered internationalization during his time as a CEO, but certain departments at home did not get the full attention they should have received. Therefore his sons are currently focusing on a huge modernization strategy to handle internationalization and daily business on one side and keeping the home business on their doorstep up to the latest standards on the other

side. This is a huge responsibility and the sons are fully responsible for catching up with what has been neglected in the past (similar to Case One).

Currently, the younger generation consists of five members, of which three out of these five members already play an active part in the family business. The two others are either too young or have not decided yet if they want to join the family business later or not. There is no formalization about the question of how many family members - on what pre-conditions - can join, and therefore the current status is that everyone who wants to join is also welcomed.

Of Hermann's three sons, Ferdinand is the oldest and is the designated nominated CEO, which happened in 2016 when Hermann fully retires. Ferdinand is trained and qualified in mechatronics, production and logistics. During his studies he spent six months in India, working there for one of India's most important automobile supplier companies, which is also in the hands of a business family, and expanded his network there. His time in India has been valuable, as he has been able to prove himself. He commented:

“I learned a lot about lean manufacturing in India..., it gave me the credibility and acceptance within my own family, as it helped to become accepted as a successor.”

His succession happened rather by accident than by plan: “Unfortunately there was no master plan.” During a walk together with his father during the Christmas break he confronted his father with a job offer he got, which is typical, as “Most decision making takes place at the office but the really important matters are decided at home.” As his graduation was only a few months away, both Ferdinand and his father had to make an important decision:

“We discussed the advantages and disadvantages of joining the own family business right away after leaving university and agreed that in my special case it might be a good idea to do so to develop a better understanding of my future responsibilities.”

So Uncle Ulli was informed, who had been very relaxed about his nephew's succession, and only wanted to know what his nephew has actually studied: “I am a technician,” Ferdinand proudly replied. “Are you?” said Uncle Ulli. “That's perfect; so you can take over your father's part one day.” Also, although he was welcomed by

his Uncle Ferdinand, he soon had to understand that nobody else had been prepared for his appearance. He did not even have a computer to start with, so the first thing he did was to establish a welcome ceremony and package for future employees. The presence of Ferdinand constantly reminded the older generation about succession, but they kept avoiding it for the next few years, which also made it very difficult for Ferdinand to take any steps forward. On the other hand he appreciated working for his own family business as it, “allowed me to learn at my own speed without any external pressure.” He developed from a simple trainee to an assistant, but the next big step was becoming a general manager and then the CEO had to wait till his brother pushed succession forward on to the next level. Today Ferdinand is regretting that there has never been a master plan:

“My father is not the person who is giving a lot of guidance, there was nobody there to prepare me and everything I wanted to establish has been seen as some kind of attack... It would have been so much easier to earn the credits outside the family business and to return later with some kind of credibility and authority.”

That is exactly what his brother did. Denny studied business law with a strategic ulterior motive, as he says: “My studies offered me a new field which has not been covered here already, and on the other hand, I was interested in it anyway.” The lack of a master plan and his brother’s situation of being stuck in the family business made him aware how important it is to have a plan, and so he developed some kind of plan and expectation list for himself. It became his credo that he wanted to add true value to the family business and not learn on the job; he really wanted to be beneficiary, but that took time, and as he says: “The family wanted to have me at an earlier stage, but I refused as I did not feel ready at that point of time.” So he started his job (six months) with a large ivory (top end) law firm at their M&A department and gained useful insights that proved to be important later in his own family business career. He switched over to a large and famous consultancy network and worked in their law and tax department, and managed to be hired by one of their customers. His new job has been at an international German stock market listed company. It was here that he met his current fiancé, and after a few months they decided to move together to Switzerland. As he says:

“I woke up one morning as a student again on the way to become an accredited auditor... however, I did not turn up for my last exam, which means I am not accredited but I gained all the knowledge.”

It was at this time that Denny had a glimpse at the family business books and what he saw shocked him: “I realized that if I do not enter now, there will not be a family business left in a few years.” However, the financials have all been very solid and both his father and his uncle have been very successful entrepreneurs when expanding the business, but there have been a lot of things that have been neglected at home.

“We had to do a lot of catching up and restructuring, especially on the law and tax part, which has been entirely neglected,” said Denny.

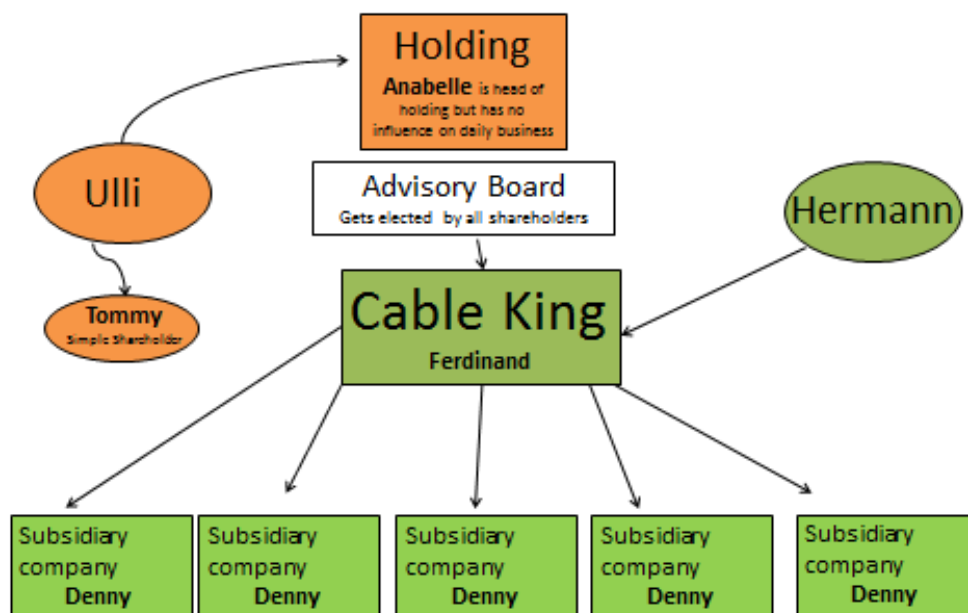
Denny came home as it was now that he was able to show his true potential, but he had his own plans for succession, and together with one of his former colleagues and his brother he worked out how succession could be mastered and how to enter at an executive level right away. For this strategy a family business network played an important role, as it was there that he came across the model that the family business later chose and further developed. When everything was planned, together with his brother he presented his idea to his father and to the rest of the family, and agreed on one of four suggested models. The interviewees kept secret about the other three models, only Ferdinand revealed that one option would have been to keep the status quo, which would result in his immediate resignation. When asked why he decided to come home and work for the family business, he says that it was the perfect opportunity to finally become self-employed as an entrepreneur and to apply all the knowledge he had gained on previous jobs. He also said that he wanted to support his father and his brother and help to save the family business. Also, Denny would actually like to separate private and business life; he admits that this does not work out pretty well, especially with his father: he exchanges important ideas at home, and as his brother is very much occupied with his young family the two brothers exchange their ideas on the phone rather than in the office, where every day work keeps them both busy. Both Ferdinand and Denny have already received family business shares from their father.

Martin is the youngest son of Hermann and still busy with his education; neither he nor his family is sure yet if he wants to join the family business later. As far as the interviews report, the doors are open for him. Martin does not hold any shares yet.

The same applies to Ulli's son Tommy, who is studying a business-related subject at a university, but he is not showing much interest in joining the family business yet. Only the future will tell if he wants to prolong his father's tradition. Tommy also got some shares transferred from his father and is therefore receiving family business information on a regular basis.

Anabelle is Ulli's daughter; she is head of the holding company, which is an umbrella organisation above the other business entities. As well as being head of the holding company, she also holds shares herself, but she does not intervene or having an active influence on the daily operations. Anabelle studied something not business-related, and as far as the interviews revealed it is not planned for her to enter the family business. The holding and its responsibilities are a very sensitive topic, and the business family insisted during the interviews on remaining quiet about its details.

Diagram 6.3 Power and Responsibility of the Cable King



Currently, from the six shareholders four are actively involved in the family business but only three in the daily business operation. Also, the Cable King is an international business but neither the successors nor the older generation works abroad. This might have been a good opportunity, especially for Ferdinand, when he entered the family business right after his graduation at a low level, but currently the restructuring of the headquarters and its subsidiary keeps Ferdinand and Denny busy and requires their full

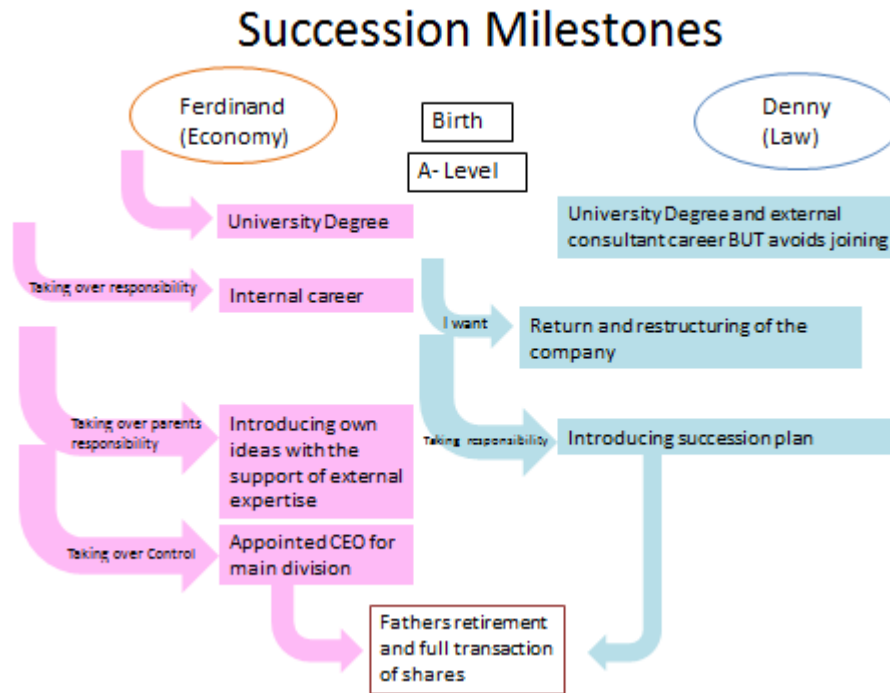
attention at home at the headquarters in Baden-Wurttemberg. Nevertheless, both of them have to do a lot of travelling to fulfil their duties and to push the family business restructuring further forward.

The Cable King is a family business by every definition, but it has professional and non-professional outside help. Beside the three chief executives who are all family members, there is also one former colleague of Denny who got hired by him from the consultancy firm that they have both been working for. This manager is not a chief executive by title but by responsibility, as he is a leading team member in the restructuring of the business. Denny describes his job as “trouble shooter, restructurer and sparring partner”.

The board of directors is an external (non-family) board and a control mechanism, which is becoming more and more popular in German firms, even family businesses, to ensure that both external members and family members are not taking advantage of either the family business or family members who are not employed by the business. Each family can appoint a member for the external board and the director of the board has to be appointed by both families. Each family has a right of veto to block the appointment of the other family if they think that their proposal is not suitable. If the families cannot agree on their board members an independent industry organisation has to mediate and make a final decision if everything else fails. The board members are also responsible for hiring and firing the chief executives, including family members.

6.3.2 Succession

Diagram 6.4 Succession Milestones



For both brothers, succession was an unplanned rather than a planned occasion, with no planning involved. Ferdinand challenged his father with another job opportunity and Hermann quickly had to decide if he wanted his son to join or perhaps lose him to another employer, with the danger of losing him forever. Therefore, Ferdinand’s entry into the family business was much unorganized: “Nobody knew I was coming.” Denny, on the other hand, rushed through the succession process in a three-week marathon, and as he puts it: “I feared if I do not join now, not much will be left of the family business.” So fear and a strong sense of responsibility was his prime motivation to join right away. Hermann did occasionally mention the topic of succession to his brother, it is reported by the interviewees that Ulli was not very fond of discussing it. When Ferdinand joined, succession had obviously started but still got neglected by the two seniors, who refused to work out a structured succession plan.

During the time of the interviews, no conflict between the two brothers was observed; this changed shortly after the interviews. The two brothers are now fighting for the dominant role within the family business. The idea of a family constitution, which was planned and should have been developed together with the family, got rejected; currently, there are no further plans in this direction.

Also, Ferdinand's succession and internal career was rather unstructured and semi-professional, whereas the overall succession and hiring process can be described as professional. Nepotism was kept to a minimum, both sons have their contract with the company and were hired by the board of directors to whom they also have to report. Even though it is perhaps not the most structured and formalized succession of the five cases, it can still be seen as a professional succession.

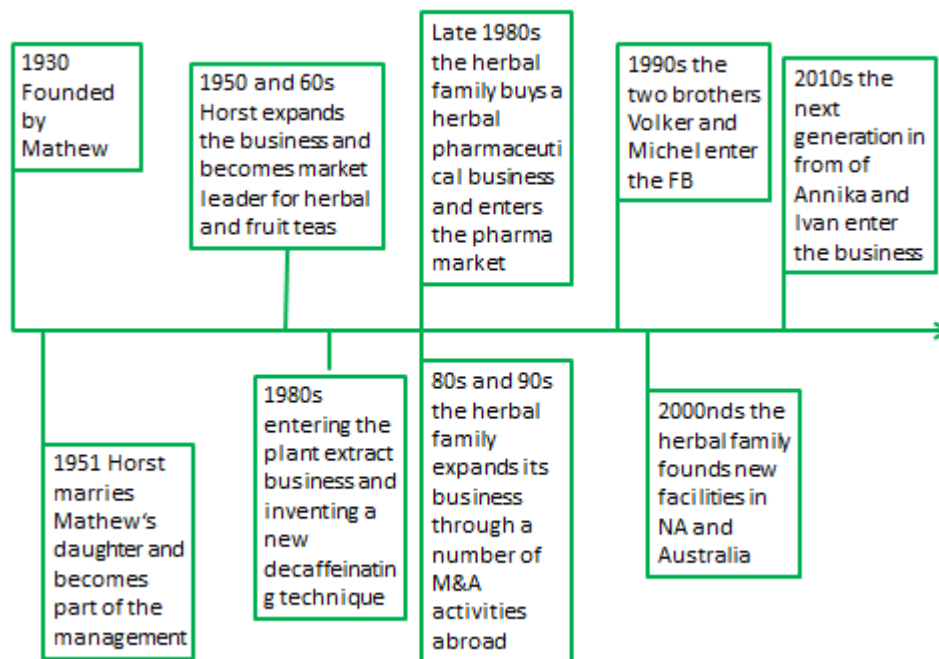
6.4 Case 3: The Herbal Family

The Herbal Family business is divided into three subgroups, which focus on teas, drinks and pharmaceutical products. The business is situated in North Bavaria in a rural area of Franconia. The company is known for its sustainability and corporate social responsibility. The group is heavily investing into research technology and education to maintain its high standards, which are seen as a competitive advantage. The Herbal Family is the biggest employer in its village and is also a sponsor of the local soccer team and is therefore deeply embedded to the community and its people. They are therefore very active regarding social events and the education of the local pupils, as the majority of their workers come from the nearby neighbourhood.

The Herbal Family business has nine international production sites or service centres. However, they are selling to even more countries, not only directly but indirectly, through their partners. The nine countries which do have their own branch are Germany, Italy, Poland, Russia, Singapore, Australia, Spain, Turkey, and the USA. Most of these companies were acquired in the late 1980s and '90s, through a number of M&A activities, especially in Eastern Europe and Russia but also in Europe. This has been a capital intensive process but saved valuable time and guaranteed immediate market entry. North America, Singapore and Australia have been built up and founded on their own, to be either closer to a gigantic market, or in terms of Singapore and Australia, to be closer to the production sites.

The company started in the 1930s with a farmer who collected herbs to improve his income and to get a little bit more independent from his annual harvest, which had been very unpredictable at this time. He started to grow and collect peppermint and sold it locally. The demand was great and he soon expanded his business to marigold and camomile. Special cutting techniques helped him to sell his products and to increase the interest not only of other farmers but also of pharmacists from near and far. An invention from another tea producer helped him sell his products while the modern teabag, another German invention, made transport easier and improved quality. Together with his modern cutting techniques it helped to get more out of his tea.

Timeline 6.3 Family History



As mentioned before, the business was founded in the 1930s by Mathew, who expanded the product range quickly and established new cutting techniques. In 1951 his future son-in-law Horst married his daughter and became part of the management. Horst was a keen entrepreneur and expanded the business quickly, becoming the new market leader for fruit and herbal teas. In the 1980s Horst's entrepreneurial spirit was again responsible for another historic company milestone, by using plant extraction techniques for a new business and also by inventing a new decaffeinating technique. The 1980s and 90s were dominated by M&A activities inside Europe. The family business expanded rapidly and secured valuable natural and market resources in Eastern Europe. In the 1990s Horst's two sons Volker and Michel entered the family business and both became part of the top management, each with their own department, e.g., a subsidiary firm. In the early years after the millennium the Herbal Family expanded its focus to North America and Australia to be closer to the new markets and to their own suppliers of the Asian markets. In the 2010s the first two of the present generation, Annika and Ivan, entered the business, not on a top management level but as associates who quickly became assistants of directors of affiliated firms (Poland and USA).

The herbs that Mathew originally harvested and sold became used for medicine as well and then became used for medicine only. Chemical alternatives were not known at that

time, or were so expensive that they were not affordable by the rural community. This simple idea was further developed by the next generation and supported by modern health and lifestyle trends, which are deeply driven by a 'back to the roots' approach. Tea, as a delicious and healthy product, and to extract the medical components of plants etc., is the only logical further development of Mathew's original business idea.

The product range is huge and must be categorized into drinks, medicine and vegetable parts. The drink department is strictly non-alcoholic but contains fruit and herbal teas, black and green teas, medicinal teas, decaffeinated teas and tea essences. The medicine department consists of, as mentioned above, medicinal teas and herbal medicine, which is exclusively sold via pharmacies, especially for the eastern European and Russian market and pharmaceutical ingredients and food supplements.

The third department consists of the plants themselves, e.g., extracts, herbal powder, herbal flavours and botanicals. The Herbal Family almost exclusively sells business to business; the only exception is that there is a small local factory shop, mainly for its employees but also for the village and its visitors. One will therefore be unable to find the herbal family's name in a supermarket, but one can be assured that almost everyone has already bought one of their products.

The Herbal Family's services must be divided into two sections. Section One is the sale of products that will be processed further by the next customer, e.g., tea leaves to cut and packaged tea. The other service is their independent and accredited lab for vegetable products, which is not only used by themselves but also by other companies and institutes. This lab ensures an ongoing high level of quality and that all ingredients meet the criteria defined previously.

The Herbal Family employs more than 3,000 employees and generates with its three companies and all its sub-divisions a worldwide turnover of €350 Million. It can be expected that these numbers will increase over the next few years: not only the turnover but also the number of employees and, most likely, also its number of branches.

Currently, the Herbal Family is an international business with branches in nine different countries. There is a certain focus on East Europe and Russia but also the

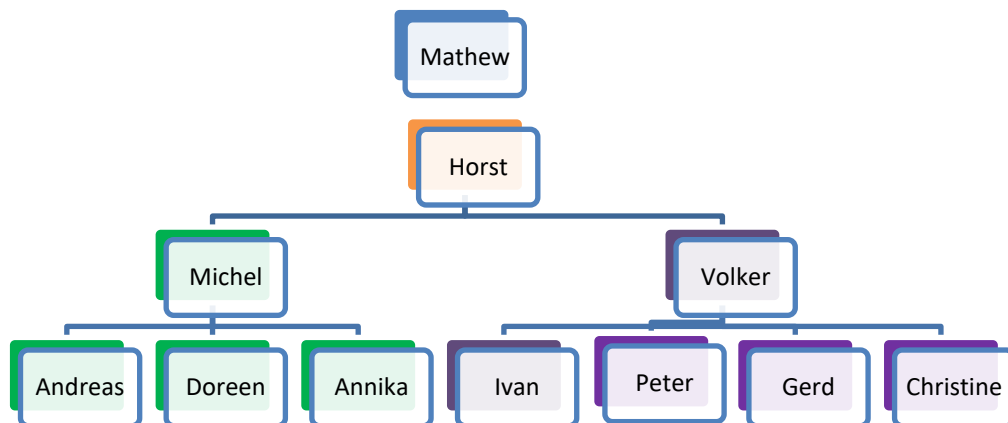
USA. Especially in Eastern Europe, herbal medicine has a long lasting tradition and is still much more common and available than chemical products. Price might even increase this trend. The Herbal Family acquired one company on the Crimea in the Ukraine, but it is not known yet what it is.

The family's goals and values are formalized in several different formats. Their website explains their holistic corporate social responsibility quite extensively. The shareholder contract is very detailed, with a special focus on the rights and duties that family members - and shareholders in particular - have. Furthermore, the family is in the process of establishing a family constitution; this step is done with the support of a family business consultancy and all family members, and is guided by the present CEO, who has been the interview partner of the older generation. From the age of 18 years on, all family members (including wives) get information about the business on a regular basis and have the opportunity to ask questions. Certain family members have a desire for more information and get specially designed information packages and invitations to special Q&A sessions.

6.4.1 Business Family

The Herbal Family business and the researcher had not known each other before the interviews were conducted, but they do have common friends as they live in two neighbouring counties. The interview atmosphere has been friendly but a bit more distanced as compared to those family businesses where the researcher and the families have known each other for years. The interviews took place at their German headquarters. Follow-up emails and calls have been replied to promptly.

Family Tree 6.3 Herbal Family Tree



Michel and Annika have been interviewed; the rest of the family refused to be interviewed at this stage and the other two asked me not to approach them further in the meantime. At the time of the interview Volker’s son Ivan was going to enter the family business the following week.

Michel and his brother Volker are the two men who brought the Herbal Family’s family business from a small local business to a worldwide leading company, which is operating globally. Since the two brothers joined the business the number of employees grew by the factor of ten. Both brothers joined the family business right after graduating from university, or as Michel described it:

“We had two options, we either joined out of free will or we started something else with no option to return. We both decided it might be better to join out of free will.”

Michel left university with a diploma in management operations and it was his brother’s job to make sure that all the buying-in of the plants and the sourcing, which

also includes the planting and harvesting of the products, runs smoothly. As Michel says, he chose this subject to prepare himself for his later job, but he also admits that: “There was almost no preparation, after joining it was our own task to learn on the job.” Lifelong learning is one of his credos and he managed to teach himself good English and some basic French and Russian, which has proved to be useful during his career. When asked about his job preparation, he replies:

“There was no preparation, not to say a master plan, we have been very small: at that time only 300 employees, today we are a bit more than 3,000 employees and my brother’s and my education, or the way we got introduced, would not work out at all. Our successors need to be so much tougher and much better prepared than we have been!”

Both brothers decided to encourage their children from an early age onwards to face family business matters. They started their succession when they turned fifty and fifty-two respectively.

The younger generation consists of seven members, of whom only Annika has been interviewed. Beside Annika, her cousin Ivan is the only family member of the fourth generation who is already working for the family business. The other five members are all younger and it is not yet clear if they will ever be suitable or willing to join the family business.

Annika is an internationally educated woman who speaks four languages and has studied top-ranked universities such as Oxford, EBS Madrid, Chicago, Bangalore India and Shanghai. She has a degree in international management and marketing and another one in strategic management. All her study subjects have been chosen with the purpose to prepare herself for a later career inside the family business. When she finished high school she decided to take a sabbatical and travelled for a year, but not (as most students do) for pleasure. Annika decided she wanted to visit all the tea plantations that supply her family’s family business. This was quite an eye-opener and the young lady decided that being a simple shareholder is not satisfying. The Herbal Family has a strict rule, that family members are either top management or simple shareholders, and Annika wanted to become top management, so she proved herself at different universities and used her rare free time for further education. After her MBA her uncle and her father invited her to join the family business as a general manager’s assistant. At first she was reluctant, as she originally wanted to work somewhere else,

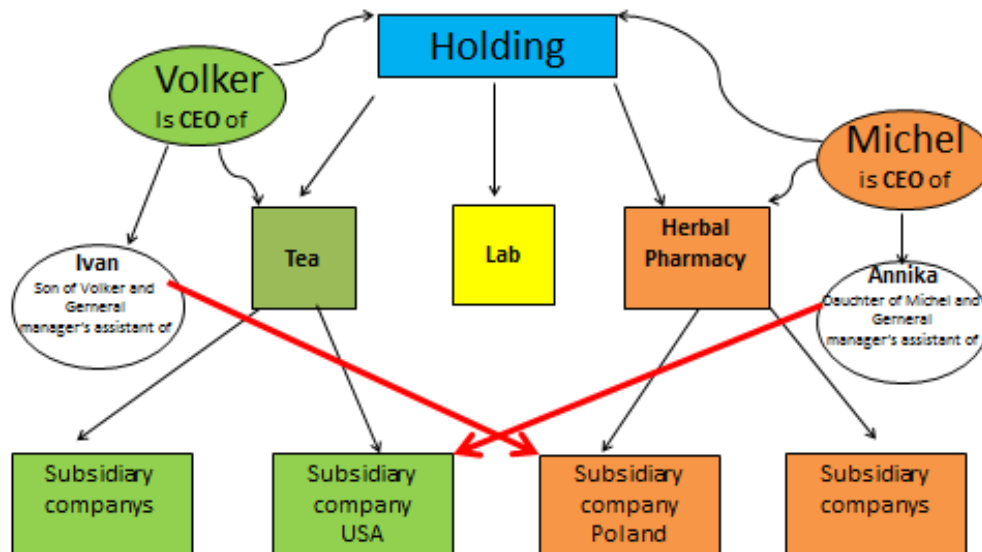
but, “My father talked me into it, he is very good at doing so.” However, she still somewhat regrets the fact that she never had the opportunity to prove herself outside the family business:

“Perhaps I would have developed much faster somewhere else, but our own family business offered me opportunities I would not have had somewhere else.”

Her positive attitude towards internationalisation is supported by her own experiences that she made abroad in those five years of travelling. She is therefore deeply convinced that her succession has already had a positive influence on the family businesses’ future internationalization activities and will continue to do so. When asked if she has already learned Chinese, she replied: “No, but I recently forced my little sister to do so, as no one of the family speaks it.” One can see that this generation is preparing themselves wisely. Annika has currently been living and working for at least 12 months in the United States on her own projects in order to become a general manager.

Her cousin Ivan worked for a big international business before joining the family business. It is planned to send him for the next four to five years to Poland to prepare him to be a general manager one day and to return back home to the German headquarters. In Poland he will start as Anne once did, as a personal assistant to one of the general managers there.

Diagram 6.5 Herbal Family Business Structure



The two fathers and CEOs of the company are both situated at their headquarters in Germany, but those of the younger generation who have already joined the business have been sent abroad. The Herbal Family’s system is simple and fair. Every young family member who is joining the business will be directed into a department run by his uncle, therefore avoiding working too close together with one’s father. In these cases both Annika and Ivan got some briefing at the headquarters in Germany and got sent to one of their uncle’s subsidiary companies as the local general manager’s personal assistant. They will keep this position for the next three to five years until coming back home to Germany to eventually become managers on a C-level at the German headquarters. This procedure will minimize stewardship and nepotism as the young family members are not working for their own parents, the fathers cannot back up their mistakes and they have the opportunity to get to know a foreign country and its production methods. They have the time to become familiar with the different tasks and challenges and are allowed to make their first mistakes far away from the headquarters.

For Ivan, the Polish subsidiary was chosen and for Annika the USA. Both members of the younger generation had a certain influence on their destination but their uncle had

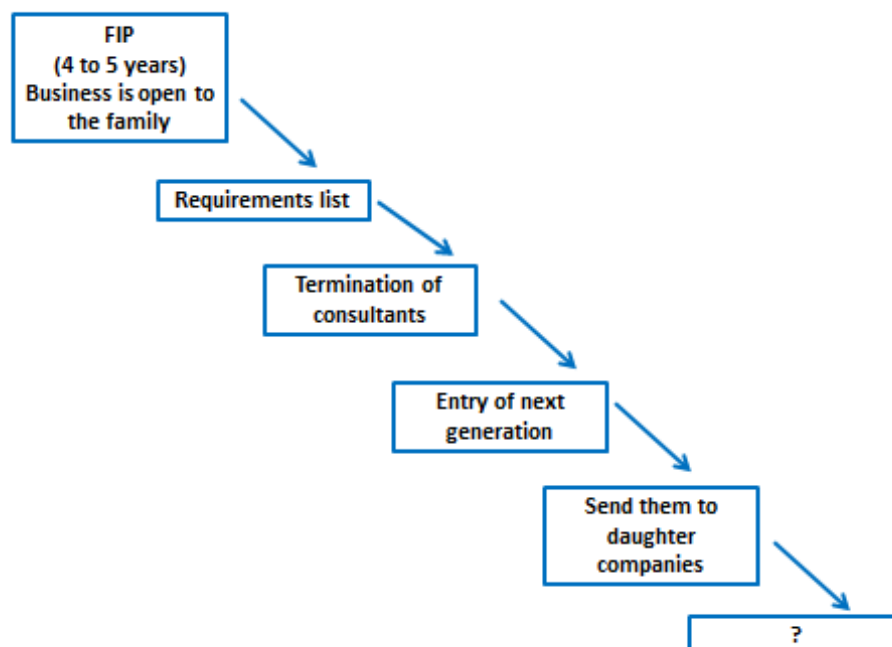
the last word. Their destination was chosen according to their preferences, their interests and the challenges available. Or as Michel put it:

“My nephew decided that he wanted a certain job, but I had another job in mind. So we exchanged ideas and found a way. I mean an external applicant would not come here and tell me what job he or she wants to have and the same rules apply for the family.”

During the interviews only two external parties have been involved. One is the normal lawyer that every entrepreneur has and the other one is a former KPMG board member who is now the accountant and has already been working for 40 years for the family business. The accountant’s son stepped into his father’s footsteps and is today also consulting for the family business. Beside these two, no other external sources got mentioned during the interviews for the day-to-day business, but a number of succession consultants and further external people got mentioned, the details of which will be presented further below.

6.4.2 Succession

Diagram 6.6 Herbal Family succession stages



Annika commented on their succession plan:

“Succession has been a topic within our family for the last six years. I started this process and pushed it forward as I wanted to know what requirements there are and what I have to fulfil or to do and I wanted to create my own master plan, because as a woman I have to plan those things a bit earlier than you do.”

Her father did not make it difficult for her to enter but supported her and started a self-designed FIP (Family Integration/Information Programme). This FIP contains regular newsletters with detailed information about the family business and its performance. Every family member from 18 years onwards gets this newsletter and is allowed to ask questions; extra Q&A slots are granted to Annika and her cousin as the two CEOs understand that they have special requirements and want more detailed information than the rest of the family. The start of the FIP programme was therefore the first important milestone in terms of the Herbal Family’s succession phase. Annika’s father said: “The FIP included the clear communication that the family business is open to the family.” The FIP included the start of so-called family days, which take place four times a year: all family members, including the wives, are invited, and each day takes place at another factory plant. The particular plant will be introduced and the families and its managers discuss the most important day-to-day topics and inform the family about recent events. The family, on the other hand, gets detailed information and the opportunity to become more familiar with its own family business and the rest of the family, which might be a good idea as these events might prevent family tensions and conflicts and are the best level to discuss and solve, in a private sphere, any upcoming conflict potential.

The next important step was the successor’s requirements list. This requirement list is quite soft, such as a decent school education or a university degree in a related subject. One passage within the list states:

“...but some family members had the feeling that the barrier is too high and can only be reached by one or two members. That is of course wrong and I am still positive that there will be more of our children who are able to fulfil the requirement list, but if they join it is their decision not mine.” So the definition of this requirement’s list has been the second milestone.

Another important factor has been the termination of the family businesses' consultations contracts. After a while the family just felt that they could work on it alone and that no further mediation was necessary and further fancy consulting ideas would not add real additional value, so their exit was a decision made by the whole family and "brought the family closer together".

For now, the last succession milestone, which is still in the building process, is the entry of the next generation and their journey to daughter companies, where they have to prove themselves. Two out of seven potential younger generation members are already in this process and more might come if they fulfil the requirements and if they want to.

Beside the outside supports, which will be explained later, the main drivers in the succession process have been the two brothers Michel and Volker, the head of the HRM department, the successors and the executive managers of the sister companies where the successors will later be personal assistants.

There has not been such a thing as a trigger event, as there has been in many other cases. The opposite is the case, as Michel explained:

"All of our consultants told us how uncommon it is that two entrepreneurs, I guess I was 50 and my brother was 52, already plan the succession of the next generation. They asked us about our motivations, if we planned to start a new life somewhere else or if we had a new project or I don't know what. I had to tell them that I realized that succession is not something that will be happening by itself... I cannot take it for granted that my children come home to the family business if I do not communicate with them about an internal career."

The Herbal Family case can certainly be seen as one of the most professional successions of the five case studies of this dissertation. Not only did the two CEOs start the succession process early enough by themselves, they also included the whole family and organized family days for them. There has been a requirements list for potential successors and a development plan to make sure that business needs and family desires can both be taken into consideration. The family occasionally asked for outside professional help and assured that the succession and hiring process was done as similarly as a business would do for every other candidate.

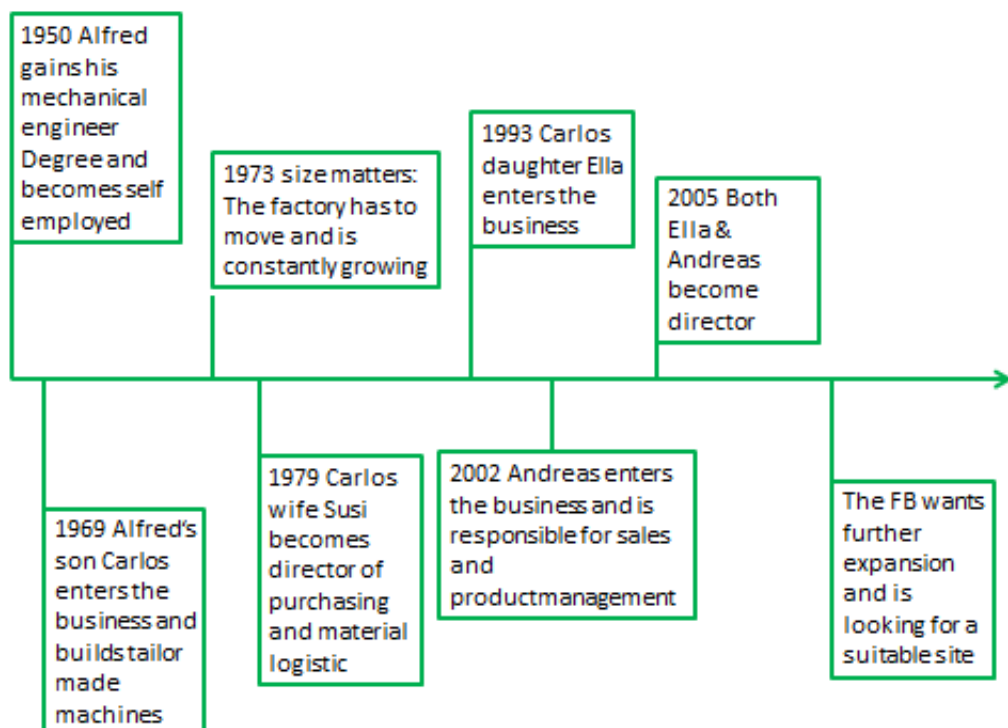
6.5 Case 4: The Box Printing Machine Family Business

The Box printing machine family business develops and manufactures machines specializing in corrugated paper printing techniques. The family business is known for its German values such as dependability, quality, longevity and technological leadership; it operates worldwide and claims to be the industry leader in a niche market.

The company was founded in 1950. Today, the third family generation is in charge. 300 employees produce exclusively in Germany at one production site. The family anecdote says that Alfred founded the company in 1950, when he started with a simple turning machine. As money was one of the constraining factors he started with a cheap machine, which soon broke after it was bought. This taught him a lesson: considering the combined costs for repair with initial purchasing costs could have provided him with a proper machine right from the beginning. Alfred therefore decided to build better machines that last longer and surprised their buyers. From this day on the family credo was born:

“Quality is all that matters”

Timeline 6.4 Timeline of company development.



The family story is told thus: In 1950 Alfred received his degree as a mechanical engineer. He opened a workshop in his father's courtyard and started repairing tools and machines and building small units for everyday life. A cardboard factory gave him his first order and he had to invest in suitable machinery. Some of these machines proved to be of poor quality and Alfred decided he can do better and so he did. In 1969, the company had six employees and Carlos entered the company. Carlos initiated a series of innovations, which were neither supported nor forbidden by his father: "My father always told me, I do not need it, but if you want, go on and do it yourself." Carlos changed the way the business was operated: starting with a simple workshop that built standardized machineries like everyone else at that time, he decided to develop and build customized solutions tailored to the wishes and demands of his customers.

Another idea popped into his mind: "All of my customers have similar problems. So, if one needs a special machine, they all do." In that way, another credo was born: "There are no odd wishes, there are only new market ideas!" Over the next years the firm changed its location to a new site and expanded there extensively, step by step. In 1979, Carlos' newly-wed wife Susi became director of purchasing and material logistics. From now on this young family shared everything and educated their children in how to become successful entrepreneurs, and they worked successfully together until their joint retirement. In 1993, their daughter Ella entered the firm after successfully graduating with a university degree in mechanical engineering and became commercial manager of order processing. In 2002, Andreas, Susi's and Carlos' son, entered the business after his successful graduation in engineering. Only three years later both of them became directors of their own departments. Ella became responsible for HRM and administration and Andreas for marketing and sales.

Today, the business and its family are still growing. Ella has two children - a boy and a girl - who both spend their afternoons following school on the factory ground. They are introduced to their mother's business life and already complete minor duties. The business has reached a size that again demands expansion and the family is considering moving to a new production site.

The family business' focus is clearly on developing, manufacturing and selling machines. Although there is a service department, the core competency lies in

developing and manufacturing customized machines. These machines are highly specialized. There exists a catalogue of standard machines, which are then adapted to individual customer needs. All desires and requirements are taken into account so that the individual machines are not comparable at the end. These machines can be divided into three broad categories: (a) printing and pressing; (b) cutting; and (c) box-making machines.

The service department consists of two divisions: the first division includes a 24/7 emergency hotline, where customers can contact and inform the family business about any breakdown problems with their machines and ask for help. The second division is the specification division, where customers can contact one of the worldwide existing offices to discuss ideas and specific demands or adaptations required for their machines.

The high quality of the machines and constant service are the reasons why the machines last on average for 30 years or longer.

Approximately 300 employees work for the family business: thirty-five of them in the R&D department and another thirty trainees are employed throughout other departments. The family business's machines have been sold to over 50 countries on all continents worldwide and the longest customer relationship has now lasted for over 50 years. The family is very proud of this longevity. The business's turnover is estimated at €60 Million annually and continues to grow.

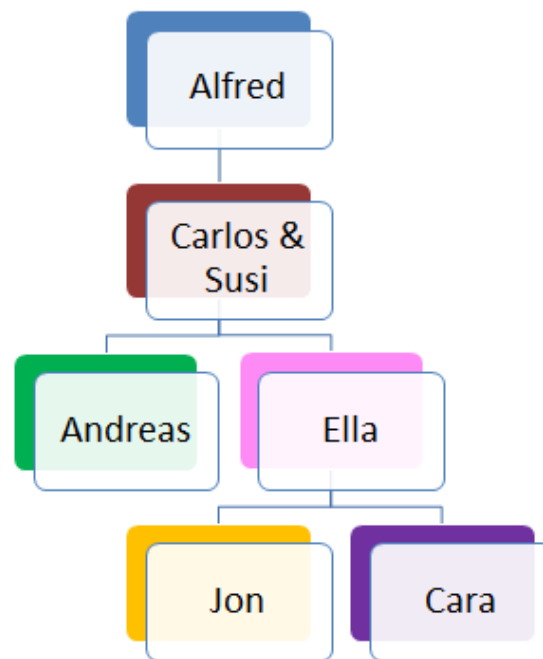
As the number of shareholders is still manageable and it currently looks like the next generation will only include two shareholders (Ella's children), there is presently no high level of formalization planned regarding the future. There is a detailed shareholder contract but no family constitution. The family manages most of their decisions quickly and in an un-bureaucratic way at their home. No tensions or potential conflicts have been observed during the interviews; it can therefore be assumed that the family has not yet felt the desire to formalize their goals, as there seems to be a solid consensus and common mutual understanding over the present and future decision-making, strategy and future succession.

6.5.1 Business Family

The Box printing machine family business has been known to the researcher for a long time, as their family and his family are almost neighbours. Both families share a certain

amount of friends and visit the same clubs. The researcher is therefore familiar with the family business and its family members and the interview atmosphere has been very friendly and open. The interview itself took place at their private home on a Sunday afternoon. All family members, including the grandchildren and Andrea's wife, were present. Due to time constraints the interviews were not been conducted one to one but first with the older generation and then with the young one.

Family Tree 6.4 Family Tree.



At present, the third generation is in charge, with the fourth generation already spending time in the company. The fourth generation is now approximately 12 and 10 years old and already interested in the business. Both children grew up at the office and on the yard and completed smaller tasks, such as bringing folders from A to B or accompanying their grandparents and their mother on their daily business routines. Until now both of the children have expressed interest in taking over Andreas' and Ella's positions at a later date, and little Cara has even already designed an outlay for their future office, where the whole family can work under one roof.

The older generation consists of Carlos and Susi. Carlos holds a degree as a Diplom Ingenieur in engineering and Susi has originally been a doctor's assistant. Carlos chose

his study subject as he had a family business career in mind. Carlos took over at a time when the business was still very small, with only six employees. Nowadays, there are 300 employees. He is a true self-made man and learned on the job, as he explained:

“I work now for fifty years... out of these fifty years I have been travelling for ten years - not in a row, but constantly visiting customers in different countries.”

Susi and Carlos do disagree about whether they should encourage their children to take over the family business or not. As Carlos expresses it:

“They imbibed family business 24/7 from their infancy, nothing else but the family business, so in my opinion the decision about their engagement with the family business was somewhere between a democratic and an authoritarian one.”

However, although taking over the family business seemed to be the logical consequence, both children received a university education, which was not limited to the family business's core competencies alone. At the end, Andreas' and Ella's joining of the family business was the most natural and smooth succession of all five cases discussed in this dissertation. Both children, similarly to Ella's children today, worked at the family business from an early age onwards, after school, and during university, and joined in a natural process right after graduating from university. Even the internship periods have been almost exclusively spent in the family business.

When asked about decision making and where it takes place, both Carlos and Susi looked at each other and burst out: “Living room and dinner table, rarely at the office... there is no division between private and professional life.”

The younger generation consists of Andreas and Ella. Although Ella has two children who are interested in the family business, they will not be considered in this study for ethical reasons, as they are too young. Both Andreas and Ella always wanted to become part of the family business and chose their study subjects accordingly. Both studied engineering and Andreas spent some time in the United States to prepare himself for his later job. It is an interesting phenomenon that both children did not have the feeling that their parents put any pressure on them to join the family business, although even the parents feel like they might have overdone it. Both just feel that it was a natural process, or as Andreas describes it: “I joined when I was born. I have been in every

department and can do the job of every worker employed by us”. Both of them studied as part-time students and worked at the same time for the company. Apart from one internship, which both of them completed externally, they have never ever left their own business.

It is not surprising that it is difficult for the successors during the interviews to discuss milestones, as the whole succession has been a smooth and flowing process. Ella described it this way:

“Our hierarchies are too flat to discuss any titles or spend time thinking of who might be responsible for this or that.”

Asked about the reasons why they succeed, they tried to explain their feelings, pointing to responsibility and tradition: “Property is an obligation...”. We can therefore assume that in this particular case there has been a certain kind of pressure to succeed, not so much from the parental front but much more from some kind of historical or community perspective. The researcher, who has a similar background, is very aware of this phenomenon, as these small rural communities have high expectations towards family business children, even from a very young age. Both made clear that financial motives did not play a role in their considerations, as they have already been aware at that point that being self-employed yields enormous risks.

It was asked why none of them used the opportunity to go abroad or to work somewhere else before coming home, and the answer was astonishing and representative for this low-conflict family:

“I do not think we missed something, we all like each other and there was no need to prove anything. It is so important that we can all work together... the time I have spent abroad has in my opinion been a lost time.”

How much the family, and especially the younger generation, influences the business can be illustrated well through some anecdotes about what has been changed due to their succession. Andreas reported that it was him who established an email system and an intranet, as he wanted to keep track and still work for the business when studying at university. His sister Ella devised employment contracts, as many of the

employees did not have any at the time, as the parents' and employees' relationships were based on a handshake. Andreas said:

“Our parents never had the time to do it, or it was not available when they took over the family business ... our parents have had completely different priorities... it was our task to catch up on those things which have been neglected.”

So what has been the most challenging thing for Andreas and his sister? Andreas gave a brief and honest answer:

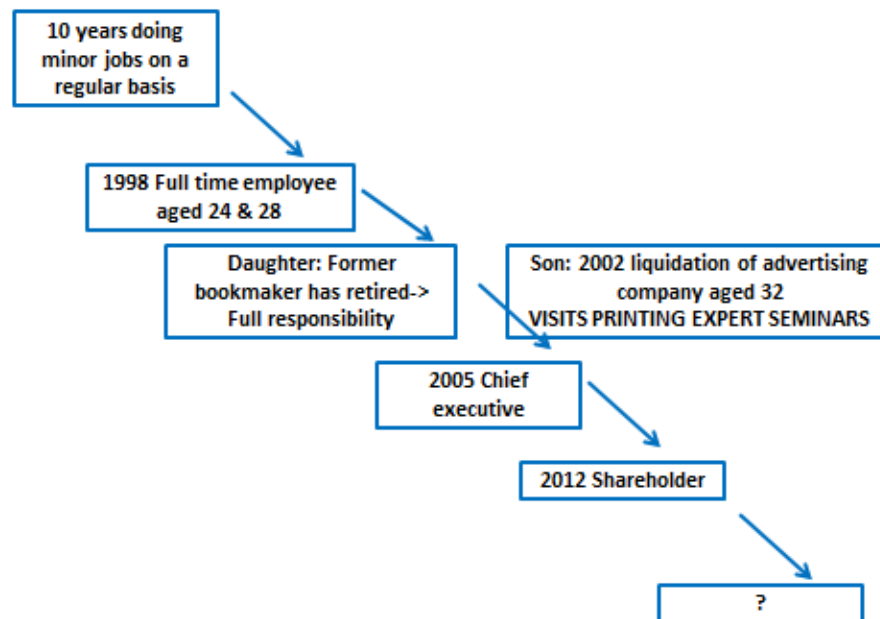
“When you enter the business as the new successor, everyone is looking at you to make mistakes and to crash. They want you to make mistakes and they will not warn you. You need to prove that you are worth the position, one day they will be helpless and ask for your advice, which is the point when you have won.”

This might be especially true if you have not proved yourselves outside your own family business.

Apart from the typical and obvious consultants such as a lawyer and a tax consultant, there have not been any other consultants involved. The Box printing machine family business prefers to do things in its own way and is successful at doing so. As there is no need for further consultancy, especially at this highly specialized engineering type of business, the family does not consult any external consultants or managers and prefers to solve any problems on its own.

6.5.2 Succession

Diagram 6.7 Box printing machine company succession stages



Succession has been a smooth and rather uneventful process for this family business, as both children started their family business career during their school years and have most probably worked for it from an even earlier age. So the first ten years can be compared to an intensive internship. In 1998, both became full-time employees aged 24 and 28 and worked and studied at the same time. Ella reached the point of no return when the former family businesses bookmaker retired and dropped out, so she jumped in and took over his responsibilities. This was right after her university graduation. In 2002, Andreas liquidated his advertising company, which he had together with a former college colleague, to concentrate completely on the family business. He started by visiting expert printing seminars that gave views and presented advances in the technology sector that the family business was operating in. In 2005 both became chief executives and in 2012, shareholders.

If one considers Andreas' succession there has been nothing like a trigger event that pushed him to succeed. It was his and his family's own choice and seemed to be the next logical consequence. It is a bit different with Ella, who was in a very similar situation to Anne from the luxury bathroom manufacturer family business, as Ella also

had to suddenly replace a long-term employee. Therefore one might speak of a succession trigger event.

The succession process of the Box printing machine family business family can be considered as rather unprofessional and not structured. No one really knew when the next step was coming. The succession was unprepared. Both successors chose an internal career over an external. There is almost no degree of formalization or professionalization, but success and family harmony have proved them right. Due to the low level of family members involved and the highly private atmosphere and absence of family conflict, it was possible to pursue this process without all the usual formalities and professionalization tools.

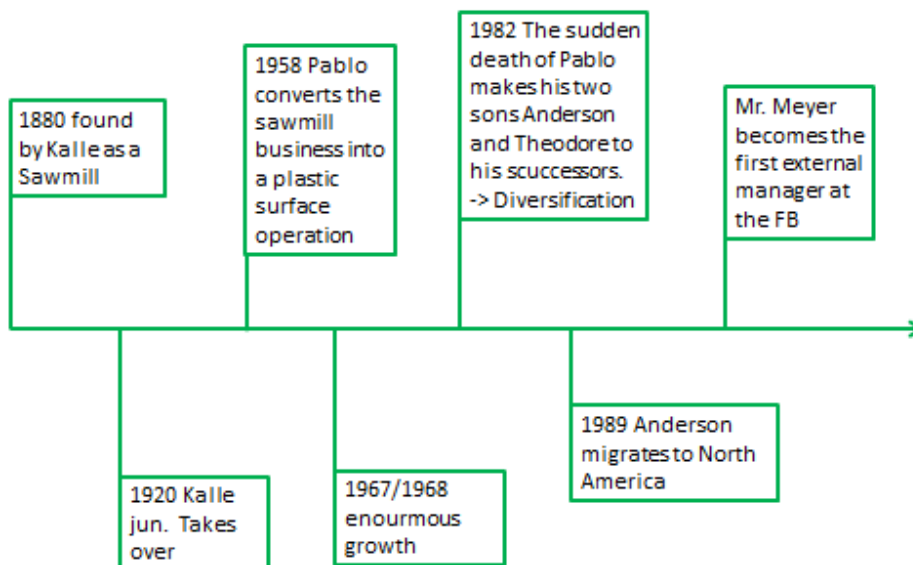
This case clearly indicates that a successful succession does not need to be formalized and professionalized, but that it is possible to do things informally, but successfully.

6.6 Case 5: The Old Sawmill Family Business

The Old Sawmill family business is the only family business within these five cases where no family member has an active role within the firm. The only family member involved is Theodore, who is a member of the board and former CEO of the Old Sawmill. To be more precise, the Old Sawmill has not been an actual saw mill for more than one decade but the name remains and it is now the umbrella brand for its two business branches: one of the firms is a market leader in decorative plastic surfaces such as in kitchens, floors, ceilings, tables. The other firm is Europe's leading plastic household items manufacturer. The family business is only selling business to business, and has fourteen branches worldwide, twelve of which are located abroad. The Old Sawmill family business is now in its fourth generation, preparing succession number five.

The Old Sawmill family business has changed dramatically three times: the first time was when it developed from a sawmill into a modern plastic surface company. The second change occurred when the family business grew into a prosperous worldwide operating business. The third change has occurred recently, when the old family business transformed itself into a holding company and is heavily investing into other industries as well to spread its risks.

Timeline 6.5 Timeline of family business development.



During the last 140 years the family business changed dramatically three times: not only its design but also its products and production techniques. The family business was founded at the end of the 17th century by Kalle Senior as a sawmill and remained a prosperous sawmill business for the next 100 years. As times changed, so did the demand for its products. Wood became outdated and was perceived as being old-fashioned, and was increasingly replaced by plastic surfaces in all their different shapes and colours. As the family business anecdote suggests, Kalle junior, who was the owner at that time, was not convinced that plastics were the material of the future and he therefore did not like the experiments his son Pablo was doing with this new material. Kalle junior wanted to stick to wood, a natural resource that had been a success for him and his family for the past century. Therefore, his son had to make his first experiments secretly and only a handful of highly trusted employees were informed. The sawmill business declined and it seemed like the established business faced problems. It was the time of the initial discovery of synthetic materials and so a serious conflict between father and son emerged. The son even thought about leaving the family business to try his luck somewhere else, but luck, self-confidence and an enormous proportion of entrepreneurial spirit were on his side. In the summer of 1958, father and mother went on their annual holiday and the son used this time to build new buildings for his new technology. A new brand and production technique was born and ensured the family business's survival. The new technology soon became a success, which was followed by the expansion of the business in the years of 1967 and '68.

In 1982, Pablo died suddenly and unexpectedly and his two sons Anderson and Theodore became his successors. The two sons focused on a diversification strategy to spread the risk and to protect the family fortune. They founded another company which produces plastic household items and they also invested in other industries, and even bought real estate, including forestry and agriculture.

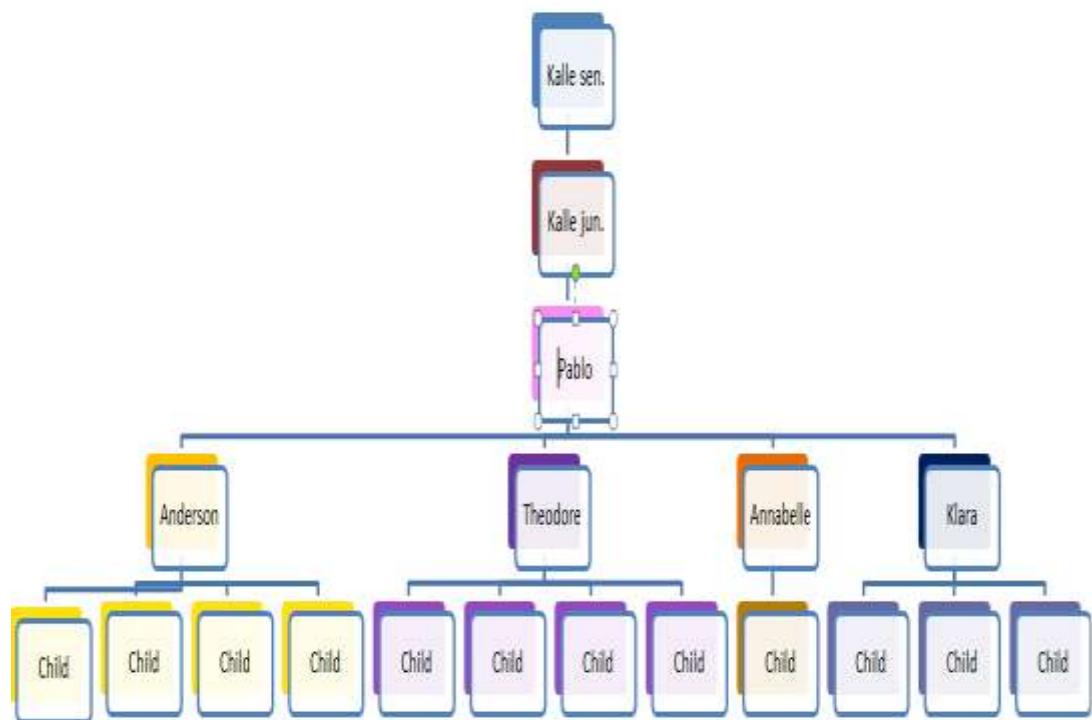
The family business is mainly focusing on products rather than services. Nowadays it has two main divisions, which are united in the holding company. One division includes plastic surfaces, as they are used, for example, on tables, kitchens, floors or ceilings. The other division specializes in plastic household items such as plastic bowls. Additionally, the family has invested in real estate, forestry and agriculture, which is currently supervised by one of Theodore's sons.

At present, the company has 1,600 employees in 14 branches, of which 12 are located abroad. Altogether, the different divisions produce a combined turnover of €270 Mio annually.

At present, the goals are formalized in an extended shareholder contract and a family constitution is in the making. The whole family - under the guidance of Theodore and his family business advisers - work on drafting the family business constitution and a confidential copy has been received for the researcher's private use, which will not be included in this thesis. This constitution is going to be very detailed about who is considered to be 'family' and therefore who is allowed to join the family days. The constitution also discusses problems that the family business faces today and potential future succession issues.

6.6.1 Business Family

Diagram 6.5 Family Tree



The older generation consists of the two brothers, Theodore (40% shares) and Anderson (40% shares), and their two sisters Anabelle (10% shares) and Klara (10% shares). Both brothers used to play an active role in the family business until Anderson decided to emigrate to North America. Since then he is a simple shareholder like his

two sisters, whose only influence is channelled through the annual shareholder meetings and the family days, which take place twice a year. Theodore therefore represents the head of the family.

Theodore chose his study subject according to the family business. It was soon very clear that his older brother would most likely develop into a different direction as he had chosen to study IT in Canada. Both brothers did not feel an obligation from their parents' side to take over, as this matter was strictly neglected, but they felt some kind of obligation due to tradition and because of the rest of the family. Theodore was very close to his grandfather and wanted to step into his footsteps. After leaving university he chose to work as an executive's personal assistant for two and a half years. As he says today:

“I learned a lot there, especially how not to do it... everything was so hierarchical”.

Theodore and the other members of the older generation established some kind of a 'soft master plan' and a first draft of a family constitution where they predefined how succession might look like and what abilities such a successor might have. The external manager, who works together with Theodore, forms the executive level of the holding company. The manager has just turned 61 and therefore succession is an important matter, as it is the family's wish that a potential successor should be guided by the two older members for at least two years. Therefore, Theodore addresses the issue of succession not only on family days but also more frequently with his own children. As usual, the business plays a vital role in the family's life and there is no such thing as a strict boundary between family and business. However, Thomas tries to keep it to a certain level, as in his opinion the family life should not be completely overwhelmed by business matters. His most important sparring partner is his co-chief executive, his brother, and for family business matters in particular, Professor May of the INTES consultancy. Also, his children have become increasingly important and therefore participate in these discussions. These discussions are very one-sided, but as Theodore explains, his advice is often sought by clubs such as the Rotary club or the German commercial associations (IHKs), who are eager to know how his family business tackles succession matters and other family business challenges. For some time it has been good practice for Theodore and his chief executive to go for a walk once a week, as “the least work is done here in my office”. Instead, they walk for an hour or two and

discuss the latest news and challenges: “One has more time to think and reflect about what was just said... one can take time before answering or adding to the debate”. A lot of his work is done from home or out of his car, as he is a passionate car driver and loves his rolling office.

When asked about the successful expansion of the business, Theodore pointed out that his family has always been quite international and that even his honeymoon had been a strategic decision:

“I told my father that I intended to show my future wife South Africa during our honeymoon. He grumbled that I already know Africa and asked me to bring him a globe. So I did. The next thing he did was to dictate me a few countries such as Australia and New Zealand, where none of the family has been to before, and told me to go there for our honeymoon and he told me to plan in enough time for such a trip. I asked him if he would cover all the travelling expenses, he agreed and so I made the bookings and allowed myself seven weeks off. I must confess it was somehow useful when we opened our factory in Malaysia, as I was a bit more open-minded about it than others who have not been there before.”

The younger generation consists of 12 people aged between 16 and 30. As we know the shares of their parents and assume that each child gets the same amount of shares, then we know that:

- All four of Theodore’s children will receive 10% each.
- All four of Anderson’s children will receive 10% each.
- Anabelle’s child will receive all her 10%.
- Klara’s children will receive 3.33% each.

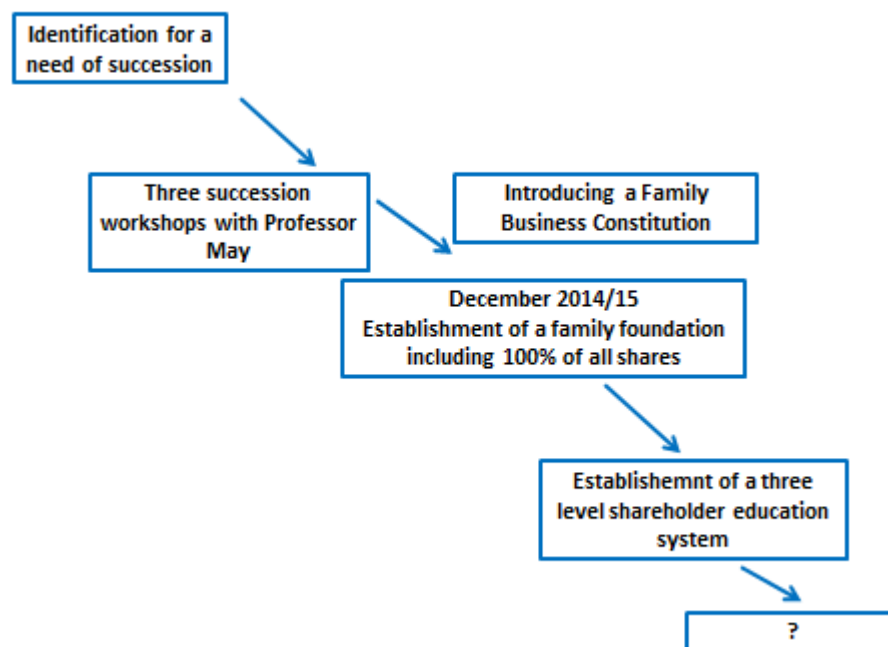
From a managerial perspective it looks a bit different. Theodore sees two, up to a maximum of three of his children willing and able to succeed him in a managerial position. His brother’s four children seem to be not interested and it is unsure if the remaining four family members want to and whether they are able to compete for a managerial position. Most of the fifth generation is still at university and it is therefore very likely that an external management member or team has to close the age gap between the current management and a potential future family-dominated management.

Apart from the family business consultancies, which will be described later in the text, there are no further consultancies apart from the typical tax accountant and lawyers.

There are seven potential successors; in this case, with succession only three years away and there are no hard predefined guidelines on how to tackle this problem. As the shares are spread quiet equally among the shareholders there is not one big counterbalance, nor is there a potential outside successor who might be able to take over, to keep the conflict out of the family.

6.6.2 Succession

Diagram 6.6 Succession Milestones



In those soft succession guidelines that already exist the family came to the conclusion that:

“...if a family member has the ability he will get the chance to become a manager, but only top management. Internships or such positions might provide an exemption. What we want to avoid is that an external manager is above a family member... all family members who want to engage through a managerial position must have comparable skills to outside competitors. However, the recruitment is solely the responsibility of the board, which is comprised of external members only. If there are no family members willing or able to take over the advisory board will be enlarged from three to five

members and the two new members will be family members, who are also shareholders. So the family is not becoming too distanced from the family business.”

There is no such thing as a trigger event, where an unplanned succession followed. It is more a time constraint, which is slowly but steadily approaching. Both current chief executives are now well beyond 60 and it is planned that a potential successor needs the guidance of the older generation for at least two years. Succession is therefore an important matter that needs to be addressed actively. Until now there have been no potential successors from within the family and the age gap between old and younger generation, plus a lack of work and industry experience of the family members makes it very likely that at least one outside manager might be hired for the period until a worthy family member is chosen.

The interviewee was not known before the interview took place, but access was granted due to common friends. The interviewer met Theodore’s eldest son at an entrepreneurial youth club before, and they kept in contact and have been stalking deer together since January 2015. The interview atmosphere was formal and the interview took place at the holding company’s office.

After the stalking weekend which Theodore’s son and the researcher had together, Theodore was contacted and asked for a meeting to discuss the data and any updates following on from the first interview. The meeting was agreed and the following updates seem to be of considerable significance as they present a succession approach that no other case pursued.

In December/January 2014/15 the family decided to give all its shares into a recently established foundation. This foundation was the outcome of three workshops, accompanied by Professor May from the INTES consultancy. Additionally, the family was in the last steps of developing an updated version of its family constitution.

There have been several aspects that have led to this important step, the first reason being a political one. On the 17th of December the federal constitutional court of Germany decided that the current death tax law was unconstitutional and had to be replaced by a constitutional one from the 30th of June 2016. This decision has been a shock to many family businesses in Germany and immediate action was necessary, so

the newly-formed family foundation is a reaction to the government's action to save taxes.

The second and—according to Theodore—most important reason, is a spread of the shareholders and their shares. As mentioned above, there are currently twelve future shareholders of the fifth generation. This new family foundation shall prevent certain individuals selling their shares to people who are not part of the family. With this foundation it is ensured that the business stays within the family and cannot be sold piece by piece. Furthermore, this foundation is an action of prevention for a loss of identity, as can happen when families with a long tradition suddenly lose this artefact of identification.

It is important to notice that this is not a charitable trust but a family foundation, meaning that there will still be shareholder meetings according to the percentage of family business shares given to the foundation. There will still be dividends paid and this foundation is not eternal but can be terminated one day if the majority of shareholders decide to do so. The advisory board will suggest dividends, but the family can disagree with these suggestions if more than 75% of the family shareholders decide to disagree with the advisory board's suggested dividends. The family can then make a decision without the consultation of the advisory board.

Furthermore, the family also decided to face the challenges of succession and how to deal with its huge amount of potential successors. They introduced a three-stage education system, called driving licenses. The first stage is the moped driving license, a basic education which needs to be undertaken by every shareholder. The second stage is the car driving license, which is necessary to qualify for becoming part of the advisory council; furthermore, there needs to be an approval of 75% of the family to become nominated. The third stage is the so-called truck driving license, which is necessary to become a chief executive. If these positions are not held by the family in future, the family members agreed to sell its company to avoid the family and business becoming too distanced from each other. Interestingly, not only family members but also their spouses can become members of the advisory board or even the chief executive levels. If they decide to apply, however, they still need the support of a minimum of 90% of all existing shareholders. The only limitation that spouses face is that they cannot become chief executives of the holding company.

The family managed to diversify its business and it is planned to continue this strategy. Both core companies - the plastic surface firm and the household plastic product business - will be expanded further over the next few years. The family committed itself to an expansion strategy to reach out to foreign markets to expand its market shares and to cover new markets. This might either be achieved through M&A activities or through a further careful build-up of their own production sites in those foreign markets. It is unsure yet if there will also be a further diversification strategy into new industries, or if this is to be done on a personal level outside of the holding company's structure.

6.7 Conclusion

The previous chapter introduced all five German Mittelstand case studies, its businesses, its families and its succession characteristics. The chapter starts with a table giving a brief overview of all five cases and comparing all cases in terms of business type, size, location, age, numbers of succession, numbers of employees, number of family members, the current succession stage, numbers of interview and their degree of formalization. The purpose of this table is to demonstrate the cases diversity. The structure of each case description is the same, starting with a timeline of the family business to set the historical context, the timeline is explained and followed up by a family tree introducing the current generations and interview participants and their relationship to each other. At last a succession milestones diagram is presented according to the milestones identified by the participants themselves.

The following chapter will face the two research questions of why successors are willing to take over the family business and which actors are involved during the succession process. Both questions will be answered based on the theoretical data earlier presented in this thesis and the data obtained during the case study interviews of the five family cases just introduced in this chapter.

7. Succession Processes in Mittelstand Family Businesses

7.1 Introduction

This chapter shall link the empirical findings gained during the interviews with the family business families, and the received family constitution with the current state of the family business literature, in particular with the succession literature, and analyze the reasons that successors decide to succeed and the actors involved in the succession process. The vast majority of research tackles succession as one single block and does not differentiate between ownership transition and management succession, probably because of the assumption that both forms are the same process (Chrisman et al, 2013); the idea to differentiate was taken by Wiklung et al, (2013) and it is especially important when researching the different succession stages, as ownership and management succession rarely take place at the same time as the cases evolve. To evaluate if succession has been successful or not, one also has to differentiate which part of succession one is talking about. Succession is by far the most researched area within family business literature and many authors have pointed out its importance. There are two main reasons why succession is so important for family businesses and their families: first of all it is the intent to pass the business from one generation to the next (the definition of succession is from Williams, Zorn, Crook & Combs, 2013) that is a vital part of every family business. The second reason - and in economic terms probably the even more important one - is that (failed) succession is the main reason why family businesses get sold or stop existing (Venter, Boshoff & Maas, 2005; Yoo et al, 2014). It is therefore crucial to gain a better understanding of the succession process.

These are important insights into the world of family business families and this should further be complemented by asking about the reasons successors want to succeed. This chapter will discuss the aspects why successors might be willing to or struggle to pursue an internal career. The chapter also illuminates the internal and external actors involved during the succession, and which dominant groups were identified.

7.2 What factors motivate successors to work for and/or take over the family business?

This research question examines the factors that drive successors to burden themselves with such an emotional challenge as a family business. This section will present and

discuss the factors identified during the case study interviews; each factor will be analyzed and compared to the findings of the previous literature.

Even though succession is one of the most researched phenomena in family business literature, it seems that many important and interesting questions remain unanswered, or science only recently discovered this particular area and has just started to scratch its surface. It is a legitimate question to ask “why is it important to research the factors which motivate successors to succeed?” and one possible answer could be from authors such as Venter et al (2005), whose publication clearly stated that the succession process is not only the number one reason for family business failure, but also that “...the successor’s interest in and willingness to take over the family business” (p.286) has a positive impact on a successful succession rate. This assumption was also supported by Björnberg and Nicholson (2012), who described commitment as the key component of succession. Researching what motivates successors to succeed is basically not only researching why successors decide to succeed but also how and why they are going to be successful in pursuing a family business career.

If the researcher asks about the motives successors have for taking over the family business, one also has to ask about their alternatives in order to gain a more accurate picture. The researcher asked both the parents and the successors for the reasons they engaged in the business and about the alternatives that the successors would have chosen, and it proved to be interesting data, as asking for the alternatives delivered a better understanding about successors’ interests and driving factors. It soon became evident that there is not one universal approach or motivator. Motivation is something very personal and it is often difficult to describe. For many interviewees it has probably been the first time they were asked this question, and some of them have certainly not even asked this question themselves before. For many families and their successors, taking over their parents’ job and responsibility is just God-given, such as the personal religion that for many people one inherits and does not really question. One of the key sentences of the interviews was “*There is no division between private and professional life*” (Luxury Bathrooms and Box printing machine family business); this sentiment re-occurred in this or in similar forms throughout almost all cases, and it gives some indication about the true motivators of taking over one’s family business. This sentence is not case specific but similar observations have been made by other researchers: “You don’t have any privacy during lunch, lunch is not private at all. You only talk about the business...” (e.g., found in Jaskiewicz et al, 2015, p. 40 or

Kellermanns et al). Research suggests that many families have a very strong identification with their family business and that the business is a source of identification: sometimes the family business and certain members of the family (father) are even seen as one and the same *person* (Björnberg and Nicholson, 2012). In addition, Marshall et al (2006) stated that “effective successors became interested in and started working in the business at a young age” (p. 352), as is the case in some of the five cases presented in this dissertation. Jaskiewicz et al (2015) supported this assumption and explained that “nurturing entrepreneurship starts at birth” (p. 46), as well as how important it is to include young family members from a young age and that the use of family narratives is the right way to make the successors interested in the business.

Even though for many families there is almost no division between the family and the business, the successors and their motivations differ. It was not possible in this study to identify one singular motivation, but one has to conclude that every successor has his or her own combination and reasons why he or she might want to succeed. There has been research into what factors make succession more likely to be successful (e.g., Milton, 2008, Venter et al, 2005, Chrisman et al, 2013), with factors such as commitment, competence, transfer of knowledge and a transfer of networks highlighted as important variables influencing success. Chrisman et al (2013) highlighted the importance of factors such as a low to moderate number of owners, multiple generation involvement and that the CEO is a family member, but the question why a successor should be willing to do the job, remains unanswered.

Williams et al (2013) summarized the current state of transgenerational intent and mentioned factors such as the successor’s view of succession, their age, gender, sense of personal responsibility and their cultural origin, together with the family business size. This dissertation did not specifically ask for these factors, neither have the cases been chosen accordingly to prove or disprove some of these factors, but the cases did not provide any indication suggesting that age or gender played a major role. It might be that older successors made their decisions in a more reflected way, but it did not seem that age plays a big role. Williams et al (2013) could not find any evidence that factors like firm age, firm size or gender did have an influence on the transgenerational intent, but they were able to prove that large and old family businesses result in a higher transgenerational intent, and that “being a minority-owned family managed business is positively related to transgenerational intent” (p. 419). Two other positive

factors for transgenerational intent have been the length of time until the next succession, indicating what a burden succession can be for the successors, and that “having a family member as the CEO’s closest advisor is also positively related to transgenerational intent” (p.420), clearly indicating that the family itself, but most likely the mother, will have a positive influence on the succession process in general. As far as Williams et al’s (2013) factors can be compared to the factors identified based on the five empirical case studies, they are in line and do not conflict with each other.

No successor reported that he/she was forced by his or her parents to engage, but that it was their own independent decision; there had certainly been some kind of external pressure or expectation:

“Yes, I definitely encouraged them to join... our children can choose whether they want to work here or not, but I think I would have failed if none of my sons had interest in taking over the business” (father, Cable King).

One could discuss how far such statements leave such a thing as a free will to join the family business if repeated on a daily basis to a young child from a very early age onwards.

On the other hand there have also been true pull successors, who couldn’t wait to take over the family business and for whom their own personal goals and the family business did just match perfectly together (e.g., daughter, Luxury Bathrooms, son, Box printing machine company). These are people who have never thought about alternatives, or whose alternatives would have been something very similar to their current family business engagement, such as the same industry or being self-employed again. Most successors are driven by both push and pull factors and the amount of each factor changes over time according to the current situation that the individual is facing.

The last option was ‘succession by accident’: In this case, successors either joined the business due to a sudden event or because they already worked for it from a very early age onwards, and succession just happened as a natural process and they missed the opportunity, for various reasons, to leave at a later point in time. Sooner or later such successors will be drawn to the push or the pull side and continue working for their family business because they find it fulfilling and inspirational, or they will most likely quit or suffer under their situation as they feel that their job is rather an obligation which they are not enjoying but that they are compelled to do.

Obviously these three factors are constantly mixed to certain degrees and do not exclude each other, but in the end it all comes down to one of the most fundamental questions when owning a family business:

What comes first: the business needs or the family desires?

Although this question shall remain unanswered in this dissertation, it certainly plays a role when looking into family business research and choosing the right successor for the right reasons. None of the five interview families had a written testimonial answer to this question, only the family constitution was facing this difficult question, and this clearly chose the business needs over the family desires. A good example for the struggle between such push and pull factors is the following statement by one of the Cable King successors:

“I do not want to say that it is *the* most important but it definitely has been an important aspect and that is money! I have a young family and need a good income and in my own business I am able to earn good money as I can develop and work as hard and as good as I can. Another aspect is the options and responsibilities one has as an entrepreneur: in any other business at my age I would be on a medium managerial level with little decision-making rights, but here I can make my own decisions and am responsible for them. Last but not least it should not be mentioned that I had the feeling that there is some obligation to do the job. This is very conservative thinking but I act in the tradition of my father...Oh before I forget, a very important factor was that here I am allowed to learn at my own speed without any external pressure, as there are no banks which could annoy us in any form” (economics son, Cable King).

Even though more and more publications demand more familiness in their research and to put the families in the centre of family business research (see, for example, Dyer and Dyer, 2009, Habbershon et al 2003), the family, including all its actors and their different motivations, are most often ignored: “...less is known about antecedents to succession efforts, namely, the factors influencing the intent to transfer leadership from an incumbent family leader to an heir apparent with the family” (Williams et al, 2013, p. 416). The small numbers of publications that ask about the successor’s motivations have not been able yet to develop a model clustering all factors previously described, but rather describe single motivations one by one, most often not covering

more than one or two factors in one publication. A model like the push and pull model, which tries to unite all factors according to their different kinds, could prove to be of great assistance for further research and to include further motivation factors that have not been identified in the five case studies used for this dissertation.

The next few sections will describe the push, succession by accident and pull factors, and some of the quotes of the interviews describing them.

Tradition and history were certainly the most often-mentioned factors when asking successors for their motivation about joining the family business. In the family constitution these two are even the only factors mentioned, the family identity and its legacy being closely connected to each other. All parents deny pushing or even forcing their children into the family business, but there is certainly some underlying pressure to continue the tradition, such as:

“Our children can choose whether they want to work here or not, but I think I would have failed if none of my sons had the interest in taking over the business...” (father, Cable King).

or as in another case:

“I knew my grandfather and knew that he has been a successful entrepreneur and therefore continuity seemed to be appropriate” (father, The Old Sawmill).

Continuing the tradition is seen as one of the most noble tasks a family member can pursue, and it is not surprising that in hand with this tradition, “transferring it to the next generation” (siblings, Box printing machine company) is also an important motivator. It is exactly this intent of succession that is the essence of family businesses and one of its core values. Tradition and history certainly belong to these family business core values. The family constitution, which is handed over to every family member on their 16th birthday, even states in its preamble: “With this family constitution we want to continue the success of our father ...,” his entrepreneurial spirit, bravery and discipline, as well as his personal responsibility towards the family business and its employees.

“We - his four children - want to continue his entrepreneurial legacy as a family business in harmony and respect to each other” (family constitution).

Such strong and important statements obviously make an impression, especially if received on one's 16th birthday, and non-family members can only speculate what a strong effect such a gesture might have.

Another closely related factor was destiny: “In our case it has been tradition and destiny that the children take over the family business” (father, Box printing machine company) or as a mother describes her daughter's family business entry: “I mean this is destiny, isn't it?” (mother, Luxury Bathrooms). Another example how a young successor felt about his family career is described as follows: “... but I knew that this duty might be my destiny so I decided to get better prepared for it. (father, Old Sawmill)” Destiny is an often chosen word, which is used in a rather neutral way as it certainly is a great opportunity that many others do not have but the successors are also aware of the cost and challenges that come with it. Similar reports are known from other publications, e.g., Cater et al (2016), where successors described coincidences without using the exact word ‘destiny’, but described, e.g., how the foundation of the family business and their birth coincided.

Interviewees mentioned during the interviews several kinds of obligations such as, “Property is an obligation”, “Obligation towards my parents”. These are factors where the successors feel a certain responsibility towards the rest of the family that they are content with this role; another example of that kind was when asked if one of the successors really wanted to take over the family business at that certain moment, she replied: “No, I didn't want to take over at that time, but my father convinced me to do so” (daughter, Herbal Family). The fear of disappointing one's own parents and to let the family down is most likely to be present for most children, regardless if they have a family business in their family or not, but if a family business is present and if parents expect or wish them to step in one day, children certainly feel some kind of pressure to fulfil their parents' desire, even if the parents try to avoid this exact pressure. Not all children want to fulfil or follow these expectations, as in non-family firms, but many certainly will do not only due to their own desire but to meet their parents' and family's expectations.

Obligations towards employees and social responsibility have been other forms of obligation that have been mentioned. These factors indicate that altruism is an underlying motivation. Altruism certainly plays a role in the family business world, and while research often focuses on altruism towards the family, this is a good example

of altruism towards the surrounding community, especially the employees and other stakeholders. Successors made clear that although these forms of obligations do play a role they are not the only reasons or main drivers for taking over their family business, but that they are rather underlying secondary reasons. The family constitution mentions the responsibility the family has towards its employees several times and reminds them about their moral and altruistic values that need to be kept up at all times, no matter what.

Financial benefits are often mentioned as one of the main motivators in the management literature to encourage employees to pursue a certain career. Also, the family business literature (DeTienne, Shepherd & Castro, 2008) mentions its importance for young successors as one of the main factors why successors decide to take over their family businesses. The author therefore decided to ask specifically for financial benefits as a motivator to pursue a family business career and found that the previous findings are at least partially true. For many interview participants, money is not their major concern, as the family fortune is large enough: “None of our children will probably ever have to face real financial trouble, if they stay down to earth. I therefore assume that financial aspects play a minor role” (father, Herbal Family), but for others especially, if they are at the present time only employed by the business and do not own the family fortune already, it certainly can be a motivator.

“I do not want to say that it is *the* most important but it definitely has been an important aspect and that is money! I have a young family and need a good income and in my own business I am able to earn good money as I can develop and work as hard and as good as I can”(economics son, Cable King).

It can be concluded that money certainly can be a motivator in at least two aspects: first, if the successor needs a certain income to keep up either his or her lifestyle or to feed his/her young family and second because a good performance-based income is a good indicator about the young successor’s performance in his/her new role; this can even be more important in terms of prestige towards other family members than to the successor themselves.

So while the importance of financial benefits cannot be denied, it only seemed to be a real factor for two out of the fourteen interview participants. The majority have been aware that money certainly does play a role and should not be forgotten, but agreed

that it is not their most important motivator, which was summarized as follows: “Money should not have been the main driver but self-fulfilment...” (father, Luxury Bathrooms) and “...I do not say that it is no motivator at all and that it has no effect, but I am not driven by it” (Cable King, senior). These findings are similar to Björnberg and Nicholson’s (2012), where they concluded that:

“Very few interviewees talked about the financial aspect of ownership, and where they did, it was accorded minor significance. Instead, the emotional value of the relationship was prominent... several respondents articulated that they viewed their ownership primarily in non-monetary terms, claiming that the ownership represents ‘sentimental value’” (p. 377).

Business Needs: contrary to popular belief, among many family business owners, family CEOs do not have an eternal life! Succession is therefore only a natural process similar but unlike the CEO succession in every other non-family business. A family business CEO’s tenure lasts three times longer than their non-family business colleagues (Sharma, 2004). Over those years - and in many cases even decades - the business needs change and new CEO requirements evolve that cannot be met by the old generation. Such unmet requirements can be a great opportunity for young successors to step in and to earn their first spurs:

“Our son put his focus on the technical department. He hired new people and redefined the boundaries of this department: What I mean with that is that he grew it into something bigger. I do not think this would have happened if he had not entered the business. He saw the biggest chances there and used this trend so we have today an important advantage compared to our competitors” (father, Luxury Bathrooms). In another case the successors described the situation as: “Our parents have had completely different priorities at that time and it is our task to catch up on those things which have been neglected (son, Box printing machine company)”.

If such neglected needs are not overcome in time they can cause major problems:

“My uncle was ill and retired and the amount of work became just too much for my father. My father is a brilliant engineer and everything he has done is outstanding, but unfortunately, there are many things he has not done, but

which now need to be addressed urgently. My father is not a born leader; he is excellent in what he does here. However, if it becomes larger and outside his comfort zone ...rescuing is perhaps the wrong word but I am not sure how much longer our former concept would have worked out...the business needed me and I did not want to lose it” (law son, Cable King).

Both scenarios are real push factors for the young potential successor to step in and are best summarized in the following quote:

“The need is there, I am wanted and I am prepared for the task” (law son, Cable King).

Williams et al’s (2013) factors would be considered as push factors, as would Holt and Popp’s (2013) finding that in a family business “parental authority” left “little alternative” to successors than to join the family business regardless of their real intentions (p.905). Both authors described the typical push scenario, in which the successor is not the active person but is rather being pushed into the role of the successor. On the other side, Barnes and Hershon (2000) described typical succession by accident factors (as discussed below), where founders just deny the need to sign over until it is too late. These described successions, by accident or by death, resulted in the successor taking over the family business automatically one day. As will be related, these findings are in line with the succession by accident scenarios of the empirical case studies, where the younger generation steps in either because the older generation suffers illness or because leading employees drop out.

One described no-action factor is the perceived cost of leaving the company, which was not identified during the interviews; Sharma and Irving (2005) describe this perceived cost of leaving the company together with a lack of alternative employment opportunities as one possible factor for successors to succeed. These two factors stand in sharp contrast to the findings of the case studies used for this dissertation, where all successors had at least an Abitur and the majority had a finished university education and previous work experience and employment. It is therefore not possible to support these findings based on the cases, whereas their push factors of ‘following father’s footsteps’ (p.24) are supported and can be equalized by tradition or parental obligation.

In the cases God-given and succession by accident, the successor was neither pushed, nor did he/she pull himself into the family business, but it just happened either by a

natural flow of events - in some cases similar but unequal to laziness or, as in other cases, by tragic events; sometimes there might even have been a combination of both. In both cases the successor has been a rather passive person and ended up in his new role.

Typical examples for God-given succession (similar to destiny but without the push component), are phrases like “It has just been the easiest option; you know it is unlikely, losing one’s job in the family business” (parents, Box printing machine company). In another case both successors described their career: “There is no division between private and professional life” (Box printing machine company) and later: “This is an absolutely flowing thing, without real milestones as one would probably say, it just happens and one grows more and more into it” (son, Box printing machine company). Such cases where succession is just a natural thing are good examples of how easy succession can be; out of the five cases, two successions were of this kind and can be characterized as rather unstructured and unprofessional. Nevertheless, they did not only work out perfectly well in at least one case, but both successions were also characterized by a low conflict potential.

A combination of such a God-given and succession by accident succession was described by the female successor of the luxury bathroom manufacturer, who is also a good example of how such a succession can transform into a pull succession as soon as the pull factors kick in and the entrepreneurial spirit is awakened. She commented:

“It just happened to be. After my Abitur, I did not know what I should do. I thought I should work in the hotel industry, so I applied for an internship. During this internship I figured out that the hotel industry is not suitable for me as I had no free time at all. So I decided that self-employment must be the key, as I am able to organize my life as I wish. However, starting my own career as a self-employed person, aged eighteen, is easier said than done. At the same time we opened a new shop in the city and I realized that this might be the perfect opportunity for me to unite all my personal needs. I am convinced that if there had not been this retail shop, I would not have joined the family business... it was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for a family business really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became

the job of my dreams. (Transformation from succession by accident to pull, also paying attention to the pull factors she mentions: personal commitment and responsibility) All the personal commitment brought us closer to each other. The responsibility I had from an early stage on, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay. .. The moment I left university was the same moment our manager dropped off. This happened to be one and a half semesters before my graduation. My performance wasn't really outstanding and my motivation was well ... let's say, very limited. As I told you before, if I can, I always avoid difficulties. This was the perfect opportunity for me to drop off without losing face" (daughter, Luxury Bathrooms).

The drop-off of leading employees or a sudden ailment of the old CEO, such as a heart attack, often leads to such succession by accident, where the children step in sometimes believing that it is just for a short time, till their father has recovered. These successors sooner or later realize that they are trapped in this new situation and that there is no easy way out; at this point the push and pull factors apply, and depending on which one of the two are stronger, the successor will pursue his career more or less motivated and happy, or in the worst case scenario even decide to terminate it and to drop out completely and to hire either external management or to sell it if there are no other family members able to compensate for his or her father's loss.

The following section will introduce and explain the pull factors identified in the five case studies. At the moment the push factors are dominant factors in all five cases, which does not mean that this will always be the case and that at certain points of time there might either be an equilibrium or even a shift towards the push factors with the above described possible consequences.

Sharma and Irving (2005) have been able to identify pull factors. They did not name them pull factors, but their factors such as responsibility and a career from a young age onwards easily identify as such. The quotes they received from their cases just seem to be almost identical with the ones received from these cases in this thesis, such as "I couldn't ask for a better job than I've got. Where else can a 33-year-old come and run a business with 900 employees?" (p.18). Pull factors are factors that motivate successors to act and pursue their succession as active individuals - they are the reasons

why the younger generation desires to take over the family business, even though they know what kind of emotional hazard to expect.

Self-realization, with all its sub-categorizing factors, is probably the best umbrella term to describe why successors so often decide to succeed and persevere with their job rather than leave after a few years' time. The need for competence, autonomy and relatedness is known to increase the successors' commitment: "which should increase the probability that members of the next generation will accept a leadership role and career in the family firm" (Steier, Chrisman, Chua, 2015, p.1272). They further argued that it should be one of the challenges to: "provide a family and firm environment where potential successors' need for self-fulfilment and self-determination are apt to be obtained".

Most successors are sensitized to their products from a very young age, and develop a real interest and passion for them. Satisfying this interest and living this passion often goes far beyond the level that can be expected from a normal employee; for example:

"My time in Asia has actually been a preparation for my current job, as I visited all the tea plantations to collect first-hand experience and impressions of its origins. I met all the local farmers and entrepreneurs" (daughter, Herbal Family).

This product identification seems to be important, or as one mother described it: "She has a strong interest in those things and is pushing this forward, she is basically living the product" (mother, Luxury Bathrooms). Another factor that was mentioned several times during the interviews was the entrepreneurial spirit; successors have the feeling that this spirit or attitude can only be lived in a satisfactory way if they are self-employed:

"At Daimler the salary was nice and the time there was limited to 35 or later 40 hours, but I had no responsibility and could not initiate new things or push other things forward. I was presenting and others decided whether they liked it or not. I wanted to be in that position, but this is not easy as a fresh graduate. I wanted to take risks and wanted to be rewarded or disciplined for my decisions but I did not see myself as a follower" (son, Luxury Bathrooms).

It is this independence and personal responsibility the young successors are looking for, and why they often decide to come back to the family business even though they

had a promising career in another business. Another young successor described it as follows:

“First, I see myself as an entrepreneur. Second I see myself as a strategy person and third, I am a business developer, and all this I can combine here in my own business. If I had stayed as an employee with KPMG all these three things would not have been part of my life and would not satisfy me as they do today. Even when I stayed with KPMG, I had tried to reach management level to become a CEO outside the agency” (law son, Cable King).

It is this self-actualization and personal commitment which pays off for them, why so many of them decide to choose the family business over other job opportunities. It is unlikely that the same person would get similar responsibilities or career opportunities so fast after completing formal education in a similar non-family business environment. Critiques might call such conditions nepotism and indeed they are probably right, but it is this special kind of nepotism which might perhaps also be the special secret ingredient many family businesses have over their non-family business competitors. It is this passion, personal commitment and identity which leads to a special spirit, and which might result not only in additional knowledge and commitment within the top management level but which is carried forward, through leading by example to all employees. It is this kind of nepotism that “improves the identification of family members with the family firm, providing a credible signal of their veracity and helps forge enduring relationships” (Steier, Chrisman, Chua, 2015). Nepotism, or better, the chance to achieve something regardless of their age, makes the younger generation join their own family business and sometimes they push so hard to qualify them to be granted entrance. A successor’s motivation to join the family business out of free will can be very high, because it is quite unusual for most non-family enterprises, as the following two examples of young successors show. In one case the mother remembers the daughter as:

“She entered (the new shop) and told us that this is going to be her project... There was no need, as we had the entire workforce for this shop and were not dependent on her, but she wanted to work there” (mother, Luxury Bathrooms).

In another case the Herbal Family daughter describes her motivation to join with the words as:

“It is fun... There has never been an alternative. I think it is the most interesting job in the world, I am self-employed and responsible for my own future, and this independence is great”.

Nepotism is almost always considered to be negative and to make “the family either a positive or negative resource” (Lumpkin et al, 2011, p. 289); it is time to challenge this narrowed view and to consider what positive aspects nepotism might have in family business performance.

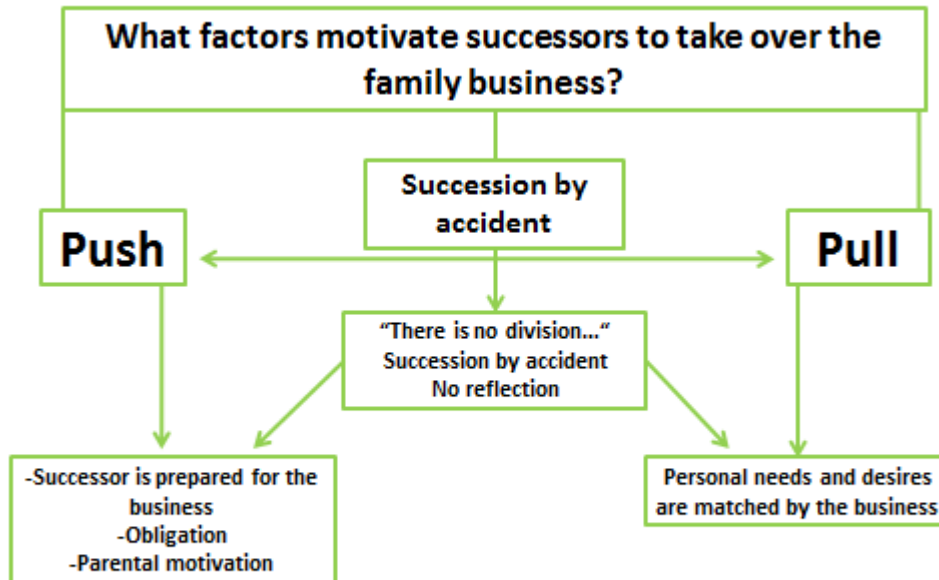
The previous section raises the important and often neglected question of why successors decide to succeed. Three kinds of factors were identified: push factors, no-action factors and pull factors. The push factors make successors passive actors, as they are pushed by external factors into the role of the successor, and many of these factors can somehow have a negative connotation. Succession by accident describe successions where successors ended up in their new role either by family incidents or by avoiding alternatives because they did not take any actions against them; it is important to notice that this factor is always only a temporary condition: sooner or later push and pull factors will set in and the successor will shift to one or the other side, as do all successors in general, as the factors are not settled and can become stronger or weaker over time. Pull factors are factors where the successor actively seeks the opportunity to become engaged with the business due to a wide variety of reasons, such as entrepreneurial spirit and self-actualization. Successors believe that they can find something in their own family business which they cannot find in other businesses, or at least not as quick/young as in their own business. Successors know that the burden they might face could be compensated by some form of nepotism, which sets them in a preferable role over external management or alternative job opportunities. As described in the text, this special form of nepotism might have positive effects on the family, its business and even its employees, so one therefore has to ask:

Is nepotism always a bad thing or might even nepotism have a positive aspect?

This aspect will also be discussed at the end of the Strategy as Practice analysis chapter, where we will research how successors legitimise themselves among internal and external actors.

The interviewer was able to identify three different motivation approaches of the future CEOs. These are illustrated in the following diagram:

Diagram 7.1 Push and Pull Model - What motivates successors to take over the family business?



There have been push, pull and succession by accident factors, meaning that successors are constantly torn between these two kinds of factors, which either push them into the situation of being the next generation or that the successor is active himself and pulls this option. Push factors are often external forces like their parents’ ‘moral obligation’ or business needs: “If I do not join now, there will be no family business left in a few months” (law son, Cable King) to engage in the family business, whereas pull factors, on the other hand, are their own entrepreneurial spirit.

7.3 Who are the internal and external actors involved in the family business succession process?

Past research studies have struggled in the past with identifying and describing actors involved in the succession procedure. It has merely focused on the CEO and the successor and described their role extensively: one actor, often fearful to let the business go and fearing to lose his influence, the young successor either eager to do everything the exact opposite way than before or shaken by self-doubts. Most

publications remain silent about the role of external professionals; their role is either seen as self-explanatory (e.g., accountant for tax reasons, lawyer for legal reasons, etc.) or only very briefly explained. Some authors (see, for example, Lambrecht & Lievens, 2008; Lubinski, 2011) point out that there are also (in-house) legal requirements, such as the involvement of the advisory board or a notary. Empirical data suggest that consultants play an important role in increasing the succession rate through facilitating exchange of experience. Experience may proceed in at least two ways: first, consultants may draw on their experiences from previous cases and in that way facilitate an exchange of the external environment of the family business. Second, consultants may act as mediators or coordinators between the former CEO and his successor and in this way facilitate exchange of experience internal to the family business. Transparency is another main reason that the family and its CEO and successor might decide to include external actors, as will later be discussed in the research question dealing with legitimization.

“The consultants are a milestone on their own, with all their different ideas. (father, Herbal Family)” and:

“I think we have received some outstanding advice by our consultants who are a lawyer and an accountant (former board member of KPMG) who do have a special focus on FBs. He is now consulting us for 40 years and his son is also already working for us. So there is already quite some material which we could use for a family constitution” (father, Herbal Family).

When reading through the interviews it became evident that in addition to asking the question of ‘who are the actors involved’, the question ‘where is strategy formation taking place’, was another important question, as it gave rich insights into the life of the owner families. The succession process is a rather intimate, emotional and private thing and the family prefers to keep non-family members out, at least at the beginning, until certain ideas have been discussed internally. Interviewees regularly replied that the kitchen was the most common place to discuss business affairs, then other places such as the car, ski lift, living room, but on one occasion even the bath tub was mentioned. It is self-explanatory that external management and consultants are unlikely to be present in such moments, but that it is the closest inner circle, the direct family itself, which is participating in such discussions.

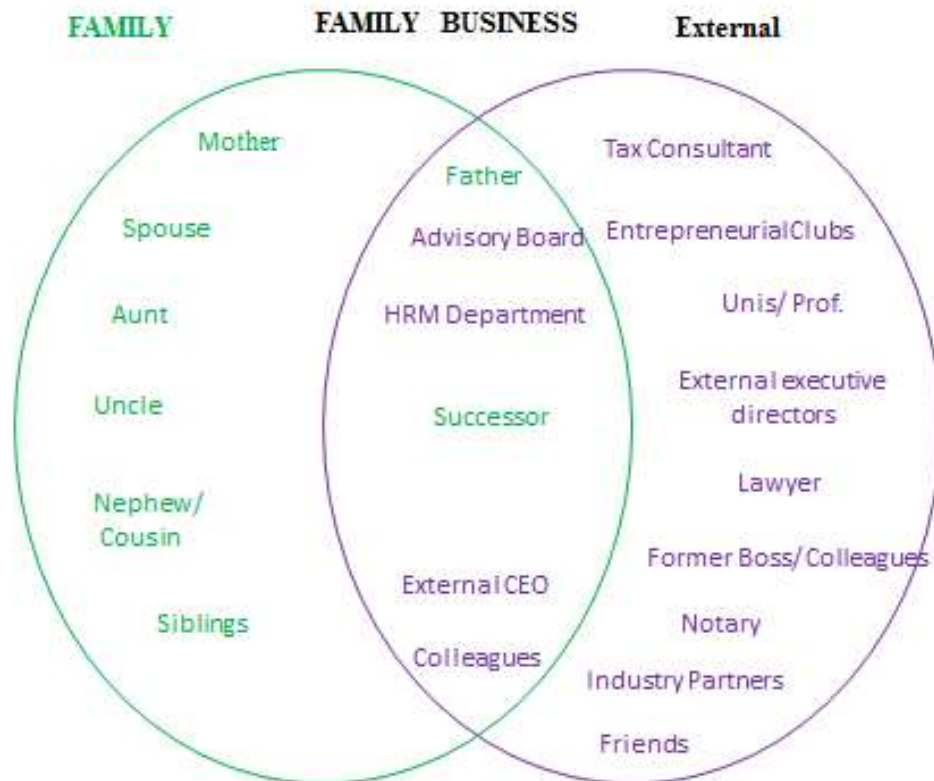
This indicates two other important things that are far too often overlooked: first, the family is far more important than often thought - and a family does not only consist of the CEO and the successor, but of many more people who are not only present and silently living in the background but who participate in and influence these conversations.

Secondly, family businesses are not exemplary in democratic decision making. As discussed earlier, many important decisions are taken in a rather private setting, such as the kitchen table, ski lift or even bath tub, obviously without non- family members. It seems to be unfair that leading external managers, consultants or lawyers are not included in these decision making practices, but that is how it is in most cases. The family takes a decision and informs its employees about it and then there might be a discussion about it, but it is unlikely that much will change once the block of family members is agreed. Out of the five cases, the Sawmill family business, the Cable King and the Herbal Family decided for a rather 'professionalized' succession event, like the family business whose family constitution is analysed as a written artefact. They decided to do so to avoid nepotism and to keep emotions under control. Their family business CEOs, but also their successors, have the strong desire to make the succession process as transparent and professional as possible. They not only do this to avoid being accused of nepotism, but they probably know from their own experience how difficult legitimization as the new family business CEO can be. By including external decision makers into the succession process, they gain a succession that is as similar as possible to a succession by a new external manager. Consultants, advisory boards and others increase transparency, add professionalization and enhance credibility. Perry et al (2015) only differentiated actors into internal and external actors but did not specify them or their tasks more closely. Perry et al (2015) only stated the positive impact that external advisors can have on a family business as internal advisors do not always have the horizons that externals have. They therefore suggested making heavy use of external advisors if the family seeks financial reward out of its family business, and the use of internal advisors only if the family seeks emotional wealth from its business.

The actors involved in the succession process were grouped into family actors and external actors, with an overlap between the two circles for specific family business actors. It can be summarized that both internal and external actors are involved in the succession process, but the family is the most important component; also, certain

external actors have a large influence, especially if the number of family members and potential successors grow. As in this case, families often want to formalize and professionalize their succession through the help of outside professionals.

Diagram 7.2 Actors involved in the succession process



The diagram above implies that currently only the father and the son work for the family business. If, as in many cases, additional family members such as mothers, aunts, uncles or cousins work for the family business, too, then their position changes according to the overlap of the family and the external circle. It was possible to allocate all members identified in the five empirical case studies to one of the two circles; some are represented in the overlap previously mentioned. The diagram shown above is only focusing on actors that were identified in the cases used for this dissertation; there might be additional members and therefore additional reasons/circles might exist that are not included in the graph at this present point.

The family circle consists of all family members such as mother, aunt, spouses, uncle, nephew and siblings who have an emotional attachment either to the successor or the family and its business themselves. Father and successor, assuming that they are both employed by the family business, do reach into the second circle, where the external

members are represented. This includes all actors who are involved in supporting the business and its family to have a smooth and organized succession. Beside legal questions the main challenge is to get emotions under control and to take the different (family) stakeholders' emotions and desires into consideration. It basically consists of two groups: people directly working or in a relationship to the family business and external actors who are rather on a freelance relationship to the family through the business. Such freelancers include, for example, tax consultants, lawyers, entrepreneurial clubs, universities and their professors, external executive directors, former bosses and colleagues, notaries and friends.

The overlap between those two circles consists of employees (e.g., colleagues, external CEO, industry partners, the HRM department, and the advisory board) who are somehow involved in the succession process. It also demonstrates the difficult situation that father and successor are in, as both are family and company members and are in the difficult situation that they have to meet both requirements at the same time. If there are further family members, who also work for the business, paid or unpaid, with a contract or without one, then they should be included in this overlap as well. This diagram is later partly converted into a table (please see Table 8.1), demonstrating which actors act as legitimators during the three succession stages.

7.4 Succession process conclusion

This chapter raised the principal question of 'why successors are willing to take over their family's businesses', even though they are fully aware of the emotional hazard many of them are facing on a daily basis?' It was possible to identify a number of different factors such as financial benefits but also the possibility of great responsibility from an early age onwards and self-realization. The second part of the chapter summarized all identified actors involved during the succession process in a model of two circles and summarized them into family actors on the one hand and external actors on the other hand, with a large overlap in the middle symbolizing the family business. The individual actors will be further identified and discussed in the next chapter, raising the question of why they are involved and what activities they pursue in practice, applying a Strategy as Practice perspective. "Succession by accident" was presented as a possible succession method describing a situation where the successor becomes CEO not by intention but by an unexpected new situation, such as the sudden death of the former CEO or the lack of an alternative job situation.

In addition the chapter also discusses the concept of nepotism and its potential positive effects for a family business. The question is raised if nepotism could be the special ingredient that differentiates family businesses from non-family businesses.

8. Strategy as Practice in Mittelstand Family Business Succession

8.1 Introduction

In the Strategy as Practice analysis chapter, two questions will be addressed. The first one is why the above-described actors got involved in the succession process. The second is how successors legitimise themselves in front of their family and outside actors, but also to themselves. As explained earlier, in the literature review in Chapter 3, Strategy as Practice assumes that strategy in theory and in real life differ considerably. It is the purpose of this chapter to present and compare the theoretical and practical findings of the literature review, the five cases and the analysed family constitution to gain a better understanding of the succession process in German Mittelstand family businesses during the succession stage. This chapter also presents a succession process model based on the cases introduced above, and it provides a detailed conclusion about the findings of this analysis before leading to the dissertation's conclusion.

8.2 Why are these internal and external actors involved? And what activities do they pursue?

Succession is the dominant area of family business research and extant research has a strong focus on the CEO and the successor, but third family members and external actors get neglected on a regular basis:

“...there is significant literature that examines these family-business conflicts; most empirical studies take the perspective of the entrepreneur or incumbent owner manager. Very few have examined the issues from the perspective of other members of the family” (Birley, 2002, p.6).

Birley pointed out these shortcomings and later mentioned in particular the children and siblings as family members, but did not discuss any further members who might be part of the succession process; she explained the current shortcomings of the description and analysis of further succession actors as being because of a lack of data and access to such participants. It is this particular lack of access that shall be overcome in this dissertation through a holistic family approach in order to gain a better understanding of the succession processes in German Mittelstand family businesses. The following section will discuss every single internal and external actor identified during the empirical case study interviews and will describe his or her role in the

succession process and the practices they pursue. A Strategy as Practice approach will be applied, as Strategy as Practice puts the actors involved in focus (Andrews, 1971; Ansoff, 1991, in Nordquist & Melin, 2010): what they really do and not what they are perceived to do in theory. The majority of the described actors have not even been identified and described yet, and those descriptions which do exist sometimes stand in sharp contrast to the empirical case findings, as the maternal role will clearly demonstrate.

Until now, there has almost been no research about the reasons why particular actors are involved in the succession process. There is still a lot of uncovered terrain, as many actors have until today neither been identified nor described in detail, unless to say that it was not discussed why they have been included. In some cases this might be rather self-explanatory or given, and it seems to be sufficient to ask the question why a lawyer or a tax accountant might be included in the succession process, but there are many more internal and external members, and their network and interaction play an important role and influence each other.

In the following, the individual internal and external actors are presented, and their roles introduced as to how they acted in the five case studies.

Mother: Lambrecht (2005) described the *mother's* role as a “guardian of the family values...binding agent...and advisor” (p. 279). All these findings can be confirmed by the empirical findings. The mother is called “the heart of the family” (father, Herbal Family) and was found to be “one of the most important discussion partners”. The role of the mother is a double role, as in most cases the mother is also a wife. This paragraph shall focus on her role as a mother as well as on her role as an individual family member and human being. In most of the five cases the mothers often worked at home or combined their job and their role as a housewife. As written above, much important decision making happens in the kitchen, where she has a considerable influence. A mother keeps the family together, or as one of the interviewees put it:

“If I had to picture it I would do it as follows: father as brain (not in terms of intelligence, but fact-oriented) and the mother is the heart; they have to work complementarily. There needs to be a balance” (father, Herbal Family).

The role of the mother was, in the cases described, less finance oriented or family business wellbeing oriented than most of the other family members. For them the

family wellbeing, but also their own influence, seemed to be the dominant concern. In one of the cases the mother even:

“advised me against joining the company, she feared that working together with my father would endanger our relationship to each other” (law son, Cable King).

In another case the mother used the new family situation to enlarge her influence:

“She is claiming it. She tells me, if I am babysitting your son so you can work, I at least want to be asked and involved in the family business decision making” (daughter, Luxury Bathrooms).

The mother’s role within the family was difficult to measure but it is certainly there, even if CEOs/husbands often neglected or downplayed it: “No, my wife is not interested in the business and has no influence on it...” (father, The Old Sawmill), but in all five cases the participants attested that the mother has a certain influence and that she was involved either directly in the decision making or at least as a sparring partner. This would be of special interest if certain family members claimed that family members who are not employed by the business have no influence; this would definitely be a wrong conclusion, at least in these cases, and would demonstrate only too well in what difficult situation mothers often operate. Not being formally employed, nor having shares on their own, their legal decision-making power is quite limited and they tend to be overseen by academics and consultants, but as the cases indicated, they are still there and influence from behind or even from the first row, as in:

“No, my mummy officially never joined the workforce. But she is working all day for years now in the family business! True, but she is not employed by anyone” (daughter, Luxury Bathrooms).

It can therefore be concluded that the mother has a definite influence on family business succession strategy. The degree of her influence is dependent on her role, the business the family and herself, but it is certainly extant and she is most likely the most under-researched and neglected actor of the succession process.

It is Lambrecht (2005) who really contributed to the academic discussion about the role of the mother in his paper ‘Multigenerational Transition in Family Businesses: A

New Explanatory Model', by highlighting the mother's and wife's role in a family business, even though they are not employed; he points out that they are often neglected by academic research.

“However, the family has been relatively neglected in research. Dyer (2003) draws attention to the fact that the family is missing in organizational research” (Lambrecht, 2005, p. 273).

In his article he summarized the current knowledge of the mother's role in the following short literature review:

“Thus the strategy of the mother and the individual level can consist of watching over the shared family dream (Lansberg, 1999). Behind the scenes, she frequently plays a very important role in the business (Muson, 2002). Poza and Messer (2001) distinguish six types of women in family business: jealous wife, CEO (chief emotional officer), business partner or co-entrepreneur, employee, guardian of the family values, and free agent” (p. 274).

It shall be one of the main aims of this dissertation to overcome such rather incomplete and stubborn stereotypes that limit women's roles in family businesses on being either jealous wives, emotionally driven, pure housewives or good secretaries for their husbands! Living in the 21st century it should be acknowledged that there are female entrepreneurs who are successful on their own, who do have an entrepreneurial spirit and work independently of their husbands (e.g., Luxury Bathrooms, Box printing machine, Herbal Family). Lambrecht himself describes the wife/ mother as:

“The wife/mother often played a leading role in transition, even when she was not active in the family business, as a guardian of the family values, advisor to her husband, and binding agent between the family members themselves and between the family and the business. The wife/mother could put a negative stamp on the family business. That would be the case if she only had an eye for the family's interests. It was emphasized... that active cooperation of the wife/in-laws for both the business and for the family was a positive experience” (p. 279).

Although this description was proved to be rather vague and incomplete by the empirical findings of the five empirical cases, it reconciles with the above literature summary, but the cases also proved that the mother's role is so much more than this

and that there certainly are female individuals who are mothers and wives but fine entrepreneurs at the same time.

Father: This section is exploring the role of a *father* rather than the CEO of the family business. A differentiation is difficult, not only for the researcher but also for the interviewees. Not many statements have been made who describe the father rather than the CEO and employer, and one might wonder if even the fathers themselves often struggle to find the right role on every occasion. Other researchers came to similar conclusions: “These young members saw very little separation between the family business and their father - essentially, they were one and the same.” (Björnberg and Nicholson, 2012 p. 378) One characteristic that is evident is the trustworthiness other family members have:

“We trust each other. Therefore, a simple handshake was enough for us and seems to be appropriate” (father, Cable King).

If one wants to speak to the family’s father then private surroundings such as ‘living room’ or ‘ski lift’ seems to be the best way to find him:

“We did this on the weekends when we were hiking and I would merely call it ‘orientation discussions’ rather than ‘real’ job interviews” (father, Cable King).

Father and successor discussions are emotional battles, as every succession means facing the ultimate truth that one’s own father and head of the family is not living forever. These private succession talks take place in all families and are not an exclusive family business characteristic, as non-family business parents also talk about their children’s future and career with them.

The father’s role is the most conflictive within the group of internal actors, as no one else is so much representing family business and family at the same time. If there is a conflict between family and business it is the father who is conflicted most as he is in a permanent struggle to not neglect the one or the other. It is one of the most important duties of fathers to prepare their family for what to come when they die one day. As Marshall et al (2006) stated, only one third have a succession plan and one quarter of all predecessors do not have more than a simple will. Gilding et al (2013) not only agreed but went one step further by stating that:

“Incumbents tend to place their self-interest (avoiding succession) above family goals, as they are unable to let go, or nurture and train their children to take their place” (p. 300).

Such extreme circumstances have not been observed in the cases studied here; on the contrary, some of the incumbents were very open-minded towards succession, but one should not forget that incumbents who try to avoid talking about succession at all costs would probably have not agreed to participate in the interviews in the first place.

Spouses: Wife and mother have a large overlap as they are most likely the same person. None of the cases included examples of stepmothers, children from a previous or later marriage or adopted children, which might change the situation and could be interesting to observe. The wife has an influence from two perspectives: first as a mother, as is described above, and second as a sparring partner for or with her husband, depending if she has her own family business, is working for her husband’s family business or is married to a family business CEO. Except for one husband, the other four said that they discussed business with their wives or even that their wives belonged to their most important discussion partners:

“Yes of course she has an influence and sometimes comments about certain things” (father, Herbal Family) or, “Of course I discussed those matters with my dear wife” (father, Luxury Bathrooms).

The influence a wife has on her husband as his main sparring partner also applies vice versa if the wife is CEO and her husband functions as the sparring partner, as the luxury bathroom case and the herbal family case show, e.g., “First of all, of course with my husband... (discussing business ideas)” (daughter, Herbal Family).

However, there seemed to be a stronger tendency by women CEOs to avoid talking about the business at home with their other half:

“It depends, of course I talk a lot with my parents about the business but my husband and I, we avoid talking about business life too much. He is self-employed, too and has also a family business background and we do not want that business is that all our living together is about. At least in the private life it should be us who are in the main focus” (daughter, Herbal Family).

The female successor from the luxury bathroom company concluded:

“My husband is only available at night, so if I want to ask him something important or if I want his advice I have to do it at home. I try to avoid it but important matters have to be discussed. In the past my parents discussed business at every dinner and there was nothing else but business and I hated it and still do. Therefore I really limit myself as I do not want to end up like them having nothing else to talk about with each other than family business.”

These two examples only give an indication and no conclusion can be drawn about whether all female family business successors avoid talking with their husbands about business at home, but based on these two observations it might be that women feel a stronger need to keep the family and the business separated to protect the family from business matters. The analysed family constitution explicitly mentions spouses in two relations and explicitly includes both in all its dialogues - the shareholder's spouses but also the partners of the future generation. It states that, “This constitution is speaking for all family members - that we are the four shareholders, our twelve children as well as our and their spouses.” All family members are invited to contribute to the family discussions and to join and visit on the family days. Visiting the family days is even “strongly advised”. On the other hand, the constitution clarifies that “it is only the advisory board's job to recruit chief executives.”

Spouses play an elemental role not only as mother and father or husband and wives but also as individual beings who act on their own volition. They are an obvious part of the family but are often neglected, or to be more precise, overseen, not only by their own family but also by academics and consultants.

Siblings: Once again it is important to differentiate between managerial and ownership succession, especially when talking about siblings. A child can be an ownership successor, a managerial successor, or both, or decide to choose a career outside of the family business. Having only one child or only one willing child taking over the company can be a great advantage, as sibling rivalry is one of the greatest challenges in succession.

Fortunately, there are also positive examples for sibling succession:

“However, my brother is absolutely on the right way and gosh, he is learning so fast! Within the last year he has really developed into a splendid CEO I am happy to work with...” (law son, Cable King), or examples where rivalry did

not play a role or where siblings push each other for the benefit of the family business: “I didn’t learn Mandarin at that time, but I forced my sister to learn it” (daughter, Herbal Family).

In a world where everyone outside the family business or even the family often seems to be an opponent:

“When you enter the business as the new successor, everyone is looking at you when you crash the wall at 180km/h, without warning you. They want you to make mistakes...” (son, Box printing machine company), siblings can become the most reliable and important partners as they form a community of fate against the outside world, the older generation or whoever is the current opponent. “When I want to discuss ideas or problems I do this of course with my husband, but my brother plays an important role, too.... My brother is an important discussion partner, as I am very emotional and often narrow minded, but his arguments are always rational. He really is an important supporter...” (daughter, Luxury Bathrooms) or “My brother is of course another important person in my life, like my wife and increasingly, my children” (father, The Old Sawmill)

In addition:

“We (brother and himself) trust each other. Therefore, a simple handshake was enough for us and seems to be appropriate. However, as things become more complicated with a growing number of shareholders, and there are now two instead of one generation who is involved, we are thinking about writing a family constitution in the long run” (father, Cable King).

This indicated that as long as the family has had only one line and was small, such formalization has not been necessary and a handshake was enough, and there has been a trustworthy atmosphere, which seemed to get weaker with a growing number of participants. Based on the Herbal Family case, the Old Sawmill family case and partly on the Cable King case, one can conclude that fear seemed to occur in many growing family businesses; formalization and professionalization were implemented, to avoid family tensions and to maintain a familiar atmosphere between the old and the young generations and the different family lines. Tools to avoid such conflicts were such things as family days, constitutions, and family seminars. Also the family constitution

which was analysed clearly states that: "...honesty and respect, open communication, regular personal contact (family days), that personal matters shall not influence the business and that discretion has to be kept at all times."

Cases such as the Cable King case reveal that sibling rivalry is definitely one of the main challenges during the succession stage and has to be avoided at all times, but sibling rivalry is not given and there are certain measures that can be taken and initiated to avoid it or to keep it to a minimum level. Siblings can also work successfully together and support each other, especially when firms are small, but as they grow larger and more and more potential successors are present, sibling rivalry seems to become an issue and must be taken care of from an early stage onwards.

Secondary family members: If uncles and nephews or nieces do not see each other on a regular basis, uncles can be the big unknown actors who are difficult to understand if they are involved in the family business. As the relationship that is built on trust between siblings cannot easily be inherited, the successor's first challenge can be to prove themselves in the eyes of their uncle, especially if their uncles have children of their own. The relationship to an uncle is definitely a bit more formal and distanced than to a father, but it is still family and one might receive advance praises:

"On my first day he (uncle) asked me what I had studied and when I told him that I am a technician his reply was 'Oh, like my brother, that's perfect so you can take over his part one day!'" (economics son, Cable King).

As uncles belong to some of the most major and often longest working family members, they are treated with high respect and are often some of the first to be involved in the succession progress:

"My father, my uncle and my current supervisor were the first who were consulted about my intention to join the business... In my personal succession there have been only my father, my uncle and I who have been involved in the decision making. My father contacted me after a conversation with his brother and asked me join them in the family business" (daughter, Herbal Family).

Uncles are seen as some of the most important and influential (shareholder and/or managerial power) family members; they are normally involved right from the beginning and also they sometimes grant premature praises, they need to be convinced about the new successor's worthiness. Especially if they have children of their own

who are interested in joining the family business, uncles might become important decision makers who have to defend their private interests, but at the same time their business interests. Having a good and personal relationship with them, if possible from an early age onwards, might therefore really make a difference:

“I did not know my uncle or my aunt very well, but we always liked each other and had a good relationship, perhaps because I once joined them on their annual skiing holidays, something my brother would never have done” (economics son, Cable King).

For aunts, basically the mother and wife analysis can be applied, but with just two additions. One is that aunts are usually the family members the other family members have the least information about and know even less about than uncles. It should not be overlooked that aunts can also be shareholders and they certainly do have their say on the succession progress, and then play a role similar to the one described in the uncle section. In the five case studies considered for this dissertation, aunts played a role in four cases and were specifically mentioned in two. In one case the aunt was the uncle’s main sparring partner and in the other case aunts represented three of the five shareholders of the old generation, each of them having children of their own. In addition there were three aunt shareholders mentioned in the family constitution case which was collected for this dissertation, who had ten of the 12 future generation members. The aunt’s role can therefore not be limited to the sparring partner role, but she might also be a shareholder and have a very strong interest that one of her own children joins the family business or might even be the new head of the family.

Depending on their personal preferences and the family’s attitude, as regards cousins or nephews, depending on the perspective that one is looking at them from, they are either potential successors, potential shareholders or not involved at all in the family business, or it can be too early to say at a certain point of time. As long as it is not absolutely sure that they will never join the family business, cousins are therefore a conflict potential. However, they should not be treated as such, but should be included in the family business discussion the same as other family members. The family constitution even delivers five specific guidelines for how family members - and specifically cousins - are advised to treat each other to avoid disappointment and future problems. These guidelines include ‘honesty and respect, open communication, regular personal contact (family days), that personal matters shall not influence the

business and that discretion has to be kept at all times.’ Unfortunately this is often not the case and cousins are left out till one’s own position is assured:

“My brother and I also agreed to spare our cousins and to inform our father right at the end when everything was prepared” (law son, Cable King).

Every caution must be taken to avoid the occurrence of negative emotions or bad thoughts, as they are the next generation and early mistakes will stay for a very long time; and as usual in family affairs, things will never be forgotten and, above all, not forgiven. Additional successors are not a threat but a potential and alternative, as it is not given that one’s own children are natural born entrepreneurs. It is therefore advisable to give these children the same chances and information about the family business as every other internal or external successor would have:

“My nephew decided that he wanted to have a certain job, but I had another job in my mind. So we exchanged our ideas and found a way. I mean an external applicant would not come here and tell me what job he or she wants to have and the same rules apply for the family” (father, Herbal Family).

Uninformed and emotionally burdened shareholders are not likely to contribute to an improved performance, neither as successors nor as shareholders. The times when CEOs tried to keep the rest of the family stupid and uninformed should be over. Instead, some CEOs nowadays decide things like:

“My daughter and my nephew get an extra appointment to ask their questions and we go more into the detail and numbers than with the others” (father, Herbal Family).

Cousins or nephews are not the threat to the family fortune they are sometimes perceived as, but they should be granted the same rights as to one one’s children or external successors. They might actually even turn out to be useful successors or shareholders, adding value to the business. After all, they are family, and turning friends and parts of one’s own family into opponents will not help anyone, neither the family nor the business. Close attention should therefore also be paid to their development and interests.

Former articles mentioned the wider family’s involvement in the succession process as rather irritating and a source of emotional instability (Holt and Popp, 2013). This

observation was found to be partly true, but one should not ignore the fact, as did the empirical cases' proof, that the family is also a great resource, such as discussion partners and inter-familiar reflection. From the empirical point of view at least, in considering the five cases of this dissertation, the advantages outweighed the disadvantages.

The former section describes the internal actors based on the five cases used for this dissertation. It describes the father from a private point of view and not as a CEO how he is often seen, not only by outsiders but also by the family and himself. The mother is described as the heart of the family and that her role is not only emotional but also professional and needs to be considered even though if she does not have a formal role within the family business, she still has a saying. The same applies for spouses, who are like mothers in some cases the most important sparring partners and certainly have an influence on family business affairs. Way too often it is tried to overlook their conflict potential by neglecting their opinions and motivations. Siblings might or might not have a formal right to speak, but this is not the point which should matter. It is astonishing to see how even siblings avoid speaking about succession matters with each other and how bad they are prepared to do so. Succession matters and sibling rivalry is often seen as an equivalent but it does not need to be like that. The same applies to secondary family members, but it is much harder to involve them in those private conversations as in many cases there is a larger emotional distance between those two parties.

The **external actors** are also important and the activities they might pursue during the succession stage. Lambrecht (2005) himself claimed that his biggest research limitation was that he focused on family members (not further specified), but not on additional external actors, "e.g., consultants, outside directors, and employees" (p. 280).

Other authors (Dyer and Dyer, 2009; Holt and Popp, 2013) mentioned on the one hand other internal actors but on the other hand external actors, e.g., the board of directors, lawyers, accountants and consultants (Brenes et al., 2011, Michel and Kammerlander, 2015) were also mentioned, but they remained silent about their particular role, influence and interaction with the other actors. This section shall describe the external actors and the activities they pursued. Unfortunately, to the author's best knowledge, even authors like Michel and Kammerlander (2015) named a few externals who

struggle to describe their duties and are satisfied by summarizing all external advisors as consultants. Therefore the two authors summarize that:

“Although there is a huge body of literature on the succession process in family businesses, the role of trusted advisors in this process is still under-studied. This is surprising, given the important role of those individuals” (p. 55).

The following section aims to address this shortcoming by specifically describing the tasks that the external actors pursued in the five cases researched for this thesis.

External CEO: Two out of the five family businesses under research made use of leading external management in addition to family members. In both cases these external managers had been involved in the family succession from an early stage. Also, they did not attend the family’s private succession talk for obvious reasons; they were involved as soon as the succession process was formalized. The Herbal Family father commented:

“All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR-manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO from Poland was invited to join. ... of course we also involved our HRM department and our external management into these discussions as we would do with external applicants.”

Another observation is that these external employees become important sparring partners, not only for the older generation who have known them already for many years:

“My co-chief executive, who has now for 24 years been working for our family business, is an important discussion partner...” (father, The Old Sawmill)

This is especially so for the younger generation who are about to start their career. External CEOs seem to be a great support to reflect on the past family involvement and are a source of independent learning and reflection, especially as they are often the only leading employees within a family business who are not internal-family conflicted. In the family constitution case, external management plays a special role as there are no family members left as chief executives, but two family members are permanent board members. In this, the external management is also functioning as a

sparrring partner to the family, but also to the board of directors who are recruiting the future successors.

If external management is present it will also be involved in the family business succession process. In the empirical cases researched, external management's actual influence seemed to be limited and they have not been a driving power in the succession process, but they have certainly played their role.

HRM Department: This is certainly an external actor, not belonging to the family, that can only be active if such a department exists. As many family businesses are rather small with only a handful of employees, one will not find HRM departments in such enterprises. Also, it was not specifically asked but one can assume that all five participating family businesses are large enough for such departments, and in three cases HRM was mentioned. In the Box printing machine case the HRM department was the department where the daughter started her official career and the mother stated:

“When one of these employees, a bookkeeper for instance, retired, and our daughter took over his job...”

In the other two cases (Herbal Family, Cable King), the HRM department was actively involved in the succession process and in both cases the successors decided to implement their first changes in this department, as they had to experience for themselves that there was definite room for improvement concerning the introduction of new employees:

“I forwarded her (daughter) to our HRM officer, since then we also do employer days for them and their families” (Herbal Family).

The HRM department played a crucial role for these successions, as the young successors were treated as external recruits would have been. It was also the HRM department in relation with their later supervisors who worked out a trainee and development plan for the next number of years. As the daughter said:

“I have my employment contract with my supervisor (not my daddy) and the HRM department...” (as all the other employees do).

The HRM is a source of formalization and legitimization for the succession process as it is often involved in the hiring and development process and compares family

successors with external applications. The HRM department often offers the successor the option to implement his or her first changes, as they recognize certain shortcomings within their first days that they wish to overcome. The HRM department is certainly not one of the most influential external actors but it seems to play its role, especially in formalized succession processes.

Advisory board: As already mentioned in the HRM department section, one will not be able to find an advisory board in most family businesses. If an advisory board already exists one can assume that the family business is of a certain age, size and degree of formalization. Advisory boards can consist of external members or family members but never of people who are working actively for the company; this is forbidden by law in Germany. The main job of advisory boards in family business firms is to avoid nepotism and family fraud. The advisory board's main job is therefore to control the management and to assure that the business is developed in the interest of its shareholders. As such, the advisory board is also responsible for recruiting new top management, such as the positions at the chief executive level (e.g., CEO; CFO; CRO; CMO etc). It is the advisory board that is deciding who is becoming the next CEO and whether the family applicant is really superior to external applicants: "The recruiting is solely the responsibility of the advisory board, which is comprised of external members only" (father, The Old Sawmill) Depending on the advisory board and its members, these boards are often a rather technical institution whose influence ranges from strong to weak. Sometimes, the only job a board has is to testify and approve what the family has already decided on in its private discussion, but other boards, especially those who take the liability under their contract seriously, can have a big influence. In the case of the family constitution, the advisory board and its tasks were specifically specified. The constitution claims that:

"To assure our values and long term goals, either the CEO or the head of the advisory board have to be a family member... no more than two out of the five board members shall be family members... the board alone is responsible for top management recruitment, if a family member is applying for such a job he or she has to face the same external competition as everyone else, the same applies for their employment contract ...due to neutrality family members will not participate in the decision-making processes of family member recruitment."

Apart from this strict division between family and business it is interesting to notice that this is the only case where it is specifically stated who is responsible for succession. The family decided that it is not them but their board of directors who shall trigger and guide the succession process. Succession is therefore, in this special case, completely separated from the family and its influence.

Another job that the advisory board has is to provide, as its name says, advice to the company (“...another important person to discuss my ideas is our advisory board chairman...”, father, The Old Sawmill); in this role, both current CEO and successor can contact the board to find inspiration and support if in doubt about a certain succession phenomenon:

“I am a member of the board of directors in one of the local banks here and discussed my ideas and succession scenario with the other members...” (father, Luxury Bathrooms).

In addition, it is the advisory board that can act as a mediator between the old and the young generation, or between the potential successors themselves or the successor and the rest of the family if conflicts arise.

If an advisory board takes its job seriously, its existence can be a big advantage for the family business and its family. As it is the advisory board which is doing the recruiting -“This was a decision done by the board alone” (father, Cable King) - it defines which hurdles have to be climbed in order to become employed as a family member and under what conditions. Advisory boards are a rather rare thing in a family business due to the reasons stated above, but if they exist they are some of the most influential and powerful external actors. It is their main advantage to keep emotional ballast and nepotism out of the business and to mediate between the generations, the business needs and the family desires, plus the successor’s expectations and the reality he or she is facing.

Colleagues: If a successor is not starting his career right away as a CEO but, for example, on a high management level or even as a trainee, he will have colleagues like he would have had if he had chosen an external career. Colleagues were mentioned in three to four out of the five cases; it seems as though this group of external actors was the least influential one in the succession process, and, which is not surprising because colleagues were only rarely involved in the recruiting process: “Only a very few

employees were informed” (economics son, Cable King). On at least two occasions they had not even been informed about the new successor but were completely taken by surprise:

“When I turned up on my first day no one had any clue that I am now one of their colleagues” (economics son, Cable King).

On two other occasions a situation of envy and competition started, which resulted in the promotion of one employee and the drop-off of another employee:

“There was a leading employee; she was also doing my job at the time when I went to university. Unfortunately she always feared that I want to take her job away. Which was definitely not true, but when she left...” (daughter, Luxury Bathrooms).

Such occasions could only be explained as some major miscommunication and a lack of proper introduction or preparation. It is understandable that employees might feel disadvantaged if a young successor enters straight away on their level and gets faster promotion to the next level than they do, but then again this can be explained or somehow compensated for through non-monetary benefits. There was also one occasion in which the colleague was a great support and prepared the successor to take over:

“In the year 2000 my sister took over the job of our former head book keeper, who retired...” (son, Box printing machine company).

As mentioned before, colleagues are probably the least influential external actor in the succession process, but that still means that they need to be informed and included in the process and not be taken by complete surprise, as happened in some of the cases researched for this dissertation. If they are included and informed and if it is explained to them why and what is going to happen they can become a great support, as outlined in the next section.

Former Boss/Colleague: There was separation between current colleagues and former colleagues, as the interviews proved that this separation was necessary. Colleagues seemed to be too closely involved compared to former colleagues who were not employed, did not know the stakeholders and were not dependent on these; they were

therefore seen as more trustworthy and reflective and regularly consulted as sparring partners;

“I met my colleagues from KPMG and worked out how my succession could actually look like...” (law son, Cable King).

In one case, they were even recruited to join and support the family business. Former colleagues appeared to be the boss of the previous job, a co-worker from the previous job, a former university professor, or an internship supervisor. This model seemed to be particularly appealing for young successors who wanted to establish certain ideas or systems they had seen in their former job, and which they thought might be useful in their own family business:

“I invited my former boss to visit us and we spoke about potential improvements. During his visit he provoked our operations manager so much that he wanted to kick him out of the factory... so this scandal was a good start as it sensitized him for the topic... so I was able to start the first project. When he started accepting me so did the employees” (economics son, Cable King).

Former colleagues can prove to be a great support that young successors make use of in their early days, to either reflect on processes with someone who has an independent external view on things or to make use of the authority and credibility of these actors in order to establish something that would be difficult to come through on their own.

Tax consultant: This is one of the dominant groups of external actors. Tax consultants were mentioned as important actors during the succession process in all five cases, and it is doubtful that there is one single succession taking place in Germany without the help of a tax accountant:

“You cannot work without a tax consultant...” (brother and sister, Box printing machine company).

Tax consultants are even playing their role in those cases which must be considered unstructured and less formalized:

“We did succession internally; for the formal process itself we only had a tax accountant who did the paperwork for us” (son, Luxury Bathrooms).

Tax accountants act as neutral external actors to both the new and the old generation; for the older generation they are often familiar partners who have known the old CEO and the business for many years, and quite often have a better understanding about the business and its condition during the early time of the succession stage than the successor. It is them who sometimes initiate first succession thoughts in the CEO's mind. This has not only to do with the fact that successions contracts and tax consulting guarantees a consulting fee for the tax consultant, but also because the German tax system has a noteworthy exception in terms of death tax, called "Regelverschöpfung" (rule exemption), meaning that if a family business is transferred from one generation to the next and in the next seven years no major part of the business is sold, goes insolvent or the employees' wage bill does not drop by more than a certain percentage, a death tax exemption of 85% can be granted. For a 100% death tax exemption the former stated rules must be obliged for ten years (Sven Bayer, 2016). This is just one possible combination that makes early succession planning with a good tax consultant an interesting idea:

"...Tax accountant, he played an important role when evaluating how to formulate our shareholder contract. It was important to find the right way to meet the business and our private needs and to avoid unnecessary tax or related difficulties with the state" (son, Luxury Bathrooms).

The tax consultant can also be a great sparring partner for the younger generation to discuss succession models - "Yes, death tax has been an issue..." - and to get a reliable idea about one's own family business, its needs and actual current situation.

Consultants are not only always present during a succession, they are also useful advisers for both the old and for the young generation. The complicated German tax system makes them indispensable and certainly one of the more influential external actors during the succession stage.

Lawyer: Much that is said about the tax consultants also applies to lawyers. Perhaps not as omnipresent as tax consultants, there are not many succession cases where contracts are not at least proofread by a lawyer. Lawyers are especially important when the number of family lines and potential successors is larger and when a new employment contract for the successor is designed to assure that there is a mutual understanding about what has been written and agreed on, and that everybody not only understands but also thinks that it is a fair and well represented contract of what people

want. Lawyers are therefore often not only acting as advisors in terms of law, but also as mediators within the family and its generations, or between business needs and family desires.

Lawyers, like tax consultants, certainly belong to the group of the more influential external actors and work in a double role between law advisors and family mediators. If they are specialized in succession processes they can be of huge benefit, as their knowledge of different cases and succession models helps the family to choose the best and most appropriate one for their particular case:

“Certainly, I think we have received some outstanding advice by our consultants, who are a lawyer and an accountant who have a special focus on family businesses” (father, Herbal Family).

Notary: The same applies for the notary, who also belongs to the group of the more influential external actors. By German law there needs to be a notary present to transact family businesses and to confirm that all the paperwork and treaties are in the correct form. Notaries are therefore always present when it comes to an ownership succession. They often consult and mediate between the family members and have a high level of trustworthiness, too.

“Notary and our tax accountant, these two played an important role when evaluating how to formulate our shareholder contract. It was important to find the right way to meet both the business and our private needs” (son, Luxury Bathrooms).

Notaries belong to the same group of higher influential external actors, as do tax accountants and lawyers; their legal expertise and ideally their experience related to former succession cases makes them valuable succession consultants who offer a neutral perspective on this often highly emotional topic:

“Yes, now for the very last steps we used the help of some law advisor in addition to our notary and tax accountant” (daughter, Luxury Bathrooms).

External executive directors: This section shall describe executive directors or board members who are not related to the family business itself, but who are, for example, colleagues with the CEO on another board. This happened to be the case in one of the

researched family businesses (Luxury Bathrooms), where the CEO discussed his children's succession with members of another board to find inspiration and support:

“Well, I am a member of the board of directors in one of the local banks here and discussed my ideas and succession scenario with the other members. The conclusion of these dialogues has been that if the will is there one should give the younger generation a chance and allow them to earn their spurs” (father, Luxury Bathrooms).

In this case, it was not the board's formal role to support their colleague but it must be seen as an altruistic act and a form of knowledge exchange. This case was similar but not identical to 'Friends', as will be discussed later in this section.

The external board of directors seems to be a rather rare group of external actors, but as it happened to appear in one of the five cases, it had to be mentioned in the empirical findings to support the idea that there are definitely more actors involved in the succession process than currently under research.

Universities/Professors: Scholars often ask themselves how they could establish an even better relationship with industry and thereby improve their access to the cases and phenomenon they want to research. One way which German universities and some of its professors make heavy use of is in sharing their knowledge with an industry and bringing family firms - or to be precise, their families – together, to exchange concepts and ideas. Some of the more successful and more often mentioned universities in Germany are discussed by, for example, the father in the Herbal Family:

“The WHU (University) offers a family entrepreneurial club or meetings which I use extensively and the same goes for Witten Herdecke (another university with a focus on family businesses). Prof. May is an important member with whom I exchange ideas, who has its own consulting firm INTES.”

The former were mentioned several times, in at least three out of the five cases during the interviews, and in addition in the family constitution case. It was pointed out how important and helpful those meetings or he himself has been.

Universities and their professors can have a large influence, not only on their students:

“They decided to join when they chose their university education” (mother, Box printing machine company).

but also on their parents, as they have the credibility, the theoretical knowledge and in an ideal case even the practical knowledge necessary to really contribute to the succession strategy. Being an external actor who is not related to the family and its business, and who often comes highly recommended from other business families, makes the job as a mediator easier:

“...Professor May and these people play an increasingly important role and should not be omitted” (father, The Old Sawmill).

Universities and their professors seem to be eager to structure, formalize and professionalize successions and the forerunners in order to establish a ‘whole family approach’ including all family members; it is also them who strongly advise to review old contracts such as the shareholder contracts, which probably have not been changed since the last succession, and to adapt them to the new family and business situation. In addition, it can be a great success to establish a family constitution with their help to complement already existing contracts and to establish a common understanding about the family and its business goals, as has been the case with the analyzed family constitution. As these experts have worked with several family businesses before, and are in a constant state of knowledge exchange with each other but also with other family businesses, they are, if included in the process, the most influential and important external actors:

“Prof. May is a leading figure and consultant for family matters.” (father, The Old Sawmill). Their role will further be discussed in the legitimization part.

Universities and their professors belong to the most important and influential external actors during the succession phase. Their presence increases transparency and formalization and their independence is a great advantage, as they are not burdened as mediators with emotions and old family tales. Their combination from theoretical and practical experience makes them perfect succession consultants, which benefits their own reputation and research and leads to a real win-win situation for everyone involved.

Entrepreneurial clubs: Entrepreneurial clubs are a great place to find like-minded people:

“ASU/BJU (Arbeitsgemeinschaft Selbstständiger Unternehmer, Bund Junger Unternehmer) played a minor role and was more some kind of network where I met people like you with whom I could exchange my ideas and talk about my concerns. These direct conversations with people with a similar background (entrepreneurs’ children) have been very important to me and helped me to reflect. I could trust you, because I knew that you understand me as you are in a very similar situation and that you have to go through the same problems...”
(daughter, Luxury Bathrooms).

The cases participants suggest that these play a big role, especially for the younger generation during the succession phase, as the younger generation can exchange ideas, fears and goals among themselves:

“BJU played an important role for her. At least that is what she tells me. I noticed in our conversations that she gained a lot out of these meetings”
(mother, Luxury Bathrooms).

The younger generation has the opportunity to have access to many different succession stories and to hear from older successors about their career paths and what the next steps are going to be, or as one successor put it:

“The FBN was another important actor..” (law son, Cable King).

Entrepreneurial clubs offer an atmosphere of trustworthiness, and even first-timers are very much welcomed and seen as a great addition. They certainly do have their influence - “Again, the BJU plays an important role,” (daughter, Luxury Bathrooms) - as many young successors stay in contact with each other even outside the club and become main discussion partners for each other. Club names which were mentioned during the interviews included BJU; INTES; FBN; NexGen (FBN); all these entrepreneurial clubs have a strong focus on the younger generation per se, or even in particular in succession. Three out of the five cases of this dissertation were contacted based on previous meetings on such club events. Club activities are always hosted with a special topic in mind; this could be a rhetoric course, succession per se, family constitution, tax, or anecdotal stories about the succession processes of their members. This phenomenon of entrepreneurial ties can also be described as strategic homophily

(Phillips et al, 2013). The authors describe how entrepreneurs establish a common ground of trust based on a shared identity, narratives and values.

“Crucially, homophily results in a higher level of trust, shared understanding, and interpersonal attraction than would be expected among less similar individuals” (Ruef et al, 2003 in Phillips et al, 2013, p. 135).

Entrepreneurial clubs certainly have an influence and are valuable institutions to bring entrepreneurs and their successors together:

“Well, FBN did play a role. There have been certain friends who know both generations and who discussed our ideas and fears with both generations” (law son, Cable King).

They also enhance the sensibility for the topic. The young generation especially gets first ideas and contacts, and university professors can present their models and themselves to be included in the succession process.

Friends: When the interviewees were asked if they liked to discuss business matters with friends, most of them struggled to answer. “Not really, well sometimes...” was the typical answer, but by further interrogating this matter it became obvious that CEOs as well as successors differentiate between people who are just friends and friends with a family business background, suggesting a homophilous element to their friendship, meaning that people with a similar background and values establish faster a common ground of trustworthiness than people who do not share these attitudes. The concept of homophily is later explained in the entrepreneurial club section:

“Rarely, one does not speak with people who are living close by about your family business, I speak with those about the family business who know what I am talking about. (Interviewer: So you mean friends with an entrepreneurial background?) Most often, always if I remember right...” (daughter, Herbal Family).

It became evident that one would not exchange or talk with friends about business matters that do not have their own family business background or are at least self-employed: “No, well about private matters, yes sometimes, but not concerning business matters...” When asked why, the interviewees replied that, for example:

“Friends per se is often a difficult issue. Sometimes one can discuss normal and everyday problems but the really big topics; they often do not understand as they are not entrepreneurs or successors themselves and do not see my problems through the same eyes. For them the world is so easy, I inherited a well-established company and should be thankful and not moaning about the small difficulties which are part of the deal. The technical know-how but also the entrepreneurial spirit are non-existent” (daughter, Herbal Family).

They therefore tend to avoid the topic as they do not feel understood in the first place and do not want to burden their friendship with it.

Friends with a family business background, on the other hand, play a completely different role and seem to be really important and influential, especially for young successors who want to discuss ideas and their personal situation and are eagerly looking for suitable sparring partners who understand their situation and help them to develop certain ideas and concepts:

“Yes, I did ask friends. Naturally, one is exchanging experiences with friends who are in a similar situation and asking what system are you applying and is it working out... what I did was the dialogue with entrepreneurs who are my friends and come from related industries or even competing firms” (father, Herbal Family).

Such friends can not only be an inspiration but can also help to widen one’s own horizon as they share their own thoughts and succession models. The author knows from his own experience as a successor how important such a dialogue can be, how reassuring it is to hear that particular problems are not case-specific but a challenge in general. Anne from the luxury bathroom manufacturer has for a long time been the author’s most important discussion partner, but also many other people have been encountered at young entrepreneurial conferences. Friends can also sometimes work as mediators between generations, or as one successor described it:

“I discussed this topic with friends of him, so we never had this discussion directly with each other but with friends as mediators” (father, Sawmill case) or “There have been certain friends who know both generations and who discussed our ideas and fears with both generations. This has been quiet useful” (father, Cable King).

Friends can be either very important discussion partners or not important at all; it is not relevant for how long and how close one is with these friends, but rather if they share the same background and goals as one does oneself. If this is the case, friends can certainly be some of the best, closest and most influential external discussion partners in the succession process.

Industry partners: Three out of the five cases mentioned industry partners as external actors during the succession phase. An industry partner's main job is to act as a sparring partner to discuss, present and learn about potential succession strategies and models. There is some kind of trustworthiness within this group of members, as members assume from each other that:

“All these members have a similar background and interests, but as we are from all over Germany we are no real competitors to each other but partners” (son, Luxury Bathrooms).

Industry partners are unlikely to be very influential but they rather function as first idea generators and are used by both the old and the young generation. It is surprising that competitors even discuss their models with each other:

“There is one exception from the rule, as I have one close friend who is at the same time a direct competitor and we start to exchange...” (son, Luxury Bathrooms).

They also support themselves wherever they can in terms of succession strategy:

“We are not competing with each other as we are geographically positioned too far from each other, but we support each other” (son, Luxury Bathrooms).

It seems that succession is a matter that is seen as more important than any competitive advantages and that there exists a mutual understanding that family businesses have to support each other and exchange their experiences, rather than fight against each other:

“What I did was the dialogue with entrepreneurs who are my friends and come from related industries or even competing firms” (son, Luxury Bathrooms).

Industry partners are certainly a group of external actors who play their role during the succession phase for the old but also for the younger generation:

“The KHS club and there, especially those members of my age, play an important role, who have the same background as I have...” (son, Luxury Bathrooms).

In terms of orientation and discussion, there was no evidence which suggests that this group is more influential than some of the other external actors presented in this chapter.

Through the five empirical case studies a total of twenty (seven internal and thirteen external) succession process actors were identified and described. These were not the only ones, however; an additional six, which have not been covered or separately described in the literature before, have also been described and evaluated in detail.

The following section shall focus on the research question of how successors legitimise themselves among internal and external actors.

8.3 How do successors legitimize themselves among internal and external actors?

Legitimation plays a special role for family business successors; not only is there a strong need and desire to legitimise in front of the family and external actors to prove one’s worthiness to continue the legacy, there is also the often overlooked desire to convince oneself. As is quoted in Sharma and Irving’s (2005) paper:

“I am always a little bit concerned about whether I would have been able to have succeeded and achieved outside of the family’s environment. There is no doubt about it. That’s always something that I think most people in family business think about: -whether they believe they would have been as successful outside” (p.18).

There have been previous studies (e.g., Barach et al, 1988 Armand Colin Petit, Mari, 2009) that discuss how important it is to study legitimacy within a family business background. These studies concluded that legitimization is a key factor in terms of successful succession strategy management within the family business. Before paying closer attention to the factors influencing legitimization strategy, research has to approach a more fundamental question. What is legitimacy? One definition that has also been applied for the purpose of this dissertation is:

“The recognition (formal/informal; explicit/implicit) by internal and external stakeholders of its right to govern the company: this recognition leans on the faith of the aforementioned stakeholders, the validity of the power of the leader towards values, and towards standards shared about the direction (the management) of company” (Armand and Petit and Mari, 2009, p. 18).

It was also Koffi et al (2014) who claimed that “at our knowledge, the concept of legitimacy has not been studied from an empirical view” (p.114). It is the aim of this dissertation to follow their call for more empirical research and to contribute to this important field of family business research.

Legitimization strategies and actors

The following introduces and discusses the legitimization strategies and actors identified in the five case studies. Two tables are presented explaining at what succession stage which form of legitimation strategy can be applied and what kind of actors plays an important role and in what context these findings occurred. Each legitimation strategy and actor will step by step be introduced and explained in great detail what its role is and in what succession it occurs.

Table 8.1 Legitimization strategies during the succession phase

Pre Succession	Succession	Post Succession
Birth right	Birth right	Birth right
	Succession by accident	Succession by accident
		Marriage
	Legitimization actors	Legitimization actors
	Formalization	
	Ability	Ability
	Professionalization	Professionalization
	Value adding	
School education		
University education	University education	
Continuing education	Continuing education	Continuing education
	External competition	
Requirements list	Requirements list	

	Domain segregation	
	Independent field	
External career	External career	
Internal career	Internal career	
	Institutional right (shares)	Institutional right (shares)
Abroad	Abroad	

Table 8.2 Legitimization actors involved during the succession phase

Pre Succession	Succession	Post Succession
Family	Family	Family
Employees	Employees	Employees
	Advisory board	Advisory board
	External CEO	External CEO
	HRM Department	
	Colleagues	
Former Boss/ colleague	Former Boss/ colleague	
Universities/ Professors/ Consultants	Universities/ Professors/ Consultants	Universities/ Professors/ Consultants
Entrepreneurial clubs	Entrepreneurial clubs	Entrepreneurial clubs
	Industry partners	Industry partners

One father described the legitimization scenario as follows:

“It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness” (father, Herbal Family).

However, there is also a third need. As described above, there will always remain an uncertainty in the mind of most successors if they could have made it outside the family business. It even seems like that legitimization is sometimes more important for the successors than for their families:

“No, there was no real list (requirements list) per se, but I had one for myself. I had an expectation about myself” (law son, Cable King).

The following paragraphs introduce and describe the strategies and legitimization actors used in the five cases to gain legitimation. One point described again is the concept of succession by accident, but also more formal tools such as a written requirement list will be introduced as well as the different forms of education and careers and the advantages of external competition.

Right of birth strategy:

Right of birth, but also marriage and institutional rights as they are described below, have been mentioned in the literature before as some kind of cognitive legitimacy (Suchman, 1995); actors or organizations legitimize “based on ‘taken-for-grantedness’” (p.582). These forms can be described as some nepotism strategy for legitimation, as the legitimacy is not questioned.

In terms of family business research this means that successors are automatically in the pool of possible candidates through their right of birth if they are the descendants of a shareholder; it is likely that they are at least considered at some point of time. This assumption is also respected and supported by many stakeholders throughout the succession process: if the business and family name is identical people will pay respect to the successor no matter how old he or she is or what he or she has accomplished so far. However, these laurels can also be lost if one does not prove to be worth it. The family constitution clearly states:

“We wish that all family members have the opportunity to gain access to the chief executive level...”. This first part of the sentence is a clear nepotistic statement and underlines that through the right of birth alone family members are, per se, already in the pool of possible future chief executives. This clear nepotism is limited by the second half of the sentence, continuing “...if they have the abilities and personal attitude required.”

The family is quite often satisfied by the right of birth and some general requirements such as a secondary school qualification and a subject related university degree:

“Good education at school (Abitur), further education was delegated to our children themselves. There was nothing like a requirements list but a good

universal education should be a standard and prerequisite” (mother, Luxury Bathrooms).

Family businesses are some of the last institutes where the right of birth still exists in terms of succession. This results in an even larger pressure on the succeeding generation to legitimize itself to oneself and to others respectively, and also to legitimize the principle of right of birth. One can obviously argue against the right of birth and there are numerous reasons and examples why it is outdated and why it is necessary to initialize legitimization processes to overcome nepotism, but every family should still have the right to do with its property whatever they want; this includes the transfer of ownership and managerial rights onto whomsoever they want.

Governments, working unions and others might dislike this freedom of choice and its underlying principles, but statistics suggest family businesses are correct in doing so. In general, family businesses are older, more stable and outperform their non-family counterparts on a regular basis (e.g., Powell et al, 2016, Williams et al, 2013). It seems like nepotism can only be beneficial if it occurs in direct competition with a performance principle; if there was only nepotism in an industry then negative effects would occur and there would be no motivators to legitimize and therefore overcome the obstacles of nepotism. If successors are granted the opportunity to join their family business they are also burdened with legitimizing themselves as worthy to continue a family dynasty. This epic interrelation between nepotism and legitimization is the reason more and more family businesses tend to formalize and professionalize themselves - to overcome the obstacles and to structure nepotism with the help of legitimization tools so as to gain its positive effects. Examples for such efforts are the voluntary initialization of advisors, a board of directors and regular published business reports.

Marriage: Similar to the right of birth, marriage can also be a strategy of legitimization. Both are independent of the person’s actual abilities, their knowledge or experience. The credentials come rather by name than anything else. In the five empirical cases it happened to apply to two mothers, but obviously it could also be male actors who marry into a family business who get legitimized by marriage. As these actors had most likely had no relationship to the family business before they were married to business members, it is unlikely that their succession or previous work experience was suitable for a job in the family business:

“...No, I married into the family businesses and worked before for IBM as my English is quite well” (mother, Luxury Bathrooms); another one stated, “I worked as a doctor’s assistant, which is no way related to my current position in the family business” (mother, Box printing machine company).

Regardless of their previous education and experience, the cases demonstrate that these women can still play an important role for the family business on a daily basis, but especially during the succession phase. Also, marriage can be a legitimization actor; it is perceived to be a weaker one than right of birth (blood is thicker than water); not only do employees and the wider family accept direct offspring more readily than people who married into the family business, but the cases also showed that the self-perception and confidence of successors is much higher than those of spouses. It is also recognizable that in all five cases wives were not working for the family businesses anymore as soon as there were two family lines. It seems that these kinds of nepotism and marriage, as legitimization actors, stop as soon as one had to defend them against third actors. Marriage as a legitimization is less about succession, as it is not so much about transferring ownership and decision-making rights to the next generation within the family but rather about legitimizing external family members for the business. It is self-explanatory that legitimization through marriage not only occurs during the succession itself but also during the post-succession stage.

Succession by accident: Family business entrepreneurs face specific health risks not unique but typical for their job and personal situation the Dodd (2011) explains these with the “emotional intense conflict that can ferment within a family business... Although there was no clear evidence found that family business entrepreneurs suffer more than their employed colleagues. A fast decreasing health situation might lead to a family business typical succession phenomenon which shall be explained below.

It might be surprising but succession by accident can also lead to legitimation. If a leading employee drops out suddenly, or if the former CEO has an accident or a heart attack and the family business is suddenly in urgent need of a leading figure, someone who is respected and legitimized (by birth), the successor often steps in and can succeed and legitimize themselves as the rescuer. As the graph shows, this kind of legitimization is taking part in the red succession phase but continues throughout the blue post-succession phase, as the successor will always remain, if he/she succeeds, as the shining knight who stepped in at the moment when he/she was needed most:

“...but when she left I was sitting between two chairs and decided to leave university and work as a full-time employee” (daughter, Luxury Bathrooms).

Institutional right: Shares, a will or similar can be seen as institutional rights. In some cases succession is also a topic in the shareholder contract or in a family’s constitution. Again, these institutional rights are independent from the successor’s ability (unless otherwise stated in the constitution), knowledge or education, and fall therefore into the same category as rights of birth and marriage, but institutional rights are a bit stronger as they have a legal foundation. If children inherit a certain percentage of shares, including the voting rights, they are not only morally but also legally enabled to have their say regarding succession; depending on how many shares they have they can even claim managerial power and declare themselves as the new successor. More and more families decide to formalize succession with the help of either shareholder contracts or family constitutions in order to avoid rivalry. This will also later be explained in the formalization and professionalization section. These institutional rights are only legitimizing during the succession stage itself; if they are not backed up later by knowledge and ability the successor’s legitimization will certainly be questioned.

Value adding:

“They are welcome if they are able and interested to make things happen...so if they want to and if they add value to the business” (father, Herbal Family).

This might be one of the most important and powerful legitimization strategies and family and successors equally demand and require it. These quotes and findings are congruent with Birley whose respondent says: “I would only want to join because I am genuinely qualified, not because I am the owner’s daughter” (Birley, 2002, p.11).

Birley’s findings are similar to the findings of the five empirical case studies where “adding value” has been mentioned several times by the successors as a necessary precondition in terms of legitimization before joining the family business. Value adding is an umbrella term for many other strategies that will be discussed later. It is especially important during the succession phase itself, as stakeholders will ask each other if the new successor is a true benefit for the company or if they are just a family member being employed by their right of birth. Successors often feel that they need to prepare themselves for their later job, so that they really add true value:

“I had an expectation about myself: I needed to add true value to our family business and had to be well prepared to fulfil the job as good as all the others. I did not want to slow down the ongoing processes but wanted to support them. To clarify things: the family wanted to have me in the family business at an earlier stage and I refused as I did not feel ready for it at that point of time” (law son, Cable King).

In many cases this value adding does not only mean that the successor is able to replace the former CEO, but that he or she is able to add something additional that has not been present in the family business yet. One of the old CEOs described it in his own words thus:

“If my successor is only as good as I am, and does everything like I do, than succession is not needed. Even worse, the business will suffer as there is no development” (father, The Old Sawmill)

and another one mentioned:

“The whole industry became more professional and that is a very good thing. Therefore the entry barriers and requirements for the next generation changed...I think it is good that the next generation has the time to become more educated and has the time to collect experiences and reflect on whether they want to join or not” (father, Herbal Family).

Successors are therefore expected to bring something new to the firm; this might be fresh ideas, knowledge they have gained elsewhere or theoretical techniques they have acquired before joining the family business. This value adding will earn them their first spurs and will give them their first legitimization as new successors worthy to continue the family business tradition:

“I have been quite sure that my son, because of his education, is much better prepared than I have been” (father, The Old Sawmill)

Examples of the cases could, for example, be the introduction of a time recording system, introducing email and other IT technology, or making employment contracts for every employee that the company employs. One way the family hopes to ensure that additional value will be added by the successor is to define a requirements list for the future successors; this requirements list will be discussed next.

Requirements list: Successors and family are sometimes both insecure about the succession procedure, and successors especially often ask themselves if they are worthy and which pre-requirements in terms of education or outside experience they should fulfil before they can or should come home. There is a strong indication that key factors such as work experience increase the likelihood of successful transition (Jaskiewicz et al, 2015). It is therefore good if the family writes down or at least announces within the family what kinds or requirements for the future CEO exist and what entry barriers there are to overcome: for example, a shareholder, member of the board or the CEO. It has two further positive effects. It ensures that the successors know about the business requirements and can prepare themselves accordingly, and it legitimizes the successor internally and externally as he or she was able to climb those hurdles and to fulfil the requirements. Such requirement lists can either be defined within the family or with the help of external actors such as consultants, who have a good understanding about the family business' needs. In the five empirical cases, only two family businesses had a hard requirements list and in both cases these lists have been agreed on special family days and were developed with the help of succession consultants. In two other cases such requirement lists did loosely exist but were not defined. In at least two cases it has been the successor who required such lists in order to get a better understanding if the family business was open to her and how she needed to prepare for such a career:

“I started this process and pushed it forward as I wanted to know what requirements there are and what I have to fulfil or to do and I wanted to create my own master plan, because as a woman I have to plan those things a bit earlier than you do...so both family lines (potential successors and parents) came together and designed a so called FIP (family integration program). From this date onwards we met for a minimum of four times a year... we had three consultants with whom we talked about succession. They have specialized in family businesses and especially in succession” (daughter, Herbal Family).

It seems like there is also a large demand for the successors to clarify about the requirements and how to legitimize themselves:

“We should have had some kind of master plan, to join the family business. To do this totally unprepared was not a smart decision” (law son, Cable King).

School education: A good school education and preferably an Abitur or German Abitur graduation are for most German family businesses a precondition for their future successor. Most universities demand such levels of basic education to allow their students to engage in some of the typical family business subjects such as management, economics, engineering or entrepreneurship. However, there is an additional side to it. With their Abitur the young family member, 17-20 years old, usually acquires for the first time his parents' and wider family's respect and attention. In addition, he or she is now becoming an adult and becomes responsible for his/her own decisions:

“On the same day when I had my last oral exam for the A-levels (Abitur) we opened our new branch in the city centre and I decided that I want to do this” (daughter, Luxury Bathrooms).

This is also important in terms of the university career. The Old Sawmill father, as well as the father of the Herbal Family business, agreed during a private conversation, that young potential successors should first start receiving and requesting information about the family business when they graduate from high school, so they can become familiar with the family business and decide if an internal career might be an option or not.

Abroad: Going abroad for a certain amount of time becomes more and more fashionable. Successors might decide to take a sabbatical and go abroad right after their Abitur, or for a trimester during their university studies. Perhaps it is also an internship or their first job that takes them abroad, but it is evident that going abroad seems to have many interesting features for the future successors:

“After my Abitur I travelled alone for a year and after my studies I travelled alone again for another year. So you should actually add another two years to my time abroad experience... There comes another important point to my mind. My time in Asia has actually been a preparation for my current job as I visited all the tea plantations to collect first-hand experience and impressions of its origins. I met all the local farmers and entrepreneurs...” (daughter, Herbal Family).

All the successors interviewed have been travelling at one point of their career. Even those who decided on a career within the family business right after university

managed to spend some time in another country, and all successors and their parents agreed that this time had a positive effect:

“It is definitely paying off; especially the time he spent abroad was an important step forward” (father, Box printing machine company).

This has either been that successors improved their language skills, enlarged their personal horizon about family business activities, or learned about technologies and applied skills that they would later bring home to their own family business and transfer there successfully. Many family businesses operate on a global scale and international experience is considered elementary:

“Well there is now a clear commitment from the family’s side that also family members are ready to go abroad and work there to push the business forward. 64% of our turnover is currently done abroad. The next generation has to push that forward and has to focus on international business” (father, Herbal Family).

In many cases this time has also been important in expanding the personal network and life experience.

University education: Choosing an undergraduate university subject is difficult. Numerous universities offer ever more different courses, and especially at such a young age it is difficult to evaluate what kind of professional career one later wants to pursue. This is especially true for young potential successors, as a subject-related degree is often required and expected for an internal career:

“Well it starts with a decent school education and should be complemented by a university degree in a related subject” (father, Herbal Family).

By now, successors and family business should know each other and know what they can expect from each other:

“They decided to do so (succeed) when they chose their university education” (mother, Box printing machine company).

This does not mean that a future career is already settled and agreed on, but the successor should know if the family business might be an option for them, what the family business is about, which career chances exist where it operates and what the

principal requirements for such a later career might be. The family business and its family, on the other hand, should make up their minds about the requirements for a future successor:

“We did that (family meetings) on an irregular basis during our son’s university time because we wanted him to be informed about what is happening” (mother, Luxury Bathrooms).

The questions which need to be addressed are ‘how’ and ‘when’ a succession might take place and if the family business is open for additional family members - and if so, for how many; on the other hand, they can expect to know if and who of the potential future successors is thinking about pursuing an internal career, because otherwise the family and its business have to make arrangements for external management succession.

Based on these principles, students can not only choose their study subjects accordingly, but also their universities. They might set their focus on certain courses, professors, or countries that are important for the family business. Or they might choose according to their industries; a certain management school or university may have a special focus on an industry and might attract many other interested fellow students who will become a part of a personal network.

University education is only playing a legitimization role during the pre-succession and succession phase and is especially relevant during the pre-succession stage to establish oneself as a potential future successor.

Continuing education:

“One has to understand that learning does not end after university or your first job! I am still learning every day and discovering new fields of knowledge, it is not uncommon for me to take a book or to search the internet for new methods for resolving everyday problems. Learning is an ongoing process” (father, The Old Sawmill).

Continuing education is an ongoing process; it can and should take place in the pre-succession, succession and post-succession times. For the families of the five empirical case studies, continuing education was most often succession related. Such continuing education was either provided by entrepreneurial clubs, where young successors in

their pre-succession and succession stage attended meetings and learned about succession and its related challenges, or the CEO arranged so-called family days where guest speakers (often consultants or university professors) were invited to share their ideas and knowledge:

“Additionally the WHU (University) offers a family entrepreneurial club or meetings which I use extensively, and the same goes for Witten Herdecke (another university with a focus on family businesses). Prof. May is an important member with whom I exchange ideas. He has his own consulting firm, INTES” (father, Herbal Family).

The family CEOs did this to include the family in the succession process and to create awareness of the topic. With the help of such events, legitimization was created in two ways. The old CEO legitimized himself and proved that he is aware that succession is an important topic that needs to be handled so that the young successors could establish themselves, especially in the entrepreneurial club events, where they could gain knowledge and a wider network, which they could bring home and transfer to their own family business. One successor described it in his own words:

“You understand that all these members have a similar background and interests, but as we are from all over Germany we are not real competitors to each other but partners. Within this group I initiated a sub-division of the successor generation as I noticed on my first meeting that all the other participants had grey hair and did not bring their successors along. With this sub-chapter we tried to get the next generation involved and to become more connected to each other” (son, Luxury Bathrooms).

Another one reported about the family business network club:

“The FBN was another important actor, as although I have already had this model in my mind, I first saw it implemented at a FBN gathering in Singapore, by a friend of mine from Austria. Isn't that funny? They had a similar situation and I was eager to find out what has worked out and what failed...It has had a great influence as I saw my model already implemented and I was able to challenge and improve it” (law son, Cable King).

On family days the younger generation is able to prove to their families and other stakeholders that they are able to meet the families and business requirements and they

can push succession and certain succession models forward in order to establish themselves.

External career: Birley (2002) has been able to identify that 70% of all successors want to gain external experience (external career) first before returning to the family business. There is a need for this external experience, therefore legitimation was explained by one of her interviewees as follows: “You will not have a successful business if you have to carry family members” (Birley, 2002, p.12).

This leaves room for only one interpretation - that in a professional run family business there is no room for a negative level of nepotism. Bigliardi and Dormio (2009) also found strong evidence that successors legitimize themselves through external experience in addition to education they gained before joining the family business.

Successors often decide to first pursue an external career over an internal one, as this enables them to gain a bit more experience and to make their first mistakes somewhere else rather than at home. One of them described his decision for an external career as:

“I definitely recommend every young successor to do what I have done and that means go out and do your first mistakes somewhere else and get to know other firms and industries. There are two important aspects when working somewhere else: one is to evaluate if this job waiting for me at home in the family business is really the right thing for me and second, to prove the applicability and usefulness of such a broad study area such as management” (son, Luxury Bathrooms).

Another father said:

“My sons gained experience in controlling and had to earn their spurs at external businesses, which is always the right thing to do” (father, Cable King).

This practice also makes legitimization so much easier, as the successor has been employed as an external employee by another business and has already earned his spurs when he comes home later. His credibility will be higher as he has already proved himself in comparison to someone else who chose an internal career.

“Well, both of them learned what taking responsibility really means. Your mistakes cannot be alleviated by your daddy or an employee if you are the one who is responsible for everything. Furthermore, how do I communicate my

ideas and earn the credit for generating them? And last but not least: having outside experience and coming to another business can be very useful. You see more clearly what goes right or what goes wrong” (father, Cable King).

Almost all successors who pursued an internal career right after leaving university agreed that legitimation would have been far easier if they had had more external experience, and that their siblings who first earned their spurs somewhere else had it much easier and were taken more seriously than them after a shorter time:

“...but I am really not sure if it has not been wiser to earn one’s spurs outside the family business before joining it” (economics son, Cable King).

In the family constitution case, the family constitution even specifically requests an external career for the future successor:

“To prove their abilities and worthiness family members have to pursue an external career if they later want to join the family business.”

This strongly supports the other cases, where an external career was strategically used for an easier legitimization at home. Many successors use their time wisely and gain useful insights and networks while working for another company, which then proves to be invaluable when returning home to claim one’s legitimacy.

Internal career: Another legitimization strategy that Bigliardi and Dormio (2009) identified, and which supports the empirical findings of this dissertation, is succession and legitimization by an internal career through succession by accident. According to their findings, an internal career can replace previous external experience when joining the family business. However, both authors strongly recommended, wherever possible, an external career over an internal one. This is supported by the empirical findings of certain family businesses, as in the Sawmill family business but also in the family constitution case, that family members must pursue an external career before eventually joining the family business. The constitution even specifically states,

“Family members will not work below chief executive level, apart from internships during or shortly after their education.”

There are other reasons for successors deciding to pursue an internal career over an external one. The push and pull factors can give an indication, and succession by accident might be another, and ultimately there are also reasons in terms of

legitimization why an internal career might be a good option. Internal careers enable the young successor to go through every department to gain industry and product knowledge faster and in more depth than an outside career would. One successor described his decision for an internal career as follows:

“I joined when I was born. I have been in every department and can do the job of every worker employed by us! We both studied as part-time students and worked at the same time for the family business, which was an integral part of our studies. We are able to do everything on our own, we can judge whether one worker makes a good job or not and if he does not, I can take off my jacket and show him how it is done the right way. On the other hand, this is also very useful when we are short of hands; I can jump in and work on the machine myself and relieve my workers wherever I can” (son, Box printing machine company).

Furthermore, they can establish a good relationship with the employees, and last but not least, they can establish an independent field for themselves where they can earn their spurs.

Independent field: In another publication, Venter, Boshoff and Maas (2012) found strong evidence that also supports the idea that successors legitimize themselves with a previous outside career. It was reported that the establishment of an independent field, a good formal education, regularly attended business-related courses (entrepreneurial clubs), non-parental mentoring, just as described above and below, would definitely support their legitimization and later success in the family business in the long run. When finally joining the family business during the succession phase, successors are often eager to prove their worthiness. One way of doing this is by working in an independent field, which either has been neglected, or in which at least no other family members are working at the present moment:

“It’s so much, we just did it. Our parents never had the time to do this or it was not available when they took the family business over. Employment contracts, I standardized them and many of our employees didn’t even have an employment contract so far... Our parents never cared about those things. Everything was done by handshake. There was so much stuff to catch up with. All of our employees who have been employed before 1993 did not have an employment contract!” (daughter, Box printing machine company).

By working in an independent field the young successor can prove how well they and their department are doing and how much they are improving over time. There is strong evidence that successors often choose fields that have been neglected by their parents and which urgently require close supervision:

“With his help the renewable energy department emerged because of him. He saw the biggest chances there and used this trend so we have today an important advantage compared to our competitors. So the businesses focus changed from bathroom to heating” (mother, Luxury Bathrooms).

This was a smart move, as it is exactly those fields which did not receive close attention in the past where the most improvement can be done in a short amount of time, making it easier to prove one’s abilities than in an already optimized department. An independent field could also mean that the young successor was not immediately working at home at the headquarters with his father as his direct superior, but that the family and the successors decided to send him abroad for some time, to legitimize himself there:

“On our third meeting, after having a first clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it has done, that is his future boss. It is important for us that one’s children are not subordinates, in terms of the department, of their parents, but independent of them” (father, Herbal Family).

Wherever this independent field might be, successors have good chances to prove themselves and to earn their merits to demonstrate their worth to the family, the employees and related stakeholders, so they can build up their own reputation to support their legacy.

Ability: The successor’s ability is synonymous with their performance in specific tasks, e.g., how good they are on a certain machine, how much improvement is based on their own skills, how much they can achieve. Ability is a strong legitimator, as successors get evaluated by comparative factors like their non-family colleagues’ performance. If they have the skills, knowledge and attitude to perform, employees, their family and others will pay them the respect they deserve and successors can prove that they are worth the chance to take over the family business one day.

Ability is a performance-based indication, which is not only important during the succession phase itself but also during the successor's later life as a CEO, as all family members working for the family business will always be judged based on their ability to perform and how good they are compared to their non-family colleagues or an external manager.

Formalization: The differentiation between formalization, professionalization and external competition is not easy. All three share certain similarities, as their aim is to minimize nepotism and to make succession a transparent process. It is this transparency which makes formalization an important legitimation strategy. Suchman (1995) mentioned both formalization and professionalization as forms of cognitive legitimacy for organizations. This dissertation is rather researching how the family, instead of the business, uses the formalization for legitimacy purposes. Not every family feels a need for formalization; many families think that it would be unnatural and odd:

“Well, they know us and our performance; it was just a natural process, a job interview seems to be very unnatural and formal” (son, Box printing machine company).

Some families see succession as a private matter only and don't want to include the wider public. Formalization can best be explained as taking the succession process out of the private comfort zone and into the office. The legitimation is taking place during the succession phase by making the process more transparent for external stakeholders and by proving that succession is not only an emotional decision-making process inside the family, but that it is also a legal, contract-based procedure. Inviting successors to interviews, requesting their CVs, defining requirement lists and including non-family members such as the advisory board, consultants and external management to the interviews shall provide the necessary legitimation so the successor is actually proved and approved by non-family members, too. He/she is hired based on his/her abilities and not the family's emotions and right of birth alone.

Professionalization: This strategy is taking formalization one step further, its ultimate aim being to deal with and minimize nepotism to an absolute minimum. It is sometimes characterized as the accumulation of formalization, structures of accountability and outside advisors (Gilding et al, 2013). The successors shall be legitimized by a professional recruiting process just as every other external applicant would be

recruited. Professionalization shall increase trustworthiness and legitimization to such a high level that stakeholders hold the perception that the family business succession process and the succession process of other non-family businesses do not differ:

“My nephew decided that he wanted to have a certain job, but I had another job on my mind. So we exchanged our ideas and found a way. I mean an external applicant would not come here and tell me what job he or she wants to have and the same rules apply for the family” (father, Herbal Family).

Another important aspect to minimize nepotism in regard to professionalization and legitimization is that the successor will not be employed by their own parents or themselves, as happened in some cases;

“I have my contract with my parents and we wrote it by ourselves. Without the notary” (son, Luxury Bathrooms); or in another case: “No, for a long time I didn’t even have an employment contract... it was quite a struggle to convince my parents to sign an employment contract for me” (daughter, Luxury Bathrooms), but by the business, the HRM department or the specific department/firm they are working for.

This precaution avoids fraud and makes the successor an employee among many others. Their contract might differ and their salary might be higher, but if they misbehave and play the nepotism card, actions can be launched against them, from the family, the business and every other employee. This differentiation between their role as a shareholder and an employee of the family business ensures that they also have to perform as every other employee and can be fired if necessary:

“It has to be mentioned that I can be fired and that it (employment contract) has to be renewed on a regular basis” (law son, Cable King).

Professionalization legitimizes the successor during their succession and over their complete internal career, as it transforms them from a family member successor into a professional employee with the same rights and challenges but without the nepotistic benefits.

“Both have a contract with the firm they are working for. There has been a shareholder meeting where all shareholders had to agree on the forms and conditions of their employment contracts” (father, Cable King).

External competition: External competition is the highest level of legitimation there is. This means that the family successor's profile will be compared against the profiles of alternative external managers "at the same time we searched for other potential employees and compared them" (father, Herbal Family), who might be equally suitable for the job and that the family successor will only get hired if his or her profile has at least "comparable skills" (father, Sawmill case). If a family successor can withstand the competition of the free market, than they are at least in theory the best available choice. If a successor can legitimize themselves by being hired even though there has been external competition and they proved that their profile has been either as good as or even better, then there shouldn't be any doubt that they are up for the challenges their family business will face.

"It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand comparison to external alternatives" (father, Herbal Family).

This external competition legitimization has been applied in at least two of the five cases and also in the family constitution case, where it is required in written form that family applications have to be treated the same way as external applications in terms of application and employment contracts. In all these cases the family successor's profile proved to be at least equal to the external competition, proving once more the quality family business that successors can provide.

Domain segregation: Professionalization and gaining an independent field inspire the domain segregation term. Legitimation by domain segregation means that the successor's first job within the family business is outside the parents' responsibility, so that the parents cannot interfere and dress up the successor's mistake or blame third parties for it. Parents' and successors' fields will be strictly separated from each other and a non-family supervisor will be allocated for the successors' training. This makes it possible for the successor to prove his worthiness and to legitimize him/her without the parents' support. It is basically simulating an external career within the family business. The Herbal Family business is strictly applying this principle and explains it as follows:

"She is working for one of our subdivisions and her superior is the CEO of this company. So we avoided any possible family conflict as she is now working

not for one of my enterprises but for my brother's. Or for those which my brother is responsible for" (father, Herbal Family).

Three legitimation systems were identified in the academic literature e.g. by Koffi et al (2014), which they called and characterized as *the legal rational type*, who is promoted to be the leader and his subordinates follow him because of the promotion as they obey the rules of the system. The second system is *the traditional type*, which can best be described as legitimacy through inheritance. The legitimation is handed down by tradition and the community follows and respects these traditions; this traditional type is pretty much in line with the right of birth as described above. The third legitimation system is called *the charismatic type*. In this case the leader rules due to his character and ability to convince the subordinates about his ideas and holiness, therefore they worship and trust their leader.

The empirical case studies did not indicate the presence of the legal rational type, neither did the successors themselves accept that only due to their job title are they in a position to give orders, neither did the family seem to accept such ideas. Also, it was not specifically asked but it can be assumed that the employees, at least top management, would also struggle with such kind of leader recruitment.

The second legitimization system, the so-called traditional type, has been found and described in the right of birth section; these two can be equalized, as both models support each other and are identically described.

The charismatic type, who convinces through his character, has not been identified in the cases, but the cases identified successors who legitimize through "adding value" and those who legitimize through their knowledge and experiences. One could argue that if the charismatic type's only tool is their character, from a Strategy as Practice perspective we should enlarge its definition to factors such as knowledge and experience.

Strategy as Practice suggests that a fourth type is added to Koffi et al's (2014) model, who could be called *the ability type*. This type of person convinces their subordinates through their abilities and experience to follow them. It is self-explanatory that successors can use more than one of these legitimization types in their new position, as they do not contradict each other.

Legitimation Actors:

If one talks about legitimization one also has to ask legitimization by whom: who is granting legitimacy? In the case of succession there are a number of actors who either grant legitimization, or need to be convinced that the successors are granted legitimization by someone else or both. Again there can be a division made between internal and external actors. Starting with the internal actors, several predecessors mentioned how important it is that their successors are better prepared than they have been and that they change established procedures. The father of The Old Sawmill case even said:

“My slogan has always been that if my children do everything the same way as I do then there is no need for succession!” (father, The Old Sawmill).

This contradicts Karaveli’s and Hall’s (2003) conclusion that the impact of succession is often small, as the successor is often a double or clone of the predecessor. In all five cases the successors implemented change, and the succession process had an influence on the overall business strategy; although these changes have not been drastic 180 degree turnarounds, the successors certainly had an impact.

Internal actors are first and foremost *family members*, who need to be convinced in the first place by the strategies described above that the successor is worthy of continuing the family legacy and managing the family’s fortune. In addition, the family can also grant legitimization, e.g., by the right of birth, and demonstrate that they accept the successor as trustworthy and able. This is a strong signal to all the other stakeholders, as if the successor is able to convince and unite the family whose business is at stake, they really need to be good so as to unite most of the relevant decision makers. Family support is therefore probably one of the most important legitimizers of all.

Employees are in terms of numbers probably the largest legitimization group. There are many ways that employees can be convinced about the legitimization of the successor in addition to ability or right of birth. As described above, the literature suggested (e.g., Koffi et al, 2014) that there are also other factors like, for example, charisma. Employees do have an important role, as on the one hand they need to be convinced about the legitimization so they respect the successor and follow his orders, and on the other hand they play an important role regarding story telling. If employees are convinced about the successor they will spread the word and act with less agency.

Anecdotes of the successor's achievements and greatness will spread and will not only be told inside the business, but the message will also be carried out of the family business to customers, suppliers, and the local community. Due to their number and the power of word of mouth, employees do have in terms of legitimization probably a considerable influence, and overall they also influence the whole succession process in a way that should not be neglected. This storytelling does not have to start with the succession phase; even early childhood encounters and seeing the young children becoming adults can have an influence, as employees see how the child becomes a successor and becomes part of the transformation. This plays an important part in terms of identity creation.

One special form of employees, who play a particular role during the succession process, are colleagues. If the successor is not hired straight away as the new CEO but has to climb the ladder internally, then colleagues play a particularly important role, as they close together or even train the future CEO to be the leader. Their opinion is highly regarded and plays an important role.

The *advisory board* can be where another important legitimization actor exists. Similar to family and employees, the successor has to convince the advisory board about his or her abilities and that it is the right decision to recruit him or her as the next CEO. It is the task of a professional advisory board to recruit top management;

“However, the recruiting is solely the responsibility of the advisory board, which is comprised of external members only” (father, The Old Sawmill).

So the board has to ensure that the family successor is not chosen due to his family background but due to his abilities and experience. The recruitment of an external board can and shall demonstrate that the successor was chosen by independent, external and experienced authorities due to his abilities, just as he would have been chosen at another firm, where he would be an external management applicant. The advisory board can be seen as one of the most professional and objective legalization actors and is especially important for external actors such as, for example, banks or insurance companies. The role and influence of the advisory board of the family constitution case has already been described above. In this case it is only the advisory board that is involved in the decision to hire the next chief executive, and family members are explicitly spared from this duty. In addition it is also only the advisory

board's job to initialize a succession process. In no other case has the advisory board been as powerful as in the case of the family constitution.

If an *external CEO* is already present in the family business this can be another internal legitimization actor. Similar to employees, the external CEO must be convinced that the family successor is worthy of working for the family business and that the successor is as good as the external CEO and is not slowing down the process. At the same time, internal rivalry between the external and the internal CEO must be avoided at all cost.

“Unfortunately she always feared that I want to take her job away. Which was definitely not true, but then she left” (daughter, Luxury Bathrooms).

If the external CEO can be convinced that the successor is worthy, the same applies as for the employees. The external CEO will spread the word to external stakeholders, to employees who will carry on with the positive storytelling, and back inside the family, reassuring the family members that their decision to nominate this particular family successor has been a right decision, and by this, supporting the young successor's role within the family. This does not only apply for the succession period itself but as long as the family and external CEOs work together in harmony.

The *HRM Department* functions as in the professionalization section described above. Its main task is to ensure that the successor is treated like an external applicant and to develop a list of requirements for positions where vacancies are available. Again, legitimization has two sides, as the HRM department needs to be convinced about the successor and shall report about the objective recruiting process and their abilities towards other stakeholders.

All actors described above can be categorized as internal succession legitimization actors. In the following section the external legitimization actors shall be described, and how and with what methods they help the successor to legitimize themselves.

In a similar fashion to the employees, colleagues and external CEO described above, there might also be *former bosses or colleagues* from the successor's previous job. Not only is it likely that stakeholders such as employees or customers will contact them to get some more information about the young successor, it might also happen that these former bosses or colleagues come in direct contact with the family business. Either because:

“I invited my former boss to visit us and we spoke about potential improvements” (economics son, Cable King),

as they still work as important sparring partners for the successor:

“I met my colleagues from KPMG and worked out what my succession could actually look like...” (law son, Cable King).

or even because they get hired by the successor as the successor already knows about their abilities and wants to recruit further external knowledge to their own family business, for example, to establish new ideas and production techniques. Obviously this can also apply for the family, if certain family members ask to investigate the successor’s performance in his previous job. If they communicate a positive image about the successor it certainly helps to legitimize them, whereas negative stories can be rather harmful.

As already described in the section about succession actors, there are also some specific succession professionals such as *consultants, universities and their professors*, who do have a special role, and their role clearly differs from the other actors described so far. Their main object is not to legitimize the successor and it is also not the successor who has to convince them about his worthiness, but they are rather hired to increase the legitimization of the whole succession process. They not only play a vital part for the successor, who is obviously part of this process, but also for the current CEO and the family, who are also part of this process. It is the current CEO who wants to demonstrate to their fellow family members that the succession process is done in the most professional manner and that they are aware of their responsibilities and take succession seriously by employing these succession professionals. One of them described it as:

“We have had different consultants who supported us on our way... I had to tell them that I realized that succession is not something that will be happening by itself... I cannot take it for sure that my children come back home to the family business if I do not communicate with them about an internal career” (father, Herbal Family).

The family, on the other hand, which is often concerned and troubled in these emotional times, will be taken into consideration by the professionals and included in the process, and they pay special attention to their needs and requirements to assure

that the family members do support the whole succession process per se and later the successor, and therefore legitimize him as such. In the interviews it was stated that

“...both family lines (potential successors and parents) came together and designed a so called FIP (Family Integration Program). From this date onwards we met for a minimum of four times a year... we had three consultants with whom we talked about succession. They have specialized in family businesses and especially on succession. All self-employed, we met them at seminars or similar events and invited them to our family days” (daughter, Herbal Family).

Similar roles can be played by *entrepreneur clubs*. It is normally first the successor and the current CEO who come into contact with these clubs; in the interview cases mentioned clubs have been the German ASU (Arbeitsgemeinschaft Selbstständiger Unternehmer) and the BJU (Bund Junger Unternehmer) and the international FBN (Family Business Network), which played a major role for a better succession orientation. The cases indicated that both successor and current CEO first find there some inspiration and sparring partners to familiarize themselves with the new idea of succession and how one might best engage with the challenges. Special youth chapters can be very helpful, so the younger generation can exchange thoughts and fears among likeminded people, without the intimidating presence of the older generation. Such sparring discussion can be very fruitful and inspiring, as the presence of so many like-minded people with a comparable background creates some kind of wisdom of the crowd setting, which can hardly be found anywhere else:

“Other people with whom I am in a permanent exchange are two common friends we have from the FBN network” (economics son, Cable King).

Usually, other family members will be invited to join such activities at a later stage, when the current CEO and successor feel comfortable with the new situation and feel able to invite the family to such events to report about their ideas.

The same concept, but to a lesser degree, can apply to *industry partners*, where the current CEO and - if they have already joined the family business – successors, can discuss and exchange ideas with like-minded family business entrepreneurs. This concept of such an industry partner relationship has only been observed in the luxury bathroom succession case and neither all successors nor the wider family were invited to such meetings. It was kept very private.

It can also be concluded that our findings do not entirely support the traditional type (legitimization types as described above). Koffi et al (2014) have supported the idea that the successor's legitimization is mainly handed down and gifted from the predecessor. Milton (2008) reported that a predecessor will legitimize his successor, share his knowledge and network as soon as the successor is confirmed by all actors. This assumption is similar to the right of birth as described above, but in addition to the father as the only important legitimator, this study includes the rest of the family in the process. The cases provided strong evidence that it is not only the father who can legitimize the successor, but also additional family members, shareholders or even external stakeholders. It can therefore be said that the literature findings support the empirical evidence but that the empirical evidence only partially supports the theoretical findings, as in practice there are more legitimators than just the father.

In sharp contrast to this assumption that legitimization in family business is mainly granted solely by the predecessor are the findings of the empirical case studies, identifying certain other legitimators that are based on the successor's action to gain legitimization only through achievements.

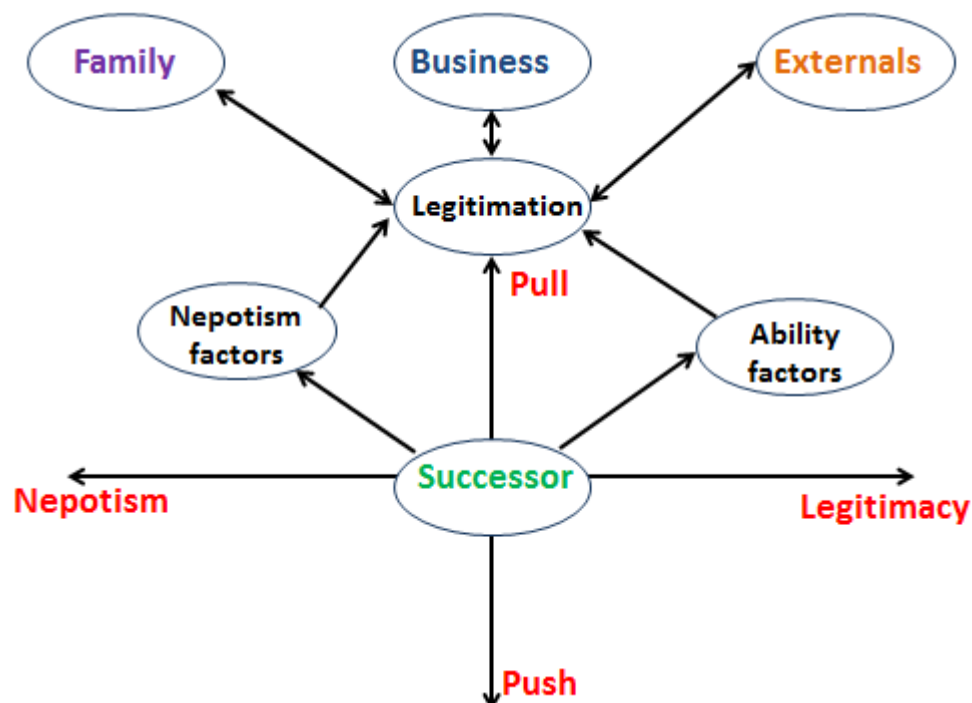
The aim of this section was to inform the reader about the different strategies and actors involved in these strategies that successors use to legitimise themselves among the internal and external actors of their family business. In the first section the different methods were discussed, which were identified during the interviews of the five case studies. It was described in regard to how far legitimization methods are used to minimize nepotism and its effects and why this is important. The first section also discussed why successors feel such a great need to legitimize them, as they will always ask themselves if they would have done equally well in a non-family business. The method section clearly described the two main legitimization groups: right of birth, where legitimization is just given, and legitimization, by adding value where the successor must actively seek their legitimization. The last section pays special attention to the legitimization actors and hereby differentiates between the actors. The successor has to be convinced about him- or herself, or who might legitimise him/her as the next successor, and such actors who legitimize the succession process per se and who include the rest of the family, so that they are approving the process, and in the end the successor themselves. Summarizing and comparing the current state of the literature with the empirical findings, it can be said that most of the empirical legitimization strategies found support in the current academic literature. Seven out of

19 legitimation strategies have been found in recent publications; however, these publications generated more general legitimation strategies. Important legitimators that have been identified in the empirical cases and have, to the author's knowledge, not yet been covered in publications before, are legitimation by: marriage, formalization, professionalization, external competition and institutional rights.

8.4 Succession process and legitimation model

This section will introduce two succession models. Model 8.1 is the extended succession model and summarizes all the previous developed and introduced models for this thesis. Due to its size, flexibility and complexity it was decided to develop a second simplified and slimmer - but nevertheless still accurate - version at the end of the chapter. This paragraph shall explain why such a succession model has been necessary, how it was developed, and that the succession model displaying the interrelation of the actors and the motivation and legitimation factors involved in the succession process is a dynamic model that is undergoing constant changes.

Diagram 8.1 Succession model displaying the interrelation of the actors and the motivation and legitimation factors involved in the succession process



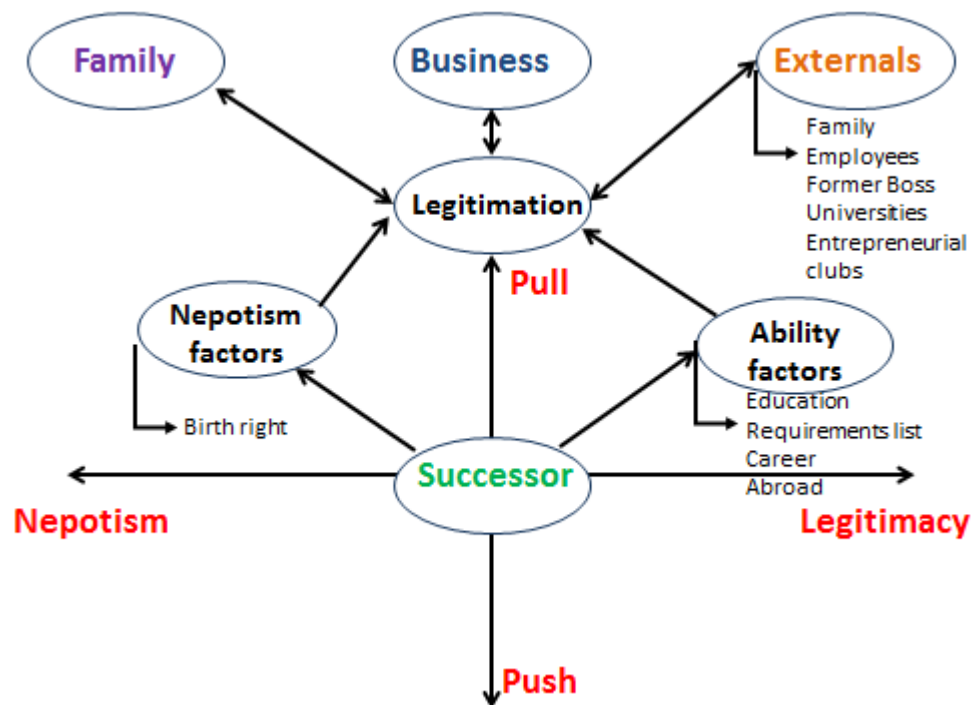
There have been previous succession models (e.g., Lambrecht, 2005, Koffi et al, 2014) and there have been earlier attempts to display why successors succeed (e.g., Venter et al, 2005) and what or who legitimizes successors (e.g., Koffi et al, 2014). However

as far as one could detect, there is no diagram combining the interrelation of the successor's motivation, their legitimization and all the actors who have been involved in the succession process so far. Koffi et al (2014) briefly mentioned legitimacy and the successor and the predecessor, but left out their motivation and any additional actors. It was therefore not possible to use earlier diagrams and to combine them, as they were incomplete or would not have displayed the dynamic over the succession process and just how interrelated things are. The analysis of the empirical findings revealed that there are two major battles continuously fought during the succession phase. One was already explained in the push and pull model, which was adapted and simplified for this purpose. It leaves out the no-action succession, as it has already been explained that every successor will sooner or later be drawn to the push and pull level anyway. The second battle of family businesses is the fight between nepotism and legitimacy. Nepotism can be a powerful secret ingredient, unique to family businesses. If managed in the right way and kept in its boundaries with the help of legitimization methods, the advantages of nepotism can outweigh the disadvantages and result in better performance, not only of the successor but also of other stakeholders.

Nepotism legitimization was displayed through right of birth and legitimization itself by the so-called ability factors. Both right of birth and ability can be legitimization factors to the three groups of stakeholders who have already been introduced and displayed in the chapter. Family, business and external stakeholders were displayed in a simplified way so as to not further enhance the complexity of the model. The reasons for the actors' involved model (please see Diagram 7.2 and Table 8.1) clearly explained the different actors and who they are interrelated to and whether they can belong to one, two or even all three formerly mentioned groups.

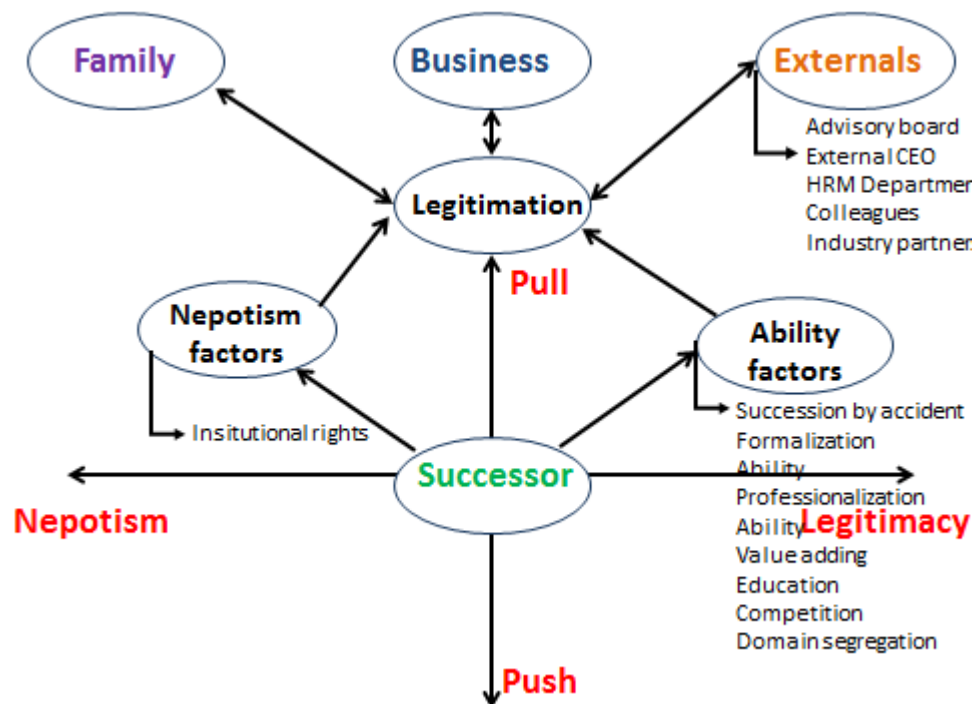
It was already mentioned that the model is a dynamic model. Not only is the successor constantly moving up and down on the push and pull axis, he/she is also moving right and left between legitimacy and nepotism. In addition to that, the actors involved and the ability factors can change depending on the individual family business, its family and its successor, but also depending on the current succession phase. In the following section, the model shall be explained in three different succession phases, namely the pre-succession phase, the succession phase and the post-succession phase. The lower part of the model, with the successor and the push-pull and nepotism-legitimacy axis, will remain equal over the succession period, but the upper part consisting of legitimization factors and actors will change according to each stage.

Diagram 8.2 Succession model including actors and factors during the pre-succession phase



During the *pre-succession phase* the young successor might be able to legitimize themselves on the one hand through the right of birth and on the other hand through ability factors such as an adequate school, university or continuing education. In addition they might pursue an external career or first internships in the family business as a part of their continuing education. The pre-succession phase might also offer the opportunity to spend some time abroad or to fulfil additional tasks if there is a predefined requirements list. Important actors in this pre-succession phase in terms of legitimation who either need to be convinced about the legitimacy or who might legitimize the young successor include family members and employees. Current bosses and colleagues, but also universities and their professors, in addition to consultants and entrepreneurial clubs, can act as legitimation actors and present useful testimonials.

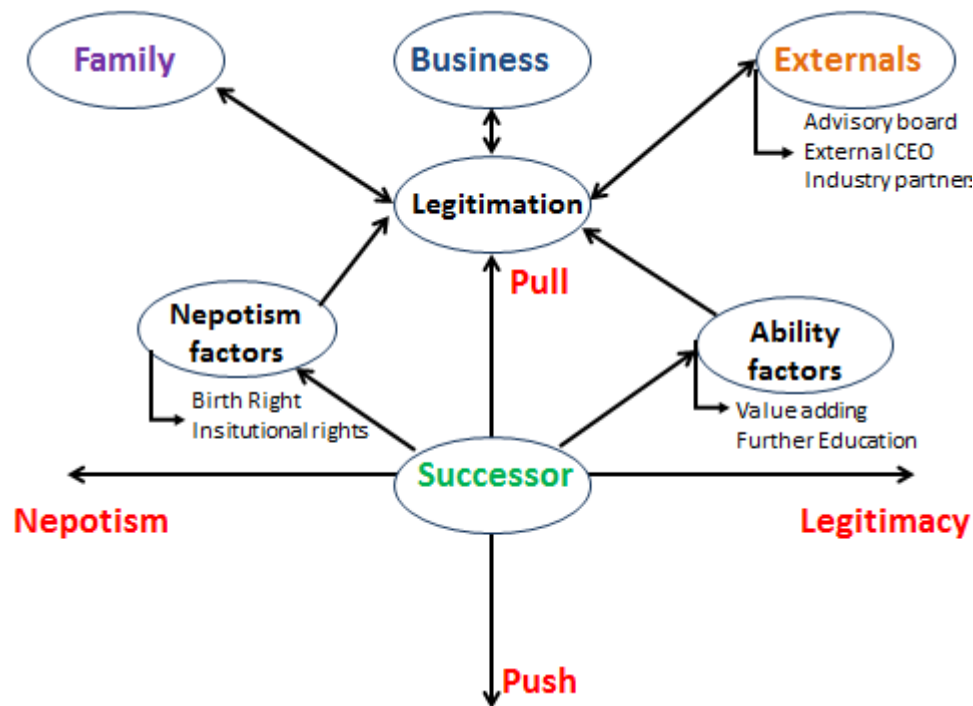
Diagram 8.3 Succession model including actors and factors during the succession stage



The succession stage itself is the time when the young successor decides to enter the family business to pursue a professional career. The model is therefore displaying management succession and not ownership transition, which might be part of the model as it can function as a legitimization factor. This institutional right can, in addition to the right of birth, be sometimes occurring as a nepotism legitimization factor. Depending on the amount of shares and further legislative restrictions, shares alone do not automatically lead to management control. Therefore, institutional rights and right of birth can occur in terms of nepotism legitimization during the succession phase, whereas such factors as formalization, professionalization, ability, value adding, school, university, continuing education, external competition, domain segregation, independent field, time abroad, and external or internal career, together with a requirements list if present, support legitimization through ability. Actors involved at the succession time need to be separated again into actors who can work as legitimators and need to be convinced about the legitimacy, and those actors who can only work as legitimators. Again it is the family and the employees who need to be convinced and who can deliver useful testimonials, but this time, in addition to the pre-phase where there are also board members, there might be external management, the HRM department and industry partners, who need to be convinced about the

successors' right to continue the family legacy. As a pure ability attestor, former bosses and colleagues, current colleagues, industry partners and again - as earlier in the pre-succession phase - universities, their professors, and also consultants and entrepreneurial clubs might prove to be useful.

Diagram 8.4 Succession model including actors and factors during the post-succession phase



During the *post-succession phase*, the successor has already established himself as the new CEO and head of the family. It is now their turn to prepare and guide the succession of the next generation. In addition, the family CEO might still feel the need to legitimize the successor against a number of internal and external actors. The pressure for legitimization might not be as high as during the pre-succession and succession phase, but as CEO and head of the family it might still be necessary to prove the worthiness of one's position. It is still the right of birth, possibly in combination with the institutional rights of ownership transition, which functions on the side of nepotism as legitimization. There might also be marriage if the current family CEO married into the family and his/her new situation, but apart from that it is his/her ability, professionalization and continuing education which legitimizes the successor to run the business as he/she does. It is now also the successor's duty to transfer their knowledge of legitimization onto the next generation to demonstrate to third actors that they are not avoiding this (for many family CEOs) inconvenient topic.

Third party actors involved in this post-succession legitimization process might be - as mentioned before - family, employees, advisory board and an external CEO in the double function of legitimization seekers and spenders, plus industry, universities, their professors, and also consultants and entrepreneurial clubs as solely legitimization spenders.

It was the purpose of this section to introduce and explain the succession model, displaying the interrelation of the actors and the motivation and legitimization factors involved in the succession process and its dynamic during the pre-succession, the succession and the post-succession phase. The model is able to demonstrate in a unique kind these three different succession aspects, and combines the essence of the four research questions and their related findings.

8.5 Conclusion

This section analysed which internal and external actors have been involved, which activities they pursued and why it is important to take them into consideration, especially some of the internal family members, such as wives, uncles and nephews, who have been overlooked so far by the previous academic literature. The same applied for some of the external actors, such as formal colleagues, specialized family business consultants or supervisors. All these actors had an influence on the succession strategy as they are part of it on an everyday basis. As succession is a process rather than an event, the Strategy as Practice perspective was a suitable approach to observe how all these different actors interacted with each other and dealt with the succession issue. It became evident that the majority of the described actors will never ever attend a formal strategy meeting within the company, nor will their names appear in a business report, but this did not reduce their influence and input in family business matters.

The first part of the chapter describes the internal actors and pays special attention to the mother and the father, who cannot be summarised as parents as each of them has a different role. The cases revealed two interesting aspects. Even though mothers often never officially join the workforce, they have a dominant influence as they either work unofficially for the family business or because important family business decisions are taken in a private family setting in the absence of non-family business members, e.g., the kitchen. Granting mothers a voting right is not based on law but on family trust.

Another interesting aspect is the father's role, as the cases revealed that the double role of a father and a CEO is not easy to separate. Fathers and their children, but also other family members, struggle to differentiate between these two very different jobs. Even children often see their own father more as a CEO than a father.

The second part of the chapter describes the external actors, meaning family external actors and family business external actors. The introduction of these actors and a brief description bridges to the second half of the chapter, introducing the fourth research question of how successors legitimize themselves. This research question is approached from two different sides. First, a table is presented introducing the different legitimation strategies; secondly, another table is presented showing the different legitimation actors. In the following, each of these strategies and actors is described in detail. At the end of the chapter, three succession and legitimation models are introduced and described according to each of the three succession stages: pre-succession, succession and post-succession.

The next chapter will be the conclusion chapter, discussing the theoretical, methodological contribution and the practical implications of this thesis. Furthermore, there will be a short discussion of the limitations and directions of future research.

9. Conclusion

9.1 Introduction

This dissertation has investigated succession as a process in the context of German Mittelstand family businesses. The purpose of this chapter is to summarize the most important contribution of this dissertation in terms of the theoretical and methodological contribution and in terms of practical implications. The previous chapter discussed the findings from this dissertation by linking the empirical evidence of the five case studies and the family constitution with relevant theories and approaches, and answered the research question about the actors involved, the motivation factors and legitimization. The outcomes of the thesis have been threefold: First, it has presented models and concepts in regard to the actors involved successors' motivation and their legitimization. It has discussed the role of nepotism and emotional hazard for the family and how these can be applied or avoided.

Second, the importance of Strategy as Practice and its applicability to family business research was discussed. This is also closely linked to the importance of the holistic family approach. Third, written artefacts were included that have mostly been overseen in previous research and how beneficial they can be, not only to the research community but also to the family and their consultants.

This thesis used five different family businesses of the German Mittelstand to gain a better understanding of the succession phenomena. As explained in Table 6.1 'Overview of Five Empirical Cases', the author used family businesses and their families which were in different succession stages and who also differed in several other characteristics such as age, size, industry and number of active family members. The five cases are a good representation of the overall German Mittelstand, which makes comparisons of past theoretical findings and the findings of this Strategy as Practice research easier. Including as many family members as possible into the discussion allowed a strategy as practice perspective as the author was not limited to the perspective of one participant but was able to gain a complete picture. This has been especially interesting when also taking the family constitution into consideration.

This thesis investigated four research questions. Paragraph 7.2 discusses the question of the successor's motivation to take over the family business. The interviewees reveal

that this motivation cannot be limited to financial motivators alone, even though they do have an influence in some cases. Factors such as entrepreneurial spirit, self-actualization, but also tradition and moral obligation seem to outweigh financial factors.

Paragraph 7.3 discusses the internal and external actors during the succession phase. Beside some obvious external actors, such as lawyers, tax accountants and consultants there are also actors who receive special attention such as former colleagues, professors and entrepreneurial clubs. The same applies for the internal actors where beside the parents and siblings special attention is given to the role of the mother, wife and cousins.

Paragraph 8.2 follows the question of why these internal and external actors are involved. One could say that one group is emotionally attached to the succession phenomenon and the other group tries to deal with these emotions in a professional manner. However, one should not underestimate how important family members can be in terms of useful input to the succession process.

Last but not least, paragraph 8.3 deals with the phenomenon of legitimization. A table of legitimization factors was identified which can be grouped into factors of nepotism and factors of ability. Obviously the ability factors are the ones which should be preferred, but it is also discussed why nepotism factors matter and should not be overseen.

In the following, the contribution of this PhD thesis in terms of theoretical methodological and practical implications shall be discussed.

9.2 Theoretical contribution

The dissertation is aiming at four particular succession research questions and can contribute in all four fields, either in terms of new or improved models or in terms of factors, which have either been overlooked and neglected or not been identified by previous research. The succession process model introduced and discussed at the end of the previous analysis chapter tried to summarize and display all four research questions to present its findings. This thesis explored five cases of the German

Mittelstand and applied several succession theories and made use of the strategy as practice theory. In this section a short comparison shall be given to the added knowledge delivered through this thesis.

This section highlights the theoretical contribution of the thesis, which lies in enhancing our understanding of the succession process by illuminating the key role of multiple actors, successors' motivation and the legitimization efforts. In this way the thesis contributes to the literature on the psychological and systems theory approach to understanding succession. In terms of system theory approach there are the two previous models about succession, such as the three circles model (Taiguri and Davis, 1982, Schippe et al, 2003) and the bull's eye model (Pieper and Klein, 2012), which each contribute to the field of family business succession research. The three circle model pays close attention to the goals, needs and interests of the family, the ownership and the business during succession, but it struggles to display aspects such as the actors involved, who cannot be grouped to one of the previous mentioned three groups, nor does it explain why a successor should be *willing* to take over a family business and how he/she is legitimizing his/her new role. Pieper and Klein's (2012) bull's eye model has certain advantages and contributes to these questions as it already puts the successor into the centre of its model and research and displays that there is a reciprocal influence between the successor and the business and the outer environmental system, demonstrating that the family business consists of the business family, the management, ownership and the business. Pieper and Klein therefore differentiate between ownership and family on the one hand and family and business on the other. Even external actors such as consultants could be displayed by the environmental system. Due to its strong macro-economic focus and abstraction the model is limited in considering legitimization concerns or a successor's motivation to take over the family business. It rather seems to display that everything is somehow connected and influencing everything; although this is certainly not wrong, it lacks detail in trying to deliver a better understanding about the succession actors involved and the activities they pursue.

This dissertation provides a new succession process model, which is based on two previous models introduced in this dissertation (e.g., Figure 2.1 & Graph 2.1). One could assume that the first model was inspired by Schippes et al's (2013) three circles model, as it also consists of three different rings and two of them are also a family and a business ring, but the third one differs as it is not paying attention to ownership but

to succession servicemen. Schippes' model never had the intention to identify all actors involved and certainly does not discuss the individual members and the reasons for their involvement in ways of influencing the family business, whereas this model displays all 20 individuals identified in the five case studies and discusses their particular role in detail. As mentioned in the analysis chapter, earlier publications have typically focused on the predecessor and his successor and one or two outside actors such as a lawyer and a tax accountant, but fell short of explaining their roles in relation to other possible (family) members. This dissertation was able to identify and describe 20 members, most of whom have never been discussed in the literature before, and it clearly supports the idea of the holistic family approach discussed below.

The push and pull model (Diagram 7.1) was the second model introduced and contributes to the already existing theory, as it demonstrates how and why successors tend to engage in the family business. Authors of the psychological approach (e.g., Birley, 2002; Theune, 2000; Holt and Popp, 2013) researched what factors positively or negatively influence succession likelihood and what expectations the family has about succession. This dissertation therefore followed the call of some of these psychological approach authors (Birley, 2002; Holts & Popp, 2013) who specifically ask for more family in family business research. The push and pull models are not asking what makes succession likely but rather why is the successor willing to take over. The push and pull model tried to answer this question and displays the constant draw between certain factors where the successor is rather passive and pushed into the family business, and their pull role, where they are actively seeking a chance to get involved and to start his or her own career.

The cases also clearly reveal that there is a difference between ownership and managerial succession. In none of the cases ownership and managerial succession happened at the same time. The contrary is the case it seemed like predecessors used a step by step method to introduce their successors to the business and avoided to transfer shares and managerial power at the same time.

If one asks the question why do successors take over the family business, one might also raise the question of why should they not pursue this career? From the outside it can look to be the easiest option: the entry barriers appear to be rather low or basically non-existent and job security seems to be very high, which raises the point of nepotism and its possible advantages and disadvantages, but also the question of emotional

hazard, which can be seen as the main reason many potential successors either decide against a family business career or at least struggle sooner or later while pursuing it.

9.2.1 **The concept of nepotism**

This dissertation has also raised the question of whether nepotism is always negative per se or if nepotism could also have a positive side (patronage). It even goes so far as to say that nepotism might be the special ingredient that gives family business their competitive advantage over their non-family counterparts.

“In this case, where kinship logic overrules economic logic in the labor market the phenomenon, of course, is nepotism...The reasons are obvious. When kinship position takes priority over experience and capability, a certain cost is a breach in the link between performance and rewards. A heavier cost can be the promotion of incompetents who cannot be dismissed.” (Alex Stewart, 2003, p. 6)

Without a doubt nepotism can have negative effects, as it can foster laziness over performance and can often not motivate people to seek to improve already existing habits. Corruption and all its negative effects can be seen as an extreme and illegal form of nepotism, but some family businesses manage to apply a certain nepotism style which benefits not only the business and its family, but also its employees.

This research has reviewed some of the methods that families apply to minimize nepotism, such as a requirements list for their successors, formal interviews, hiring solely by external board members or even external competition. In addition, it also explained to what extent and why some families overlook and even apply nepotism to a certain degree to their own benefit, and gave some examples from the empirical case studies of what these positives can look like and that nepotism can have a positive influence as long as it is either constrained or regulated within certain structures. Family members often receive additional benefits when working for their own businesses that their employees do not receive; these benefits can be of a financial nature or a faster career, job security or a better life-work balance. Regardless of what it is, due to these benefits a job environment is created that often motivates family members and successors particularly to go the extra mile.

If the family and its business offer nepotism (or some might say patronage) as a kind of reward and motivator but link it to performance and contribution, it can stimulate positive effects, which have been identified and explained in the push factors. Successors will be passionate about their business and more willing /to engage and

prepare for the upcoming challenges. They are willing to travel and educate themselves because of the future benefits they can expect.

Receiving advance praises (nepotism) also creates a need to legitimize oneself if, as described above as a precondition, nepotism does not come without the expectancy to be worth it. This need to legitimize against family and third actors but also oneself has been discussed broadly in this dissertation, together with its positive effects.

This need for legitimization under the watchful eyes of the own family is identified and described in the emotional hazard section.

9.2.2 The concept of emotional hazard

Emotional hazard can best be displayed by asking the question of why or why not someone should take over the family business. The third research question is what motivates successors to take over the family business and what kind of motivators exist for them, but there is also another side of the coin, a possible dark side of why many possible successors struggle to take over and eventually even decide against it. This dark side can best be described by the emotional hazard that is also often attached to succeeding a family business. Also, many successors do sometimes lack the understanding of what their family business is about or how good it really performs; in most cases they are very aware of the emotional situation it plays within the family. Successors grew up in a business family and as has been mentioned several times during the interviews, “there is no division between family and business” (daughter, Box printing machine company). This means that the business is omnipresent, regardless if it is Christmas Eve, your wedding or your birthday (as several of the cases illustrate). If the business has problems so has the family, and entrepreneurs are rarely seen at home; CEOs can see themselves, and are seen by the family, as the CEO and in a secondary role as a father or a mother. Family holidays are maybe taken, but not without a notebook and the father sitting next to the pool with his telephone on his ear. The CEO may go to the little successor’s first school theatre, but surely there is enough time to have a glimpse at the emails between the acts. Successors are aware that taking over the family business means giving up a good proportion of one’s private life and inviting an invisible guest who will always join you and your family, even in the most private moments. This emotional hazard is not only placed on the successor but also on his spouse and children. In addition, it means that one’s connotation of family will change forever, as other family members will not continue to be family members

anymore but business partners and colleagues in addition. This certainly has an influence about how family members behave and communicate with each other and what kind of information is shared or kept secret.

Emotional hazard peaks during the succession phase, as young and older generation now share private and business life with each other and both become aware that succession is not only handing over ownership and managerial power but also facing the end (business and life) of the old generation. Emotions are high, and as the cases reveal, many families try to avoid speaking about the business during this time at home, especially if times are tough. This thesis introduces the term emotional hazard and provides examples for it, but also demonstrates how families try to deal with and overcome emotional hazard during the succession phase to limit their exposure to a certain degree, and why many successors still think that there are better reasons to decide for the family business than against.

9.3 Methodological contribution

The conclusion of this dissertation shall highlight two methodological contributions that could maybe enhance the findings of future research in the field of family business research. The first contribution is about the holistic family approach as it has been applied for this dissertation. Several researchers, such as Birley (2002) and Holt and Popp (2013), have demanded more family in their research. This dissertation has put the family and all its members in the centre of its research and highlighted their roles within the family and its business.

Future research can benefit from applying a holistic family approach, as many more actors and their different points of view will be taken into consideration and this will certainly improve the quantity and quality of the gathered data. The second methodological contribution here is the use of semi-structured interviews and written artefacts in family business research which is often comprised of the former, but rarely combined with the latter as well. This approach presented the author with certain difficulties that needed to be overcome, but the quality of information gathered outweighed the challenges and provided richness to the data which would otherwise have been difficult to find from interviews alone. Even though only one family constitution was gathered which is not related to one of the five cases, it enabled the researcher to get a better understanding about the advantages such a constitution can have on the family during the succession phase.

9.3.1 The holistic family approach

When discussing how far family businesses and non-family business differ, one of the most satisfying answers is that its main difference is the family itself (Moore, 2009). The majority of past succession literature only takes the predecessor and the successor into consideration, and they might mention the role of the mother and wife with a few short sentences, most often not even including her into their own research. It lies in the nature of families and therefore also of business *families* that they consist of more than just predecessors and their successors. Additional family members such as wives, mothers, siblings, uncles, nephews or grandparents should also be taken into consideration in order to receive a complete picture. One could even argue whether only taking successors and predecessors into consideration fulfils the preliminary conditions of family business research, as the cases proved on several occasions, as discussed in the Strategy as Practice section, that the statements of the entrepreneurs and their family stood in sharp contrast to each other, as some entrepreneur's wishful thinking and reality can in the practical world sometimes not be aligned.

Following this, the literature review discussed systems approach, which requests more actors' perspectives in order to generate a more accurate reflection of real life processes, which is of value for enhancing our conceptual understanding of family business phenomena, as well as the validity of practical implications.

“One limitation of this study is that only one individual within each family business completed a survey. Therefore, it provides a limited perspective of the business owners in terms of the ways they perceive themselves as leaders, conflict managers, and planners of succession. Future research should include the views of other key stakeholders” (Marshall et al, 2006, p. 365).

Access is probably the main reason that additional family members are often left out and neglected in the field of family business research. Entrepreneurs, especially if their business is of a considerable size or if they or their product is known to a wider public, tend to be restrictive about private family data, let alone that it makes accessing their family members even more difficult. For the cases of this dissertation the long personal relationship with the business families or close friends of them has been the key component to overcome such entry barriers. Even though anonymity and moratorium was guaranteed, a few previously approached families still refused participation in the interviews and those families who participated clearly differentiated between

information and material that could be used for the dissertation and private use only material.

Overcoming this access barrier is difficult, but there are some methods which might help. The first is to make use of one's own personal network and if that fails, another option is to ask shared contacts for support and to notify the entrepreneur of one's interest in doing research with them and their family. These gate openers are precious and should not be underestimated. The next step is to demonstrate to the potential interviewees that one has a professional attitude and takes their need for anonymity seriously. One should explain to them (especially to the family) why their participation is crucial and really makes a difference and that information shared will only be used for the purpose of academic work and also not be shared with other family members. The practical use of such a trustful relationship between interviewer and interviewees also influences the quality of the interviews and access to written artefacts.

9.3.2 Interviews and written artefacts

There is still a considerable amount of quantitative data in family business research that is often dependent on methods such as questionnaires. Not only is their response rate low but also the access and insights granted are very limited. Interviews, on the other hand, are a qualitative tool that help to answer how and why questions, which are especially important in the process to research and support answering questions about motivation and the support of exploratory questions. The approach was to let the interviewee talk and try not to interrupt, as an interviewee's free flow of speech allows them to develop their own thoughts and ideas and to communicate them. Some of the questions were probably asked for the first time and none of the participants had thought about possible answers before, nor had they articulated them before. Especially with personal questions it is easier to get detailed and longer replies if people can speak about their ideas and do not have to put them down on paper while thinking about them. Semi-structured interviews proved to be an important tool to gather data and have also been applied later for the follow-up interviews.

A particular advantage of the thesis has been the study of recent artefacts-in-use. As mentioned before, getting access to these artefacts was the most difficult challenge in terms of data gathering, as the business families were even more protective of their contracts, such as the shareholder agreement, employment contract and family constitution, than about what they or the rest of the family might say. In one case the

family CEO granted access and even copied the family constitution himself, but restricted its usage to private use only when handing it over to the author. Nevertheless it was possible to get a handle on a family constitution as it is used by the families of these cases. The study of family business artefacts such as family business constitutions' artefact analysis in family business research has been an overlooked method of primary data collection and analysis; again it is probably access that limited the use of this method. Family business constitutions seem to become more and more in vogue for family businesses. The advantage of these constitutions is that it is possible to keep the shareholder contract slim and to move everything that is about family values, succession procedure and the interaction between family members into the family constitution. The further advantages of a family constitution will also be discussed below in the practical implications section, but it is obvious that such voluntary legal documents between family members are a valuable resource for academic scholars who want to study succession processes, its related phenomena and the interaction of internal and external actors during this time.

9.4 Practical implications

This dissertation highlighted several implications for the four main practitioners of the cases: the successor, the predecessor, the family and its advisors. These implications appear to be relevant beyond the empirical setting of understanding succession processes in the context of German family businesses. Some academics might be disappointed that this dissertation has not adapted the dominant perspective of what family businesses should actually do but rather focused on observing what they really do and how they deal with and react to the challenges occurring during the succession phase. Succession cannot be seen as a universal straight path, it is very much dependent on the family, the business and the different characters involved. The implications for practice will be discussed in accordance with the four main practitioners, including a short paragraph about family constitutions and their practical contribution.

Family constitutions are a great tool not only for the family, but also for their advisors. Not only can they be used to keep a shareholder contract to the minimum, they can also be used to define and settle all those matters that do not fit in a shareholder contract. In the example of the constitution, which was part of the analysis for this dissertation, the constitution is the medium where the family establishes its values and visions, not only for the business but also for the family itself; it is a clear confession

to its heritage and that future generations shall never forget where they are coming from and whom they are representing. It also settles the details about succession management, the requirements list for internal successors, how decision making shall work within the family and why family days shall be held and who shall be invited to those days to strengthen the family identity internally but also towards the business.

Implementing family constitutions can be a tool used by advisors to start the discussion about succession and its conditions in general. Especially if the family has quarrelled and discussion about the old shareholder contract seems to be impossible at the present point of time, establishing a new family constitution with all family members included can help overcoming old difficulties as it fosters discussions about business matters and procedures rather than debating persons. Unfortunately, many shareholder contracts only get consulted if problems arise, so it should therefore be aspired to update contracts in constitutions on a regular basis, or as Plato once said:

“Si vis pacem, para bellum”- if you want peace prepare for war.

9.4.1 For the successor

The first and by far most important finding for family business succession in this dissertation is the importance of the successor requesting succession, or at least what the plan for it is. As soon as the potential successor leaves school they should have the right to know if and under what conditions an internal career is open to them. As one successor put it during one conference in Sweden in 2016, “Succession is the pink elephant in the room”; everyone sees it but no-one talks about it.

As the author is a successor himself he can easily put himself in the shoes of many other successors, and one of the most important pieces of advice is to make sure to critically reflect on why taking over the family business is a good idea. For most successors, taking over the family business is a one-way route, as only a small minority leaves the family business after some point of time to seek an outside career later. The second advice is that successors should make sure they know what they are taking over. This point cannot be highlighted enough. A family’s perception and reality often differ and the emotional value is often confused with its actual value; the same applies to products or long-trusted friends and advisors of the family business. Successors should be allowed to critically reflect if one’s own products and advisors are really as good as the family thinks they are: don’t be afraid to hire external help to reassure yourself that your numbers are correct. After all, it will be your future that is at risk

and it would be naïve to take everything presented for granted. This view is in line with Pinkwart et al's (2005) work, where they state that:

“CEOs who are soon to retire often become resistant to invest in urgently needed innovations... the true degree of the damage is often discovered after the succession.”

Such behaviour might also be one of the reasons many successions fail, and in such cases it is certainly not the successor's fault. Successors need to be aware of such possible circumstances, as taking over a sinking ship is not a desired option.

Also, many successors are constantly asking themselves if they are worthy to continue the legacy. They should understand that formalization is a friend and not an opponent. Formalizing succession helps to legitimize; if you request a requirements list this helps legitimizing and proves one's own worthiness. Outside careers are a good start for succession as the successor can prove their worthiness in an independent environment, is not making their own mistakes at home and gains some expertise that they can take home to prove their worthiness. When joining one's own family business it is necessary to legitimize against a number of internal and external stakeholders; one suitable way of doing this is to gain responsibility for one's own small department - the more neglected this is the better, as it offers a true chance of improvement.

The last practical finding is that succession is a team effort and also a critical and sometimes competitive attitude is necessary, as it is more often than not harmful to seek conflict and to change everything and thereby to forget the business's core competencies. If in doubt, seeking advice is critical.

9.4.2 For the predecessor

As already mentioned before, avoiding succession is one of the biggest problems that many family businesses face. Too many CEOs are desperately convinced that they are not only head of a family business but also descendants of the famous Highlander, Duncan McLeod, and therefore immortal. They and their families are then taken by complete surprise if they suddenly have to realize that they do not have an eternal life. As mentioned before by Marshall et al (2006), only one third of all predecessors had a succession plan and around 25% leave nothing more than their last will as a tool of guidance. In at least two of the five cases here, but there are many others, there has

been a trigger event such as a heart attack or cancer which started succession. These successions by accident events have been described, but they should not be the norm.

Predecessors need to understand that fostering succession is a true strength and the most noble entrepreneurial task a father and CEO can pursue. Preparing not only for such trigger events but also for a transparent and structured succession increases the likelihood of a successful succession and the smooth continuance of the family business. Succession should rather be seen as a chance as succession is often related to organizational renewal and therefore to more (financial) performance (Dodd et al, 2014). This form of innovation could be the major difference between successful and failed family business management. Avoiding succession only proves one's own weakness and makes those suffer who one actually loves the most. For the older generation succession means letting go; this hurts and the whole family will understand that but ignoring a problem will not make it disappear. Michel and Kammerlander (2015) described such predecessor behaviour and the successor's long waiting position as the 'Prince Charles Syndrome'.

Another common problem is when the predecessor is still omnipresent, even though he/she was supposed to leave the company months or even years before. If you go, stay away and never look back. If the author reflects back on his own succession there have been many things he would change if he could, but the one thing he is most grateful for is that his father never intervened after leaving the company; he was there to support if needed and he was the most loyal father a successor could wish for, not allowing anything to come in between him and his son. This made legitimization so much easier, as neither the family nor outside stakeholders were drawn in between them.

9.4.3 Practical implications for the family

Again, probably the most important thing a family can do in terms of succession is to talk about it. The importance of talking about it cannot be underestimated. The family should try to leave all stigma behind and understand that succession is a natural process and that preparing for it does not mean the immediate death of the predecessor but a much higher likelihood of success and prosperity. Succession is a stressful time for the family; often, managerial succession also means succeeding the head of family internally. The older generation steps down and the young one rises. Also, non-

employed family members, who have no shares, do have a say and need to be included in the discussion anyway.

During such discussion many old tales might evolve, such as who was allowed to move first into the new building, who has already got a company car or bought or just took something from the business for his or her private use. The family must overcome such fussiness, and especially young successors need to try to meet other family members as objectively and neutral as possible and should not be burdened with such old stories. Whatever dark secrets a family has, under absolutely no circumstances should those be discussed and dealt with in the family business. Conflict should be minimised. Both successor and predecessor need all the support, calmness and discretion they can get and should in return involve and consider all matters with family members, both those with and without shares. Another young successor who had just become CEO told me after his first twelve months: “I always wanted to become the CEO, until I got the CEO job.”

9.4.4 For advisors

When searching the internet for family business consultants it becomes obvious that beside some small niche market operators, the larger houses do offer family business consulting, but if one has a closer look on their websites and what they really offer one will notice that their services can unfortunately be summarized under the label tax and legal consultancy. Therefore, both advisors and academics would benefit from a holistic approach and advisors should not limit themselves to tax and legal issues but should also take the whole family into consideration.

Even though it was mentioned before, it shall be repeated again: Do not overlook the role of mothers and wives! Nowadays, but also in past times, women are more than housewives and secretaries. They are sparring partners and many of them are successful entrepreneurs themselves (e.g., Luxury Bathrooms, Box printing machine company, Herbal Family) it is the advisor’s task to behave accordingly and to include them into the process even if some male characters try to minimize their roles. Make sure to have a proper understanding about their responsibilities and role within the family business.

Advisors might be invited because conflicts within a family run so deep that the family is unable to make decisions on their own or because a board of directors is a lame duck due to family conflicts; here, sensibility is important. The advisor should try to stay

neutral and to include all actors and their perspectives. A family constitution might help to get all family members around a table to discuss ideas and to break up old barriers, and at the end to gain a legal document that meets the present requirements and makes the necessary decisions. Another important point is the consultants' role in terms of legitimation. As mentioned earlier (8.3, How do successors legitimise themselves), the advisor's role is not limited to legitimise the role of the successor or perhaps the CEO, no one of his most important roles might be to legitimise the succession process as a whole to make it as transparent as possible and to prove that the family business succession process was done in a professional and organized manner.

No matter how trusted advisors are, they need to be aware that the most important decisions are not made in the office, but at home in the absence of top management and advisors. There are no bad intentions by doing so, but it lies within the nature of family businesses that important decisions are made within the family and only later presented to external members. For advisors this means that they have to meet their client where they are, and that is not always the office.

9.5 Limitations

This research is one of the few pieces of work focused on enhancing the understanding of the nature of succession processes in the context of German family businesses. This thesis provides evidence that empirical case studies such as semi-structured interviews and written artefacts provide powerful tools when dealing with the complex succession processes in family businesses. Nonetheless, there are a number of limitations to the work.

The good long-time personal relationship with the majority of the interviewees, which is based on trust, proved to be a double-edged sword. Perhaps not so much for the interviewees themselves, but the author found himself several times in situations when he struggled to ask specific follow-up questions about personal details or the relationship that certain family members have to each other; some interviews were very private and it happened that interviewees said during the interviews: "What I am now going to tell you remains private and in this room," or "Could you please stop recording for a moment?" It was not rare that such interventions could last not only several minutes but up to one and a half hours! When asking specific questions the interviewer was effectively wearing two hats; on the one hand, he wanted to gain

specific information for his research but on the other hand he did not want to hurt the feelings of his long-time friends and make them say something which they perhaps already knew but had never articulated before. It helped the researcher to be aware that during the interviews he was not there in the position of a friend who would give guidance or comment, but that he was in the role of a researcher who seeks information from interview respondents and not from friends.

Also, the interviews have been based on a strong foundation of trust, and some of the interviews even took place at home in their private setting, and on one occasion even on a Sunday afternoon; even for the researcher, certain degrees of access remained restricted. It was, for example, not possible to gain access to employees. The researcher asked several families on several occasions if it was possible to interview leading employees who played a role during the succession; in all cases, access was denied. The families either denied this kind of access directly or by avoiding follow-up discussions on the matter. Eventually the author stopped asking for this additional access as there was the fear that family members might avoid participating in the follow-up interviews at all.

The same applied for the family constitutions. Of the five cases, two family businesses do not have a family constitution and think that it would not be beneficial, two are thinking about designing one on their own with the help of consultants, but stopped while this dissertation was being written due to internal reasons, and the last case has a family constitution but granted access for private use only, even though the researcher asked twice if it was not possible to use the constitution for research purposes as well. Taking family constitutions more into consideration (where they are in effect) in future will definitely support our understanding of how families try to structure and formalize their succession process.

Researching the succession phenomena raised additional questions that could not have been covered in this thesis but which might be interesting in the perspective of future research. These shall be discussed below.

9.6 Directions for future research

Not only should the field of family business research continue to produce more qualitative case studies and apply a holistic family approach within these, but there have been a number of other questions that arose which could not be answered this time. Some of them shall now be briefly discussed.

This thesis has investigated succession as a process in German Mittelstand family businesses by drawing on succession and Strategy-As-Practice literature, which generated a rich set of findings that provide the ground for promising further research. For example, one of the most significant contributions this thesis brought to light is the successor's use of legitimization strategies throughout various stages of the succession process. This finding provides a first step for further research, which could fruitfully explore the development, purpose and use of legitimization strategies in the family business context by drawing on insights from institutional theory (e.g., Suchmann, 1995; Deephouse and Suchman, 2008).

Another aspect that came to attention and which was mentioned several times is that succession seemed to draw some subsequent changes in family business strategy. In several cases, successors took over former neglected departments and changed them accordingly. It would be interesting to research what kind of effects succession might have on the overall business performance and how this could be used strategically. As different families have been part of the case studies it seemed that the size of the families had an immediate effect on the type of succession. Not only did it seem that a larger number of family business members might also result in a higher potential conflict level about the succession strategy, it also seemed that one way of dealing with this higher conflict level has been to increase the level of formalization and professionalization to calm all family members and to avoid unnecessary conflict. This greater need for legitimizing one's decision-making processes and the related methods applied should certainly gain additional attention in future research. Finally, before joining successors should check carefully if the family business they inherit is really what it seems to be and, regardless if they are family or non-family, every successor is only an employee of his family and its business and is only there to look after it for the next generation. The successor therefore constantly has to prove their own worthiness towards themselves, their family, their employees and the outside world.

-“Omnia ad maiorem dei gloriam”-

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11. Appendix

11.1 Data collection material

11.1.1 Interview schedule

Introductory small talk:

Interview protocol Questions:

What is your highest degree?

How many languages do you speak?

What did you study?

Did you choose this subject with the purpose to get prepared for the FB?

How much non leisure time did you spent abroad?

Has there been a master plan (get it, if it is written down), where it has been predefined how to prepare you or what skills you need to fulfill for the job?

Do you have a family constitution (Familienverfassung)? Try to get a hand on a copy!

Successor related questions:

Did your parents encourage you to take over the business?

What skills and experiences did you gain before joining the company?

In how far are these skills useful for your current or later job?

Has there been a formal job interview? – Why or why not?

Who has been involved in the decision to hire you?

What actors have been involved in the succession process? (Internal, external, family, clubs)

For what reasons did you take over the family business and what would have been the alternative?

Did you really want to take over the business at that time?

How long did the succession process last from the former CEO to you?
(Milestones)

When you think about your succession, what went wrong?

When you think back, what would you change concerning the succession process?

Strategy Changes:

What was the first thing you changed? HOW did you change it?

After the succession, what changes were implemented?

Which changes occurred due to your succession?

Which changes did you implement after your succession? HOW did you do this?

With whom do you talk about your business ideas and problems (Family, Friends, Clubs, and Consultants)?

Where does strategy decision making take place?

Do you talk much at home about business?

In how far do non-employed family members influence the FB strategy?
(Examples)

Internationalization:

From your personal point of view, what do you think about internationalization?

In how far did the succession process foster or inhibit internationalization?

Does the time you spent abroad influence your business activities?

Why did (company name) decide or not decide to go international?

Follow up Task:

Ask for documents such as: the Family Constitution, the CV of the successor and former CEO, succession contracts, employment contracts (rights and duties), shareholder meetings/strategy forecast docs.

11.1.2 Diary of data collection

The Luxury Bathroom Manufacturer

Participants:	Date/ Time/ Location/ Duration	Follow-up procedure	Comments
Father	15.2. 2013 Interview, Afternoon, Daughter’s home, 80 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Mother	15.2. 2013 Interview, Afternoon, Daughter’s home, 160 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Son	15.2. 2013 Interview, Morning, Business 120 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Daughter	15.2. 2013 Interview, Lunch, Restaurant, 90 Min.	24. 3. 2014 WhatsApp follow-up	
		11.5.2014 Correspondence in celebration of their second son	
		18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
		23.9. 2015 Telephone call	Interviewee reveals that she will close her shop in town and will be looking for a job as an employee as soon as her son is old enough
		5.7. 2016 WhatsApp follow-up and Call	

The Cable King			
Participants:	Date/ Time/ Location/ Duration	Follow-up procedure	Comments
Father	15.2. 2013 Interview, Afternoon, Business 60 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Son Law	15.2. 2013 Interview, Early evening, Business 160 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Son Economics	15.2. 2013 Interview, Night, Living room, 6 hours	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
		4. 12. 2014 Follow-up call and email correspondence	
		10. 2. 2016 Follow-up call	
		15. 3, 2015 Facebook chat	Chatting about meeting for the next FBN Next generation event and family constitution progress

The Herbal Family

Participants:	Date/ Time/ Location/ Duration	Follow-up procedure	Comments
Father	28.2. 2013, Late afternoon, Business, 80 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Daughter	28.2. 2013 Evening, 120 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
		25. 6. 2014 WhatsApp follow-up	
		08.08 2014 WhatsApp follow-up	

The Box Printing Machine Company

Participants:	Date/ Time/ Location/ Duration	Follow-up procedure	Comments
Father	10.3. 2013, Early afternoon, Home, 90 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Mother		18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
		16.9. 2015 Follow-up meeting	
		25.6. 2016 Short dialogue on the authors mother's birthday	
Son	10.3. 2013, Afternoon, Home, 80 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
Daughter		1.4.2013 Attended wedding	
		18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript

The Old Sawmill Family Business

Participants:	Date/ Time/ Location/ Duration	Follow-up procedure	Comments
Father	26.7. 2013 Lunch, Business, 120 Min.	18.11. 2014 Follow-up interview	On this occasion the transcripts of the first interviews were sent and interviewees were asked if they all agreed on the transcript
			27. 01. 2014 Meeting with the son and short follow-up during a driven wild boar day on the authors estate

11.1.3 Interview consent form

**Understanding succession
Processes in Family Businesses:
Case Studies in the German
Mittelstand**



I volunteer to participate in fieldwork conducted by Moritz Fehrer from the University of Strathclyde. I understand that the study/research is designed to gather information about succession in German Family Businesses.

1. I understand that my participation in this research is voluntary. I understand that I will not be paid for my participation. I may withdraw and discontinue participation at any time without having to give a reason and without consequence.
2. I understand that most interviewees will find the discussion interesting and thought-provoking. If, however, I feel uncomfortable in any way during the interview session, I have the right to decline to answer any question or to end the interview.
3. I understand that participation in the investigation involves being interviewed by Moritz Fehrer from the University of Strathclyde. The interview will last approximately 60 minutes. Notes will be written during the interview. An audio tape will be made of the interview and any subsequent dialogue.
4. I understand that the researcher will not identify me by name in any reports using information obtained from this interview, and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions.
5. I understand that no one other than Moritz Fehrer from the University of Strathclyde will be present at the interview or have access to raw notes or transcriptions. This precaution will prevent any of my individual comments from having any negative consequences.
6. I have read and understood the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.
7. I have been given a copy of this consent form.

Please print your name: _____

Signature: _____

Date: _____

If you have any questions or concerns, during or after the investigation, or wish to contact an independent person to whom any questions may be directed, please contact myself or my Supervisor:

<p>Moritz Fehrer PhD Student Hunter Centre for Entrepreneurship Strathclyde Business School University of Strathclyde Sir William Duncan Building 16 Richmond Street G1 1XQ Glasgow G4 0QU Tel. 0044-1415529707 Moritz.fehrer@strath.ac.uk</p>	<p>Prof. Sara Carter Hunter Centre for Entrepreneurship Strathclyde Business School University of Strathclyde Sir William Duncan Building 16 Richmond Street G1 1XQ Glasgow G4 0QU Tel. +44 (0)141 548 3276 sara.carter@strath.ac.uk</p>
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11.2 Figure of code and quotes to analyze the empirical data underpinning the four research questions

Figure 11.2 Why take over the family business

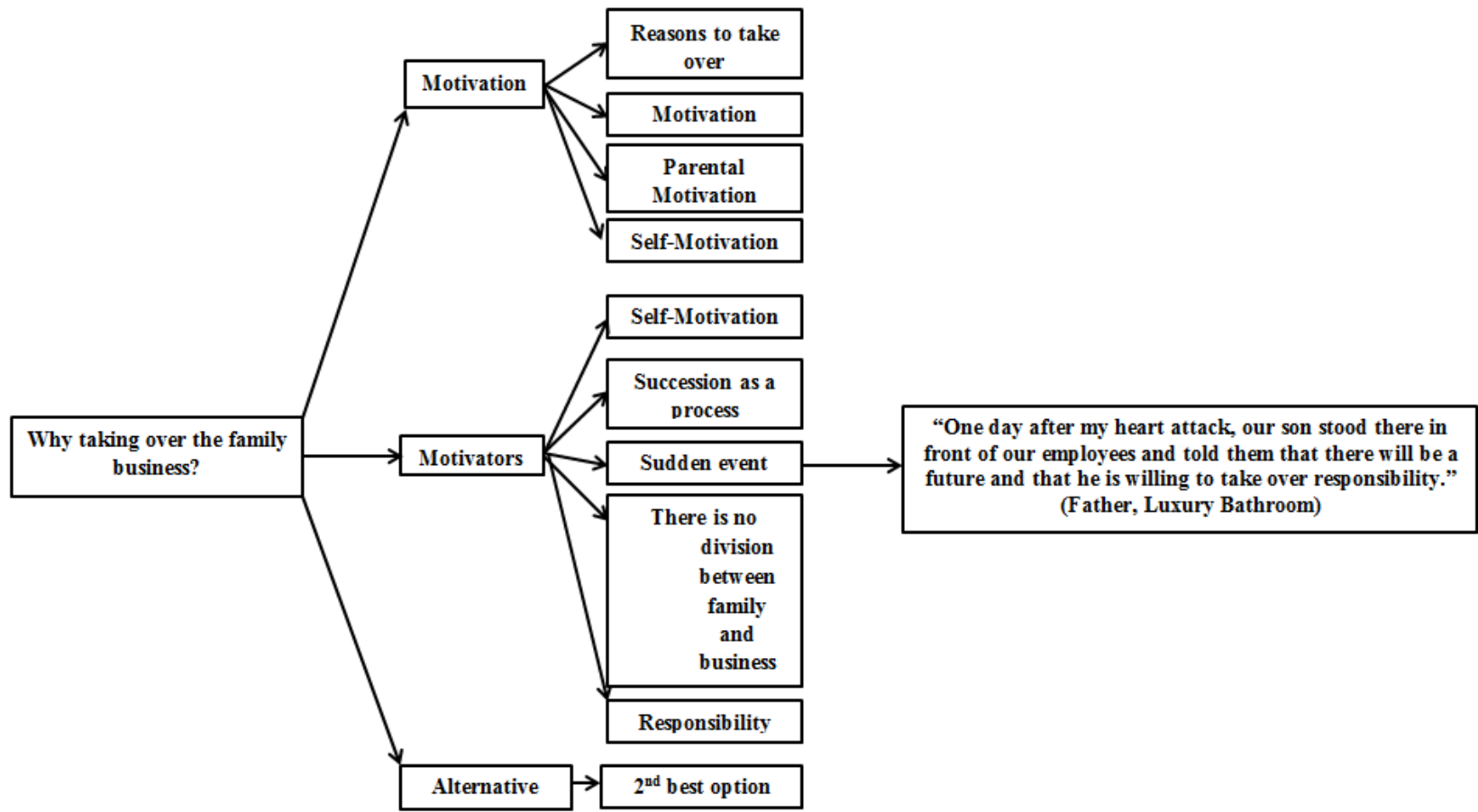


Figure 11.3 Actors involved

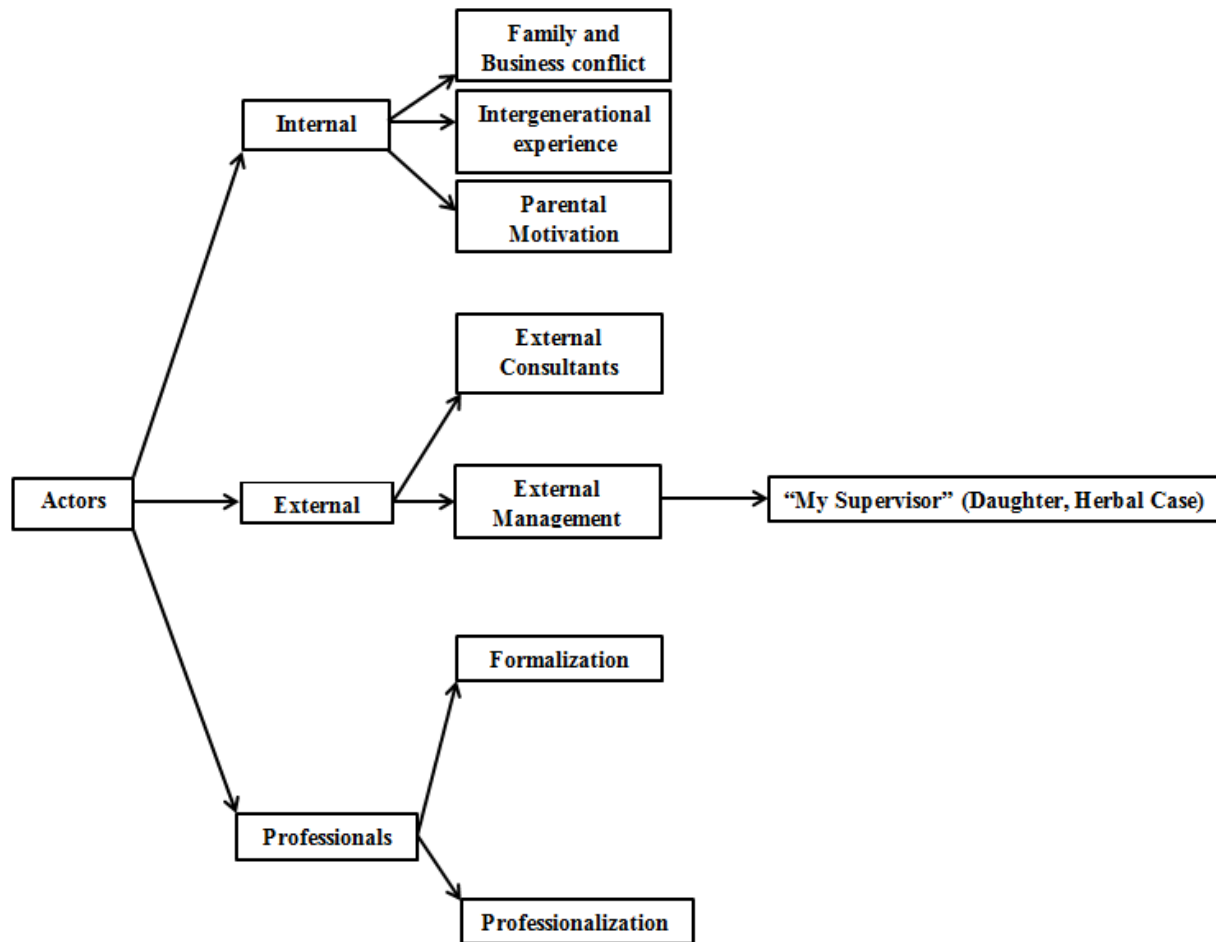


Figure 11.4 Reasons and activities for involvement

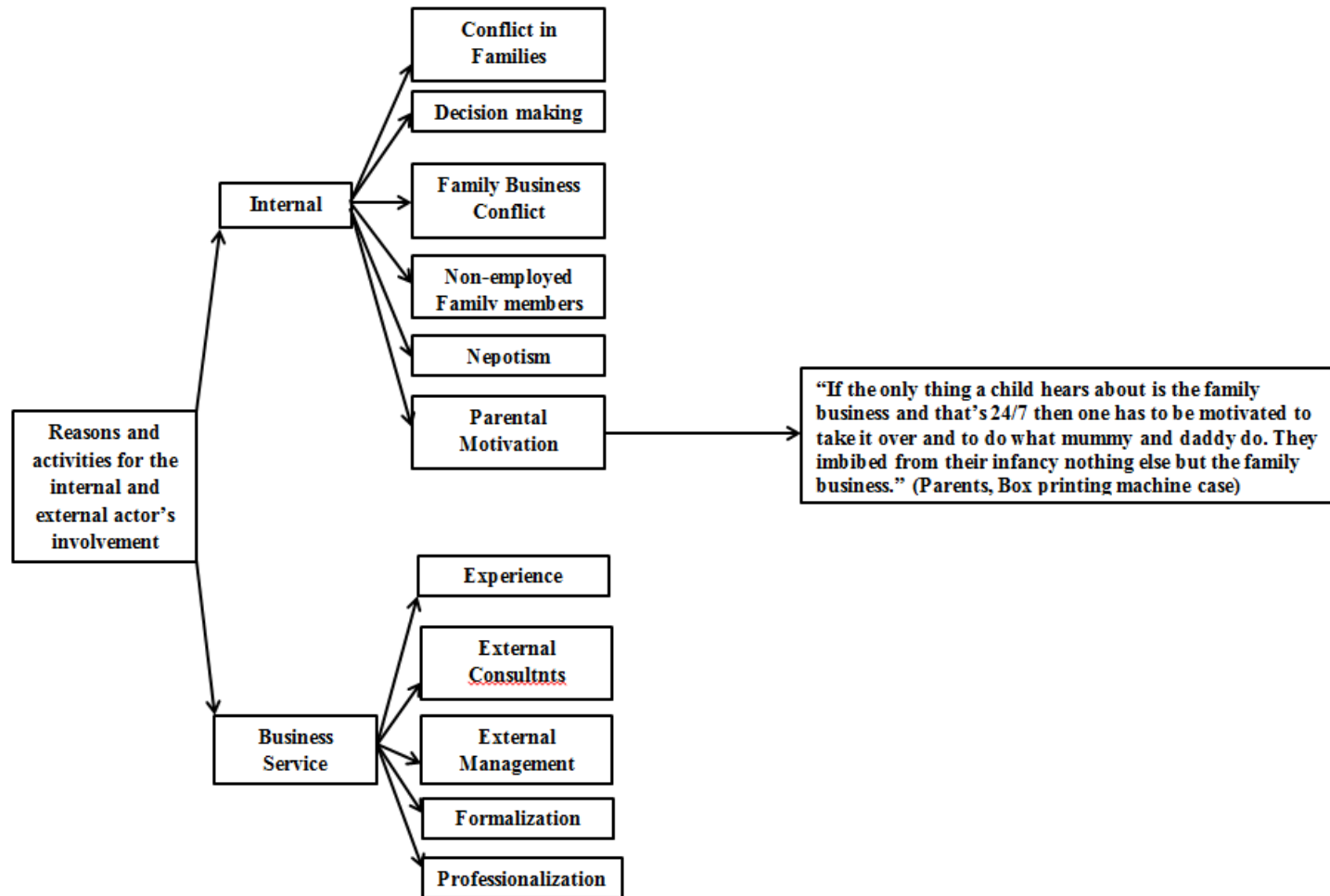
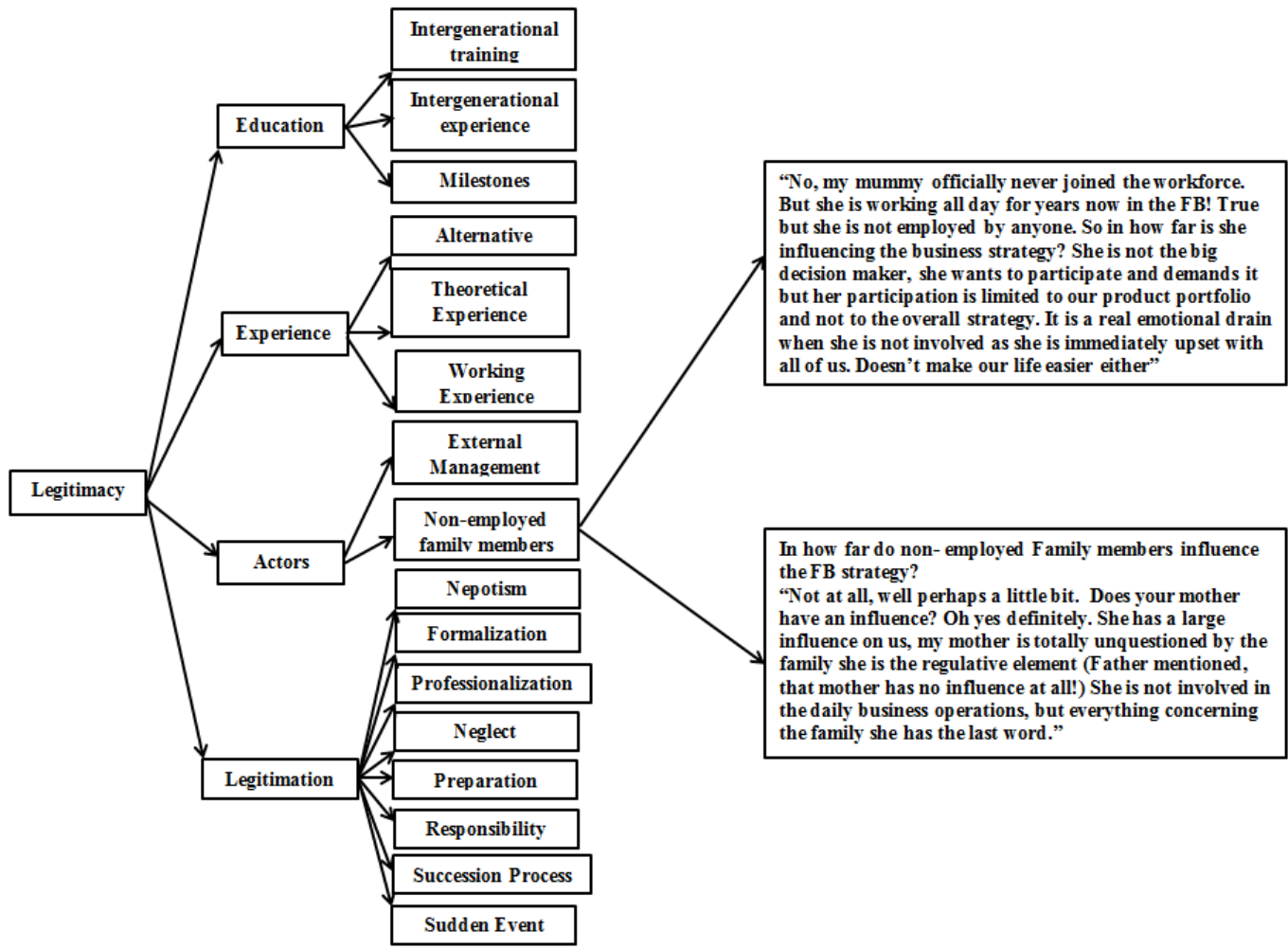


Figure 11.5 Legitimacy



11.3 Table of Codes and Quotes

<p>What factors motivate successors so succeed?</p>	<p>Motivation</p>	<p>Reasons to take over</p>	<ol style="list-style-type: none"> 1. In our case it has been tradition and destiny that the children take over the FB (parents, Box printing machine company). 2. Tradition but I assume it is also some form of obedience (parents, Box printing machine company). 3. It is much easier than applying for other jobs and it is pretty unlikely to lose one's job at home (parents, Box printing machine company). 4. When one of these employees, a bookkeeper for instance retired, our daughter took over his job and faced all upcoming situations bravely (parents, Box printing machine company). 5. "There is no division between private and professional life" (daughter, Box printing machine company). 6. Responsibility (daughter, Box printing machine company). 7. Tradition (siblings, Box printing machine company). 8. Property is an obligation (siblings, Box printing machine company).
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			<p>9. Transferring it to the next generation (siblings, Box printing machine company).</p> <p>10. Being self-employed is a nice thing, you can decide on your own when to work and how much to work (brother, Box printing machine company).</p> <p>11. Tradition and obligation towards the employees (daughter, Box printing machine company).</p> <p>12. Have financials been a motivator? Brother: No, not really as being self-employed is an enormous risk entrepreneurial spirit (brother, Box printing machine company).</p> <p>13. Tradition and social responsibility. Social responsibility might be the more important aspect nowadays. If tradition is the only reason to take over our FB for them, I would exonerate them from this burden. Do you think that financials have also been a motivator? Difficult question. To be honest I don't know, but I don't think so. It does not matter if they work for the business or not. None of our children will probably ever have to face real financial trouble, if they stay down to earth. I therefore assume that financial aspects play a minor role. Especially as they had to learn from an early stage onwards that a FB experiences a lot of financial fluctuation (father, Herbal Family).</p> <p>14. For what reasons did you take over the family business and what would have been the alternative? I can identify with it. It is fun. What would have been the alternative? Self-employment! (daughter, Herbal Family).</p>
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			<p>15. Did you really want to take over the business at that time? No, my father asked me but it was not my immediate intention! I actually did not want to at that time as I wanted to gain more experience externally first. So why didn't you say, 'please give me another five years?' Because he convinced me to do so (daughter, Herbal Family).</p> <p>16. I liked to have the opportunity to be creative and start new ideas from a very early point, which would probably not be possible in a company which is not owned by your own family. To act at one's own responsibility and to know what the FB is about and what my future might be like (son, Luxury Bathrooms).</p> <p>17. At Daimler the salary was nice and the time there was limited to 35 or later 40 hours but I had no responsibility and could not initiate new things or push other things forward. I was presenting and others decided whether they liked it or not, I wanted to be in that position, but this is not easy as a fresh graduate. I wanted to take risks and wanted to be rewarded or disciplined for my decisions but I did not see myself as a follower (son, Luxury Bathrooms).</p> <p>18. I liked the responsibility for my own actions and I disliked the type of work one has to face as an employee. How about tradition or social responsibility? Well I am a traditionalist and social responsibility has importance for me, but to be honest these two aspects have not been the main drivers. History and employees are important drivers but they should never develop to a force and be the main drivers. In my opinion the main drivers should be your personal interests. So the entrepreneurial spirit per se? Yes that is quite a good formulation the entrepreneurial spirit per se. I am sure the life in an big non-FB company has also its advantages such as free weekends and limited amount of work time and just minor levels of responsibility, but to be one's own boss and to see how things develop and grow is very appealing to me. How about the financial benefits? No, not really, I honestly believe that</p>
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			<p>this was not the important factor, I earned good money at Daimler but I felt that this is not the job I want to do for my whole life (Son, Luxury Bathrooms).</p> <p>19. After my Abitur, I did not know what I shall do. I thought I should work in the hotel industry, so I applied for an internship. During this internship I figured out that the hotel industry is not suitable for me as I had no free time at all. So I decided that self-employment must be the key as I am able to organize my life as I wish. However starting my own career as a self-employed man, aged eighteen is easier said than done. At the same time we opened a new shop in the city and I realized that this might be the perfect opportunity for me to unite all my personal needs (daughter, Luxury Bathrooms).</p> <p>20. No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for a FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The responsibility I got from an early stage on, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay (daughter, Luxury Bathrooms).</p> <p>21. When you think about your succession, what went wrong during the last ten years? What would you recommend the young naïve yourself from ten years ago? Oh, oh, oh... First of all I would do an exec seminar, I would... no I should have been involved in the financial field from an early stage onwards. This is still a very sensible topic where I am missing transparency. I am lacking financial</p>
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			<p>expertise, I wish I have had someone who had told me ‘You have to do this, but be careful with that’. A better education? Yes! Or at least a more specialized education, a better preparation. I learned the basics during my studies but this was by far too general. So why did you leave university, was it becoming too much? The moment I left university was the same moment our manager dropped off. This happened to be one and a half semesters before my graduation. My performance wasn’t really outstanding and my motivation was, well, let’s say, very limited. As I told you before: if I can, I always avoid difficulties. This was the perfect opportunity for me to drop off without losing my face (smiles sadly) (daughter, Luxury Bathrooms).</p> <p>22. For what reasons did you take over the family business and what would have been the alternative? She is a sales person; she jobbed in our FB but also in other firms as a salesperson and when the time was right we had been sitting together to find a suitable solution for her. I can’t really tell you what her alternative would have been as there has never been an alternative plan. I never made up my mind about this opportunity. Do you think she would also be a salesperson without the FB? I assume she would probably be employed somewhere in the field of marketing. If we had sold the FB at that time her time as a sales person would have probably been much shorter. Today, our daughter is much more than a mere sales person, as she is responsible for the whole shop, also for the employees and the product portfolio. She is capable of more, and just working as a salesperson would not have satisfied her (mother, Luxury Bathrooms).</p> <p>23. Money should not have been the main driver but self-fulfilment. During my time as a board member I have seen many chairmen of the supervisory board being fired and leaving the board, not as poor men in terms of money but personally defeated and destroyed. It is the same with family entrepreneurs, many of them are touching the liquidity limit constantly (father, Luxury Bathrooms).</p>
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			<p>24. She simply liked the products and the idea of being self-employed. Being an entrepreneur is just part of her life. She is so happy and it would make her very unhappy if she had to stop being self-employed. Our products and design and she just fit together. My son is more analytical and less emotionally driven as she is. He is searching for existing problems and then creates solutions which are better than the already existing ones. If there are already solutions or if we have been aware that there has been a problem. He really enjoys it to be challenged by such things and is working much more systematically (father, Luxury Bathrooms).</p> <p>25. My son wanted to be a trainee at Daimler and did not get the job because his interview partner was a customer of us and this man did not want to educate him and invest in him knowing that he would leave Daimler after several months or years to work in his own FB. The interviewer even explained this to him. She would have most likely joined an international marketing firm and had worked abroad, but as I told you, she made her point very clearly that for her the FB is the only option and the only job she wants to do. My son mentioned it (to take over the FB), once and then nothing happened for many years. Finally our plan (masterplan) did not work out as my heart attack did not allow us to follow it anymore. However this old plan changed and was shortened by eight weeks. There has been a short time pressure, but as mentioned it was really manageable (father, Luxury Bathrooms).</p> <p>26. He knew the business as he had worked there two years before and had experienced his personal interests and had created his own field of expertise. We used those two years' time, when he was working outside the FB, to start and prepare activities in this new department. He is interested in these ecological heating systems and this was certainly the right move as the population is very keen on this development. In her case there had been a department and she has decided that this department is hers now. He saw that one part of the company is running smoothly and decided to create a department of his own (father, Luxury Bathrooms).</p>
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			<p>27. I felt a moral obligation to do it, this obligation was not a burden but a wish which came from my heart. My brother who has always been one year ahead of me, had moved to Canada and studied IT at that time. The obligation you just mentioned, was this more towards the family, the employees or tradition? Tradition was certainly an aspect. I knew my grandfather and knew that he has been a successful entrepreneur and therefore continuity seemed to be appropriate (father, The Old Sawmill).</p> <p>28. There has never been an alternative. I think it is one of the most interesting jobs in the world; I am self-employed and responsible for my own future. This independence is great. What about financial aspects? Finances have not been my main motivator. I do not say that it is no motivator at all and that it has no effect but I am not driven by it (senior, Cable King).</p> <p>29. For what reasons did you take over the family business and what would have been the alternative? Well there are so many reasons. First, I see myself as an entrepreneur. Second, I see myself as a strategy person and third, I am a business developer and all this I can combine here in my own business. If I had stayed as an employee with KPMG all these three things would not have been part of my life and would not satisfy me as they do today (law son, Cable King).</p> <p>30. Did you really want to take over the business at that time? My uncle was ill and retired and the amount of work became just too much for my father. My father is a brilliant engineer and everything he has done is outstanding, but unfortunately, there are many things he has not done, but which now need to be addressed urgently. My father is</p>
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			<p>not a born leader, he is excellent in what he does here. However, if it becomes larger and outside his comfort zone, not (law son, Cable King)</p> <p>31. Well, rescuing is perhaps the wrong word but I am not sure how much longer our former concept would have worked out. The need is there, I am wanted and I am prepared for the tasks (law son, Cable King).</p> <p>32. For what reasons did you take over the family business and what would have been the alternative? I do not want to say that it is the most important but it definitely has been an important aspect and that is money! I have a young family and need a good income and in my own business I am able to earn good money as I can develop and work as hard and as good as I can. Another aspect are the options and responsibilities one has as an entrepreneur: In any other business in my age I would be on a medium managerial level with little decision making rights, but here I can make my own decisions and am responsible for them. Last but not least it should not be mentioned that I had the feeling that there is some obligation to do the job. This is very conservative thinking but I act in the tradition of my father. (Please remember that he did not feel forced to enter the FB) Another aspect was what alternatives would have been there? Oh before I forget, a very important factor was that here I am allowed to learn in my own speed without any external pressure, as there are no banks which could annoy us in any form. I just knew that we have a healthy business where I am not taking over something which is already born dead (economics son, Cable King).</p>
		<p>Motivation</p>	<p>1. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company).</p>

			<ol style="list-style-type: none"> 2. In our case it has been tradition and destiny that the children take over the FB (father, Box Printing machine company). 3. Tradition but I assume it also some form of obedience (father, Box Printing machine company) 4. I think there are humans who never make up their minds about alternatives if there is a way in front of them (father, Box Printing machine company). 5. Do you think financial issues played a role? I don't know. I don't think so (father, Box Printing machine company). 6. It is much easier than applying for other jobs and it is pretty unlikely to lose one's job at home (mother, Box printing machine company). 7. Of course I discussed those matters with my dear wife but ultimately it was my son's decision (father, Luxury Bathrooms).
		<p>Parental motivation</p>	<ol style="list-style-type: none"> 1. Did you encourage your children to take over: Yes (father, Box printing machine company) : I would say no (mother, Box printing machine company). 2. If the only thing a child hears about is the FB and that's 24/7 then one

			<p>has to be motivated to take it over and to do what mummy and daddy do. They imbibed from their infancy nothing else but the family business (father, Box printing machine company).</p> <p>3. Normally this is doing more harm than good if kids are always confronted with the FB (father, Box printing machine company).</p> <p>4. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company).</p> <p>5. Well his time in the States was pre-planned, as we wanted him to be there on his own (father, Box printing machine company).</p> <p>6. Did your parents encourage you to take over the FB? No (daughter, Box printing machine Company) No! (son, Box printing machine company).</p> <p>7. The opposite was the case, it was thought that if we are not able to do it or if we don't want to do it, we shall leave it (son, Box printing machine company).</p> <p>8. Did you encourage your children to take over the business?</p>
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			<p>Yes, indirectly. I did not force them to do so but I motivated them to be interested in it. They are welcome if they are able and interested to make things happen. So if they want to and if they add value to the business (father, Herbal Family).</p> <p>9. I am the son so my parents knew me and all my shortcomings and from my father's point of view I had to join willingly or not at all. So I decided it is better to join out of free will (father, Herbal Family).</p> <p>10. I cannot take it for sure that my children come back home to the FB if I do not communicate with them about an internal career. I need to open the door and show them that they may have the opportunity to work (father, Herbal Family).</p> <p>11. We started with our FIP program; the next step was to define a task list for potential successors. What is that? What they need to achieve to be allowed to work here. Can you give me some examples? Well it starts with a decent school education and should be complemented by a university degree in a related subject. It does not have to be something explicitly herbal or tea-related whatsoever but it needs to be related to the actual work, such as law or business. So it is quite a soft requirements list. Well, some family members had the feeling that the barrier is too high and can only be reached by one or two members. That is of course wrong and I am still positive that there will be more of our children who are able to fulfil the requirements list, but if they join it is their decision and not mine (father, Herbal Family).</p> <p>12. Did your parents encourage you to take over the business?</p>
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			<p>Yes, it was always clear that I will not be the only one, as our business has grown over the critical size where it is possible that one person could possibly fulfil all the upcoming duties by him or herself. However, they encouraged the next generation to be interested and communicated to us that the FB might be an option for us if we are capable of doing so. A superior position is the only option within the FB (Top or flop, one is either the chief executive or a simple shareholder) (daughter, Herbal Family).</p> <p>13. Did you really want to take over the business at that time? No, my father asked me but it was not my immediate intention! I actually did not want to at that time as I wanted to gain more experience externally first. So why didn't you say, 'please give me another five years?' Because he convinced me to do so (daughter, Herbal Family).</p> <p>14. Did your parents encourage you to take over the business? There was no forcing me, in the classical sense, but they encouraged me and opened me the opportunity to do internships in the summer break in the FB (son, Luxury Bathrooms).</p> <p>15. They did not put any time pressure on me and therefore I decided to start my career outside the FB to evaluate my real potential and market value (MBA with Daimler Benz). At this time I also started to come here to the production area to have a closer look where I could position myself within the firm and started with presentations about potential future products such as those dealing with renewable energy, some of which I showed you before (son, Luxury Bathrooms).</p> <p>16. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyways and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur) we</p>
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			<p>opened our new branch in the city centre and I decided that I want to do this. This is my baby you know? Call it destiny or whatever it just seemed to be fine (daughter, Luxury Bathrooms).</p> <p>17. Did you encourage your children to take over the business? No (mother, Luxury Bathrooms).</p> <p>18. Did you encourage your children to take over the business? No, I even begged my son to go somewhere else first and to reflect on the decision to take over the firm. I wanted him to experience the culture of a big multi-million dollar company, first (father, Luxury Bathrooms).</p> <p>19. I wanted him to have the opportunity to choose. I wanted him to make a free and reflected decision due to my own experience and the experience I made with my daughter (father, Luxury Bathrooms).</p> <p>20. Due to the time he spent abroad and his good education, he has had the opportunity to work abroad, and all possible options would have been open to him. The last thing I wanted to do was to put pressure on him (father, Luxury Bathrooms).</p> <p>21. Did your parents encourage you to take over the business? To be honest, there has never been a discussion about it. I was interested and my parents taught me the right values and did not interfere. In all those years we had only once discussed this matter and that was in the last six months before his death. (father, The Old Sawmill).</p>
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			<p>22. Do you encourage your children? I try to handle things similar to my parents, my children can do whatever they want but I would be happy if one or more feel as I have felt. I start now having similar discussions with my eldest son, about his future career and with my third son about his university time (father, The Old Sawmill).</p> <p>23. Yes, definitely. Our primary goal has always been and still is today to keep the business a FB. Our children can choose whether they want to work here or not, but I think I would have failed if none of my sons had the interest in taking over the business (father, Cable King).</p> <p>24. Yes, well it depends. My mother did not, she advised me against joining the company, but my father certainly encouraged us to do so. Why did she do so? Well, I assume she feared that working together with my father would endanger our relationship with each other. As you know, a father-son relationship is not always only on the bright side of life. Surprisingly, the opposite is the case with the two of us. Working together in the FB brought us together and both of us have a deeper understanding of each other today than we have had a few years ago. We both found a sparring partner we can trust and respect (law son, Cable King).</p> <p>25. Did your parents encourage you to take over the business? No, it has been their wish but they did not force me to do so. Both of them would have supported me in whatever I do (economics son, Cable King).</p> <p>26. I am not so sure if my father has felt the same way as he was pretty relaxed just saying to come over on Monday and we will find something for you to do... (economics son, Cable King).</p>
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			<p>27. We should have had some kind of master plan, to join the FB. To do this totally unprepared was not a smart decision. As my father is not the kind of person who is giving a lot of guidance, there was nobody at the beginning who did a proper introduction or who prepared me. Everything new which I wanted to establish was often seen as some kind of attack, especially to those who have been working in the FB for many years. It would have been so much easier to earn the credits outside the FB and to return later with some kind of credibility and authority (economics son, Cable King).</p>
		<p>Self-motivation</p>	<ol style="list-style-type: none"> 1. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company). 2. They decided to do so when they chose their university education. Therefore the education was not as independent as mentioned before (mother, Box printing machine company). 3. With their high school degree both of our children chose the FB as their way and chose to study the subjects in support of this decision (mother, Box printing machine company). 4. We do not tell them that they have to take it over but they want to. Our granddaughter first wanted to become a doctor so she can take care of us when we become older but now she knows that we have friends who are doctors and so she wants mummy's job in the FB (mother, Box printing machine company).

			<p>5. I think I remember a day, when our son told me I never had to spend a minute to think about my later job, it was just given (mother, Box printing machine company).</p> <p>6. For me there has never been an alternative and I always wanted to do what I am doing nowadays (husband, Box printing machine company).</p> <p>7. Yes. This actually helps him in the business. He is our top printing specialist (husband, Box printing machine company).</p> <p>8. As he lived and worked in the States for six months (husband, Box printing machine company).</p> <p>9. There is no division between private and professional life (daughter, Box printing machine company).</p> <p>10. On purpose (daughter, Box printing machine company).</p> <p>11. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day and the same applies for my sister's children. Even if they are only destroying old folders and paperwork, but they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies (siblings, Box printing machine company).</p>
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			<p>12. No, there was no alternative for me (daughter, Box printing machine company) Brother: No, you did not think about alternatives (son, Box printing machine company).</p> <p>13. Did you choose this subject with the purpose to be prepared for the FB? Yes, of course (father, Herbal Family).</p> <p>14. I wanted to know what requirements there are and what I have to fulfil or to do and I wanted to create my own master plan (daughter, Herbal Family).</p> <p>15. Did you really want to take over the business at that time? No, my father asked me but it was not my immediate intention! I actually did not want to at that time as I wanted to gain more experience externally first. So why didn't you say, 'please give me another five years?' Because he convinced me to do so (daughter, Herbal Family).</p> <p>16. The horizon widens if you are working in different industries. One is not industry blind or even better FB blind I would say. One can reflect one's own point of view and with one's own point of view, I mean the methods employed within the FB. I definitely recommend every young successor to do what I have done and that means go out and do your first mistakes somewhere else and get to know other firms and industries. There are two important aspects when working somewhere else, one is to evaluate if this job waiting for me at home in the FB is really the right thing for me and second to prove the applicability and usefulness of such a broad study area such as management (son, Luxury Bathrooms).</p>
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			<p>17. I had to learn all the basics and I had to teach myself. I asked myself “What does the customer need to know to choose the right product” (son, Luxury Bathrooms).</p> <p>18. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyway and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur) we opened our new branch in the city centre and I decided that I wanted to do this. This is my baby you know? Call it destiny or whatever it just seemed to be fine (daughter, Luxury Bathrooms).</p> <p>19. Well, Italy for example: 70% of all our products are imported from Italy. Speaking Italian is a huge advantage and makes life so much easier. Especially when talking to men. Most of them speak no proper English and when I, as a woman, speak Italian with them they feel flattered. You need to know, when an Italian has a problem from one moment to the other he does not understand any English or German anymore, but I can still speak Italian, so they cannot play their game with me. Another point is my open-minded spirit and that I try to deal with them in a much more casual way than I would with German business partners. I try to be more relaxed and not so hyper-German as I used to be (daughter, Luxury Bathrooms).</p> <p>20. Our son put his focus on the technical department. Hired new people and redefined the boundaries of this department: What I mean with that is that he grew it into something bigger. I do not think this would have happened, if he had not entered the business. As we allowed him for two years to work and develop things on his own, with his help the renewable energy department emerged because of him. He saw the biggest chances there and</p>
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			<p>used this trend, so we have today an important advantage compared to our competitors. So the business's focus changes from bathroom to heating (mother, Luxury Bathrooms).</p> <p>21. My daughter entered the business spontaneously. It was not planned and I do not think that it would have been possible to stop her anyway (father, Luxury Bathrooms).</p> <p>22. She simply liked the products and the idea of being self-employed. Being an entrepreneur is just part of her life. She is so happy and it would make her very unhappy if she had to stop being self-employed. Our products and design and she just fit together. My son is more analytical and less emotionally driven as she is. He is searching for existing problems and then creates solutions which are better than the already existing ones. If there are already solutions or if we have been aware that there has been a problem. He really enjoys it to be challenged by such things and is working much more systematically (father, Luxury Bathrooms).</p> <p>23. Did you choose this subject with the purpose to be better prepared for the FB? Yes, I have an older brother, but I knew that this duty might be my destiny so I decided to get better prepared for it. He is more of a technical mind, so I assume without the FB he might have studied something related closer to technology, but I decided to study industrial engineering to understand a little bit what our FB is all about (father, The Old Sawmill).</p>
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			<p>24. Did your parents encourage you to take over the business? To be honest, there has never been a discussion about it. I was interested and my parents taught me the right values and did not interfere. In all those years we had only once discussed this matter and that was in the last six months before his death (father, The Old Sawmill).</p> <p>25. I felt a moral obligation to do it; this obligation was not a burden but a wish which came from my heart. My brother, who has always been one year ahead of me, had moved to Canada and studied IT at that time. The obligation you just mentioned, was this more towards the family, the employees or tradition? Tradition was certainly an aspect. I knew my grandfather and knew that he has been a successful entrepreneur and therefore continuity seemed to be appropriate (father, The Old Sawmill).</p> <p>26. I left school when I was very young and inexperienced and had to catch up the long way step by step until I was allowed to go to university. I was eager to accomplish something, and chose my study subject carefully, with the aim to be well prepared for my later life in the FB. I already knew at that time, that there is only one way of doing business - "Grow or die!" Looking back, I would say that I learned more useful stuff during my education as a craftsman than during my university time. The university delivered only the title... However, education alone is not enough; one also needs a bit of luck to succeed (father, Cable King).</p> <p>27. No there was no real list per se, but I had one for myself. I had an expectation about myself: I needed to add true value to our FB and had to be well prepared to fulfil the job as good as all the others. I did not want to slow down the ongoing processes but wanted to support them. To clarify things: the family wanted to have me in the FB at an earlier stage and I refused as I did not feel ready for it at that point of time (law son, Cable King).</p> <p>28. Well you have to know I chose a bit of an unorthodox way. I had some insight</p>
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			<p>into the company for a year and saw all the challenges and upcoming problems and have been writing expertise (WHAT DO YOU MEAN BY IT?) for it. However, when the voting came up and all the discussion started about inheritance taxes, I met my colleagues from KPMG and worked out what my succession could actually look like. Your father has been involved, has he not? No, my father did not want to face this important step, but he trusted us. He was man enough to admit that he has no clue and trusted his two boys that they are able to complete the process. My brother and I also agreed to spare our cousins and to inform our father right at the end when everything was prepared (law son, Cable King).</p>
	<p>Motivators</p>	<p>Self-motivation</p>	<ol style="list-style-type: none"> 1. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company). 2. They decided to do so when they chose their university education (Therefore the education was not as independent as mentioned before) (mother, Box printing machine company). 3. With their high school degree both of our children chose the FB as their way and chose to study the subjects in support of this decision (mother, Box printing machine company). 4. We do not tell them that they have to take it over but they want

			<p>to. Our granddaughter first wanted to become a doctor so she can take care of us when we become older, but now she knows that we have friends who are doctors and so she wants mummy's job in the FB (mother, Box printing machine company).</p> <p>5. I think I remember a day when our son told me I never had to spend a minute to think about my later job, it was just given (mother, Box printing machine company).</p> <p>6. For me there has never been an alternative and I always wanted to do what I am doing nowadays (husband, Box printing machine company).</p> <p>7. Yes. This actually helps him in the business. He is our top printing specialist (husband, Box printing machine company).</p> <p>8. As he lived and worked in the States for six months (husband, Box printing machine company).</p> <p>9. There is no division between private and professional life (daughter, Box printing machine company).</p> <p>10. On purpose (daughter, Box printing machine company).</p>
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			<p>11. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day and the same applies for my sister's children. Even if they are only destroying old folders and paperwork, but they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies (siblings, Box printing machine company).</p> <p>12. No, there was no alternative for me (daughter, Box printing machine company) Brother: No, you did not think about alternatives (son, Box printing machine company).</p> <p>13. Did you choose this subject with the purpose to be prepared for the FB? Yes, of course (father, Herbal Family).</p> <p>14. I wanted to know what requirements there are and what I have to fulfil or to do and I wanted to create my own master plan (daughter, Herbal Family).</p> <p>15. Did you really want to take over the business at that time? No, my father asked me but it was not my immediate intention! I actually did not want to at that time as I wanted to gain more experience externally first. So why didn't you say, 'please give me another five years?' Because he convinced me to do so (daughter, Herbal Family).</p> <p>16. The horizon widens if you are working in different industries. One is not industry blind or even better FB blind I would say. One can reflect one's own point of view and with one's own point of view, I mean the methods</p>
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			<p>employed within the FB. I definitely recommend every young successor to do what I have done and that means go out and do your first mistakes somewhere else and get to know other firms and industries. There are two important aspects when working somewhere else, one is to evaluate if this job waiting for me at home in the FB is really the right thing for me and second to prove the applicability and usefulness of such a broad study area such as management (son, Luxury Bathrooms).</p> <p>17. I had to learn all the basics and had to teach myself. I asked myself , “What does the customer need to know to choose the right product” (son, Luxury Bathrooms).</p> <p>18. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyway and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur) we opened our new branch in the city centre and I decided that I want to do this. This is my baby you know? Call it destiny or whatever it just seemed to be fine (daughter, Luxury Bathrooms).</p> <p>19. Well, Italy for example: 70% of all our products are imported from Italy. Speaking Italian is a huge advantage and makes life so much easier. Especially when talking to men. Most of them speak no proper English and when I, as a woman, speak Italian with them they feel flattered. You need to know, when an Italian has a problem from one moment to the other he does not understand any English or German anymore, but I can still speak Italian, so they cannot play their game with me. Another point is my open-minded spirit and that I try to deal with them in a much more casual way than I would with German business partners. I try to be more relaxed and not so hyper-German as I used to be (daughter, Luxury Bathrooms).</p>
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			<p>20. Our son put his focus on the technical department. Hired new people and redefined the boundaries of this department: What I mean with that is that he grew it into something bigger. I do not think this would have happened if he had not entered the business. As we allowed him for two years to work and develop things on his own, with his help the renewable energy department emerged because of him. He saw the biggest chances there and used this trend so we have today an important advantage compared to our competitors. So the business's focus changed from bathroom to heating (mother, Luxury Bathrooms).</p> <p>21. My daughter entered the business spontaneously. It was not planned and I do not think that it would have been possible to stop her anyway (father, Luxury Bathrooms).</p> <p>22. She simply liked the products and the idea of being self-employed. Being an entrepreneur is just part of her life. She is so happy and it would make her very unhappy if she had to stop being self-employed. Our products and design and she just fit together. My son is more analytical and less emotionally driven as she is. He is searching for existing problems and then creates solutions which are better than the already existing ones. If there are already solutions or if we have been aware that there has been a problem. He really enjoys it to be challenged by such things and is working much more systematically (father, Luxury Bathrooms).</p> <p>23. Did you choose this subject with the purpose to be better prepared for the FB? Yes, I have an older brother, but I knew that this duty might be my destiny so I decided to get better prepared for it. He is more of a technical mind, so I assume without the FB he might have studied something related closer to</p>
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			<p>technology, but I decided to study industrial engineering to understand a little bit of what our FB is all about (father, The Old Sawmill FB).</p> <p>24. Did your parents encourage you to take over the business? To be honest, there has never been a discussion about it. I was interested and my parents taught me the right values and did not interfere. In all those years we had only once discussed this matter and that was in the last six month before his death (father, The Old Sawmill FB).</p> <p>25. I felt a moral obligation to do it, this obligation was not a burden but a wish which came from my heart. My brother, who has always been one year ahead of me, had moved to Canada and studied IT at that time. The obligation you just mentioned, was this more towards the family, the employees or tradition? Tradition was certainly an aspect. I knew my grandfather and knew that he has been a successful entrepreneur and therefore continuity seemed to be appropriate (father, The Old Sawmill FB).</p> <p>26. I left school when I was very young and inexperienced and had to catch up the long way step by step until I was allowed to go to university. I was eager to accomplish something, and chose my study subject carefully with the aim to be well prepared for my later life in the FB. I already knew at that time that there is only one way of doing business - "Grow or die!" Looking back, I would say that I learned more useful stuff during my education as a craftsman than during my university time. The university delivered only the title... However, education alone is not enough, one also needs a bit of luck to succeed (father, Cable King).</p> <p>27. No there was no real list per se, but I had one for myself. I had an expectation about myself: I needed to add true value to our FB and had to be well prepared to fulfil the job as good as all the others. I did not want to slow down</p>
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			<p>the ongoing processes but wanted to support them. To clarify things: the family wanted to have me in the FB at an earlier stage and I refused as I did not feel ready for it at that point of time (law son, Cable King)</p> <p>28. Well you have to know I chose a bit of an unorthodox way. I had some insight into the company for a year and saw all the challenges and upcoming problems and have been writing expertise (WHAT DO YOU MEAN BY IT?) for it. However, when the voting came up and all the discussion started about inheritance taxes, I met my colleagues from KPMG and worked out what my succession could actually look like. Your father has been involved, has he not? No, my father did not want to face this important step, but he trusted us. He was man enough to admit that he has no clue and trusted his two boys that they are able to complete the process. My brother and I also agreed to spare our cousins and to inform our father right at the end when everything was prepared (law son, Cable King).</p>
		<p>Succession as a process</p>	<ol style="list-style-type: none"> 1. A very long, constantly running process (father, Box printing machine company). 2. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day and the same applies for my sister's children. Even if they are only destroying old folders and paperwork, but they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies (son, Box printing machine company). 3. Well, they know us and our performance; it was just a natural process, a job interview seems to be very unnatural and formal (son, Box printing machine company).


			<p>4. This is an absolutely flowing thing, without real milestones as one would probably say. One gets certain responsibilities and works on them for some time, typically for a project or two, and then delegates them further to subordinates to free up time for facing new challenges. Our hierarchies are too flat to discuss any titles or spend time thinking of who might be responsible for this or that. It is our business and everyone feels responsible for everything (daughter, Box printing machine company).</p> <p>5. Also, we have been always in and around the FB, really working on a regular basis started when we have been 10 years old. That was the first big step. The next big step was probably in 1998 when my sister and I at age 24 and 28 both became full-time employees. In the year 2000 my sister took over the job of our former head book keeper, who retired. From this point onwards she was full in charge. In 2002 I liquidated the advertising company I had founded as a student and decided to concentrate entirely on my FB career. I started visiting seminars about printing techniques, to learn as much as possible. Another important step for the two of us has been the year 2005, when we both became chief executives. The most recent step and perhaps the most important step in our lives as entrepreneurs has been last year (2012) when we both became shareholders of our FB (son, Box printing machine company).</p> <p>6. It is a constant flowing process (father, Herbal Family).</p> <p>7. So involved in the process have been, first of all my brother and I that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our Chief HR-manager joined us and on our third meeting after having a first clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it has, his</p>
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			<p>future boss. It is important for us that one's children are not subordinates, in terms of the department, of their parents, but independent of them (father, Herbal Family).</p> <p>8. FIP started 4 to 5 years ago (father, Herbal Family).</p> <p>9. We started with our FIP program; the next step was to define a task list for potential successors. What is that? What they need to achieve to be allowed to work here. Can you give me some examples? Well it starts with a decent school education and should be complemented by a university degree in a related subject. It does not have to be something explicitly herbal or tea-related whatsoever but it needs to be related to the actual work, such as law or business. So it is quite a soft requirements list. Well, some family members had the feeling that the barrier is too high and can only be reached by one or two members. That is of course wrong and I am still positive that there will be more of our children who are able to fulfil the requirements list, but if they join it is their decision and not mine. (father, Herbal Family).</p> <p>10. Do the next step and go to the States (father, Herbal Family).</p> <p>11. Succession has been a topic within our family for the last six years. I started this process (father, Herbal Family).</p> <p>12. So both family lines (potential successors and parents) came together and designed a so called FIP (Family Integration Program). From this date onwards we have met for a minimum of four times a year. Alone or with external consultants? Both, we had three consultants with whom we talked about succession. What kind of</p>
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			<p>consultants? They have specialized on FBs and especially on succession. From big consultancies? No, all self-employed, we met them on seminars or similar events and invited them to our family days (father, Herbal Family).</p> <p>13. You mentioned before that the succession process lasted seven years is that right? What have been the important milestones? (Look at the painted graph) The first one was the start of the FIP and the last one my entry to the FB, because my cousin is joining, too. The consultants are a milestone on their own, with all their different ideas. The exit of one of the consultants and his idea has been essential to us, too. This has been an important process which brought the family members closer to each other. In the end all of us had the same opinion that it is just not working out and we ended his consultancy period within our FB. Are these all? Yes, well perhaps the creation of criteria for the next generation is important, too (father, Herbal Family).</p> <p>14. How long did the succession process last from the former CEO to you? (Milestones) Our succession process is still in progress. To work full-time for the FB was definitely important, and probably the most important of them all, and a very recent one was the foundation of our plant construction. This will definitely also be one of the things which will appear in our family firm chronicles. What about the presentations you gave about the FB during your time working at Daimler? Yes, ok, yes you are right. Exactly; this presentation played an important role to show customers but also our employers that there is a successor (son, Luxury Bathrooms).</p> <p>15. How long did the succession process last from the former CEO to you? (Milestones) There was no official start and there was no official end of it. This process took many years; my father transferred more and more responsibility onto my shoulders and gave me more opportunities to do my job as I wanted it to do. The contract itself was not a big deal. Within two weeks the contract was signed. When did you finish school? 1998, when was your birthday? (Laughs and smiles all over her face) Laughs, too. "A little bit before", so the transfer happened last year? 2009 From your personal point of view, what have been the important milestones? Well, the first one was the drop-off in</p>
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			<p>2001 of our external manager; I am that kind of girl who has to be pushed into cold water, because I avoid difficulties at all cost, if I can. So what you try to tell me is that your entrepreneurial career started in 2001, because you accepted your destiny? Yes, yep, yes... So what happened next? Hm, the moment my father did not take over my work anymore when I did not know what to do. He started to tell me, 'Do it yourself and live with the consequences I will comment on it when you made your decision'. What year might that have been? 2005, perhaps? Was there another milestone? Of course, the last mile stone happened to be in 2009 when we signed our contract, and from that point onwards, well I do not want to say that he stopped working, but he started a step by step retirement (daughter, Luxury Bathrooms).</p> <p>16. The first step is always when your children communicate that they are willing to take over the family firm. I think this should always be the first and most important step. Naturally have there been steps before. I focused on their school education so they have a good basic education, which enables them to prepare for their later life, whatever they want to do. With my son it was pretty much the same. After his high school graduation he decided for his MSc because he wanted to prepare for his father's job. The next big step was when our head sales lady at this time quit her job over night. Both of us, our daughter and I, suddenly had to take over all her responsibilities. She dropped university and we started to work along, the next step was when I started to slow down and retired step by step and she was responsible on her own for the whole shop. No one of us knew exactly what to do (mother, Luxury Bathrooms).</p> <p>17. He knew what he wanted to do, but he was also interested in gaining outside experience and was therefore looking for two years for a job outside of our FB, that was not as easy as not many HRM people hire you knowing you that you are going to leave in two years' time to take over daddy's chair. In those two years when he was applying for different jobs, he had his own office and was free to do and start whatever he wanted. So he worked for two years on his own. Thereafter he did his MBA with Daimler. Since then he is employed at the family firm. So what do you</p>
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			<p>think will the next big step be? The next big step will probably be that our both children will work along but separated in each of their businesses. I am not working anymore and my husband will/ should retire soon, too. He is retiring step by step and has already transferred most responsibilities onto his shoulders (mother, Luxury Bathrooms).</p> <p>18. How long did the succession process last from you to your children? (Milestones)The first important step was for me to know that both of my children are willing and able to take over the business. Now I was challenged to find a suitable constellation so that both of them can work along without hindering themselves but supporting each other. Her succession was much rockier. Therefore I tried to plan my son's succession more carefully to avoid mistakes. However, eventually we did it the pragmatic way, too. He knew the business as he had worked there two years before and had experienced his personal interests and had created his own field of expertise. We used those two years' time, when he was working outside the FB to start and prepare activities in this new department. He is interested in this ecological heating systems and this was certainly the right move as the population is very sensible for this development. In her case there had been a department and she has decided that this department is hers now. He saw that one part of the company is running smoothly and decided to create a department of his own. Another important element has been my children's character. Our daughter, for example, can be highly motivated about some topics and be very dynamic, extroverted, whereas our son is an analytical person and very detail oriented and rather introverted, therefore they suit very well their area of responsibility. One day after my heart attack, our son stood there in front of our employees and told them that there will be a future and that he is willing to take over responsibility (father, Luxury Bathrooms).</p>
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			<p>How long did the succession process last from the former CEO to you? (Milestones)</p>  <pre> graph LR A[2007 Brother's retirement] --> B[Designated Successor] B --> C[First Son] B --> D[Second Son] B --> E[Third Son] </pre> <p>When you think about your succession, what went wrong?</p> <p>Nothing!</p> <p>When you think back, what would you change concerning the succession process?</p> <p>19. How long did the succession process last from the former CEO to you? (Milestones)As I have mentioned before, from the point when my brother and I had the concept worked out until signing the contract, there were three weeks. If you had to define milestones, which might that be? I joined the company on the first of January on a C – level, contrary to my brother. My father transferred his shares onto us on the 22nd of January. The next step was to define our areas of responsibilities. Furthermore, we had to include the other family shareholders into the restructuring process and developed all together three or four alternatives. Well, I have to mention that keeping the status quo would have been a deal breaker for me, which would have resulted in me leaving the company (law son, Cable King).</p> <p>20. Further milestones? Defining different fields in different companies so every brother has his own company or companies and his respective responsibilities (law son, Cable King).</p>
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			<p>21. Well she is informed. We did talk about it but I try to keep the FB challenges at the office as my father did. A marriage itself has enough challenges on its own you do not need additional ones. Nevertheless we obviously spoke about it, especially as I am awaiting the day when my father retires so I can be fully in charge (economics son, Cable King).</p> <p>22. Well it started in 2007 and it should last until somewhere in 2015 at the most. I started as a trainee and was promoted to an assistant. From there, I became the general manager of the technology department with the responsibility for over 130 employees, plus another 60 from another department and now I am responsible together with my brother for the restructuring of the FB until my father decides to retire (economics son, Cable King).</p>
		<p>Sudden event</p>	<p>1. When one of these employees, a bookkeeper for instance retired, our daughter took over his job and faced all upcoming situations bravely (father, Box printing machine company).</p> <p>2. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyway and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur) we opened our new branch in the city centre and I decided that I want to do this. This is my baby you know? Call it destiny or whatever it just seemed to be fine (daughter, Luxury Bathrooms).</p>

			<p>There was a leading employee; she was also doing my job at the time when I have been to university. Unfortunately she always feared that I want to take her job away. Which was definitely not true, but when she left I was sitting between two chairs and decided to leave university and work as a full time employee (daughter, Luxury Bathrooms).</p> <p>3. It just happened to be (daughter, Luxury Bathrooms).</p> <p>No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for a FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The responsibility I got from an early stage, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay (daughter, Luxury Bathrooms).</p> <p>4. When you think about your succession, what went wrong during the last ten years? What would you recommend the young naïve yourself from ten years ago?</p> <p>Oh, oh, oh... First of all I would do an exec seminar, I would... no I should have been involved in the financial field from an early stage onwards. This is still a very sensible topic where I am missing transparency. I am lacking financial expertise, I wish I have had someone who had told me 'You have to do this, but be careful with that'. A better education? Yes! Or at least a more specialized education, a better preparation. I learned the basics during my studies but this was by far too general. So why did you leave university, was it becoming too much? The moment I left university was the same moment our manager dropped off. This happened to be one and a half semesters before my</p>
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			<p>graduation. My performance wasn't really outstanding and my motivation was well, let's say, very limited. As I told you before, if I can, I always avoid difficulties. This was the perfect opportunity for me to drop off without losing my face (smiles sadly) (daughter, Luxury Bathrooms).</p> <p>5. No, I married into the FB and worked before for IBM as my English is quite good (mother, Luxury Bathrooms).</p> <p>6. The next big step was when our head sales lady at this time quit her job over night. Both of us, our daughter and I, suddenly had to take over all her responsibilities. She dropped out of university and we started to work along; the next step was when I started to slow down and retired step by step and she was responsible on her own for the whole shop (mother, Luxury Bathrooms).</p> <p>7. My daughter entered the business spontaneously. It was not planned and I do not think that it would have been possible to stop her anyway (father, Luxury Bathrooms).</p> <p>8. One day after my heart attack, our son stood there in front of our employees and told them that there will be a future and that he is willing to take over responsibility (father, Luxury Bathrooms).</p> <p>9. Well you have to know I chose a bit of an unorthodox way. I had some insight into the company for a year and saw all the challenges and upcoming problems and have been writing expertise (WHAT DO YOU MEAN BY IT?) for it. However, when the voting came up and all the discussion started about inheritance taxes, I met my colleagues from KPMG and worked out what my succession could actually look like. Your father has been involved, has he</p>
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			<p>not? No, my father did not want to face this important step, but he trusted us. He was man enough to admit that he has no clue and trusted his two boys that they are able to complete the process. My brother and I also agreed to spare our cousins and to inform our father right at the end when everything was prepared (law son, Cable King).</p> <p>10. Did you really want to take over the business at that time? My uncle was ill and retired and the amount of work became just too much for my father. My father is a brilliant engineer and everything he has done is outstanding, but unfortunately, there are many things he has not done, but which now need to be addressed urgently. My father is not a born leader, he is excellent in what he does here. However, if it becomes larger and outside his comfort zone, not (law son, Cable King).</p> <p>11. Has there been a formal job interview? – Why or why not? No, but an informal one. In 2006 we went for a walk and I confronted him with another job offer and asked him directly what he thinks, whether I shall take it or not. We discussed the advantages and disadvantages of joining the own family business right away after leaving university. We agreed that in my special case it might be best to join right away to develop a better understanding of my future responsibilities (economics son, Cable King).</p>
		<p>There is no division between family and business</p>	<ol style="list-style-type: none"> 1. Wife: Living room Husband: ...and dinner table (Box printing machine company). 2. There is no division between private and professional life (sister: Box printing machine company). 3. Sister: Kitchen, breakfast, lunch, dinner. Anything else? Bathtub! (Box printing machine company).

			<p>4. There is no division between FB and living room (sister: Box printing machine company).</p> <p>5. Do you talk much at home about business? Yes. So you do not try to separate family and FB? No, I think that is impossible. And I do not want to. Our FB is the centre of this village's world; you cannot turn a blind eye to it (daughter, Herbal Family).</p> <p>6. Where does strategy decision making take place? Ski lift, kitchen table (daughter, Herbal Family).</p> <p>7. First of all, of course with my husband, but my brother plays an important role, too (daughter, Herbal Family).</p> <p>8. At home, also due to the fact that I am spending much time at home with our son (18 months), not working full time at the moment. Often at night, when I cannot sleep any longer, or with my husband discussing in the kitchen (daughter, Luxury Bathrooms).</p> <p>9. I would like to, but this rarely works. My husband is only available at night, so if I want to ask him something important or if I want his advice I have to do it at home. I try to avoid it but important matters have to be discussed. In the past my parents discussed business at every dinner and there was nothing else but business and I hated it and still do. Therefore I really limit myself as I do not want to end up like them, having nothing else to talk about with each other than FB (daughter, Luxury Bathrooms).</p>
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			<p>10. Many years ago we had at our dinner table at home, our so-called strategy meetings, where we discussed and exchanged our ideas. We did that on an irregular basis during our son's university time because we wanted him to be informed about what is happening. So, do I understand you right, that you are discussing business at home on a regular basis? (Nods) Without a question (mother, Luxury Bathrooms).</p> <p>11. Do you talk about problems at home? In our family, yes. Where does strategy decision making take place? 50/50: We normally start the discussion at home and the decision will be backed up by more information in the office. Therefore the decision will be made in the office (father, Luxury Bathrooms).</p> <p>12. So we do not keep strict silence on business activities (father, The Old Sawmill).</p> <p>13. Office; as mentioned before, I avoid talking about business in private environments (father, The Old Sawmill).</p> <p>14. Do you talk much at home about business? There needs to be a division between business and private life (father, Cable King).</p> <p>15. Where does strategy decision making take place? Most times at home... and of course in my car on the telephone. My car is my private rolling office... Mostly with the three people I have mentioned before. With whom do you talk where about business? With my father at home (Interesting, as his father told me that he never talks about business at home), with my brother on the telephone as he is very much occupied with running his family... (law son, Cable King).</p>
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			<p>16. But the most important decisions are taken at home. Strategic decision making takes place at home and operational decision making mostly at the office (law son, Cable King).</p>
		<p>Responsibility</p>	<ol style="list-style-type: none"> 1. Every one of us has his or her own department (father, Box printing machine company). 2. They will take over responsibilities of our departments, too (father, Box printing machine company). 3. So involved in the process have been, first of all, my brother and I; that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss as well. It is important for us that one's children are not subordinates, in terms of the department, of their parents but independent of them (father, Herbal Family). 4. Without being immediately in charge and responsible herself (father, Herbal Family). 5. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home and has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm but he does not have to start from the beginning but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We

			<p>want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family).</p> <p>6. Go to the States (father, Herbal Family).</p> <p>7. My nephew’s time frame in Poland is planned to be four or five years (father, Herbal Family).</p> <p>8. Cultural aspects and how to treat employees, she set a focus on responsibility and HCR (Holistic Corporate Responsibility) (father, Herbal Family).</p> <p>9. When you think back, what would you change concerning the succession process? If you had the opportunity to go seven years back what advice would you give a younger yourself? seven years, so much well... I would tell her to make more decisions on her own and that she shall just do it and act according to her gut feelings. Anything else? She should choose an “area of specialization” Please explain. My brother did a traineeship with Dr. Oetker, this is another family business which is in the same industry as we are. This experience made it possible for him to establish his own field of expertise. And I would try to do so as long as I can. So you are trying to tell me that you should earn her spurs outside the FB? Absolutely! What I did, too but as a consultant I did not have the opportunity to find a field of expertise on my own (daughter, Herbal Family).</p> <p>10. You already mentioned before that the first thing you changed was an employee introduction program, how did you do that?</p>
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			<p>I worked something out and presented it to my supervisor and the HRM department. What else have you done? I changed the design of our employee meetings/works meetings. I did not like the former procedure and changed it to make it better. I exchanged my opinion with my father and then we changed it. Did you include the employees in this decision? We always use small surveys at the end of those meetings, and based on these findings we changed the procedure. This is actually what I like very much about my position, that I can change things if I do not like them. If I do not like certain pictures on the wall I just exchange them. Such small things, we have a summer get-together each year, I had some ideas for improvement, discussed them with my father and then I just did it. This kind of decision making, it is not responsibility but the right to act as I wish to, which is what I really like about my job (daughter, Herbal Family).</p> <p>11. Somehow yes, I am participating in the Argentina project and I am responsible for China. From April onwards I will be living for one year in the States. I had the opportunity to work on our India project where I also spent a considerable amount of time (daughter, Herbal Family).</p> <p>12. They did not put any time pressure on me and therefore I decided to start my career outside the FB to evaluate my real potential and market value (MBA with Daimler Benz). At this time I also started to come here to the production area to have a closer look where I could position myself within the firm, and started with presentations about potential future products, such as those dealing with renewable energy, some of what I showed you before (son, Luxury Bathrooms).</p> <p>13. I started with presentations to our customers during my Daimler time (son, Luxury Bathrooms).</p>
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			<p>14. Especially for our employees working in the heater division, who knew that the heater division was not my dad's favourite field; now they met me, his son, who has big plans with them (son, Luxury Bathrooms).</p> <p>15. There was a strong demand at that time and new trends developed and I wanted to participate and saw a chance (son, Luxury Bathrooms).</p> <p>16. Let me just summarize, what you just told me: As well as the growth within the heating system department, the introduction of a new IT system is directly related to your succession? Well yes, perhaps it would have happened without my succession, too, but much later, and I am pretty sure it would have been removed and stopped pretty fast. As long as there is no top management commitment, change will always fail! So because of your succession the heating department changed from an ugly duckling to a beautiful white swan. If you want so, yes.</p> <p>17. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyway and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur), we opened our new branch in the city centre and I decided that I want to do this. This is my baby you know? Call it destiny or whatever it just seemed to be fine (son, Luxury Bathrooms).</p> <p>18. Has there been a formal job interview? – Why or why not? No, for a long time I didn't even have an employment contract. Stop, you didn't have an employment contract? So how did you do all the tax stuff and the insurance things etc.?</p>
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			<p>There was this university contract about dual education, you know, and this was all I had and after leaving university and working full time for the FB it was quite a struggle to convince my parents to sign an employment contract for me (daughter, Luxury Bathrooms).</p> <p>19. Both of my parents. There was no interview, because I always knew what I want to do. It was pretty clear that I am not the one who wants to take over the technical part, which my brother is doing today, but the marketing and sales part. Was your father more involved in this succession process than your mother? No, my mum also played an important role, especially in the development of the product portfolio (daughter, Luxury Bathrooms).</p> <p>20. No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for a FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The responsibility I got from an early stage on, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay (daughter, Luxury Bathrooms).</p> <p>21. He hired ten new employees and found his own department (daughter, Luxury Bathrooms).</p> <p>22. For what reasons did you take over the family business and what would have been the alternative? She is a sales person; she jobbed in our FB but also in other firms as a salesperson and when the time was right we had been sitting together to find a suitable solution for her. I can't really tell you what her alternative would have been, as there has never been an alternative plan. I never made up my mind about this opportunity. Do you think she would</p>
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			<p>also be a salesperson without the FB? I assume, she would probably be employed somewhere in the field of marketing. If we had sold the FB at that time her time as a sales person would have been probably much shorter. Today, our daughter is much more than a mere sales person, as she is responsible for the whole shop, also for the employees and the product portfolio. She is capable of more, and just working as a salesperson would not have satisfied her (mother, Luxury Bathrooms).</p> <p>23. Our son put his focus on the technical department. Hired new people and redefined the boundaries of this department: What I mean with that is that he grew it into something bigger. I do not think this would have happened if he had not entered the business. As we allowed him two years to work and develop things on his own, with his help, the renewable energy department emerged because of him. He saw the biggest chances there and used this trend, so we have today an important advantage compared to our competitors. So the business's focus changes from bathroom to heating (mother, Luxury Bathrooms).</p> <p>24. So there is no intensification due to the succession but your daughter is continuing what is already done? No, for sure she is intensifying these aspects. So succession fosters internationalization? You have nowadays more foreign products than before? We definitely do! She has a strong interest in those things and is pushing this forward. What characteristics of your kids are fostering growths and internationalization? Her openness (mother, Luxury Bathrooms).</p> <p>25. My daughter entered the business spontaneously. It was not planned and I do not think that it would have been possible to stop her anyway (father, Luxury Bathrooms).</p>
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			<p>26. He knew the business as he had worked there two years before and had experienced his personal interests and had created his own field of expertise. We used those two years' time, when he was working outside the FB, to start and prepare activities in this new department. He is interested in these ecological heating systems and this was certainly the right move, as the population is very sensitive to this development. In her case there had been a department and she has decided that this department is hers now. He saw that one part of the company is running smoothly and decided to create a department of his own (father, Luxury Bathrooms).</p> <p>27. She changed our product portfolio from a classical design selection to a more modern one, therefore our customer base changed, too. Especially as regards our accessories, customers became much younger. That was completely different before. My son focused, as mentioned before, more on sustainability. There was no awareness for this topic before. We did not see the potential (father, Luxury Bathrooms).</p> <p>28. Exactly, we have been the first in Baden-Württemberg who had these products in stock (father, Luxury Bathrooms).</p> <p>29. Both of my sons agreed that we need to renovate our meeting rooms. I don't know why but they have been both convinced, so we did. One son focused on the production processes and really achieved a lot there, he has been very successful. The other one took over my brother's responsibility, which is mostly the management of all our daughter companies, and he is doing a lot of cleaning-up work there. All stakeholders, such as at the chief executive level, employees etc., have been included in our change processes. This has not always been easy; I supported them as a spokesperson (father, Cable King).</p>
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			<p>30. Further milestones? Defining different fields in different companies so every brother has his own company or companies and his respective responsibilities (father, Cable King).</p> <p>31. It is less about internationalization and more about operational topics. Part of the succession process is the restructuring of our daughter companies that are abroad. Therefore, yes, it has a positive influence but not due to succession, rather it is the place where we are needed the most (father, Cable King).</p>
	Alternative	2 nd best option	<ol style="list-style-type: none"> 1. I think I remember a day, when our son told me I never had to spend a minute to think about my later job, it was just given (father, Box printing machine company). 2. For me there has never been an alternative and I always wanted to do what I am doing nowadays (father, Box printing machine company). 3. A graphic designer (wife, Box printing machine company). 4. Sister: No, there was no alternative for me. Brother: No, you did not think about alternatives (Box printing machine company). 5. On the other hand, if there wasn't a FB I would have worked as an employee as everyone else does (brother, Box printing machine company).

			<p>6. She is interested in HRM, which might have been an alternative. I assume she had joined either a consultancy or had chosen to be self-employed (father, Herbal Family).</p> <p>7. For what reasons did you take over the family business and what would have been the alternative? I can identify with it. It is fun. What would have been the alternative? Self-employment! (daughter, Herbal Family).</p> <p>8. Did you really want to take over the business at that time? No, my father asked me but it was not my immediate intention! I actually did not want to at that time as I wanted to gain more experience externally first. So why didn't you say, 'please give me another five years?' Because he convinced me to do so (daughter, Herbal Family).</p> <p>9. No, my education was independent of the FB but applicable; I wanted to keep my independency for me but also for the FB. In case that I later decided to do something different but also if the FB needed an external manager instead of me (daughter, Herbal Family).</p> <p>10. At Daimler the salary was nice and the time there was limited to 35 or later 40 hours but I had no responsibility and could not initiate new things or push other things forward. I was presenting and others decided whether they liked it or not; I wanted to be in that position, but this is not easy as a fresh graduate. I wanted to take risks and wanted to be rewarded or disciplined for my decisions but I did not see myself as a follower (son, Luxury Bathrooms).</p>
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			<p>11. The horizon widens if you are working in different industries. One is not industry blind or even better FB blind I would say. One can reflect one's own point of view and with one's own point of view, I mean the methods employed within the FB. I definitely recommend every young successor to do what I have done, and that means go out and do your first mistakes somewhere else and get to know other firms and industries. There are two important aspects when working somewhere else: one is to evaluate if this job waiting for me at home in the FB is really the right thing for me, and second, to prove the applicability and usefulness of such a broad study area such as management (son, Luxury Bathrooms).</p> <p>12. Did you choose this subject with the purpose to be better prepared for the FB? Solely for the FB, there has never been a Plan B in my mind. I chose the FB over my studies and joined directly to learn it on the job (daughter, Luxury Bathrooms).</p> <p>13. I thought I should work in the hotel industry, so I applied for an internship. During this internship I figured out that the hotel industry is not suitable for me as I had no free time at all (daughter, Luxury Bathrooms).</p> <p>14. I am convinced that if there had not been this retail shop, I would not have joined the FB (daughter, Luxury Bathrooms).</p> <p>15. For what reasons did you take over the family business and what would have been the alternative? She is a sales person; she jobbed in our FB but also in other firms as a salesperson and when the time was right we had been sitting together to find a suitable solution for her. I can't really tell you what her alternative would have been as there has never been an alternative plan. I never made up my mind about this opportunity. Do you think she</p>
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			<p>would also be a salesperson without the FB? I assume she would probably be employed somewhere in the field of marketing. If we had sold the FB at that time, her time as a sales person had been probably much shorter. Today, our daughter is much more than a mere sales person, as she is responsible for the whole shop, also for the employees and the product portfolio. She is capable of more, and just working as a salesperson would not have satisfied her (mother, Luxury Bathrooms).</p> <p>16. Did she really want to take over the business at that time? She wanted, it is true that we found our new shop and she entered and told us that this is going to be her project (mother, Luxury Bathrooms).</p> <p>17. My son wanted to be a trainee at Daimler and did not get the job because his interview partner was a customer of us and this man did not want to educate him and invest in him knowing that he would leave Daimler after several months or years to work in his own FB. The interviewer even explained this to him. She would have most likely joined an international marketing firm and had worked abroad, but as I told you, she made her point very clear that for her the FB is the only option and the only job she wants to do. My son mentioned it (to take over the FB), once and then nothing happened for many years. Finally our plan (masterplan) did not work out as my heart attack did not allow us to follow it anymore. However this old plan changed and was shortened by eight weeks. There has been a short time pressure, but as mentioned it was really manageable (father, Luxury Bathrooms).</p> <p>18. There has never been an alternative. I think it is one of the most interesting jobs in the world, I am self-employed and responsible for my own future. This independence is great. What about financial aspects? Finances have not</p>
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			<p>been my main motivator. I do not say that it is no motivator at all and that it has no effect but I am not driven by it (father, Cable King).</p> <p>19. If I had stayed as an employee with KPMG all these three things would not have been part of my life and would not satisfy me as they do today. Even when I stayed with KPMG, I had tried to reach management level to become a CEO outside the agency (law son, Cable King).</p> <p>20. Has there been a formal job interview? – Why or why not? No, but an informal one. In 2006 we went for a walk and I confronted him with another job offer and asked him directly what he thinks, whether I shall take it or not. We discussed the advantages and disadvantages of joining the family business right away after leaving university. We agreed that in my special case it might be the best to join right away to develop a better understanding of my future responsibilities (economics son, Cable King).</p> <p>21. For what reasons did you take over the family business and what would have been the alternative? I do not want to say that it is the most important but it definitely has been an important aspect and that is money! I have a young family and need a good income and in my own business I am able to earn good money as I can develop and work as hard and as good as I can. Another aspect is the options and responsibilities one has as an entrepreneur: In any other business in my age I would be on a medium managerial level with little decision making rights, but here I can make my own decisions and am responsible for them. Last but not least it should not be mentioned that I had the feeling that there is some obligation to do the job. This is very conservative thinking but I act in the tradition of my father. (Please remember that he did not feel forced to enter the FB.) Another aspect was what alternatives would have been there? Oh before I forget a very important factor was that here I am allowed to learn in my own speed</p>
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			<p>without any external pressure, as there are no banks which could annoy us in any form. I just knew that we have a healthy business where I am not taking over something which is already born dead (economics son, Cable King).</p> <p>22. I was absolutely sure to decline the consultant offer and join the FB (economics son, Cable King).</p>
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<p>Who are the internal and external actors involved?</p>	<p>Internal</p>	<p>Family and business conflict</p>	<ol style="list-style-type: none"> 1. No, as the business cannot move with me I have to stay where the business is, full-stop. Moving away was not an option (daughter, Box printing machine company). 2. There is no division between FB and living room. We occasionally avoid talking about the FB if we do not want to bore the children all the time, but rather we want to know what they experienced over the day (daughter, Box printing machine company). 3. Well, they are there, but they do not interfere. It is more that I can take them with me and that we do not need to employ a nanny (daughter, Box printing machine company). 4. Because as a woman I have to plan those things a bit earlier than you do (daughter, Herbal Family). 5. But my husband and I, we avoid talking about business life too much. He is self-employed, too and has also a FB
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			<p>background and we do not want business to be all our living together is about. At least in the private life it should be us which are the main focus (daughter, Herbal Family).</p>
		<p>Intergenerational experience</p>	<ol style="list-style-type: none"> 1. About ten years of international experience (father, Box printing machine company). 2. Especially the time he spent abroad was an important push forward (father, Box printing machine company). 3. His way of communicating with customers, his knowledge of human nature and cultures are certainly benefits from his time abroad. He is more aware of foreign mentalities (father, Box printing machine company). 4. Three years almost exclusively in the USA (son, Box printing machine company) 5. The time spent abroad has in my opinion been lost time. I enjoyed it, I improved my English, which was definitely useful, but I couldn't spend this time at home in the business and could not make useful experiences there (son, Box printing machine company).
		<p>Parental Motivation</p>	<ol style="list-style-type: none"> 1. Did you encourage your children to take over: Yes (father, Box printing machine company) : I would say no (mother, Box printing machine company). 2. If the only thing a child hears about is the FB and that's 24/7 then one has to be motivated to take it over and to do what mummy and daddy do. They imbibed from their infancy nothing else but the family business (father, Box printing machine company).

			<ol style="list-style-type: none"> 3. Normally this is doing more harm than good if kids are always confronted with the FB (father, Box printing machine company). 4. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company). 5. Well his time in the States was pre-planned, as we wanted him to be there on his own (father, Box printing machine company).
	<p>External management</p>	<p>External consultants</p>	<ol style="list-style-type: none"> 1. Do you have any consultants? Husband: No, no we do not. Any business friends? No. Any social clubs? No not for the FB (wife, Box printing machine company). 2. For the formal process itself we have had a tax accountant (father, Box printing machine company). 3. No, we do not have consultants. Brother: Well, you cannot work without a tax consultant but apart from that, no (young generation, Box printing machine company).

			<p>4. I think we have received some outstanding advice by our consultants, who are a lawyer and an accountant (former board member of KPMG) who have a special focus on FBs. He is now consulting us for 40 years and his son is also already working for us. So there is already quite some material which we could use for a family constitution (father, Herbal Family).</p> <p>5. Yes, I did. Naturally, one is exchanging experiences with friends who are in a similar situation and asking what system are you applying and is it working out? (father, Herbal Family).</p>
		<p>External management</p>	<p>1. Our aim is to have two or more leading external managers who support us in certain areas such as R&D (father, Box printing machine company).</p> <p>2. So involved in the process have I been, first of all my brother and I, that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our Chief HR manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss. It is important for us that one's children are not subordinates, in terms of the department, of their parents but independent of them (father, Herbal Family).</p> <p>3. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home and has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm but he does not have to start from the beginning but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We</p>

			<p>want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family).</p> <p>4. With whom do you talk about your business ideas and problems (family, friends, clubs, and consultants)? Consultants, other executive directors; apart from my brother and me there are two external ones. Additionally the WHU (University) offers a family entrepreneurial club or meetings which I use extensively and the same goes for Witten Herdecke (another university with a focus on FBs). Prof. May is an important member with whom I exchange ideas; he has his own consulting firm, INTES (father, Herbal Family).</p> <p>5. Who has been involved in the decision to hire you? My father, my uncle and my current supervisor (daughter, Herbal Family).</p>
		<p>Formalization</p>	<p>1. No there is nothing like a family constitution but we do have a shareholders contract (father, Box printing machine company).</p> <p>2. There was nothing formal about it (father, Box printing machine company).</p> <p>3. We do things informally (father, Box printing machine company).</p> <p>4. Every one of us has his or her own department (wife, Box printing machine company).</p>

			5. You can see that decision making is an informal, mostly private process (wife, Box printing machine company).
	Professionals	Formalization	<ol style="list-style-type: none"> 1. No there is nothing like a family constitution but we do have a shareholders contract (father, Box printing machine company). 2. There was nothing formal about it (father, Box printing machine company). 3. We do things informally (father, Box printing machine company). 4. Every one of us has his or her own department (wife, Box printing machine company). 5. You can see that decision making is an informal, mostly private process (wife, Box printing machine company).
		Professionalization	<ol style="list-style-type: none"> 1. No, there is nothing like a family constitution but we do have a shareholders contract (father, Box printing machine company). 2. No, there is no family constitution but a shareholder contract (daughter, Box printing machine company).

			<p>3. There is no division between FB and living room. We occasionally avoid talking about the FB if we do not want to bore the children all the time, but rather we want to know what they experienced over the day (daughter, Box printing machine company).</p> <p>4. No, not yet but there is a shareholder contract (father, Herbal Family).</p> <p>5. None, I joined the FB after my graduation (father, Herbal Family).</p>
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<p><u>Why are these actors involved and what activities do they pursue?</u></p>	<p>Family</p>	<p>Conflict in families</p>	<p>1. With one of our subdivisions and her superior is the CEO of this company. So we avoided any possible family conflict as she is now working not for one of my enterprises but for my brother's. Or for those which my brother is responsible for (father, Herbal Family).</p> <p>2. Who has been involved in the decision to hire you? My father, my uncle and my current supervisor (daughter, Herbal Family).</p> <p>3. With whom do you have your employment contract? With my supervisor (not my daddy) and the HRM department. (daughter, Herbal Family).</p>
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			<p>4. Office, office, office and I want to keep it that way or even improve it. There is currently a shift from our kitchen to the office. Do you talk much at home about business? Too much! (son, Luxury Bathrooms).</p> <p>5. Until 2009 (for eight years) I had no employment contract at all, I told you before that this was quite difficult to achieve (daughter, Luxury Bathrooms).</p>
		<p>Decision making</p>	<p>1. Only the family, at a later stage others will be informed (wife, Box printing machine company).</p> <p>2. Do you have any consultants? Husband: No, no we do not. Any business friends? No. Any social clubs? No not for the FB (father, Box printing machine company).</p> <p>3. Living room Husband: ...and dinner table (Box printing machine company).</p> <p>4. You can see that decision making is an informal, mostly private process (mother, Box printing machine company).</p> <p>5. Unfortunately these ideas rarely come from your employees. You have to be creative by yourself (wife, Box printing machine company).</p>

		<p>Family business conflict</p>	<ol style="list-style-type: none"> 1. No, as the business cannot move with me I have to stay where the business is, full-stop. Moving away was not an option (daughter, Box printing machine company). 2. There is no division between FB and living room. We occasionally avoid talking about the FB if we do not want to bore the children all the time, but rather we want to know what they experienced over the day (daughter, Box printing machine company). 3. Well, they are there, but they do not interfere. It is more that I can take them with me and that we do not need to employ a nanny (daughter, Box printing machine company). 4. Because as a woman I have to plan those things a bit earlier than you do (daughter, Herbal Family). 5. But my husband and I, we avoid talking about business life too much. He is self-employed, too and also also an FB background and we do not want business to what all our living together is about. At least in the private life it should be us which are the main focus (daughter, Herbal Family).
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		<p style="text-align: center;">Non-employed family members</p>	<ol style="list-style-type: none"> 1. Wife? Of course, sorry, and the rest of our FIP members and the children and naturally, my brother. My brother should actually be on top (father, Herbal Family). 2. Where does strategy decision making take place? At the holding. No I mean which place? The meeting room, of course. Not at home? No, of course we discuss business at home but decision making takes place at home (father, Herbal Family). 3. Do you talk much at home about business? Yes. So you do not try to separate family and FB? No, I think that is impossible. And I do not want to. Our FB is the centre of this village's world; you cannot turn a blind eye on it (father, Herbal Family). 4. How far do non- employed family members influence the FB strategy? (Examples) 0.2%! Almost nothing. We probably cannot avoid it 100% but it does not play a role (father, Herbal Family). 5. How about your wife, does she not have an influence? Yes of course she has, occasionally she makes a comment about HRM matters but there is no engagement from her side about true entrepreneurial matters. We discuss things at home but the last word spoken is mine. I am the one who is responsible for the decision making (father, Herbal Family).
		<p style="text-align: center;">Nepotism</p>	<ol style="list-style-type: none"> 1. Well, they know us and our performance; it was just a natural process. A job interview seems to be very unnatural and formal (daughter, Box printing machine company).

			<p>2. I am the son, so my parents knew me and all my shortcomings, and from my father's point of view I had to join willingly or not at all. So I decided it is better to join out of free will (father, Herbal Family).</p> <p>3. I have my contract with my parents and we wrote it by ourselves. Without the notary (son, Luxury Bathrooms).</p> <p>4. Both of my parents. There was no interview, because I always knew what I wanted to do. It was pretty clear that I am not the one who wants to take over the technical part, which my brother is doing today, but the marketing and sales part. Was your father more involved in this succession process than your mother? No, my mum also played an important role, especially in the development of the product portfolio (daughter, Luxury Bathrooms).</p> <p>5. No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for an FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The responsibility I got from an early stage on, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay (daughter, Luxury Bathrooms).</p>
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		Parental motivation	<ol style="list-style-type: none">1. Did you encourage your children to take over: Yes (father, Box printing machine company). : I would say no (mother, Box printing machine company). 2. If the only thing a child hears about is the FB and that's 24/7 then one has to be motivated to take it over and to do what mummy and daddy do. They imbibed from their infancy nothing else but the Family Business (father, Box printing machine company). 3. Normally this is doing more harm than good if kids are always confronted with the FB. (father, Box printing machine company). 4. Well, in my opinion the decision about their engagement with the FB was somewhere between a democratic and an authoritarian one (father, Box printing machine company). 5. Well his time in the States was pre-planned, as we wanted him to be there on his own (father, Box printing machine company).
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	<p>Business service</p>	<p>External consultants</p>	<ol style="list-style-type: none"> 1. Do you have any consultants? Husband: No, no we do not. Any business friends? No. Any social clubs? No, not for the FB (wife, Box printing machine company). 2. For the formal process itself we have had a tax accountant (father, Box printing machine company). 3. No, we do not have consultants. Brother: Well, you cannot work without a tax consultant but apart from that, no (young generation, Box printing machine company). 4. I think we have received some outstanding advice by our consultants, who are a lawyer and an accountant (former board member of KPMG) who do have a special focus on FBs. He has been consulting us for 40 years and his son is also already working for us. So there is already quite some material which we could use for a family constitution (father, Herbal Family). 5. Yes, I did. Naturally, one is exchanging experiences with friends who are in a similar situation and asking what system are you applying and is it working out? (father, Herbal Family).
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		<p>External management</p>	<ol style="list-style-type: none"> 1. Our aim is to have two or more leading external managers who support us in certain areas such as R&D (father, Box printing machine company). 2. So involved in the process have I been, first of all my brother and I; that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss. It is important for us that one's children are not subordinates, in terms of the department, or of their parents, but independent of them (father, Herbal Family). 3. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home, and he has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm but he does not have to start from the beginning, but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison with external alternatives. We want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family). 4. With whom do you talk about your business ideas and problems (family, friends, clubs, and consultants)? Consultants, other executive directors: apart from my
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			<p>brother and me there are two external ones. Additionally the WHU (University) offers a family entrepreneurial club or meetings which I use extensively, and the same goes for Witten Herdecke (another university with a focus on FBs). Prof. May is an important member with whom I exchange ideas; he has his own consulting firm, INTES (father, Herbal Family).</p> <p>5. Who has been involved in the decision to hire you? My father, my uncle and my current supervisor (daughter, Herbal Family).</p>
		<p>Formalization</p>	<p>1. No there is nothing like a family constitution but we do have a shareholders contract (father, Box printing machine company).</p> <p>2. There was nothing formal about it (father, Box printing machine company).</p> <p>3. We do things informally (father, Box printing machine company).</p> <p>4. Every one of us has his or her own department (wife, Box printing machine company).</p> <p>You can see that decision making is an informal, mostly private process (wife, Box printing machine company).</p>

<p><u>How do successors legitimisethemselves?</u></p>	<p>Education</p>	<p>Intergenerational training</p>	<ol style="list-style-type: none"> 1. Both grew up in the FB and did small jobs from a very early stage on, as do our grandchildren today (8 and 11?). They also visit us every day and do what they can, such as punching holes in documents, delivering folders or destroying sensitive documents in the paper shredder (mother, Box printing machine company). 2. And it is the same with our grandchildren. Both of them experience our daily business life from a very early age. Everything in the family is about the FB. So our granddaughter says ‘Of course, I am taking over my mummy’s job later’ and our grandson says ‘And I want to do what my uncle is doing’ (mother, Box printing machine company). 3. For my father it was not a visionary process, but laziness. In his opinion, what we did was good enough, and if I wanted to invest any extra effort, I shall have done so on my own, but now he also expected me to do it. He then wanted me to do these projects and he did not interfere. I try to apply the same principles with my children and grandchildren (father, Box printing machine company). 4. We do it this way as one has first of all to know what strategic decisions might cost and you need experience to evaluate what is possible and what is not. One needs enormous experience when making direct suggestions to customers (father, Box printing machine company). 5. I was the first one who had an E-mail address. I did install an Email service before I left for university and began my studies so I could work from there. Sister: I initialized our time recording
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			<p>system and a better cost accounting system. Anything else? Sister: An automatic travelling cost system. Brother: It's so much, we just did it (siblings, Box printing machine company).</p>
		<p>Intergenerational experience</p>	<ol style="list-style-type: none"> 1. About ten years of international experience (father, Box printing machine company). 2. Especially the time he spent abroad was an important push forward (father, Box printing machine company). 3. His way of communicating with customers, his knowledge of human nature and cultures are certainly benefits from his time abroad. He is more aware of foreign mentalities (father, Box printing machine company). 4. Three years almost exclusively in the USA (son, Box printing machine company). 5. The time spent abroad has in my opinion been lost time. I enjoyed it, I improved my English, which was definitely useful, but I couldn't spend this time at home in the business and could not make useful experiences there (son, Box printing machine company).
		<p>Milestones</p>	<ol style="list-style-type: none"> 1. The most important milestones are those where children in a FB take over responsibilities in certain areas and are respected by the employees. This is exactly the point when the older employee accepts the young future entrepreneur and also asks him questions because he (employee) sees him (entrepreneur) as a natural authority. Wife: There are many, many aspects in the daily life which do

			<p>not trouble us any more, as our children are responsible for them (father, Box printing machine company).</p> <p>2. This is an absolutely flowing thing, without real milestones, as one would probably say. One gets certain responsibilities and works on them for some time, typically for a project or two, and then delegates them further to subordinates to free up time for facing new challenges. Our hierarchies are too flat to discuss any titles or spend time thinking of who might be responsible for this or that. It is our business and everyone feels responsible for everything (daughter, Box printing machine company).</p> <p>3. Also we have been always in and around the FB, really; working on a regular basis started when we have been 10 years old. That was the first big step. The next big step was probably in 1998 when my sister and I at age 24 and 28 both became full-time employees. In the year 2000 my sister took over the job of our former head book keeper, who retired. From this point onwards she was fully in charge. In 2002 I liquidated the advertising company I had founded as a student and decided to concentrate entirely on my FB career. I started visiting seminars about printing techniques, to learn as much as possible. Another important step for the two of us has been the year 2005, when we both became chief executives. The most recent step and perhaps the most important step in our lives as entrepreneurs has been last year (2012), when we both became shareholders of our FB (siblings, Box printing machine company).</p> <p>4. So involved in the process have I been, first of all my brother and I; that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR manager joined us and on our third</p>
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			<p>meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss. It is important for us that one's children are not subordinates, in terms of the department, or of their parents, but independent of them (father, Herbal Family).</p> <p>5. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home and has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm, but he does not have to start from the beginning but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family).</p>
		<p>Alternative</p>	<ol style="list-style-type: none"> 1. I think I remember a day when our son told me I never had to spend a minute to think about my later job, it was just given (father, Box printing machine company). 2. For me there has never been an alternative and I always wanted to do what I am doing nowadays (father, Box printing machine company) 3. A graphic designer (wife, Box printing machine company).

			<p>4. Sister: No, there was no alternative for me. Brother: No, you did not think about alternatives (Box printing machine company).</p> <p>5. On the other hand, if there hadn't been an FB I would have worked as an employee as everyone else does (brother, Box printing machine company).</p>
		<p>Theoretical experience</p>	<p>1. Elementary school (mother, Box printing machine company).</p> <p>2. Dipl. Ingenieur, I focused on construction and later on economics, and in that field, I specialized in cost structure (father, Box printing machine company).</p> <p>3. Engineering (father, Box printing machine company).</p> <p>4. I focused on an FB career (father, Box printing machine company).</p> <p>5. On purpose (mother & father, Box printing machine company).</p>
		<p>Work experience</p>	<p>1. We do it this way as one has first of all to know what strategic decisions might cost and you need experience to evaluate what is possible and what is not. One needs enormous experience when making direct suggestions to customers (father, Box printing machine company).</p>

			<p>2. Unfortunately these ideas rarely come from your employees. You have to be creative by yourself (mother, Box printing machine company).</p> <p>3. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day, and the same applies for my sister's children. Even if they are only destroying old folders and paperwork, but they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies. (son, Box printing machine company).</p> <p>4. Did you only work for the FB? Sister: Overall yes, I had a twenty weeks internship at our local bank, too. What about you? Brother: I have been abroad, in the States you know. (siblings, Box printing machine company).</p> <p>5. We are able to do everything on our own, we can judge whether one worker makes a good job or not and if he does not, I can take off my jacket and show him how it is done the right way. On the other hand, this is also very useful when we are short of hands; I can jump in and work on the machine myself and relieve my workers wherever I can (son, Box printing machine company).</p>
	Actors	External management	<p>1. Our aim is to have two or more leading external managers who support us in certain areas such as R&D (father, Box printing machine company).</p>

			<p>2. So involved in the process have I been, first of all my brother and I; that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss. It is important for us that one's children are not subordinates, in terms of the department, or of their parents, but independent of them (father, Herbal Family).</p> <p>3. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home and has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm but he does not have to start from the beginning but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family).</p> <p>4. With whom do you talk about your business ideas and problems (family, friends, clubs, and consultants)? Consultants, other executive directors; apart from my brother and me there are two external ones. Additionally the WHU (University) offers a family entrepreneurial club or meetings, which I use extensively and the same goes for Witten Herdecke (another university with a focus on FBs). Prof. May is an important member with whom I exchange ideas; he has his own consulting firm, INTES (father, Herbal Family).</p>
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			<p>5. Who has been involved in the decision to hire you? My father, my uncle and my current supervisor (daughter, Herbal Family).</p>
		<p>Non-employed family members</p>	<p>1. Wife? Of course, sorry, and the rest of our FIP members and the children and, naturally, my brother. My brother should actually be on top (father, Herbal Family).</p> <p>2. Where does strategy decision making take place? At the holding. No I mean which place? The meeting room of course. Not at home? No, of course we discuss business at home but decision making takes place at home (father, Herbal Family).</p> <p>3. Do you talk much at home about business? Yes. So you do not try to separate family and FB? No, I think that is impossible. And I do not want to. Our FB is the centre of this village's world; you cannot turn a blind eye to it (father, Herbal Family).</p> <p>4. In how far do non-employed family members influence the FB strategy? (Examples) 0.2%! Almost nothing. We probably cannot avoid it 100% but it does not play a role (father, Herbal Family).</p> <p>5. How about your wife, does she not have an influence? Yes of course she has, occasionally she makes a comment about HRM matters but there is no engagement from her side about true entrepreneurial matters. We discuss things at home but the last word spoken is mine. I am the one who is responsible for the decision making (father, Herbal Family).</p>

	<p style="text-align: center;">Legitimation</p>	<p>Legitimation</p>	<ol style="list-style-type: none"> 1. Everyone is employed or active (parents, Box printing machine company). 2. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day, and the same applies for my sister’s children. Even if they are only destroying old folders and paperwork, but they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies (siblings, Box printing machine company). 3. Did you only work for the FB? Sister: Overall yes, I had a twenty weeks internship at our local bank, too. What about you? Brother: I have been abroad, in the States you know (siblings, Box printing machine company). 4. We are able to do everything on our own, we can judge whether one worker makes a good job or not and if he does not, I can take off my jacket and show him how it is done the right way. On the other hand, this is also very useful when we are short of hands; I can jump in and work on the machine myself and relieve my workers wherever I can (brother, Box printing machine company). 5. Has there been a formal job interview? – Why or why not? Brother and sister shake their heads...
			<p>Nepotism</p>

			<p>2. I am the son so my parents knew me and all my shortcomings, and from my father's point of view I had to join willingly or not at all. So I decided it is better to join out of free will (father, Herbal Family).</p> <p>3. I have my contract with my parents and we wrote it by ourselves. Without the notary (son, Luxury Bathrooms).</p> <p>4. Both of my parents. There was no interview, because I always knew what I wanted to do. It was pretty clear that I am not the one who wants to take over the technical part, which my brother is doing today, but the marketing and sales part. Was your father more involved in this succession process than your mother? No, my mum also played an important role, especially in the development of the product portfolio (daughter, Luxury Bathrooms).</p> <p>5. No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for an FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The responsibility I got from an early stage, especially when our head manager for this job suddenly left, the company played an important role and convinced me to stay (daughter, Luxury Bathrooms).</p>
		<p>Formalization</p>	<p>1. Office; as mentioned before, I avoid talking about business in private environments (father, Cable King).</p>

			<p>2. Do you talk much at home about business? There needs to be a division between business and private life (father, Cable King).</p> <p>3. How far do non- employed family members influence the FB strategy? (Examples)None! What about your wife? No, my wife is not interested in the business and has no influence on it. Everyone has the right to receive FB information but not everyone is allowed to comment on it or to make any decisions (father, Cable King).</p> <p>4. No there was no real list per se, but I had one for myself. I had an expectation about myself: I needed to add true value to our FB and had to be well prepared to fulfil the job as good as all the others. I did not want to slow down the ongoing processes but wanted to support them. To clarify things: the family wanted to have me in the FB at an earlier stage and I refused as I did not feel ready for it at that point of time (law son, Cable King).</p> <p>5. Not yet, but we are in the process of writing and developing one with all family members involved. We hope to be finished by December this year (law son, Cable King).</p>
		<p>Professionalization</p>	<p>1. No there is nothing like a family constitution but we do have a shareholders contract (father, Box printing machine company).</p> <p>2. No there is no family constitution but a shareholder contract (daughter, Box printing machine company).</p>

			<p>3. There is no division between FB and living room. We occasionally avoid talking about the FB if we do not want to bore the children all the time, but rather we want to know what they experienced over the day (daughter, Box printing machine company).</p> <p>4. No, not yet but there is a shareholder contract (father, Herbal Family).</p> <p>5. None, I joined the FB after my graduation (father, Herbal Family).</p>
		<p>Neglect</p>	<p>1. I was the first one who had an E-mail address. I did install an Email service before I left for university and began my studies so I could work from there. Sister: I initialized our time recording system and a better cost accounting system. Anything else? Sister: An automatic travelling cost system. Brother: It's so much, we just did it (son, Box printing machine company).</p> <p>2. Our parents never had the time to do this or it was not available when they took the FB over (daughter, Box printing machine company).</p> <p>3. Every employee received a computer and we needed an intranet. Sister: Everything related to IT was done by us. Anything regarding HRM? Sister: Employment contracts, I standardized them and many of our employees didn't even have an employment contract so far... How did that happen? Our parents never cared about those things. Everything was done by handshake. 'Mr. XY do you have a job for me?'- 'Well, show up Monday morning 9amish, I am sure we find something to do for you'. There was so much stuff to catch up with. All of our employees who have been employed before 1993 did not have an employment contract! The whole structure starting from a craftsman enterprise to our modern business today was done by us (siblings, Box printing machine company).</p>

			<p>4. Our parents have had completely different priorities at that time and it is our task to catch up on those things which have been neglected (daughter, Box printing machine company).</p> <p>5. Cultural aspects and how to treat employees, she set a focus on responsibility and HCR (Holistic Corporate Responsibility) (father, Herbal Family).</p>
		Preparation	<p>1. I focused on a FB career (father, Box printing machine company).</p> <p>2. I worked as a doctor's assistant, which is no way related to my current position in the FB (wife, Box printing machine company).</p> <p>3. Yes. This actually helps him in the business. He is our top printing specialist (father, Box printing machine company).</p> <p>4. As he lived and worked in the States for six months (mother, Box printing machine company).</p> <p>5. Well his time in the States was pre-planned, as we wanted him to be there on his own (mother, Box printing machine company).</p>
		Responsibility	<p>1. Every one of us has his or her own department (father, Box printing machine company).</p>

			<ol style="list-style-type: none"> 2. They will take over responsibilities of our departments, too (father, Box printing machine company). 3. So involved in the process have I been, first of all my brother and I; that was the first contact. All together there have been four meetings on this issue. During the first meeting it was just my brother, my nephew and I. During the second meeting our chief HR manager joined us and on our third meeting, after first having a clue which department might be of interest, our CEO for Poland was invited to join. So if everything works out as planned, and so far it did, his future boss. It is important for us that one's children are not subordinates, in terms of the department, or of their parents, but independent of them (father, Herbal Family). 4. Without being immediately in charge and responsible herself (father, Herbal Family). 5. My nephew did it the other way around. He worked for another firm for four years as an assistant and is now coming home and has the experience and will to demand a leading position. So more or less in one year he will be recruited as our executive director in Poland. He still has to climb the ladder within the firm but he does not have to start from the beginning but from somewhere in between. It is important for us to demonstrate to all our stakeholders that our successors have the abilities needed and stand the comparison to external alternatives. We want them to know that there is nothing like a crown prince succession thing. Our family successors have to prove their worthiness (father, Herbal Family).
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		<p style="text-align: center;">Succession as a process</p>	<ol style="list-style-type: none"> 1. A very long, constantly running process (father, Box printing machine company). 2. I joined when I was born. I have been in every department and can do the job of every worker employed by us! Brother and sister: Since we are ten years old we have been working in the FB, almost every day and the same applies for my sister's children. Even if they are only destroying old folders and paperwork, they are present and work for the FB. Sister: We both studied as part-time students and worked at the same time for the FB, which was an integral part of our studies (son, Box printing machine company). 3. Well, they know us and our performance; it was just a natural process. A job interview seems to be very unnatural and formal (son, Box printing machine company). 4. This is an absolutely flowing thing, without real milestones as one would probably say. One gets certain responsibilities and works on them for some time, typically for a project or two, and then delegates them further to subordinates to free up time for facing new challenges. Our hierarchies are too flat to discuss any titles or spend time thinking of who might be responsible for this or that. It is our business and everyone feels responsible for everything (daughter, Box printing machine company). 5. Also we have been always in and around the FB; really, working on a regular basis started when we were 10 years old. That was the first big step. The next big step was probably in 1998 when my sister and I at age 24 and 28 both became full time employees. In the year 2000 my sister took over
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			<p>the job of our former head book keeper, who retired. From this point onwards she was fully in charge. In 2002 I liquidated the advertising company I had founded as a student and decided to concentrate entirely on my FB career. I started visiting seminars about printing techniques, to learn as much as possible. Another important step for the two of us was the year 2005, when we both became chief executives. The most recent step, and perhaps the most important step in our lives as entrepreneurs, has been last year (2012), when we both became shareholders of our FB (son, Box printing machine company).</p>
		<p style="text-align: center;">Sudden event</p>	<ol style="list-style-type: none"> 1. When one of these employees, a bookkeeper for instance, retired, our daughter took over his job and faced all upcoming situations bravely (father, Box printing machine company). 2. Did your parents encourage you to take over the business? It just happened. I wanted to be self-employed anyway and my parents wanted the FB to grow. On the same day when I had my last oral exam for the A levels (Abitur) we opened our new branch in the city centre and I decided that I wanted to do this. This is my baby you know? Call it destiny or whatever, it just seemed to be fine (daughter, Luxury Bathrooms). There was a leading employee; she was also doing my job at the time when I went to university. Unfortunately she always feared that I wanted to take her job away. Which was definitely not true, but when she left I was sitting between two chairs and decided to leave university and work as a full-time employee (daughter, Luxury Bathrooms). 3. It just happened to be (daughter, Luxury Bathrooms). No, I did not. It was more a temporary engagement. I was twenty-one at that time, totally naive and had no idea what succession and working for a FB really means. I wanted to gain time and figure out my opportunities. To be honest I just wanted to have fun and it needed some time until it became the job of my dreams. Why was that? All the personal commitment brought us closer to each other. The

			<p>responsibility I got from an early stage on, especially when our head manager for this job suddenly left, led to the company playing an important role and convinced me to stay (daughter, Luxury Bathrooms).</p> <p>4. When you think about your succession, what went wrong during the last ten years? What would you recommend to the young naïve yourself from ten years ago?</p> <p>Oh, oh, oh... First of all I would do an exec seminar, I would... no I should have been involved in the financial field from an early stage onwards. This is still a very sensible topic where I am missing transparency. I am lacking financial expertise, I wish I have had someone who had told me 'You have to do this, but be careful with that'. A better education? Yes! Or at least a more specialized education, a better preparation. I learned the basics during my studies but this was by far too general. So why did you leave university, was it becoming too much? The moment I left university was the same moment our manager dropped off. This happened to be one and a half semesters before my graduation. My performance wasn't really outstanding and my motivation was well, let's say, very limited. As I told you before, if I can, I always avoid difficulties. This was the perfect opportunity for me to drop off without losing face (smiles sadly) (daughter, Luxury Bathrooms).</p> <p>5. No, I married into the FB and worked before for IBM as my English is quite good (mother, Luxury Bathrooms).</p>
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