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## LEGITIMIZATION OF THE SUCCESSOR IN FAMILY SMES: DEVELOPING A THEORETICAL FRAMEWORK

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**Abstract:**

The transfer of a business generally involves extensive consequences for the further life of the owner-managers and their successors due to the entanglement of family and business issues in family firms. Furthermore, it is often a phase of conflict, tense mood, and major changes—especially for the employees facing the challenge of accepting a new superior, who often differs from the predecessor not only in terms of age, but also regarding leadership style and personal attitude. Nevertheless, the future success of the business depends considerably on the acceptance of the new leader. This essay seeks to identify empirically the factors that influence the legitimization of the successor in small and medium-sized family businesses using French and Raven's (1959) bases of social power approach as a theoretical backdrop. In order to explore this phenomenon in depth, a case study design was adopted. Qualitative methods, such as for instance focused interviews (n = 37) and photographs as a documentary method, were applied. Also, the Interpersonal Power Inventory as a standardized test instrument was used as a quantitative method among employees (n = 59). In contrast to previous studies, the employees' perspective is included in this study as well. The results show that the successors are capable of influencing their own standing in the firm by proving their broad expert knowledge and leadership qualities. True willingness, commitment, and passion on the part of the successors are additional variables that support the predecessors to withdraw stepwise. Because of their existing position of power, it is absolutely necessary that the latter pull back as well as sharing and transferring knowledge, responsibilities, and devolving power. Also, early announcement and communication of the successor as the firm's future leader might help the employees to adapt to the new situation. The recommendations for the parties involved in a succession process, resulting from the findings in this essay, can help to facilitate the legitimizing process of the successor in the business.

**Keywords:** family firms, crafts sector, SME, succession, social power, acceptance, legitimization, qualitative methods, interview, visual methods, case study

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“Tradition is not preserving the ashes, but passing on the flame.”

Gustav Mahler (1860–1911)

## 1 Introduction

In the family business succession literature, the desire for continuity and the preservation of the family tradition on the part of the predecessor is an often mentioned motive (Breuer, 2000; Gilding, Gregory, & Cosson, 2013; Lansberg, 1988). Thus, it is often their ultimate ambition to find a successor who takes over the business and who is capable of doing so—which can be large shoes to fill nowadays. But even if a successor has been identified—succession in family firms mostly starts not with a change in ownership, but with a change in leadership (Trow, 1961). The entry of a successor into the family business marks the beginning of a long-lasting and multi-year process (Handler, 1990)—the start of a long journey.

Family business succession has been defined as “actions and events that lead to the transition of leadership from one family member to another in family firms. The two family members may be part of the nuclear or extended family, and may or may not belong to the same generation” (Sharma, Chrisman, Pablo, & Chua, 2001, p. 21). Along with the leadership transition comes not only the transfer of all managerial responsibilities to the successor, but also the devolution of power and influence, which is mentioned in the literature as a necessary precondition to manage, control, and enact as successor in the new position (Churchill & Hatten, [1987] 1997). This shows that the transfer of power from the former leader to the successor, in other words his/her legitimization, is a very important issue in family firm succession.

But succession in the family business sector also has macroeconomic consequences. Latest figures show that 135,000 family firms in Germany are expected to be handed over between 2014 and 2018 (Kay & Suprinovič, 2013). Approximately 2 million employees will be affected by these successions. In order to perpetuate their employment, continuing these businesses should be the ultimate goal. Moreover, the preservation of knowledge and human capital, which is tied up in these firms that are ready to be transferred, is generally essential for the German economy (Müller et al., 2011). Bjuggren and Sund (2002, p. 130) even state that the failure of a family firm succession, which implies the sale to a third party or even a bankruptcy, actually has far-reaching consequences for a society in general: “(...) the special competitive advantages of a family business are lost”. This reveals the importance of a successful handover of family businesses to the next generation in order to ensure the well-being and welfare of the entrepreneurial families, related business stakeholders, and society in general (Bjuggren & Sund, 2002).

Nevertheless, it is not only a question of whether the business is transferred in general—rather, this paper deals with the question of *how* the succession process is handled and under which circumstances

the business can be successfully continued by the successor. For a successful succession, it is necessary that the successors gain acceptance and establish themselves in the business (Sathe, 1985, cited from Koffi & Lorrain, 2010). Many authors consider an effective succession from a long-term perspective and state that “effective successors are defined as persons who have the title and power of office and who in the long term demonstrate the ability to create a positive trend of growth and profits for the business” (Goldberg & Wooldridge, 1993, p. 65). Furthermore, it is important that the successor is not only accepted by the predecessor, but also by the personnel and all other stakeholders. Thus, this paper focuses on the *overall research question*: which factors influence the legitimization of the successor in the family business.

First, a short introduction to family firm succession in general will be given. As succession is often riddled with conflict, the literature regarding handovers in family firms has become very comprehensive (Sharma, 2004). Models and theories exist that cluster and structure the succession process, involving different groups of actors such as the transferor, the offspring, the family, and other stakeholders. Different stages in the process have been elaborated so far (Churchill & Hatten, [1987] 1997; Lambrecht, 2005; Le Breton-Miller, Miller, & Steier, 2004; Royer, Simons, Boyd, & Rafferty, 2008), ranging from four to seven stages. The successor’s process of learning and growing into the business, the development of his/her “technical, interpersonal, and managerial knowledge, judgement, and skills” (Churchill & Hatten, [1987] 1997, p. 59), and the predecessor’s final transfer of duties marked by his/her withdrawal from the business are often-mentioned and common stages.

Other authors focus on the psychological perspective and examine the individual motives and roles of the predecessor, the successor, and the relationships between them (Brückner, 2011; Cadieux, 2007; Koffi & Lorrain, 2010). For example, Breuer (2000) describes the succession from a social perspective as the predecessor's aim of ensuring continuity, because his life is biologically bounded and ultimate. The successor's task is to make sure that, despite the incumbent's personal retirement and passing, the continuity of the firm at the organizational–institutional level is guaranteed (Breuer, 2000). This perspective might also justify the predecessor’s frequently found wish to hand over the firm to a family internal successor (Breuer, 2009). The overall thought of preserving continuity is also mentioned by other authors (Brückner, 2011; Handler, 1994; Haubl & Daser, 2006; Kets de Vries & Carlock, 2007; Lambrecht, 2005). Meanwhile, the process is characterized by a stepwise role adjustment between the predecessor and the next-generation member—Handler (1990) describes it as a “slow and subtle process” (p. 43). Whereas the owner develops from a sole operator to a delegator and at last to a consultant, the successor emerges from a helper to the leader and eventually becomes the decision-maker (Handler, 1990).

Despite the preferred way of transferring the family firm to an internal family member, Breuer (2009) and Müller et al. (2011) showed in their studies within businesses from the skilled crafts and trade sector in Germany that transfers of ownership to people who are not connected with the family and who were

not even associated with the business beforehand are becoming more and more important. This is an interesting fact, because it might be conceivable that successions internally within the family would be especially prevalent in the craft and trade sector, where continuing family tradition and values are of significance (Glasl, 2007). The reasons for this might be rooted in changing societal norms: often, predecessors don't want to force their heirs if they don't want to fill their fathers' shoes (Breuer, 2009). Felden and Pfannenschwarz (2008) as well as Breuer (2009) equate this phenomenon with the growing emphasis on individual interests and self-fulfillment in western culture. As a logical consequence, it appears not as opportunity for many successors to work in a "well-feathered nest". Nowadays, questions regarding heritage and legal succession seem to be treated as of lower rank than the company's concerns (Breuer, 2009). Furthermore, the expertise and abilities of the successors become more and more important (Halter & Schröder, 2010). Most successors have to prove themselves as well as their willingness and competence, which has not been common in times of primogeniture and nepotism (Barach, Ganitsky, Carson, & Doochin, 1988).

According to Davis' (1982) three-circle model of family businesses, which consists of the subcomponents ownership, family, and business, this essay focuses on owners who are actively involved in the business and simultaneously family members (Davis, 1982; Taguiri & Davis, [1982] 1996). Furthermore, to simplify matters, this essay focuses on successions in which one owner wants to transfer his or her business to another close family member, son or daughter, or to a family external person. Despite or especially as a result of this simplification, it is often a phase of conflict, short-tempered emotions, and major changes. As said before, one trouble spot might be the predecessor's "deep-seated desire for immortality [...], and a sense of indispensability with respect to the business", as Handler (1994) states (p. 137–138). This might lead to a delayed or postponed withdrawal from the business. Other predecessors feel a strong wish to perpetuate the family business within the family to ensure the entangled corporate-family tradition, but without facing the successor's own desire (Lambrecht, 2005). Concordantly, it has been shown in research to date that the successor's sufficient motivation is a necessary precondition for a successful transition (Felden & Pfannenschwarz, 2008; Sharma & Irving, 2005). Nevertheless, few of the incumbents can cope with these aspects—others have problems in gaining distance. But their behavior has far-reaching consequences for the acceptance of the successor in the firm, as Cadieux (2007, p. 101) states: "[...] the resistance expressed by the predecessors had a significant impact on their [successors; author's note] integration into the firm [...]"

In spite of the extensive research that has already been done in the field of succession, one perspective seems to be neglected, as Cadieux (2007, p. 107) raises in the conclusion of her paper: "How do they [successors; author's note] manage to earn recognition as the firm's leader?" The employees' perspective in the family firm has not yet attracted researchers' attention (Chua, Chrisman, & Sharma, 2003), especially "the emotions felt by employees when a generational succession occurs" (Filser, Kraus, & Märk, 2013, p. 273), although it can be seen as one of the most important topics: the success of a transfer may be determined by the level of acceptance the offspring has achieved (Sathe, 1985, cited

from Koffi & Lorrain, 2010). Koffi and Lorrain (2010) examine, for instance, the “difference between women and men predecessors in their acceptance of the successors' organizational skills” (p. 76). Here, the focus on the predecessors' perceptions is emphasized, whereas the subordinates' view is rather neglected. But family external managers might fear for their professional development, career, and economic achievement if a successor steps in (Lansberg, 1988). Sonnenfeld and Spence (1989) confirm Lansberg's (1988) findings: “The first class of tensions includes fears of being surpassed and forgotten by the younger generation” (p. 356). De Massis, Chua and Chrisman (2008) even state that conflicts between potential successors and nonfamily members can hamper the succession process; a lack of trust in the successor can even cause the departure or threat of termination by top nonfamily managers. Moreover, the idiosyncratic knowledge these nonfamily employees possess might become very important for the future successor (Lee, Lim, & Lim, 2003). Chrisman, Chua and Sharma (1998) identified employee respect toward the successor as an important precondition to ensure an effective succession, even if the authors do not give an explanation about where this respect stems from. But it also emphasizes the necessity of a good relationship between successor and employees as well as its benefit for the willingness to share and pass on knowledge and information. Sharma (2004) also states a clear need to focus on the perspective of nonfamily employees, even if not particularly in a succession context, but in general in future family firm research.

Thus, it is the aim of this essay to examine the factors that influence the legitimization and acceptance of the successor in family businesses. Therefore, a case study research design is adopted using different qualitative and quantitative methods—focused interviews, photographs, and a survey. This resembles a mixed method approach (Johnson, Onwuegbuzie, & Turner, 2007) aiming at a deeper understanding of the research object—the ongoing legitimization of the successor. The findings of the different methods are merged into a theoretical framework. As legitimization of a leader deals closely with power and influence, the proposed research question takes French and Raven's (1959) bases of social power theory into account. Each base of power describes the dyadic relationship between a person exerting power and another receiving it, such as for example a superior and a subordinate. Furthermore, Hollander (1964) identified several influence factors that concretize how to gain legitimation. These will also be taken into account in elaborating where the successors' legitimate power stems from, what they can contribute themselves, or where they have to rely on others.

In Chapter 2, the theoretical background regarding social power and influence in small groups is presented, as well as the effects and determinants of the legitimation of a leadership role. Also, the relationship between concepts stemming from social power theory and family business succession is established and research questions are devised. Chapter 3 presents the methodological tradition of this essay, providing deeper insights into the sample constitution as well as research and data analysis methods. The results of the present research project are presented in chapter 4, separated into those from the focused interviews, the photographs, and the survey. The findings are discussed in chapter 5, whereas

chapter 6 draws a conclusion and gives recommendations for further investigation as well as practical implications.

## **2 Social Power in Family Firms and the Successor's Legitimate Power**

### **2.1 Social power within dyadic relationships**

Power and influence are phenomena that can be found in every social context. Because influence aims at the coordination of social action among the firm members due to the collaborative organization structure (Subašić, Reynolds, Turner, Veenstra, & Haslam, 2011), influence serves as a facet of leadership to control and influence the behavior and attitudes of the organizational members (Bass & Bass, 2008; von Rosenstiel, 2001; Yukl 2002). To achieve influence, social power as the “ability to take actions and to initiate interactions“ (Bass & Bass, 2008, p. 263) is needed. According to Bass and Bass (2008), power is regarded as the “engine of influence and leadership“ (p. 263). These statements show a close connection between the terms power, influence, and leadership and, indeed, this relationship still remains unexplained in the literature.

Gordon (2002) complains, for instance, that leadership literature in general has ignored the relationship between leadership and power at a “deep structure” level (p. 152). The leadership literature as well as the power literature seem to be fragmented into many single theories (Krause, 2010; Sandner, 1992). Sandner (1992) notices a certain “indefiniteness of central theoretical power concepts“ (p. 9). Furthermore, he criticizes the fact that most of the present theories assume the existence of power, but do not explain its evolution. Nevertheless, power and influence should be distinguished from each other, as Bass and Bass (2008) state: “Power is not synonymous with influence. [...] Leadership and influence obviously are a function of power. Power is the potential to influence” (p. 265).

However, commanding enough authority is one key determinant of successful and assertive leaders. In family firm succession, the predecessor's power is generally devolved to the successor at some time. Trow (1961) views the last stage in a succession phase as relevant for this transfer of power. But it is not only a matter of passing power—a leader can have the authority to decide and his decisions are still not accepted. Rather, it seems important that a leader has the legitimate right to execute from a given position. In terms of family firm succession, this means that the appointed successor should have the legitimate right to hold the successor position and that he/she is accepted by all stakeholders in the family firm. How these mechanisms regarding the legitimization of the successor work will be the focus of this study.

Thus, the propositions of this research are mainly based on the concept of social power and legitimization that was elaborated earlier by French and Raven (1959). Anyone who deals with different aspects of legitimacy cannot avoid a closer contact with French and Raven's (1959) primary work, “The Bases of Social Power“, “a must-read for every psychologist“, as Kehr (2000) states (p. 71). French and

Raven (1959) examine the relationship between psychological change, social influence, and power. “The strength of power of *O/P* in some system *a* is defined as the maximum potential ability of *O* to influence *P*” (French & Raven, 1959, p. 152). In the dyadic relationship of *O* and *P*, the authors take the power recipient’s (*P*) point of view and formulate a theory containing five different power bases that affect the life space of *P*. The social influence of person *O* has consequences for the target person *P* in terms of a change in belief, attitudes, and behavior depending on *O*’s social power. French and Raven (1959) define the bases of power as the “relationship between *O* and *P* which is the source of that power” (p. 155). Although there are undoubtedly many possible power bases, in the early days of research on power and influence, the authors presented five that turned out to be especially “common and important” (p. 155):

- (1) *Reward power*, based on *P*’s perception that *O* has the right to reward *P*.
- (2) *Coercive power*, based on *P*’s perception that *O* has the ability to punish or disapprove of *P*.
- (3) *Legitimate power*, based on *P*’s perception “that *O* has a legitimate right to prescribe behavior for him” (French & Raven, 1959, p. 156) resulting from his/her organizational or professional role.
- (4) *Referent power*, based on *P*’s desire for identification with *O* and/or his/her desire for such.
- (5) *Expert power*, based on *P*’s perception that *O* possesses special knowledge or expertise in a specific area of interest of *P* (French & Raven, 1959).

Despite earning recognition for the widely cited concept (Kehr, 2000; Raven, 2008; Sandner, 1992), the typology was further developed. In 1965, the aforementioned five bases of social power had been continually expanded. For example, information power was added, which is defined as *O*’s ability to influence *P*, because *O*’s message contains relevant information for *P* (Raven, 1965). Later on, the authors differentiated this into 11 bases of power, while the former six bases were still retained (Raven, 1992; Raven et al., 1998). Also, Raven (1992) further distinguished coercive and reward power into personal versus impersonal forms. Whereas impersonal forms refer to material and tangible sanctions and rewards such as bonuses, promotions, denouncement, or dissuasions, the personal forms include immaterial and intangible punishments and gratification, for instance praising and reprimanding in front of colleagues, or emotional support (Krause, 2010; Raven, 2008). Furthermore, expert and referent power were distinguished into positive and negative forms. Information power was further differentiated into direct and indirect forms; legitimate power was also sub-divided into four forms.

One of the differentiated forms of legitimate power is the legitimate power of reciprocity, which indicates the employee’s obligation to comply with the superior’s request as a result of something the superior has done for the subordinate. This obligation is caused by the reciprocity norm, also known as “Tit for Tat” (Andersson & Pearson, 1999; Krause, 2010; Sheldon, 1999). The legitimate power of equity is linked to Adam’s equity theory (Adams, 1963), which assumes that every person compares his/her personal input–output relation with those of comparable persons. According to Adams (1963), perceived social disproportionateness is more common than subjective harmony and fairness. It

indicates to what extent a subordinate feels obliged to comply with the superior in order to compensate a certain felt imbalance. In contrast, legitimate position power is the superior's right to prescribe the subordinate's behavior and stems from the superior's senior position in a formal or informal social structure. Krause (2010) refers to legitimate position power as "legality" (Krause, 2010, p. 109). It "stems from a social norm that requires that we obey people who are in a superior position in a formal or informal social structure" (Raven, 2008, p. 4)—we trust in authority. In other words, the "legality of *A* happens, if *B* feels obliged to fulfill *A*'s expectancies due to *A*'s role and position" (Krause, 2010, p. 109; cf. Raven et al., 1998). At last, legitimacy of dependence is based on a social norm which commits one person to help another person who needs assistance or support (Raven et al., 1998). It is also called the "power of the powerless", because support and assistance are generally reserved for the poor and infirm (Krause, 2010). All mentioned bases of social power are summarized in Table 1 with a short explanation.

Power base	Differentiation	Explanation
Reward power	Personal	<i>B</i> 's perception that <i>A</i> 's personal approval can potentially influence <i>B</i> .
	Impersonal	<i>B</i> 's perception that <i>A</i> is capable of delivering tangible reward.
Coercive power	Personal	<i>B</i> 's perception that <i>A</i> 's personal disapproval can potentially influence <i>B</i> .
	Impersonal	<i>B</i> 's perception that <i>A</i> is capable of delivering tangible punishments.
Legitimate power	Formal legitimacy (position power)	<i>B</i> 's perception that <i>A</i> has a right to influence based on <i>A</i> 's professional role or organizational position.
	Legitimacy of reciprocity	<i>B</i> 's perception that he/she is obligated to respond in-kind for what <i>A</i> has done already to benefit <i>B</i> .
	Legitimacy of equity	<i>B</i> 's perception that he/she is obligated to respond to <i>A</i> 's request due to an imbalance of expended effort and possible inconvenience incurred previously by <i>A</i> .
	Legitimacy of dependence (powerlessness)	<i>B</i> 's perception that there is an obligation to help people like <i>A</i> who cannot help themselves and who are dependent upon others.
Expert power		<i>B</i> 's perception that <i>A</i> possesses knowledge or expertise in a specific area of interest to <i>B</i> .
Information power		<i>A</i> 's potential to influence <i>B</i> because of judged relevance of the information or logical arguments contained in <i>A</i> 's message.
Referent power		<i>A</i> 's potential to influence <i>B</i> based on <i>B</i> 's identification with <i>A</i> and/or <i>B</i> 's desire for such an identification.

Table 1: Differentiation of the bases of social power, according to Raven (1992)

Although Gordon (2002) criticizes how the literature mostly focuses on the leader–follower dualism in terms of a dominant leader underpinned by superior power and obedient followers (p. 159), the concept was chosen for several reasons: (1) the bases of social power concept might be very simplified, but is highly practically orientated and applicable; (2) the availability of a standardized instrument enables the researcher to measure the power bases held by superiors in a reliable and valid way; (3) Hollander (1964) provides an exact explanation for the influence factors increasing legitimate power. As legitimate power



is the proxy for the successor's acceptance, this aspect is of special interest. Therefore, the next chapter focuses on this facet of social power in depth.

## 2.2 Core aspects of legitimate power

As introduced before, one of the five primary bases of social power is the so-called legitimate power, which is based on the "lawful right to make a decision and expect compliance" (DuBrin, Dalglisch, & Miller, 2006, p. 208). Legitimate power is thus based on internalized values and norms, which result from education, social norms, religion, culture, and tradition (Kehr, 2000). It is described as the most complex source of power, but also as the most effective one in achieving influence (French & Raven, 1959). In addition, "the legitimacy of leaders involves a complex set of attitudes toward them and their source of authority" (Bass & Bass, 2008, p. 282; cf. Read, 1974). Kehr (2000) encapsulates and argues that "legitimation has a janus-faced character" (p. 75). On the one side, legitimation is an underlying cause, as Bass and Bass (2008) state: "Members are more likely to accept the position of the leader and his or her influence as legitimate when the leader holds attitudes that conform to the norms of the group or organisation" (p. 282). Legitimate authority is thus based on prevailing norms and values (Kehr, 2000). On the other side, it is the result of a process: to assert his/her authority, the leader has to behave in a nonconforming manner (Kehr, 2000), because the subordinates might expect improvements or innovations.

In this study, the following definition of legitimation will be used: "Legitimation of a role refers to other's perception of an individual's right to function in a given position" (Bass & Stogdill, 1990, p. 295; cited from Kehr, 2000, p. 27). Therefore, the terms *legitimation* or *legitimization* are closely connected to the term *acceptance*, as Sandner (1992) elaborates: "With *B*'s (the subordinate's, author's note) acceptance of *A*'s conditions of subordination, *B* acknowledges the superiority of *A* and agrees to provide a condition *b* to get the resource *a* of *A*" (p. 118). Herewith, Sandner (1992) emphasizes possessing resources at one's disposal as strongly connected with the opportunity of executing power. All resource-based concepts of power, to which French and Raven's approach belongs, assume that resources are a central criterion of power and power exertion (Sandner, 1992).

## 2.3 Effects of legitimation

Stepping out from the dyadic relationship between two people to the group level, the advantages for a leader to be perceived as legitimate by a group are obvious: accepted and authorized leaders can more easily enforce their decisions, as the early experiments of Torrance (1954; cited from Steiner, 1972) show. Kehr (2000) concludes: "The authority becomes accepted, not the truth" (p. 77). That people behave obediently toward authoritarian persons was once shown by Milgram (1963) with his impressive experiments in the early 1960s. Test persons were forced by an investigator to boost the intensity of electric shocks to one person sitting in another room and tended to increase the shocks up to a deadly level for this person. Milgram (1963) deduced that there is a "tendency to obey those whom we perceive to be legitimate authorities" (p. 378). Furthermore, Bass and Bass (2008) state that trust can increase the

legitimate power of leaders and vice versa: “With the decline in confidence has come the loss of legitimacy” (p. 285).

In addition, some positive effects on the leaders’ own behavior should be mentioned: when leaders themselves feel supported by the group and thus legitimized, they are rather prone to changing group opinion. The feeling of support and legitimation confers them with self-efficacy and self-confidence to tackle new concerns (Kehr, 2000).

#### **2.4 Determinants of legitimation**

The above named consequences show the advantages that arise for leaders if they are perceived as legitimated. But it must also be stated that only being perceived as an authority is not sufficient to exert influence. In fact, the legitimation process is a complex interaction of norms, behaviors, relationships, and other imponderables (Kehr, 2000). Because “[...] leadership begins with a leader having legitimacy, based on whether and how a person is seen to have become a leader, as in election or appointment” (Hollander, 2013, p. 123), it is important to examine the preconditions for leaders to become a legitimated authority.

French and Raven (1959) present three sources of legitimate power in their theoretical concept (p. 150): (1) cultural values that endow some persons with the right to exercise power; (2) acceptance of the social structure of an organization, e.g., the occupancy of a position organized to confer authority (this determinant alludes to position power); (3) appointment or designation by a legitimizing agent (French & Raven, 1959; see also Bass & Bass, 2008).

Likewise, Hollander (1964) states three related factors: (1) the source of authority; (2) the perceived competence of the leader; and (3) his/her group conformity. Read (1974) further distinguishes the source of authority into three different forms: (1) the group itself elects the leader by democratic choice (which is the most accepted form of legitimation); (2) a (group) external authority chooses the leader; (3) the leader himself usurps the leader position, which is the less accepted form of legitimation (Read, 1974).

#### **2.5 Legitimation in family business succession**

The source of authority is a crucial point in this essay—especially the second option, in which an external authority elects the leader. Figuratively, it is assumed *that the predecessor in the succession process acts as a legitimizing agent who appoints the future leader of the firm*. The people employed can be compared here with the group, which has to accept the new leader. French and Raven (1959) state that “the success of such legitimizing depends upon the acceptance of the legitimizing agent and procedure” (p. 160). Equally, Bass and Bass (2008) confirm that “appointed leaders in a hierarchical setting are also likely to have legitimate power. The amount of power they have is a direct reflection of the power and status of the legitimatising authority” (p. 284). This means in a figurative sense that, in family firm succession, the successor’s acceptance depends greatly on the predecessor’s authority.

In family firm succession literature, only a few authors mention aspects of power and legitimization. Trow (1961), for example, describes the “designation of the successor by the predecessor or by appropriate higher authority [...]” as a necessary, antedated step before the actual succession (p. 232). Indeed, Trow (1961) does not refer to the predecessor as a legitimizing agent, but this reference shows that the influence of the predecessor or “other major power figures” has early been recognized, because they “could later dispute the succession” (p. 232). Also, McCollom (1992) reports on a case where a successor lacked the authority to run the company because he was not supported by other family members. In family firms, where ownership can be highly fragmented, family members holding shares serve all together as legitimizing agents who have to decide democratically about the future successor of the business. If they cannot come to an agreement, because they have their own agenda or aspire to be successors themselves, this might bring the whole family system into conflict (McCollom, 1992).

As the legitimizing authority seems to have such a wide influence, the question is raised whether theory from social psychology is transferable to family firm succession processes, where the predecessor acts as a source of authority figuratively. As laid down, some authors found evidence for the important role of legitimizing agents in family firm succession literature, but they remain quite rare. Thus, what are the implications for practice? Has a more powerful perceived incumbent more influence on legitimating his/her successor or do the employees judge the “new boss” independently? By what criteria would they judge him? What are the implications for the successors if their forerunners have not been accepted, but they were selected by them anyhow? Do they get a chance? As is common in qualitative research (Flick, 2009), the aforementioned overall research question (*Which factors influence the legitimization of the successor in the family business?*) needs to be specified, which is why three more precise propositions are formulated.

**Proposition 1:                    How can the predecessor influence the successor's acceptance in his/her role as legitimizing agent in terms of his/her power position?**

As mentioned before, Hollander (1964) argues that *competence* and *group conformity* are further determinants of legitimation. Trow (1961) mentions that “the ability of the successor is an important determinant of organizational performance in the period immediately following succession” (p. 234). Also, Read (1974) states that “the perceived competence, attractiveness or experience of a leader could provide legitimacy for a leader regardless of the procedure employed for his selection” (p. 191). This would mean that the successor’s acceptance depends on him/herself as well as and not exclusively on the power of the legitimizing authority. In a survey with directors and chairpersons from 485 family firms in Canada, competence in terms of decision-making abilities and interpersonal skills was identified as an important attribute the successor should hold for an effective succession (Chrisman et al., 1998). Still, their study did not aim to identify influence factors for the successor’s legitimacy nor did it include employees as judges. Thus, it is of interest which abilities the successor has to demonstrate and how important these skills are for his/her status. Proving his/her competence might be part of the legitimating process that the successor goes through. As mentioned before, expert power as one base of social power

is based on a subordinate's perception that the leader possesses particular knowledge or expertise in a certain area of the subordinate's interest (French & Raven, 1959). This might conform to the aforementioned necessary *competence* when gaining legitimization.

Moreover, *group conformity* consists of two aspects: "That the individual is aware of the existence of a given group norm, and that his manifest behavior in concordance with this norm is evidence of conformity" (Hollander, 1964, p. 186). In brief, the extent of internalizing the group's norms is meant (Gibb, 1969). The perception of conforming behavior is analyzed by observation and depends on the level of accordance with the group's expectations toward the new leader (Hollander, 1987, p. 794). Disregarding these norms can lead to a loss of legitimization (Kehr, 2000). Sathe (1985) noted that "acceptance in the organization's culture is the extent to which others perceive one believes and behaves as prescribed by culture" (p. 261). This may allude to Hollander's (1987) understanding of group conformity. Thus, it will also be of interest to see which expectations the group, that is the employees, place on the successor and what happens in case of satisfaction or underachievement.

Because *group conformity* and *competence* can be affected by the successor him/herself, the question is posed to what extent the successor him/herself can influence his/her own acceptance or whether his/her level of legitimization depends on the predecessor's power position. This would lie outside the successor's sphere of influence. Also, further and so far unknown possibilities for the successor to establish him/herself besides the aforementioned two factors might exist.

**Proposition 2:                    How can the successor affect his/her own legitimate position in the firm?**

As said before, power balances play an important role in every dyadic relationship—whether consciously accomplished or not. The family firm succession literature has focused intensively on examination of the relationship between predecessor and successor (De Massis et al., 2008; Dyck, Mauws, Starke, & Mischke, 2002; Handler, 1990). Often, it is viewed as necessary that both "gradually mature into adult-adult form" (Barach & Ganitsky, 1995, p. 133) and that they build a stable rapport. In this study, the third specific research question focuses on the consequences of the nature of this relationship for the successor's power position. If rivalry and conflict exist between both leaders, it might be more likely that the successor's legitimate power suffers from the poor relations. Here, the strong influence of the predecessor as a legitimizing agent must be remembered. If the predecessor, who might still be kindly regarded by the employees, makes the life of the successor permanently difficult, the employees might have difficulties adjusting to the new leader and remain loyal to the predecessor. On the other hand, support on the part of the predecessor, which is *inter alia* reflected in good relations, could positively influence the successor's legitimate power.

**Proposition 3:                    How does the (power) relationship between predecessor and successor influence the successor's legitimate position in the firm?**

The following chapter introduces the applied research methodology and methods in detail that will enable response to the proposed questions.

### **3 Evidence from the German Skilled Crafts and Trade Sector**

#### **3.1 Methodology**

Consolidated findings in existing literature prove that a mighty source of authority has a large influence on the acceptance of the future leader. These findings predominantly stem from experiments within small groups (e.g., Evan & Zelditch, 1961; Hollander, 1992; Kehr, 2000; Read, 1974). Central to the present study is the transfer of results and underlying theory stemming from an experimental test design into the field. The propositions above will be proved in a real context. Furthermore, the focus of this study lies in the acceptance and power position of the successor and does not emphasize—in contrast to previous studies in the field of family firm succession—leadership style, the change in individual roles, or gender aspects (e.g., Brückner, 2011; Cadieux, 2007; Koffi & Lorrain, 2010).

As mentioned previously, the succession process in family businesses is often a complex and multi-year procedure. Therefore, the greatest potential to understand what happens during and after the appointment and entry of the new leader is expected by acquiring an in-depth view of multiple cases. Although the underlying theory is comprehensive, entitled doubts do exist as to whether those preliminary assumptions stemming from experimental research design are appropriate to explain all existing phenomena in this specific field. For example, in the case of small group experiments, the group members were unacquainted with each other and built ad-hoc groups to solve task assignments (Hollander, 1964; Kehr, 2000). In a real context, employees are familiar with each other, and team or project work is not necessarily a daily occurrence. Furthermore, the external authority in the experiments was often an investigator, who had no previous contact with the group (Kehr, 2000). In a company, the predecessor often keeps intimate contact with his employees or has established a close relationship, which might affect the employee's behavior toward the new leader even more. Moreover, the internal validity of experiments is very high; in contrast, the external validity—the possibility of generalizing the results—is quite low (Bortz & Döring, 2006).

Thus, explanatory and exploratory methods have to be applied in order to reveal all the variables of interest. A case study research design that “investigates the contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2014, p. 16) seemed to be the most appropriate research methodology. In detail, a comparative, embedded multiple-case study (Yin, 2014) with different participating family firms has been conducted. Although single units of analysis do exist—the predecessor, the successor, and the employees, these are pooled into one holistic, theoretical framework in the end in order to return to the

level of the case, namely the succession (Yin, 2014). Thus, the *case* itself was the succession taking place in the firm, which in turn represents the *context* (Yin, 2014).

Furthermore, case studies are a frequently applied research approach in family business research (e.g., Graves & Shan, 2014; Kammerlander, Dessi, Bird, Floris, & Murru, 2015; Mickelson & Worley, 2003) and family firm succession research in particular (e.g., Brückner, 2011; Cadieux, Lorrain, & Hugron, 2002; Koffi & Lorrain, 2010; Lambrecht, 2005).

### **3.2 Research methods**

In this study, quantitative and qualitative methods were combined with each other in order to get a broader and deeper understanding of the research object. The broad purpose behind the combination of these antagonistic research paradigms is “to obtain knowledge about the issue of the study which is broader than the single approach provided, or to mutually validate the findings of both approaches” (Flick, 2009, p. 30). The integration of these methods happened by continuously collecting both sorts of data (Flick, 2009)—which means that qualitative data as well as quantitative data were collected independently from each other.

Why was it so important to use different methods? After presenting each method in detail, reasons for their usage will be explained in each single chapter. To answer the proposed research questions, the following qualitative and quantitative methods have been adopted.

#### **3.2.1 Focused interviews**

Aiming at research questions 1, 2, and 3, the technique of focused interviews has been used as a qualitative method. In order to observe different perspectives, each predecessor and successor as well as two employees were interviewed separately in each single firm between September 2013 and March 2014 on-site. Employees were also very important units of analysis, because their point of view was of striking importance in evaluating the successor’s legitimate power. Only employees were selected who had worked with the predecessor as well as the successor and thus knew both very well. In a preceding questionnaire, which the owners had to fill out before participating in the study, one employee with the shortest and one with the longest job tenure were named. This objective requirement aimed to avoid selection bias on the part of the owners based on sympathy or a good personal relationship with the probands.

The focused interview was developed in the 1940s by Merton and Kendall (1946) to evaluate the impact of mass media in mass communication (Flick, 2009). “After a uniform stimulus (a film, a radio broadcast, etc.) is presented, its impact on the interviewee is studied using an interview guide” (Flick, 2009, p. 150). Merton and Kendall (1946) emphasize that the “interview itself is focused on the subjective experiences of persons exposed to the pre-analyzed situation” (p. 541). This situation has to be content-analyzed beforehand. Furthermore, the focused interview is a mixture of quantitative and qualitative methods, as Lamnek (2010) states. It enables the researcher not only to generate “fresh

hypotheses” from “unanticipated responses to the situation” (Merton & Kendall, 1946, p. 541), but also to “test the validity of hypotheses derived from content analysis and social psychological theory” (Merton & Kendall, 1946, p. 541). The last aspect is especially important for this research design, because the herein assumed research questions are partially based on the results from small group experiments in social psychology. In the context of family businesses, the focused interview has also been used before (Birdthistle, 2006; Uhlaner, van Goor-Balk, & Masurel, 2004). In the field of transition and succession, the focused interview was applied as well (Day, 2008; Mari & Meglio, 2014).

A further reason for employing the focused interview was the fact that power, influence, and acceptance in organizations are very sensitive and emotional issues, which are difficult to access. Moreover, some employees might fear that negative answers regarding their superiors could have far-reaching consequences for their employment. Presumably, biases resulting from social desirability effects could not be fully excluded, but it was expected to identify them more easily in a face-to-face conversation than by applying an anonymous survey, or at least to reduce them. Also, all probands were informed about privacy protection and the confidentiality of the collected data, which might also reduce possible concerns (see Appendix 1 and Appendix 2).

To avoid or minimize the problem of access in the present study, the focused interview began with a film as stimulus: first, the scene from a movie should be evaluated by the interviewee. After the analysis of the stimulus situation in the movie, the interviewer led the interviewee more or less unnoticed to his or her personal experiences with the situation in real life. The reactions to the scene already provided insights into the interviewees’ feelings and beliefs, because they blended personal and subjective experiences with the interpretation of the video, as Collier and Collier (1986) confirmed regarding the use of photographs—another type of visual elicitation interviews. The authors explained that the interviewees might be willing to tell “their own stories” (p. 105), because “photographs may offer an opportunity for developing a sense of self-expression for respondents who are identifying and explaining the image’s contents” (Lapenta, 2014, p. 203). Likewise, Pauwels (2015) ascribes visual material the potential as a “door opener” (p. 97), because the technique allows the interviewer to “elicit or trigger deeper, more abstract perceptions and values of respondents” (p. 97). Hence, it was a helpful vehicle for digging into their mental attitude and for generating oral fluency. Only the researcher’s detailed content analysis in the beginning “enables a distinction to be made between the ‘objective’ facts of the situation and the interviewees’ subjective definitions of the situation with a view to comparing them” (Flick, 2009, p. 150).

In this study, a specific scene from the movie “En familie” (Jørgensen, Wiedemann, & Fischer Christensen, 2010), which is about succession in a family bakery, has been selected. In detail, the scene shown to the interviewees dealt with the first conversation between predecessor and successor regarding her entry decision. Furthermore, using this situation as trigger video was due to the underlying theoretical assumptions and aimed at analyzing whether the predecessor held the role of the legitimizing

agent. This scene was presented as a stimulus to both predecessor and successor, which enabled them to reveal their personal experiences in the same situation from different points of view<sup>4</sup>. The scene was not shown to the employees due to a lack of identification with the trigger situation.

### 3.2.2 Photographs as a documentary method

After the interview, photographs of the executives' offices were taken as a form of visual data. The analysis of visual material has become more and more important nowadays "since accessible and ubiquitous digital tools enable researchers to document fieldwork with ease" (Miles, Huberman, & Saldaña, 2014, p. 98). Furthermore, "photographs may not provide us with unbiased, objective documentation of the social and material words, but they can show characteristic attributes of people, objects, and events" (Prosser & Schwartz, 1998, p. 116). Here, the use of photography should be more seen as a documentary method to (re-)present evidence from other sources of data (Hinthorne, 2014). "Research documentation happens 'in the field' (whatever that might mean)" (Hinthorne, 2014, p. 509) and can be seen as "visual field notes [..., that] reveal something of the process of that particular process or site" (Mitchell, 2011, p. 136).

This method was aimed at the specific research question 3, which focuses on the relationship between predecessor and successor. The purpose was to find indications regarding the spatial placement and treatment of the successor after his/her entry into the firm. Executives' offices have always been a symbol of power and influence in terms of their location, size, and furniture (Sandner, 1992). As Peters (1978) formulated: "... symbols are the very stuff of management behavior. Executives, after all, do not synthesize chemicals or operate lift trucks; they deal in symbols" (p. 10). Furthermore, the rooms we inhabit are portraits of our personality and their ambience must enable a sense of well-being as well as concentrated work (Lachmayer, 2011). While the office of an industrialist was a symbol of constant success, control over an unsteady future, and a representation of power in the nineteenth century, the managers of today encounter other circumstances due to rationalization and humanization of the working environment: "To isolate oneself behind mightiness would be understood as self-restraint, this means also hiding behind an autocratic leadership style" (Lachmayer, 2011, p.134). As identification with the work place, personal closeness to the boss, as well as trust shape today's world of employment, the office as a hierarchical threshold no longer seems contemporary (Lachmayer, 2011). For instance, Prosser and Schwartz (1998) used photographs taken from deputies' offices for a comparative study of their working practices (Prosser & Schwartz, 1998), because in their eyes "the layout of objects in space is not arbitrary but tells us a great deal about the deputy principals, about who they are, what they do, and how they behave in their rooms" (p. 128). Hence, the placement of the successor's office might give an indication of the successor's hierarchical standing in opposition to the predecessor's and could indicate which leadership style, behavior, and organizational culture is prevalent in the business.

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<sup>4</sup> In Appendix 3 and Appendix 4, exemplary interview guides are provided.



### 3.2.3 Survey: Interpersonal Power Inventory

Lastly, a survey was used as a quantitative method in order to examine the specific research questions 1 and 2. Results from this survey should complement or contradict the findings from the interviews and provide a broader insight into the power levels of the predecessor and successor. This in turn should enhance the theoretical framework, which was developed during the data collection process.

Therefore, not only the two employees from the interviews were asked to take part in the survey, but as many employees as possible from each firm in order to complement the picture. It was expected that, in contrast to the in-depth view gained in the interviews, the staff as a whole might either rate the situation differently or agree. Furthermore, to obtain a wider impression, other bases of social power might be an important influence on the legitimate power position of the new leader in the firm. The applied questionnaire enables the employees to evaluate all the power bases of both leaders, whereas the interviews rather focus on the determinants of legitimate power in particular.

First of all, a short overview about the applied questionnaire will be given. Several instruments have evolved over the years that facilitate measurement of the original five or six bases of power (Hinkin & Schriesheim, 1989; Imai, 1989; Rahim, 1986, 1988; Schriesheim, Hinkin, & Podsakoff, 1991; Yukl & Falbe, 1991). Nevertheless, Raven et al. (1998) decided to develop a new scale on their own because of growing dissatisfaction with existing measurements regarding the “conceptual definitions of the bases of power as originally presented” (p. 311). They doubted that existing scales could explain their power distinction in a satisfactory way. Therefore, a new scale called the *Interpersonal Power Inventory* (IPI) was developed.

The IPI will be used in this study to evaluate the predecessor’s and successor’s power position and composition empirically. This critical-incident instrument comprises the aforementioned 11 bases of social power with 33 items as a further differentiation of the original five social power bases. Former versions of the test do exist, but these consist of fewer dimensions (Hinkin & Schriesheim, 1989). As the special focus of this study lies with the differentiation of the legitimate power base into four single bases, the recent version of the IPI (Raven et al., 1998) that contains the latest theoretical considerations (Raven, 1992) was used.

The IPI indicates to what extent the superiors’ use of a specific power strategy might have resulted in the subordinates’ compliance with a request (Getty & Erchul, 2009). Thus, as many subordinates as possible were asked to fill out the IPI, referring to both the predecessor and the successor. The instructions were almost identical to those in the original IPI questionnaire, but translated into German: “Think about a situation when your supervisor asked you to do a task somewhat differently. Although you did not agree initially with the requested approach, you did exactly as you were asked. In the following you can find a number of statements with reasons why you might do so. Please read them carefully and decide how likely it would be that this is a reason for complying in the imagined situation. Please answer the questions in regard to the predecessor as well as to the successor.” Thereby,

respondents were asked to answer the items on a Likert scale ranging from 1 = unlikely to 7 = very likely.

As the IPI is not available in German to the author's knowledge, it had to be translated into German. For this purpose, the method of re-translation was applied (Sinaiko & Brislin, 1973). The original version was translated into German and after that re-translated into English by a third person. Then, the two English versions were compared with each other. If the English items did not match with the original version, the German translation was modified until the English translation of the German items was identical with the original IPI or at least semantically identical. Appendix 5 provides the questionnaire in its original English and translated German versions.

### 3.3 Sample

#### 3.3.1 Family business sampling

Owing to the huge variety of aspects regarding family businesses, some preselection criteria had to be defined to ensure accordance in fundamental dimensions (Eisenhardt, 1989; Miles et al. 2014). This sampling strategy is called *criterion sampling* (Patton, 1990). First, one of the most important criteria was that the selected businesses were affected in some respects by a succession. The succession process should either have been carried out, which is called the *withdrawal phase* (Cadieux, 2007), but no more than two years ago, or it could also be in process, which means that predecessor and successor are working conjointly at the moment, which is named the *joint-reign phase* (Cadieux, 2007). As it is important to consider succession in family businesses not as one single event during the existence of a company, but rather as a long-term and multi-year process accentuated by several decisions and incidents (Churchill & Hatten, [1987] 1997; Handler, 1990; Le Breton-Miller et al., 2004), businesses have been selected at different stages of the succession process.

Furthermore, there were some crucial criteria that had to be considered in matters of the underlying theoretical assumptions regarding the concept of legitimization. Thus, the selected businesses ideally had one managing director who owned the majority of the shares. Furthermore, it was important that the managing director played a significant role in selecting the successor. The single successor could be a family internal person, such as a son or daughter, or owing to the growing prevalence of family external successions (Müller et al., 2011), a family external person, such as an employee or an alien person. The participating firms should have more than 15 employees in order to ensure an organizational structure or some hierarchical patterns.

Access to the businesses was enabled by cooperating with three German chambers of skilled crafts, geographically distributed all over Germany (Chamber of Crafts in Kassel, Erfurt, and Palatinate). Thus, the firms considered belonged to the crafts and trade sector and were rooted in Germany. This sector is a unique German phenomenon, not clearly classifiable as a business sector providing services or manufacturing goods (Glasl, Maiwald, & Wolf, 2008), because associated enterprises can deliver both

goods and services. The German “Trade and Crafts Code” (HwO) lists 94 professions that belong to the skilled craft sector according to law. Membership of the chambers of skilled crafts is obligatory for all businesses that belong to this sector. Furthermore, some of the professions require a master craftsman’s examination for legal execution of the profession. For others, the examination is voluntary. Most of the skilled craft firms belong to the family firm sector, because management and ownership lie in the same hands (Glasl, 2007). Furthermore, businesses are often operated by the owners and close family members, which emphasizes the traditional and familiar patterns within these firms (Glasl, 2007). The latest surveys substantiate the importance of the topic in the skilled crafts and trade sector: within this industry, the percentage of successions was estimated to be more than 50% of all ownership transfers in the German economy as a whole in 2009 (Müller et al., 2011). Furthermore, it can be seen that companies from this sector are transferred comparatively more often than other firms (Müller et al., 2011).

Firm	Skilled crafts	Number of employees	Number of previous successions	Type of handover	Collaboration	Succession phase
A	Baker, pastrycook	>500	3	family internal	4 years	joint-reign phase
B	Baker, pastrycook	>500	3	family internal	10 years*	joint-reign phase
C	Baker	16	3	family internal	12 years*	joint-reign phase
D	Baker, pastrycook	35	2*	family internal	13 years	joint-reign phase
E	Bricklayer, concreter, tile and slab layer, scaffolder	21	1*	family internal	13 years	joint-reign phase
F	Carpenter	17	2*	family internal	5 years*	joint-reign phase
G	Baker, pastrycook	34	3	family internal	19 years*	withdrawal phase*
H	Hairdresser	30	0*	family internal	13 years*	withdrawal phase
I	Carpenter, stair construction	15	0	family external, firm internal*	28 years*	withdrawal phase
K	Coach builder	29	2*	family external, firm external*	6 weeks*	withdrawal phase

\* The next firm selected is distinguished mainly in the marked (\*) characteristic from the previous one.

Table 2: Sample description

Within the sample, no focus has been placed on specific crafts. The sample included five bakers and pastrycooks, two carpenters, one hairdresser, one coach builder, and one building company. According to the suggested definition of small and medium-sized enterprises from the Institute for SME Research Bonn, eight out of ten businesses can be classified as medium sized, whereas two of them are major

enterprises regarding the number of their employees (Wolter & Hauser, 2001). Table 2 overviews the participating firms.

Although the participating businesses were homogeneous in some respects due to the aforementioned predetermined criteria, there were still many aspects that could be varied. The sampling process occurred stepwise and with regard to the findings from the last case. This approach is called *theoretical sampling* (Flick, 2009), which aims to select “individuals, groups, and so on according to their (expected) level of new insights for the developing theory in relation to the state of theory elaboration so far” (Flick, 2009, p. 118). In order to replicate the findings and to elaborate the status quo of the theory further, the next case was therefore purposefully selected and varied on a specific range of dimensions. Patton (1990) calls this procedure *maximum variation sampling* (p. 172), because extreme cases on the whole range of dimensions were picked. Hence, scheduling of the cases was guided by a general conceptual scheme, which included propositions about the duration of collaboration between predecessor and successor, the type of handover, the number of previous successions, and the succession phase.

The sampling process occurred as follows, thereby following a replication logic that is typical of multiple case studies (Yin, 2014): first, firms were selected that were in the joint-reign phase. Also, a succession internally within the family should take place. It was expected that the selection of these cases resulted in similar results (*literal replication* (Yin, 2014, p. 57)). The first two businesses were different regarding the duration of collaboration between predecessor and successor, but both had three previous successions as well as more than 500 employees (firms A and B). Next, firms with family internal successions were selected (firms C to H), which differed in their number of previous successions from one to three (firms C to G), whereas the duration of collaboration between incumbent-owner and successor was relatively stable (firms C, D, and E), and which operated in different craft disciplines. Furthermore, the number of employees amounted to between 15 and 35 employees. After that, by considering firms G, H, I, and K, the shift to the withdrawal phase was performed. The predecessors had already retired from the business or at least did not exceed a consultant position. Also, zero successions had taken place in firms H and I.

After conducting interviews in eight businesses with family internal succession, it was decided to consider family external successions in the analysis as well. It was expected that the selection of family external succession cases “predicts contrasting results but for anticipatable reasons (a *theoretical replication*)” (Yin, 2014, p. 57). Two businesses were encouraged to participate that had passed a family external succession. Within these two cases, it was distinguished between one business where a firm external handover had taken place (firm K), that is a management buy-out (MBO) (Becker, Hammes, Neuberger, & Upplegger, 2013). In firm I, a management buy-in (MBI) had happened, which means that the business had been handed over to a firm internal person (Becker et al., 2013). Furthermore, the duration of collaboration between predecessor and successors varied from 6 weeks (firm K) to 28 years (firm I).

### 3.3.2 Subsystem sampling

Table 3 represents the subsystem sample size. It provides an overview of the number of interviewees and photographs taken as well as the returned questionnaires and the response rate.

In total, 37 interviews with nine predecessors, ten successors, and 18 employees were conducted. In firm E, only the successor was willing to participate in an interview, whereas the predecessor himself refused and banned the employees from participating either. Photographs could not be taken in every firm for different reasons. In firm C, for instance, the successor felt ashamed because the predecessor always left chaos in the office. The researcher was allowed to take a look inside the jointly used office and encountered stacks of papers on the desk and on the floor. The office of firm H was not on-site and therefore could not have been photographed, because the interviews took place in one of their hair salons. Photographs of firm I and K were useless as the predecessor had already left the business and a photograph from the offices would not provide information about the power relationship between them.

Firm	Number of interviews with			Number of sent questionnaires	Number of received questionnaires	Single response rate	Photographs taken
	Predecessor	Successor	Employees				
A	1	1	2	50	20	40.00%	Yes
B	1	1	2	50	10	20.00%	Yes
C	1	1	2	10	0	0.00%	No
D	1	1	2	15	1	6.67%	Yes
E	0	1	0	0	0	0	Yes
F	1	1	2	10	10	100.00%	Yes
G	1	1	2	15	10	66.67%	Yes
H	1	1	2	15	5	33.33%	No
I	1	1	2	10	6	60.00%	No
K	1	1	2	15	3	20.00%	No
	<b>9</b>	<b>10</b>	<b>18</b>	<b>190</b>	<b>65</b>	<b>38.52%</b>	

<sup>1</sup> SC = successor, <sup>2</sup> PD = predecessor

Table 3: Participants by subgroups

In each firm, the manager-owners forwarded the questionnaires to their employees. They were asked to fill out the survey and to send it back to the researcher anonymously. The envelopes were already post-paid. In firm C, no questionnaires were returned despite several reminders. The predecessor in firm E did not want to take part in the survey. Apart from these businesses, 50% of the firms considered were in the joint-reign phase, whereas another 50% were in the withdrawal phase. Firms were categorized to the withdrawal phase when the predecessor had left the business eventually and worked at most as a

consultant for the business. No indication was the appointment of the successor as managing director, because this was not necessarily connected with the predecessor's withdrawal.

In total, 65 questionnaires were returned, which equals a response rate of 38.52%. Thus, the subsample size of the survey is more comprehensive than the one from the interviews. Although Wooldridge (2009) considers neglecting incomplete questionnaires critically, six questionnaires had to be excluded by reason of incompleteness, which results in  $n = 59$  questionnaires.

### 3.4 Data analysis methods

#### 3.4.1 Qualitative data analysis (focused interviews and photographs)

As recommended for focused interviews, coding procedures were employed to analyze the data (Flick, 2009; Miles et al., 2014) with the help of the qualitative data analysis software MAXQDA. To begin with, *first cycle coding methods* were applied to initially label the data blocks (Saldaña, 2013). As Miles et al. (2014) suggest, different first cycle coding approaches were “mixed and matched as needed” (p. 74) depending on their “particular function or purpose” (p. 74)—especially *descriptive coding*, *in vivo coding*, *process coding*, *emotion coding*, and *simultaneous coding*. Afterwards, *second cycle coding methods* were adopted in order to group and summarize the initially found first cycle codes into “a smaller number of categories, themes, or constructs” (Miles et al., 2014, p. 86). An exemplary excerpt from the coding scheme is given in Appendix 6. These so-called pattern codes inter alia laid the groundwork for later cross-case analysis. For the latter, the mixed strategy *stacking comparable cases* has been deployed (Miles et al., 2014, p. 103). Using a standardized set of variables, each case was deeply analyzed with the help of matrices and other displays. Afterwards, these case-level displays were combined into a *meta-matrix* for further condensed comparison (Miles et al., 2014). This resulted eventually in a *network display* (Miles et al., 2014)—the final theoretical framework—that displays how the successor gains legitimization and acceptance across time and how relationships between the parties involved change. Thus, the study follows an *abductive* approach as it aims to discover a new order that satisfies the identified surprising facts (Reichert, 2004), although it also contains *deductive* inferences when it refers to the social bases of power approach as a theoretical backdrop.

A typical saying is that “a picture is worth a thousand words”. But as Miles et al. (2014) indicate absolutely correctly—“images don't speak for themselves” (p. 98). To analyze visual material, they suggest a repertoire of methods that are not necessarily applicable to language-based data. In this study, *analytic memoing* of the researcher's spontaneous, individual impressions was therefore applied to the analysis of the photographs instead of “detailed breakdowns of components” (Miles et al., 2014, p. 98) as a visual content analysis would suggest (Bell & Davison, 2013). Special interest lay in the manner of cohabitation of both leaders, which was reflected in the office composition and constitution, for instance whether they had shared or separate offices, single or joint desks, and what feeling the offices conveyed.

### 3.4.2 Quantitative data analysis—the empirical strategy (IPI)

The filled questionnaires from the IPI have been carefully analyzed by employing a multiple regression. The basic equation therefore reads as follows:

$$Y = a + b_1x_{1i} + b_2x_{2i} + \dots + b_kx_{ki} + \varepsilon_i$$

$Y$  denotes the dependent variable that indicates the successor's acceptance into the family business.  $x_1$  to  $x_k$  work as predictor variables for  $y$  as outcome variable, with the parameters  $b_1$  to  $b_k$ , quantifying the relationship between predictor and dependent variable.

Applying the IPI as a quantitative method aimed at gaining a broader understanding of the present power structure between predecessor and successor from the employees' viewpoint. As a reminder, research question 1 emphasized the predecessor's role as legitimizing agent, whereas research question 2 concentrated on the successor's own role. As no concrete hypotheses have been postulated and in order to not exclude possible influence factors by ex-ante hypotheses that affect the successor's legitimate power, a stepwise regression has been employed first (model 1). The stepwise regression equals the forward method, which means that predictors that contribute to the prediction of the outcome variable are added to the equation while a removal test of the least useful predictors is carried out simultaneously (Field, 2013). Thus, model 1 discovers relevant predictors, which are further broken down in model 2. Model 3 contains the same variables as model 1 including the control variables that will be explained in more detail in chapter 4.3.3. Finally, model 4 refers to the findings from the interviews. By using "forced entry" as a method (Field, 2013), such predictors were included in the regression that appeared to be important in the interviews, but were not identified as good predictors in the stepwise regression of model 1.

## 4 Developing a Framework for the Successor's Legitimization in Family Firm Succession

In the following subsections, the results from the focused interviews (4.1), the photographs (4.2), and the survey (4.3) will be presented in detail. Section 4.4 provides the aggregation of all results into one theoretical model, the so-called *Theoretical Framework of the Successor's Legitimization in Family Firm Succession*.

For an overview, Table 4 summarizes again which propositions are covered by which method and in which chapter the results are presented.

Method	Proposition 1	Proposition 2	Proposition 3
Focused interviews	Yes (4.1.2)	Yes (4.1.3)	Yes (4.1.4)
Photographs	No	No	Yes (4.2)
IPI	Yes (4.3)	Yes (4.3)	No

Table 4: Overview of the coverage of research questions by the applied methods

## 4.1 Results from the focused interviews

### 4.1.1 Warm up: the legitimizing process

Interestingly, the interviews revealed that the legitimizing of the successor begins long before his/her entry into the firm. In Figure 1, the sequence of events is referred to as the legitimizing process. The predecessor and successor are the most influential and relevant parties in this process, which is why they are both depicted in the figure exclusively. Often, one event has consequences for another, which is marked by the dashed lines between the boxes. In the following paragraphs, the single events are explained according to the chronology in the figure and the labeled numbers on the boxes.

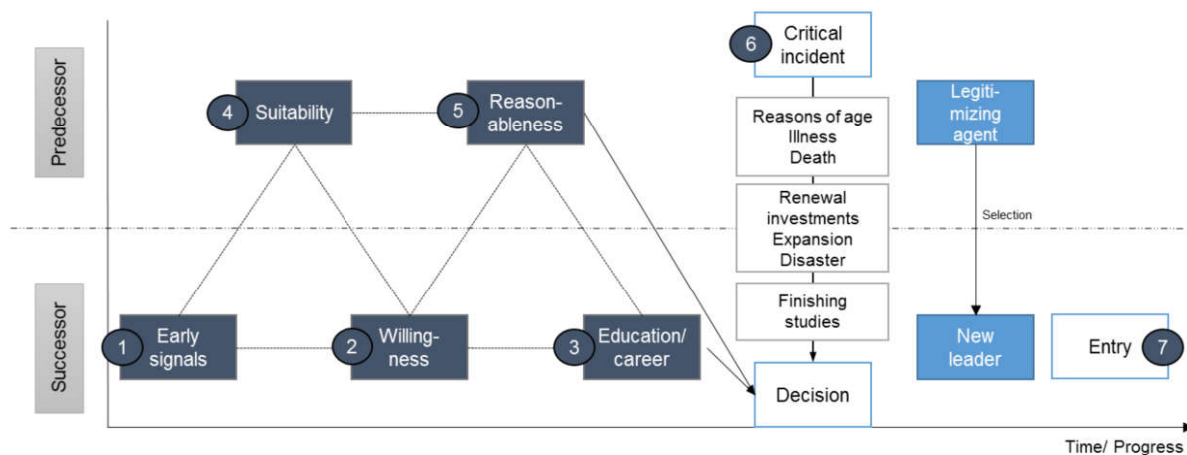


Figure 1: Legitimizing process of the successor

In the present cases, the process began in the early stage of succession or even before the question of succession was apparently settled. It seemed as though the successor legitimized him/herself in some respects by sending specific (1) *early signals* that led to the predecessors' (and to the employees') assumption and perception that he/she is willing or at least interested in joining and taking over the business. As is usual in family firms, and skilled craft businesses in particular, the potential successors grew up with the firm from childhood. Firm and family were always in very close contact: on the one hand, more family members, e.g., the mother or grandparents, were employed by the firm. Conversations about the business used to happen during lunch or dinner. On the other hand, the firm's building and the parental home were often the same place—spatial separation was impossible. Furthermore, the successors often worked in the parental firm in their school holidays and were familiar with the workflow and work processes at an early stage. So, early contact between the potential successor and the firm was unavoidable.

“From the very first, she was a hairdresser child” (Employee 4, Firm H)

Often, the employees took the entry of the successor for granted and never questioned the successor's opportunity to do something else.



“It was completely clear that one day she [the successor, author’s note] will take over the business—anything else would not have made sense” (Employee 9, Firm G)

Those early signals were then interpreted as (2) *willingness*. From this initial interest, the successor developed a more definite wish to continue the firm. It seems not surprising then that the successor decided to start an apprenticeship in the same discipline as the family craft business, even though the vocational training mostly took place in an external business of the same craft. A master craftsman training followed naturally in those disciplines that require one. Furthermore, the predecessors often supported the successors to modulate their (3) *education and career plans* according to the business.

“When I decided to become a hairdresser, my mother had said: ‘Look out! These steps are necessary; this is the right direction to achieve your goal’” (Successor 2, Firm H)

Thus, certain interdependencies between the successor’s and the predecessor’s behavior were observable. After receiving and noticing the successor’s (1) *early signals*, the predecessor asked him/herself two central questions: on the one hand, whether the possible successor was capable of taking over the business in terms of his/her expertise, social competence, and personality. This can be compared with a personal and individual (4) *suitability test*. On the other hand, after the successor’s interest had become more definite and he/she had expressed serious (2) *willingness*, the predecessor elicited whether the transfer of the business was generally reasonable at all.

On the one hand, the reasons for examining the (5) *reasonableness* might lie in the predecessor’s experience in leading a business. Firm leaders are not only in charge of huge responsibility for the employees, they have to ensure the economic welfare of the business, make strategic decisions, assume personal liability, and repay outstanding loans as well. Moreover, the external environment of the business in terms of its position within the market, for instance, aggressive market participants or competitors and changing political conditions, play a role. Certainly, being an entrepreneur requires a certain willingness to assume risk as well (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). In the cases studied, the more difficult the situation of the business was, the more the predecessor doubted handing over the business with peace of mind.

“Increasing regulations by the EU make new investments necessary; simultaneously there is a high competitive pressure from discounter bakeries, which exert downward pressure on prices. So, the situation for him (the successor, author’s note) proves to be difficult” (Predecessor 4, Firm C)

On the other hand, the predecessors often reported a personal dilemma in their role as a good parent in the family and manager of the business. Satisfying both demands has always been difficult in terms of work–life balance. This was also a question many successors asked themselves.

“Family life can suffer from entrepreneurship. Those family members, who work in the business, sacrifice themselves to the business, and so family life is seriously affected by that” (Successor 4, Firm C)

Thus, all these aspects were deliberated carefully. As a result, a decision had to be made. Often, this *decision* did not come out of the blue, but was in fact provoked by a (6) *critical incident* that pressed for a decision. These included reasons of age on the part of the predecessor, a serious illness, or even death (firms E, G, and K). In other cases (firms A, C, F, and I), questions regarding new investments in machinery, equipment, or even new buildings came up. The predecessors often made their decisions regarding those investments dependent on the successors' willingness and commitment to take over, because this usually involved considerable financial obligations. In contrast, in firms B and D, the successor's entry happened after finishing studies. In Appendix 7, a detailed overview of the critical incidents in each family firm are given.

Still, in most of the cases in this study, the successors seemed to have decided to take over the business autonomously and in a self-determined manner. The predecessors stated that they would never have tried to influence their successors regarding their career choice and entry decision. For now, there were no more obstacles regarding the (7) *entry* of the successor. Returning to the determinants of legitimate power, the predecessor selected the *new leader* of the family firm in his/her role as *legitimizing agent*.

#### 4.1.2 The predecessor's contribution to the successor's acceptance

Research question 1 focused on the predecessor's influence on the successor's acceptance. In order to secure a certain rigor, Figure 2 depicts different influence factors that were identified in the focused interviews. These will be explained in detail in the following, according to the labeled numbers in the boxes.

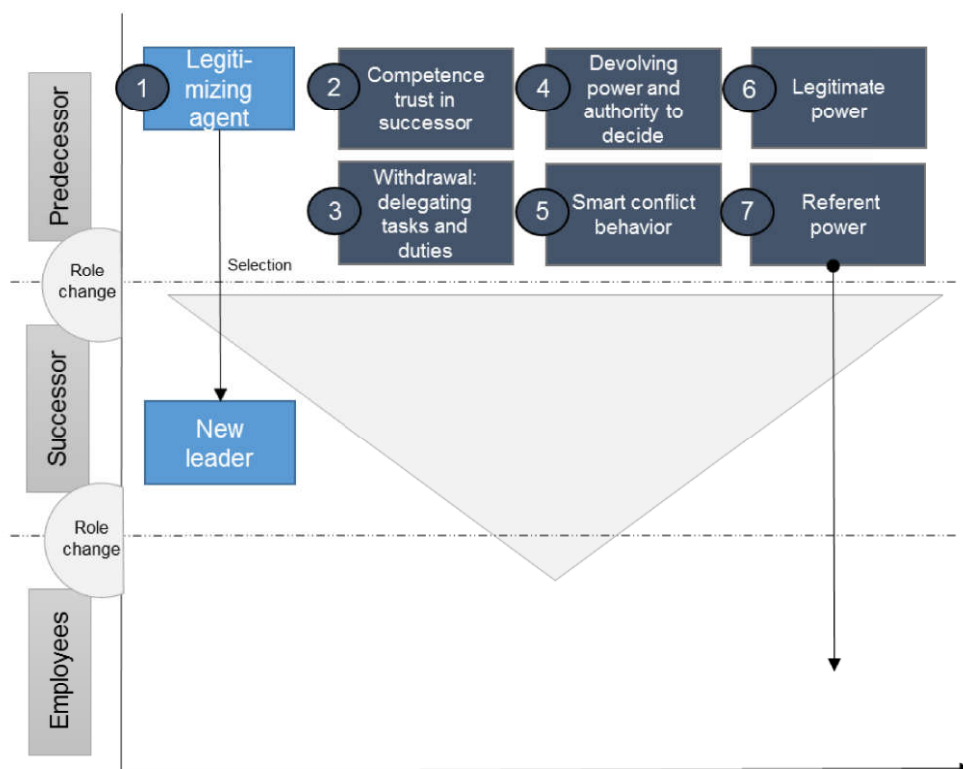


Figure 2: The predecessors' contribution to the successors' acceptance

Above all, the predecessor can be defined as the source of authority or (1) *legitimizing agent* appointing the *new leader* of the business. As the pre-selection questionnaire indicated, in the majority of cases, the predecessor was solely responsible for selecting a successor, although sometimes other family members such as spouses or siblings were involved in the process as well. Still, even if shares in the company belonged to other family members, in the cases studied, the family was often not as present as the predecessor, who was the active manager of the business. Therefore, the figure refers mainly to the predecessor as legitimizing agent, but mentions family members who may be involved in the selection process as well.

The predecessor's behavior toward the successor played an important role in the successor's establishment: apparent (2) *competence trust* in the successor was a compulsory condition for the incumbent to assign responsibility, to (3) *delegate tasks and duties*, and to take a back seat. Often, in the cases studied, a stringent task sharing between both was prevalent, which avoided duplication of work and ensured the transfer of knowledge. Similarly, it was necessary for the predecessor to put the successor up front and operate more in the background in order to strengthen the employees' perception about who was the new leader of the firm. In firms A, B, and H, the successors were enabled to preside over the weekly meetings with skilled workers and executive staff. In one case, in which the predecessor refused to withdraw, the successor was not allowed to chair or even to join the meeting, which made it difficult for the successor to become accepted by the employees.

“I would like to be around in the daily meetings in the morning, but my father would say: ‘What do you want here? That’s my job’” (Successor 9, Firm E)

Another way of empowering the successor was to refer the subordinates to the successor regarding questions they had or decisions that had to be made. Thus, the predecessor's slow and subtle (3) *withdrawal* from the active business might have enhanced the successor's (4) *authority to decide* and broadened his/her responsibility for specific tasks. To the same extent as the predecessors removed themselves, the successors established their position, as one predecessor said:

“As the senior fades or becomes weaker, the junior gets stronger. I lose strength and he gains it simultaneously” (Predecessor 8, Firm B)

Another important aspect was empowering the successor by (4) *devolving power*. It also means that the forerunner lays down the law if necessary in order to legitimate the successor's words and to show loyalty and support.

“Yes, I remember, in the beginning it took some time, until I had made it clear to the employees, that, when I'm not present or anything else, and the junior wants something to be done, then things are carried out as he wants” (Predecessor 4, Firm C)

Certainly, the predecessor still fulfilled some duties in the firm: often he was responsible for tasks that required special knowledge. This was accepted insofar as the last authority to decide was still up to the

successor. Often, this was not deemed negative or destructive and the successor benefitted from his/her forerunner's treasure trove of experience. The employees perceived their work environment as highly familiar and personal—as long as the relationship between predecessor and successor was harmonious and clear duties and structures existed.

“He is still here. He can help me whenever I need him. But in the end, I have to make sure that I get along myself” (Successor 5, Firm G)

But if the predecessor tried to retain his key position in the day-to-day business, the successor was never able to gain a foothold. For instance, in the case of firm C, the predecessor could not stop intervening and interfering, permanently inhibiting the successor's autonomy, which led to the successor's wish that his father should even move from his private apartment, which was close to the company site.

Furthermore, the interviews revealed that the subordinates recognized tensions and conflicts between both of them and could feel as though “caught between two stools” in case of being involved. To avoid this situation, it could be helpful for the predecessor and successor to (5) *resolve conflicts* early and backstage, although some employees indicated in the interviews that having controversies is “natural”. Thus, it would be unnatural and inappropriate to falsely portray a perfect world. However, communicating common views and clear messages was essential for the employees to find a pleasant working atmosphere. This implied congruent instructions as well. Besides, when the successor, for instance, criticized an employee, the predecessor should support his/her actions, even if he did not agree with him/her. This alludes to the aforementioned undermining of the successor's growing authority, which should be avoided. It also underlines the importance of a good flow of communication between both leaders that enables the permanent exchange of information. Besides, it hampers personal advantage and enrichment on the part of employees who might try to play incumbent and successor off against each other, which is only possible as a result of information asymmetries resulting from poor communication skills.

“Sometimes it happens that we are at variance with each other and try to solve our disagreement in front of other people. But mostly, they take to their heels” (Successor 6, Firm F)

“In the beginning, we both have been played off against each other more or less. Some employees said things like ‘we don't catch on anymore! The “wrinkly” says, do it that way, you say, do it like that, what shall we do now?’ But we could stop that comparatively fast, and people with whom it didn't work out, we dismissed them” (Predecessor 4, Firm C)

From this, it follows that the predecessor should not undermine the successor's authority through challenging or changing his/her decisions by public accusations in front of the employees. Hereby, the forerunner would question the successor's position and competence. Any agreements should be the subject of mutual responsibility—otherwise consequences for the successor's reputation may not be inevitable. On the other side, it could switch completely: when the employees sympathized strongly with

the successor, the employees formed a coalition with the successor to protect and defend him against the predecessor. But, sooner or later, they expected the successor to start fighting back in order to assert his/her position.

“Sometimes we would have expected a little bit more resistance from her [the successor, author’s note]” (Employee 10, Firm G)

The predecessor’s (6) *legitimate power*, particularly his/her position power, was also of great importance. For instance, in one case (firm E), the employees very much encouraged the predecessor to stay active in the business. It appeared to be difficult for the employees to rethink and get used to the successor as the new boss, because the former had been their superior for many years. This led to a phenomenon that could be found in another case (firm K) as well, where the predecessor was still called “boss”, although he had withdrawn from the business a long time ago and the business was even sold. It seems that, despite the withdrawal from the business, the forerunner’s position power did not diminish overnight. Rather, the decrease in power was a continuing process.

“When I started working here, I had definitely more respect for the predecessor. Because he simply was the boss” (Employee 14, Firm G)

Especially in long lasting joint-reign phases of the succession process, the predecessor’s strong position power could become a problem for the parties involved. Figuratively, the predecessor’s power is compared with a “lighthouse” and the successor’s with a “buoy”. It could happen that the predecessor’s far-reaching light now outshined the weak light of the successor’s buoy. The employees, following the brighter light, took the predecessor’s instructions for granted. This was confirmed by statements from subordinates that emphasized the right of the predecessor to have the final say, for example when difficult decisions had to be made. On the one hand, this indicates that, if the predecessor was broadly accepted, his/her acceptance would exceed that of the successor. On the other hand, the predecessor’s legitimate power can positively influence the successor’s legitimate power because the subordinates rely on the legitimizing agent’s opinion and trust him/her to have selected the right person. This always assumes that the predecessor is willing to step back.

Another problem was that the “lighthouse effect” might be intensified by the confidence, sympathy, and admiration that the employees placed in their former superior. In Figure 2, this is referred to as (7) *referent power* according to French and Raven (1959). As many successors were incapable of contributing to the business’s prosperity to the same extent as their forerunners were doing—especially in the beginning on account of their younger age, inexperience, and their lower level of seniority—their performance was naturally rated worse compared with the predecessors. Loyalty toward the predecessor, appreciation of his/her former achievements and merits, and his/her dedication to the business might therefore impede a smooth beginning and establishment of the successor because the latter falls short of the predecessor.

Hence, a harmonious and trustful relationship between predecessor and successor determined by the predecessor's ability to step aside, to delegate tasks and duties, to assign responsibility and authority to decide can influence the position and acceptance of the successor in a positive way. If the predecessor resisted withdrawal at first in some cases, it turned out to be a good strategy for the successor to accept the predecessor's position and to be patient instead of rebelling against it in order to assert his/her leader position.

#### 4.1.3 The successors' contribution to their own acceptance

Research question 2 aimed at examining the successors' influence on their own acceptance. In the interviews, their own behavior appeared to be very crucial regarding their personal standing in the business. Likewise, Figure 3 depicts the successors' own contribution to their acceptance. The following paragraphs explain the identified influence factors in greater detail by considering the labeled numbers of the boxes in the figure.

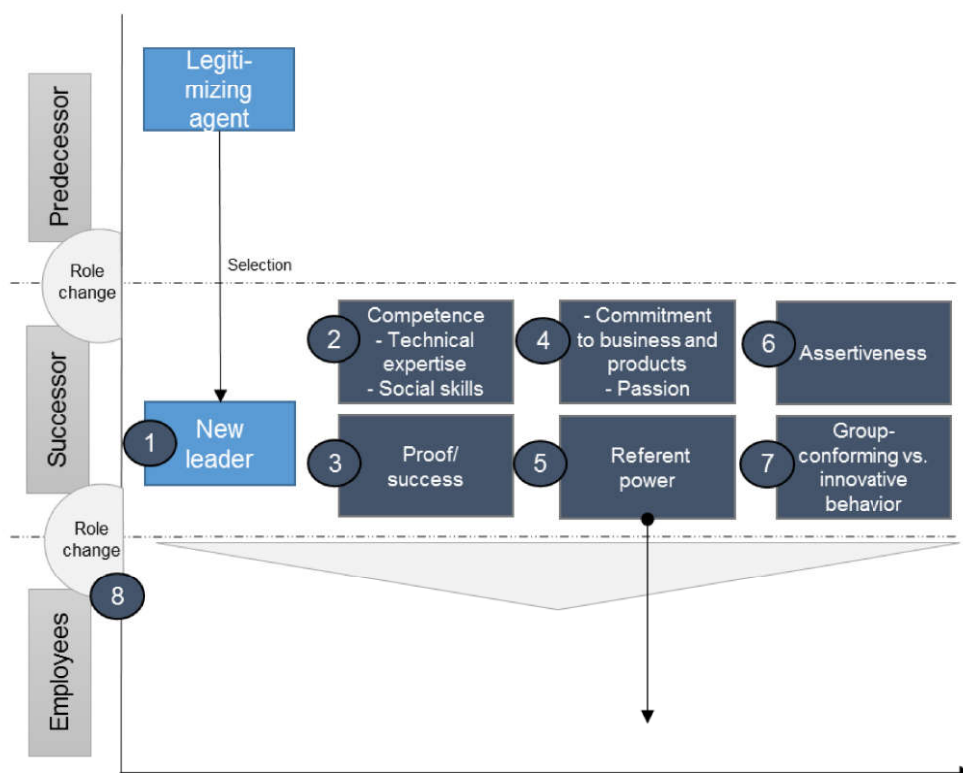


Figure 3: The successor's contribution to his/her own acceptance

As before, the successor is defined as the (1) *new leader* of the family firm, who was appointed by a *legitimizing agent*, namely the predecessor.

One of the most striking facts the employees mentioned was the necessary (2) *competence* of the successor. In skilled craft businesses, this mostly refers to a suitable education such as an apprenticeship or a master craftsman certificate in particular. But it also appeared to be important that the successors

not only possessed this technical expertise theoretically, but that they proved their professional skills and abilities successfully to the organizational environment ((3) *proof/success*). Often, the successors were even better educated than the predecessors. They not only held one or two master craftsman's diplomas, but had often studied, for instance, economics at university to broaden their economic knowledge and to improve their management abilities. Hence, in cases where the employees perceived the successors as highly and better educated than themselves, they also expected them to set a good example and saw them as an idol. If the successors lacked this specific technical expertise, because they had studied or received training outside the business's craft, this could lead to problems between predecessor and successor and employees respectively:

"I believe the employees think in some respects that I [the successor, author's note] have not a clue of what I am saying anyway, so, sooner or later, this might lead to (...) some kind of acceptance issues. Actually, I already have them"  
(Successor 9, Firm E)

However, concordantly with the firm size, the demands on the successors' abilities increased. All interviewees considered economic skills more important the larger the firm. Still, in both bakeries with more than 500 employees, the successors had completed their degrees in economics as well as acquired profound knowledge in their craft discipline. Furthermore, the employees seemed to accept a lack of craftsmanship if this was planned from the beginning and if the successor concentrated on his/her own business division, e.g., as business administration manager, not interfering in the employees' affairs.

"If somebody comes and says, I have no idea of these things, I do my own thing here and you do your own thing there—I mean, then things are clarified. I know that he knows as much about baking as the man in the moon, but that's fine, as long as he does a decent job in the back office" (Employee 7, Firm C)

Lacking professional expertise involved the risk of becoming dependent on the employees' knowledge and willingness to cooperate. Especially in cases of both firm and family external successions, this appeared to be problematic because it took a long time for the successor to get to know and understand the internal business processes and products. A short duration of collaboration between predecessor and successor worsened the situation, as happened in firm K, because both parties could not overcome their lack of willingness to cooperate. To summarize, especially in the skilled craft sector, the existence of solid professional expertise turned out to be essential.

Another big issue was the existence of (2) *social skills*. Employees highly valued successors who were committed to the firm and had an authentic personality free from arrogance, but characterized by modesty. This led to trustful and close cooperation between them. Also, the successor was a place to go for their (personal) problems and sensitivities. They appreciated when the successor was receptive to their problems and when he/she took any legitimate concern the employees raised seriously.

"At any time I can confide any concern to him" (Employee 8, Firm C)

Certainly, this required sensitivity on the part of the successor for the well-being of his/her employees:

“They [the employees, author’s note] have realized that my leadership style has more team spirit. I show interest in their opinion and deal with their concerns. And I take notice if someone is energetically down. My father doesn’t notice that” (Successor 9, Firm E)

Another important influence variable was the successor’s (4) *commitment* to the business and its products, driven by a huge (4) *passion* for the craft discipline itself. Often, the successors and predecessors were described as, for example, “bakers with heart and soul” who have devoted themselves to the business. This led to high participation in the day-to-day business, which was highly valued by employees and seen as a commitment toward the business and toward themselves, because the successors did not avoid “dirtying their hands”. It also led to mutual trust and confidence. Especially in the case of personnel or time bottlenecks, the employees expected the successor to actively lend a hand. Accepted successors showed no haughtiness or arrogant behavior.

“He is always there. Even if the worst case happens in the back office or in the production, he is always there” (Employee 8, Firm C)

“I believe he [the successor, author’s note] set his heart to it” (Employee 1, Firm A)

Furthermore, possessing professional and social skills, commitment, and passion for the business led to a sense of admiration from the employees’ viewpoint. They often paid tribute to and respected the successor and identified themselves with him because he was often one step ahead. In French and Raven’s (1959) concept of power, this would similarly be declared as (5) *referent power*.

In addition, the successors might yet have a certain amount of authority due to their position power innately, which was reflected in statements such as “She is my boss and I have to accept that” (Employee 9, Firm G) or “The boss is the one who pays” (Firms C, D, and I). Often, position power can stem from the authority of ownership (Finkelstein, 1992; McCollom, 1992) but, as the employees did not seem to know about the proper distribution of the shares, ownership seemed to play a less important role. Other bases of legitimate power such as legitimate reciprocity, legitimate dependence, and the equity norm did not play the same important role as position power, but were mentioned by a few employees. Still, some statements show that respect for authorities in superordinate positions exists by nature:

“I think, straight from birth we have this feeling of respect toward people in a superior position” (Employee 15, Firm B)

Also, just being present and always around gave the subordinates the feeling that the successor was interested in the business. Simultaneously, it enabled him/her to control and monitor output. Hence, this control of group activity was another possibility for the successor to show his/her presence in the business. In concrete terms, checking the returns from the daily exported goods manufactured in the bakery or monitoring of performance indicators such as the achieved customer turnover per employee



in the hairdresser case were examples of a successor paying attention to the business. Nevertheless, exaggerating the right of control could lead to a reversal of the effect, because employees felt pressurized and over-monitored.

Despite all the aforementioned required social empathy for the employees, the successors had to assert themselves and be able to be harsh and strict when required. In Figure 3, this is referred to as (6) *assertiveness*. They had not always to act like well-behaved new leaders tolerating inadequate behavior—instead they needed to impose penalties and sanctions if necessary, e.g., if someone defied them. This could even lead to the declaration of a written warning (often in agreement with the predecessor) if, for instance, a subordinate permanently undermined the successor's authority or repeatedly failed to complete a task. By using coercive power, the successors earned respect.

Another facet of gaining acceptance referred to the determinant (7) *group conformity*, which is also mentioned by Hollander (1964). The employees expected the successor to preserve existing structures and to secure continuity. Similarly, they demanded a “fresh breeze” and waited for the successor to implement new ideas and innovations to ensure the firm's existence. This forced the successor into a dilemma as he/she was only allowed to be innovative in a defined framework. Expected innovations could refer to small improvements, but also to the development of new products, organizational changes, and process innovations. Still, mainly older subordinates seemed to have problems with accepting changes. However, involving employees in the change process gained higher acceptance regarding innovations than excluding them from decision-making.

“When he has a new product in mind or a recipe, he asks his pastry chef to try the new combination. After that, we all sit together and test the new confectionery or pastries. That's great. It's like trial and error. If it doesn't taste, we are allowed to say that. I mean, we have to sell it later, so we should know and like what we sell” (Employee 8, Firm C)

The delegation of decisions and general involvement of employees by asking for their opinion were thus highly appreciated and resulted in a relationship characterized by mutual respect and esteem. Often, the involvement of employees and open communication were part of the corporate culture. Continuing these traditions and values can be seen as part of the successor's required group-conforming behavior.

“I think, we have lean hierarchical structures and the employees are involved to a great extent. When we have our fortnightly meeting with all department heads, everyone can speak his mind and every opinion is accepted” (Employee 15, Firm B)

In general, it can be said that the relationship between the employees and the new leader of the firm was always subject to (8) *role change*. Often, both parties knew each other from the successor's childhood on, and they were mostly on a first-name basis with each other. In the observed firms, the structures were very familiar, traditional, and personal. But it was not observed that addressing someone formally led to higher acceptance. More relevant were objective criteria for judging the new leader. So, becoming

familiar with each other began with the entry of the successor into the business, often at an early age. As said before, all members of the firm scrutinized his/her abilities critically and evaluated his/her skills. It is self-evident that a role change had to follow: the successors developed from children to peers and, after their official announcement as managers, they found themselves in a superior role. Hence, the successors gained acceptance in the long run by working hard for it, by showing commitment to the firm, by caring for the employees' concerns, and by proving their abilities and skills permanently. In the case of a family external but firm internal succession (firm I), this role change appeared to be more difficult for the employees, because the new superior was once a peer at the same level in the organizational hierarchy.

“Certainly, after I was appointed to the new boss, they stopped telling me about everything that was going on” (Successor 7, Firm I)

Another problem was the often considerable age difference between the employees and the successor, because they might not take advice from someone who was younger and apparently inexperienced. In contrast, this role change was not necessary with recently appointed employees. Because of their short collaboration with the predecessor, the successor was their central contact person from the very beginning. Loyalty was built more easily because those employees tended not to look up to the former superior.

“I am 46 and the employee has served in the business for 46 years. That’s not easy” (Successor 9, Firm E)

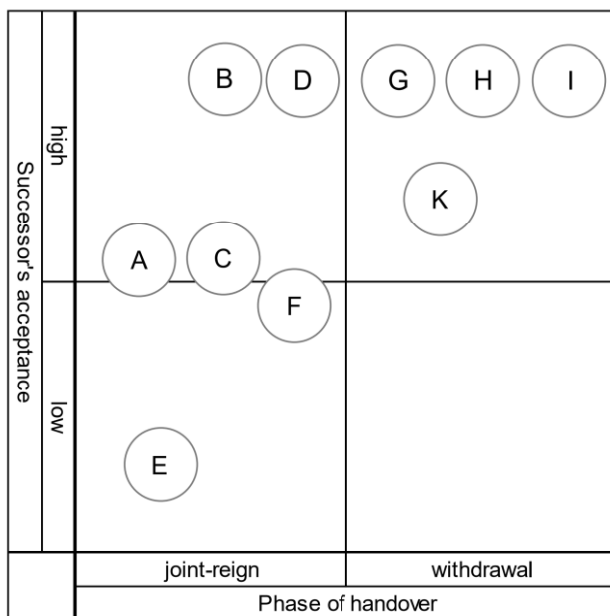


Figure 4: Successor's acceptance depending on phase of handover

An analysis of the successor's acceptance dependent on the phase of handover is depicted in Figure 4. It shows that problems regarding the successor's legitimate authority only appeared in family firms

where the predecessor still remained active in the business—where the businesses were in the joint-reign phase. In contrast, cases in the withdrawal phase appeared to have better accepted successors. Herein, the successor had the full authority to decide without the predecessor occasionally interrupting.

#### 4.1.4 Interdependencies between the predecessor's and the successor's behavior

After presenting the consequences of the predecessor's and successor's behavior for the acceptance of the latter in subchapters 4.1.2 and 4.1.3, this section focuses on the specific research question 3, which aimed at examining the relationship between predecessors and successors and its consequences for the new leader's acceptance. In Figure 5, those interdependencies are therefore depicted in an alternative way. In contrast to the comprehensive model (Figure 6), which will be introduced later as a consolidation of the single figures presented so far, Figure 5 focuses exclusively on the “reaction chain” between the former and the new leader. Furthermore, it provides an additional explanation for why some successions work out smoothly and others do not, because one single misfit at a certain stage entails further aberration during the process.

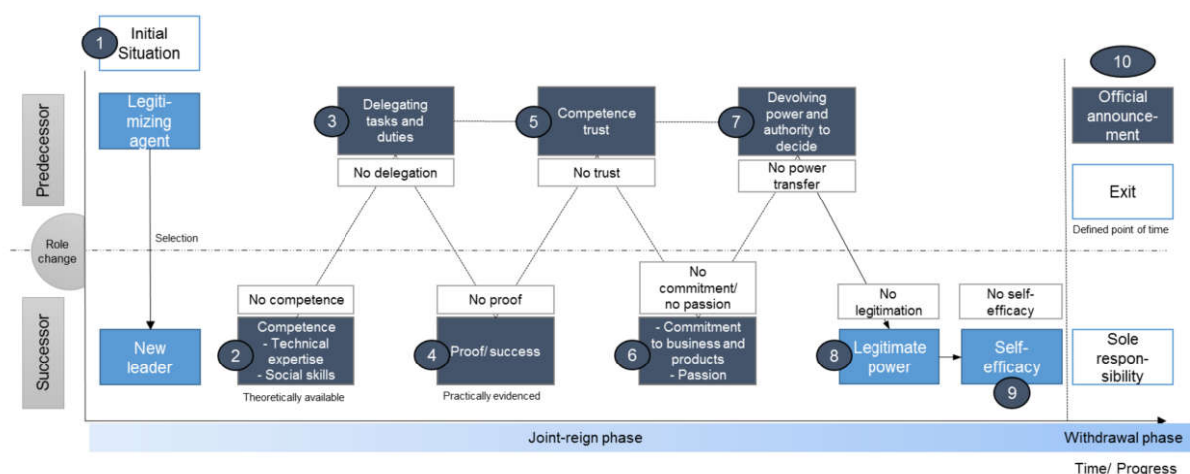


Figure 5: Interdependencies between predecessor and successor during succession

Again, with the predecessor as the legitimizing agent who selects the successor as the new leader of the family firm, the (1) *initial situation* is set. With the successor's entry into the business, the really critical stage called the joint-reign phase (Cadioux, 2007) often begins. Other authors have identified this specific stage as very critical in the succession process, having a high conflict potential due to the contrariness and inconsistency of the predecessor's and the successor's interests, views, and plans (Brcuer, 2002; Lansberg, 1988).

As said before, (2) *professional competence* and *social skills* were required from the successors. These theoretically available resources were recognized by the predecessors who then started to (3) *delegate* a few *tasks and duties* tentatively. Those tasks did not necessarily require a great amount of responsibility or problem solving abilities. Rather, this was about (4) *proving* the available know-how in practice. Only

if the successors' attempts at transferring their resources into practice were (4) *successful* was (5) *competence trust* created on the part of the predecessors. The successors noticed that the predecessors were willing to delegate more and more responsibility and that they were trusted, which in turn increased their (6) *commitment* to the business and the products, boosted their passion even more, and fostered their willingness to take over. Following from this, the predecessors recognized the true and intrinsic wish of the successors to fill their shoes. Encouraged by their trust placed in the successors, they were willing to (7) *devolve* more and more *power* and *authority to decide* to their successors, as the predecessors were confident that the business would be in safe hands. The predecessors now behaved unconsciously in a way that (8) *legitimized* the successors as future leaders of the company. They strengthened their position further, supported them in front of the employees and other stakeholders, and were willing to withdraw more and more. Feeling strong by virtue of the predecessors' confidence and support, the legitimated successors developed a feeling of (9) *self-efficacy* and self-confidence and believed that they could succeed as future leader of the firm.

Having a closer look at the aforementioned "reaction chain", any deviation from the presented ideal process has consequences for the legitimizing of the future leader. For instance, if the successors have no available competencies that are required, the predecessors will hesitate to delegate tasks because they are not confident that the successors will successfully fulfill the demand. Thus, the successors cannot prove themselves in practice and are not able to achieve a feeling of success. In turn, no competence trust is created on the part of the predecessors. A vicious circle starts—the successors feel blocked, inhibited, and therefore demotivated. Passion for the craft, commitment to the business and its product are hard to show. Again, this leads the predecessors to retain all the power they have, not being willing to devolve it as they doubt that the business will be in the successors' safe hands. As a consequence, the successors are equipped with no or less legitimate power. They do not feel self-confident concerning their role as future leader and doubt whether they can handle the whole situation with sole responsibility. The success of the succession process is now in dispute.

Thus, deviating from the ideal process runs the risk of a postponed withdrawal from the business on the part of the predecessor. But no matter which path the predecessor and successor take during the joint-reign phase—eventually the process is completed one day by the (10) *predecessor's exit*, which marks the beginning of the withdrawal phase. The successor now has sole responsibility for the family firm. Two important points should be mentioned:

A *defined point in time* for the succession could be identified as a further positive influence factor in the study. Not only is a succession schedule with detailed steps and deadlines important for a smooth succession that clarifies, for instance, legal formality issues, loan application discussions between bank and successor, payment for shares of further heirs, determination of a purchase price in case of selling the firm, or consultancy of experts from different institutions. Also, a fixed point in time appeared to be helpful for fulfilling the succession plan and for facilitating withdrawal from the firm on the part of the

predecessor. Corresponding with that were the transfer of shares or the successor's promotion to the managing director.

“So, we had three anniversaries: I was 75, the firm was 125 and my son was 30. Personally, I was not in such a hurry, but then we decided to make it, because the dates fit well. So, he got 75% of the shares and I'm still holding 25%” (Predecessor 8, Firm B)

This decision was often accompanied by the (10) *announcement* of the successor's official entry into the firm. In the cases studied, this supported the employees' feeling of acknowledging and accepting the successor as their new superior. Thus, it appeared to be appropriate to announce the successor's promotion to the director of the business in an official way in order to strengthen his/her position power further. However, the employees were mostly not informed about the transfer of shares in the cases studied. But the promotion or entry to the management board was often accompanied by a ceremony, such as a barbeque or an announcement during a Christmas party, where the withdrawal of the predecessor was simultaneously disclosed or where his/her retirement was announced. Still, the employees noticed changes in the management board at the latest when modifications to official writings were made, for instance on the pay slip. More informal ways of announcing were, for example, during on-the-job trainings or briefings held by the successor or predecessor, or when a new candidate was informed during a job interview about the succession plan. For example, firm K had a very official announcement based on the fact that it was a family external as well as firm external succession and the employees had not been acquainted with the acquirer until then.

“He (the successor, author's note) just stood at the gallery with the predecessor and introduced himself as new boss. He said a few words about himself and how he plans to continue the business. We were addressed by our names and he announced to conduct one-on-one interviews with each of us” (Employee 18, Firm K)

In another case (firm C), the employees were poorly informed, although it was a succession internally within the family. A possible reason could be that predecessor and successor could not agree about continuing the business for a long time. In between, the business should have been liquidated, because the successor did not show any commitment or willingness to take over.

“I don't know, whether he has taken over the business. Nobody told me anything. It was just said, he will take it over one day, but I have no idea, if he has taken over it yet or not” (Employee 7, Firm C)

#### **4.2 Results from the photographs**

Photographs were taken of the offices of both predecessor and successor, if possible. In some cases, the offices were not situated at the firm's premises but in a private apartment (firm H), and therefore no photographs could be taken. The analysis (cf. Table 5) shows that a differentiation has to be made depending on the status of the handover. It could be seen that, in joint-reign phases, both predecessor and successor mostly had common offices. Reasons for this might lie in better possibilities for sharing

knowledge and information, for showing the successor the ropes, or just lack of space. Although the immediate spatial proximity could be problematic, shared offices did not constitute a problem if the relationship between predecessor and successor was harmonious in general (firms B, D, and F). But if certain substantial differences existed (firm C), it could happen that the successor wished to have his/her own office or for the predecessor to disappear from the firm's site.

Firm	Photographs taken	Own office SC	Own office PD	Shared office	Own desk	Succession phase	Type of handover	Duration of collaboration
A	Yes	Yes	Yes	No	Yes	joint-reign phase	family internal	4 years
B	Yes	No	No	Yes	Yes	joint-reign phase	family internal	10 years
C	No	No	No	Yes	Yes	joint-reign phase	family internal	12 years
D	Yes	No	No	Yes	No	joint-reign phase	family internal	13 years
E	Yes	Yes	Yes	No	Yes	joint-reign phase	family internal	13 years
F	Yes	No	No	Yes	Yes	joint-reign phase	family internal	5 years
G	Yes	Yes	No	No	Yes	withdrawal phase	family internal	19 years
H	No	n/a	n/a	n/a	n/a	withdrawal phase	family internal	13 years
I	No	Yes	No	No	Yes	withdrawal phase	family external, firm internal	28 years
K	No	Yes	No	No	Yes	withdrawal phase	family external, firm external	6 weeks

<sup>1</sup> SC = successor (abbreviation), <sup>2</sup> PD = predecessor (abbr.)

Table 5: Overview about own and shared offices of predecessor and successor (photographs)

Firm B represents a case with shared offices: on the day of the successor's official announcement as managing director, the predecessor left his desk and moved to the smaller one where the successor used to sit. The exchange of desks, although still in the same office, was a symbol of the predecessor's willingness to step aside and transfer power to the successor. Furthermore, this action was visible to everyone because of the transparent office glass doors. It was interpreted as a sign to the subordinates that the successor was now officially their new boss.

“They even share offices with each other. But, at the day of handing over the business, the senior stood up from his desk and moved to the smaller one in the corner. And he doesn't mind” (Employee 15, Firm B)

Only in two joint-reign cases did both predecessor and successor have separate offices: in one case (firm A), the office building was rebuilt and, thus, there was enough space for both predecessor and successor

to have their own offices. The lettering “company management” was written on both doors and the rooms were opposite each other, which shows that the successor was treated identically, at least from a spatial point of view and regarding appearance. In the other case (firm E), the successor preferred single offices. Owing to the difficult relationship between transferor and heir, the successors feared that shared offices might end in disaster. In both cases, it was not yet foreseeable when the predecessor would retire, which might also be a reason for establishing separate offices. In Appendix 8, some exemplary photographs are provided that give an insight into the office situations of predecessor and successor.

When the succession process had progressed to the withdrawal phase, in all cases studied, the predecessors no longer had had their own offices (firms G, I, and K). It is then obvious that the predecessor’s withdrawal from the business is completed through him leaving his/her office. Giving up a small space of power—that is the office—and transferring it to the successor (the predecessor moves out, the successor moves in) is a symbol for retiring from the active business and assigning all responsibilities to the successor as the new leader of the firm eventually. Furthermore, the predecessors only returned to the business in their role as visitor or consultant, not entitled to have their own room, desk, or any spatial demands.

### **4.3 Results from the IPI**

#### **4.3.1 Preliminary analysis of the IPI**

Although prior research has shown that the IPI is a valid and reliable instrument (Raven et al., 1998), a factor analysis was carried out. After that, the components generated had to be examined for internal consistency by calculating Cronbach’s alpha value (Cronbach, 1951). As the German version of the questionnaire had not been proven before, a principal component analysis had to be conducted in order to verify that the items load on the same factors as in the original English version (Raven et al., 1998). Another reason for proving the reliability of the instrument is that the survey was applied in a different environment. In contrast to the original version, which was tested with American students and Israeli health workers, this survey was conducted with enterprises from the crafts sector in an organizational context.

To begin with, the Bartlett’s tests showed p-values  $< 0.05$  for both samples, which means that correlations between the items differ significantly from zero (Bortz & Schuster, 2010). This is a necessary condition for operating a principal component analysis. As a further statistic, the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy was calculated in order to determine whether the data were suitable for a principal component analysis. Regarding the predecessor’s sample, the indicator showed poor but still applicable results with  $KMO = 0.54$  (Bühner, 2006, p. 207). In contrast, with  $KMO = 0.46$ , the successor’s sample showed insufficient results for conducting a factor analysis. Nevertheless, for both samples, a component analysis with Varimax rotation with Kaiser normalization was computed.

As the 11 power bases that were revealed in the original IPI were known, no screeplot had to be calculated in order to identify the number of components (Bühner, 2006; Catell, 1966). Instead, 11 factors were simulated as a hypothetical model. The principal component analysis for the predecessor's sample revealed 10 factors with eigenvalues  $> 1.0$  (factor 1 = 9.12; ... ; factor 10 = 1.09), also known as the Guttman-Kaiser criterion, which is a predictor of common factors. The 11th factor equaled an eigenvalue of 0.93, which is nearly 1.0. Regarding the successor's sample, 10 factors were identified as well with eigenvalues above 1.0 (factor 1 = 10.45; ...; factor 10 = 1.01), although 11 factors were adjusted. The 11th factor achieved an eigenvalue of 0.87; not every item could be matched with a factor unambiguously. In both samples, the factor analysis yielded only moderate results: in the predecessors' sample, five items could not be summarized, whereas in the successors' sample, four components remained unexplained. Using a seven-factor hypothetical model, according to Raven et al.'s (1998) identified factors, revealed less robust and distinct results and could not solve the problem as well.

Nevertheless, the internal consistency was calculated by pooling the items according to the original questionnaire using Cronbach's alpha (Cronbach, 1951). Here, the factors revealed reliability coefficients ranging from very good ( $\alpha = 0.85$ , factor impersonal coercive power, successor's sample) to poor ( $\alpha = 0.45$ ; factor legitimate position power, predecessor's sample) (see Appendix 9). In particular, the factors legitimate power of reciprocity (both samples), referent power (both samples), and the aforementioned legitimate power of position achieved critical values. Thus, the decision was made to exclude all items in each component where an increase in Cronbach's alpha above 0.1 could be achieved. In the predecessors' sample, items 8 (personal reward power, improvement: + 0.24) and 2 (legitimate power of position, improvement: + 0.25) were deleted<sup>5</sup>. Items 2 (legitimate power of position, improvement: + 0.13) and 8 (personal reward power, improvement: + 0.14) were also removed in the successors' sample and items 18 (personal coercion power, improvement: + 0.16) and 32 (legitimate power of reciprocity, improvement: + 0.11). Hence, the risk of excluding information by deleting items from the survey was accepted and compensated by achieving higher reliability values. Interestingly, item 8 congruently loaded higher on another factor in the original IPI (Raven et al., 1998, p. 314), but was still retained by the authors in the factor personal reward power.

After accomplishing this procedure, all factors besides referent power (remains at  $\alpha = 0.46$  (predecessor's sample) and  $\alpha = 0.48$  (successor's sample)) now achieve values above 0.55 and provide still poor, but at least sufficient, internal consistency values. In accordance with Cortina (1993), a smaller number of items can deflate the requested alpha value, and a value at minimum 0.4 is accepted when the factor consists of only two or three items (Cortina, 1993). This means that the achieved values are still adequate and usable.

As mentioned before, Raven's latest approach differentiated the legitimate power into four categories: legitimate reciprocity, equity, dependence, and position power (Raven, 1992). According to the assumed

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<sup>5</sup> Interestingly, items 2 and 8 could not have been allocated clearly in the factor analysis before.



research question, the proxy for the acceptance of a leader is represented by his/her legitimate power as a whole, whereas all four bases of legitimate power were aggregated into one legitimate power base for later regression. The Cronbach's alpha values showed satisfying results with  $\alpha = 0.68$  (predecessors' sample) and  $\alpha = 0.82$  (successors' sample).

#### **4.3.2 Summary statistics**

Some 59.5% of all respondents reported that the businesses they worked in were in the joint-reign phase, with 30.5% in the withdrawal phase. Consistent with these frequencies, 13.6% of the predecessors were not active in day-to-day-business, 25.4% only partially, and the majority of them (61.0%) were integrated completely, which is reasonable when considering that the majority of the family firms found themselves in the joint-reign phase. Consequently, almost one third of the successors were only partially integrated, whereas 69.5% were fully active. Corresponding to these findings, 61.0% were already appointed as managing director. The difference of 8.5% might be explainable given that being fully active in the business does not necessarily mean having all official authorities assigned. Nevertheless, it is interesting to see that, in 40.7% of the cases, the successors did not yet own capital shares, 32.2% had shares up to 50%, and only 27.1% possessed more than 50%. This shows once more that succession is a long process often with diminutive steps. Although 72.9% of the successors did not own the majority of capital, 61% were still appointed as managing director, as said above. 13.6% of the successions that took place were family external, whereas the majority of the firms were handed over to a family internal member (86.4%). Furthermore, 74.6% of the evaluated successors were male, 25.4% female; in contrast, 88.1% of the predecessors were male and only 11.9% female.

Some 76.3% of the respondents collaborated with the predecessor on average for longer than 5 years, but only 27.1% reached this duration of cooperation with the successor. The majority (49.2%) of the respondents worked with the successor for 1–3 years. Also, the collaboration with the successor was often closer (62.7%) than with the predecessor (47.5%), which shows that, in the firms considered, the successors still had a certain amount of authority to decide or the predecessor seemed to be willing to step aside. 50.8% of the respondents were male and 47.5% female. 40.7% had an executive job position, whereas 59.3% were in no managerial position. It can be assumed that respondents with an executive position work as foremen or master craftsmen, whereas the employees with no managerial position are often skilled workers. Furthermore, 20.3% of the employees questioned were between 21 and 30 years old, one quarter between 31 and 40 years, and 52.5% were older than 40 years.

#### **4.3.3 Control variables**

As said before, different control variables were inserted in model 3, which will be explained in the following. Their mean values, standard deviations, and a short description of each of them are depicted in Table 6.

The control variables include the degree of the successors' and the predecessors' involvement in the daily business, because the interviews revealed that the extent of their personal engagement in the firms

differs widely. Even firms in the same stage, as for example in the joint-reign phase, had very different levels of involved successors and predecessors. It can be argued that a very active successor in combination with a passive transferor has a different influence on the successor's acceptance and vice versa, which is why it was controlled for the variables "*Embedding\_SC*" and "*Embedding\_PD*".

Variable	Description	n	Target subject (PD, SC, E)	
			Mean	SD <sup>4</sup>
Embedding_SC <sup>1</sup>	Involvement of successor in day-to-day-business in 3 categories; reference category: 2 = SC completely involved	59	1.69	0.464
Embedding_PD <sup>2</sup>	Involvement of predecessor in day-to-day-business in 3 categories; reference category: 2 = PD completely involved	59	1.47	0.728
Closeness_Collaboration_SC	Dummy = 1, if collaboration between successor and employee is not very close, 0 otherwise	59	0.37	0.488
Closeness_Collaboration_PD	Dummy = 1, if collaboration between predecessor and employee is not very close, 0 otherwise	59	0.53	0.504
Length_Collaboration_SC	Duration of collaboration between respondent and successor in 5 categories; reference category: 2 = 1–3 years	59	2.60	0.990
Length_Collaboration_PD	Duration of collaboration between respondent and predecessor in 5 categories; reference category: 4 = longer than 5 years	59	3.61	0.766
Capital_Share_SC	Capital shares of successor in 3 categories; reference category: 0 = SC does not yet owns shares	59	0.86	0.819
Executive_Director_SC	Dummy = 1, if successor is managing director, 0 otherwise	59	0.61	0.492
Age_E <sup>3</sup>	Respondents' age in 4 categories; reference category: 3 = older than 40 years	59	2.33	0.803

<sup>1</sup> SC = successor (abbreviation), <sup>2</sup> PD = predecessor (abbr.), <sup>3</sup> E = employee (abbr.), <sup>4</sup> SD = standard deviation (abbr.)  
The control variables Age\_E, Length\_Collaboration\_SC/PD, and Closeness\_Collaboration\_SC/PD originate from the respondents' data in the survey; all other control variables are based on the qualitative data generated in the interviews.

Table 6: Description of control variables

Also, the closeness of collaboration between the employees and their superiors might have an influence on the acceptance of the new leader. The closer the cooperation between subordinate and superior, the more the new leader might be perceived as superior and thus become accepted. Furthermore, the employees' perception regarding their superior might, for instance, also be influenced by his leadership qualities. A close cooperation with a decent boss might be perceived more positively and result in a positive working climate. Working for two equal superiors, which can be the case during successions, might also be difficult for the employees as a consequence of feeling caught between two stools. Thus, these aspects were also included as control variables "*Closeness\_Collaboration\_SC*" or "*Closeness\_Collaboration\_PD*".

Furthermore, the focused interviews revealed that it can be difficult for the successor to establish a relationship especially with older employees because of their longer period of employment. These

subordinates often seemed to be strongly focused on the predecessor and accepted his/her opinion and instructions rather than the successor's. The longer it is, the more problematic it might become for the successor because the employees still perceive the predecessor as their sole superior. Thus, the "*Length of Collaboration*" with the predecessor was one control variable included in the regression. As this effect is expected to diminish over time with increasing length of collaboration with the successor, a control variable regarding the successor was also included ("*Length of Collaboration\_SC*"). Closely linked with these arguments is the employees' age, which positively correlates with job tenure. Thus, "*Age\_E*" is included as a control variable.

As Finkelstein (1992) showed, the ownership of capital shares can enhance the position power of superiors and strengthen their position. Many authors recommend that the transfer of capital should happen concurrently with leadership succession in order to empower the new leader (Barach & Ganitsky, 1995; Churchill & Hatten, [1987] 1997; Le Breton-Miller et al., 2004). Thus, it might influence the successors' acceptance if they already hold shares in the company or not. Although in most of the cases in this study the employees were not informed about the transfer of capital shares, it was factored into the regression as the control variable "*Capital Share\_SC*". As could be seen from the interviews, the early announcement of the successor had a positive influence, which was realized, for instance, by appointing the successor as managing director. This possible influence is displayed by the variable "*Executive Director\_SC*".

#### 4.3.4 Testing different models

The research questions 1 and 2 in Chapter 2.5 were tested with a multiple linear regression model. The dependent variable is  $y = \text{"Legitimate power successor"}$ , depicting the successor's legitimate power as a synonym for his acceptance and reputation in the firm. Therefore, the single factors legitimate reciprocity, equity, dependence, and position power were aggregated to an overall legitimate power base. Table 7 provides all relevant results from the different regression models that were calculated.

To begin with, in **model 1**, a multiple regression with a stepwise entry of the independent variables was calculated as no ex-ante hypotheses were postulated (Field, 2013). Although the stepwise entry method is viewed critically in the literature (Field, 2013), it is the only possibility for analyzing data when no hints exist. The regression revealed that the predecessor's legitimate power was of the greatest influence (coefficient 0.93, significance at 1‰ level). Thereby, the measurement of the predecessor's acceptance is carried out similarly to that of the successor by aggregating all four different bases of legitimate power into one proxy variable ( $x = \text{"Legitimate power predecessor"}$ ). Furthermore, the predecessor's expert power played a significant role ( $p < 0.01$ ). With a negative coefficient of  $-0.10$ , the predecessor's knowledge contributed to a decrease in the successor's legitimate power. Interestingly, the successor's expert power, which was highly influential according to the findings from the focused interviews, did not show a relevant effect. Instead, the successor's referent power was significant. Here, the coefficient becomes positive (0.24) with  $p < 0.001$ . This means that the more the employees find the successors

likeable, the higher is the successors' acceptance. In contrast, identification with the predecessor ("*referent power predecessor*") shows a negative value at  $-0.15$  with a 1% significance.

Based on model 1, a further **model 2** was calculated, where the predecessors' legitimate power has been divided into its single components. Here, the  $R^2$ -value amounts to 0.910 and is almost equal to that in model 1 ( $R^2 = 0.908$ ). All four single legitimate power components sum up to coefficient values of 0.91, which also gets close to the value in model 1 (legitimate power predecessor = 0.93). In detail, it can be said that the predecessors' legitimate power of reciprocity (0.26) has the greatest influence, followed by legitimate power of equity (0.24), legitimate power of dependence (0.21), and legitimate position power (0.20). All these variables are significant at  $p < 0.001$ . Compared with model 1, the influence of the predecessors' expert power ( $-0.11$ ) stayed approximately at the same level, whereas referent power increased a bit ( $-0.16$ ). Indeed, the influence of the successors' referent power increased slightly in model 2 as well, up to 0.27 (vs. 0.24 in model 1) at the same level of significance.

Including the aforementioned control variables (see 4.3.3, Table 6) causes no great change in  $R^2$ , and no control variable has influence at a significant level. As **model 3** in Table 7 shows, the coefficient of the variable "*legitimate power predecessor*" increases slightly (0.94), while the coefficients "*referent power successor*" (0.27) and "*referent power predecessor*" ( $-0.18$ ) show a slight intensified effect compared with model 1. Furthermore, the coefficient "*expert power predecessor*" ( $-0.07$ ) decreases and does not show a significant influence any more. In summary, it can be said that models 1 and 2 seem to be a very robust approximation for the influence factors on the successor's acceptance. Only the predecessor's expert power, which stands for the predecessor's competence, could not hold when inserting the control variables in model 2.

As mentioned before, the successor's expert power did not show a significant effect in the stepwise regression, although it appeared to be a very important influence variable according to the findings from the focused interviews. Thus, by using the forced entry method, regression **model 4** includes the variable "*expert power successor*" in order to examine its influence on the successor's acceptance. However, the variable neither showed an effect (0.01) nor was significant ( $p = 0.90$ ).

<i>y</i> = Legitimate Power Successor:	(1)	(2)	(3)	(4)
Legitimate Power Predecessor	0.929*** (0.000)		0.944*** (0.000)	0.928*** (0.000)
Legitimate Power of Equity Predecessor		0.241*** (0.000)		
Legitimate Power of Reciprocity Predecessor		0.260*** (0.000)		
Legitimate Position Power Predecessor		0.203*** (0.000)		
Legitimate Power of Dependence Predecessor		0.207*** (0.000)		
Expert Power Successor				0.007 (0.897)
Expert Power Predecessor	-0.100** (0.005)	-0.108** (0.003)	-0.073 (0.133)	-0.105 (0.059)
Referent Power Successor	0.242*** (0.000)	0.273*** (0.000)	0.269*** (0.000)	0.240*** (0.000)
Referent Power Predecessor	-0.152** (0.004)	-0.160** (0.004)	-0.177** (0.004)	-0.149** (0.009)
Embedding Successor			Yes	
Embedding Predecessor			Yes	
Closeness Collaboration with Successor			Yes	
Closeness Collaboration with Predecessor			Yes	
Length Collaboration with Successor			Yes	
Length Collaboration with Predecessor			Yes	
Capital Share Successor			Yes	
Executive Director Successor			Yes	
Age of Employees			Yes	
Constant	0.078 (0.700)	0.178 (0.445)	0.27 (0.947)	0.074 (0.718)
Observations	59	59	59	59
R-squared	0.908	0.910	0.938	0.908
Adjusted R-squared	0.901	0.898	0.905	0.899

## Multiple regression model

All models are significant ( $p < 0.00$ ); \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ 

Table 7: Multiple regression models

In order to deepen the understanding of the influence of the predecessor's legitimate power on that of the successor's, a further analysis was made. It is assumed that highly accepted predecessors have rather legitimated successors than less accepted predecessors. The power level of the source of authority has already been mentioned in the literature (Bass & Bass, 2008; French & Raven, 1959). Thus, an independent samples t-test was conducted. This enables identification of the significance of variances in mean values stemming from two groups (Field, 2013). Therefore, a null hypothesis  $H_0$  has to be added, whereas  $H_1$  reads as follows.

**$H_1$ : A successor, whose predecessor is highly accepted, holds a higher acceptance level than a successor whose predecessor is less accepted.**

**H<sub>0</sub>:** A successor, whose predecessor is highly accepted, holds a lower or equal acceptance level than a successor whose predecessor is less accepted.

A t-test requires normally distributed populations, which was tested with a Kolmogorov–Smirnov test, and approximately equal variances. The one-sample Kolmogorov–Smirnov test confirmed the null hypothesis for each variable. Hence, both populations are normally distributed. Furthermore, standard deviations showed almost equal values (both legitimate power levels: 1.02; see Appendix 10). A cut point of 4.0 was determined for the degree of the predecessors' acceptance because this marks the middle of the applied Likert scale.

Independent Samples Test					
		Levene's test for equality of variances		t-test for equality of means	
		F	Sig.	Sig. (2-tailed)	Mean difference
Legitimate power successor	Equal variances not assumed	0.018	0.895	0.000	1.57848
Group Statistics					
	Legitimate power predecessor	N	Mean	Std. Deviation	
Legitimate power successor	≥ 4.00	41	4.5955	0.69599	
	< 4.00	22	3.0170	0.14050	

Table 8: Independent samples test and group statistics

From a descriptive standpoint, Table 8 shows that the successors' legitimate power mean values differ from 3.02 (for predecessors' legitimate power < 4.0) to 4.60 (for predecessors' legitimate power ≥ 4.0). First of all, the Levene's test for equality of variances was calculated. At a significance level of 0.895, equal variances cannot be assumed. The two-tailed significance level amounts to 0.000, hence H<sub>0</sub> has to be rejected. As a result, H<sub>1</sub> can be confirmed. Successors whose predecessors had a higher level of legitimate power (≥ 4.0) achieved higher levels of legitimate power ( $x_{\geq 4.0} = 4.60$ ) than successors with less accepted (< 4.0) predecessors ( $x_{< 4.0} = 3.02$ ) at a significant level.

#### 4.4 Integration of the methods into a theoretical framework

The overall research question was to identify the factors that influence the legitimization of the successor in family businesses. In detail, it should be examined what influence the predecessors as legitimizing agents have on the successors' acceptance, and what the successors can contribute themselves. Whether the successors are accepted by family members or other shareholders in the business besides their predecessors was not considered in this paper.

The findings from all methods applied in this study have now been summarized and portrayed in the so-called *Theoretical Framework of the Successor's Legitimization in Family Firm Succession* (cf. Figure 6). The triangulation of different quantitative and qualitative methods aimed at obtaining "knowledge

about the issue of the study which is broader than the single approach provided, or to mutually validate the findings of both approaches” (Flick, 2009, p. 30). According to Kelle and Erzberger (2004), “by measuring from different points may mean that the same social phenomenon is treated by different methods” (p. 174). In this context, different aspects of and influence factors on the successor’s acceptance were elaborated using interviews, photographs, and a survey. Furthermore, it might mean that “different aspects of the same phenomenon or even different phenomena” (Kelle & Erzberger, 2004, p. 174) are treated in order to unify the picture. This was, for instance, realized by considering more bases of social power in the IPI in contrast to the interviews, which focused mainly on the sole legitimate power. Next, the photographs provided a differentiated picture of the power relationships between both leaders by accounting for symbols, which could not have been discovered in the same way within the survey or the interviews.

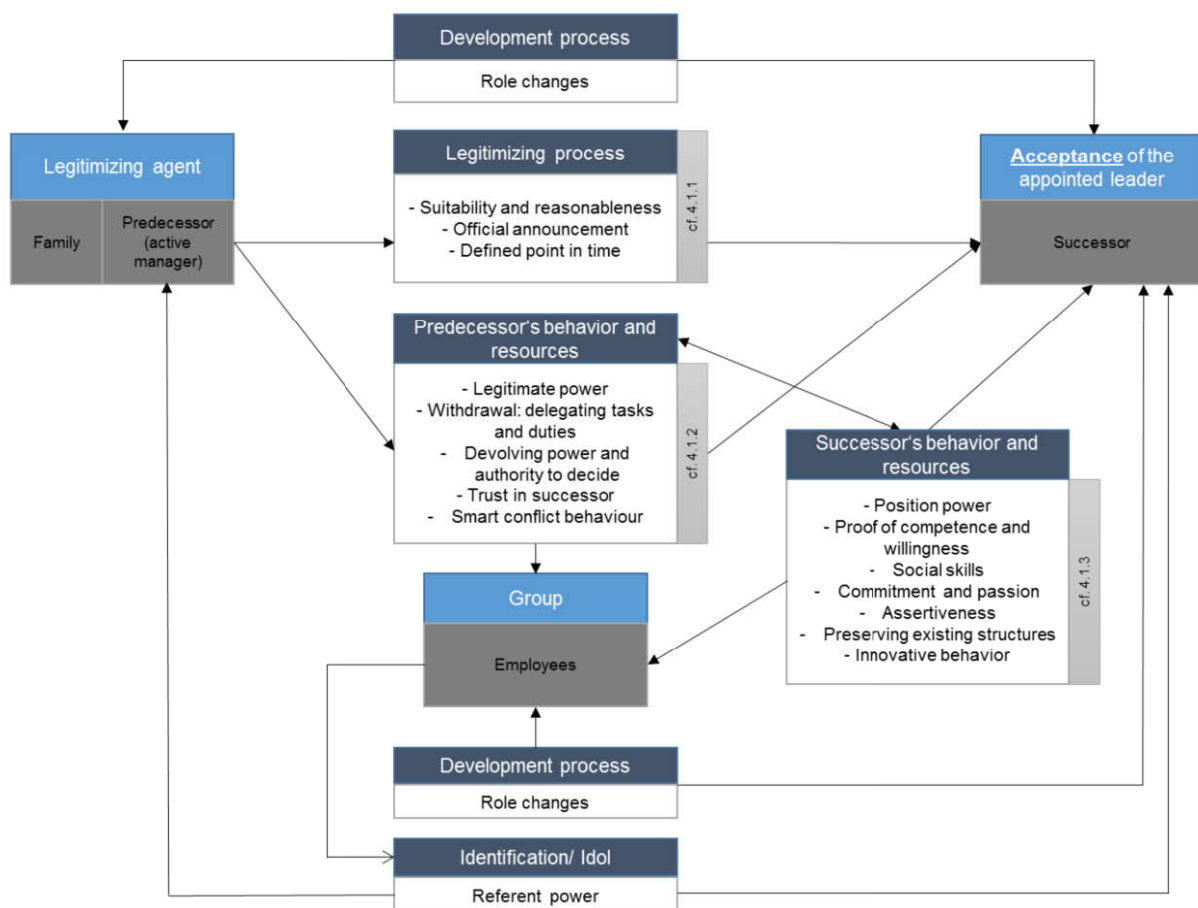


Figure 6: A theoretical framework of the successor’s legitimization in family firm succession

The framework illustrates the different influence factors and their interrelationships that lead to the successor’s acceptance as future leader of the firm and provides no differentiation between the various perspectives of the persons interviewed. In contrast to Figure 1 and Figure 5, the framework includes the employees’ perspective as well and does not differentiate between the different succession phases. It also contains a condensed version of the predecessor’s (Figure 2) and successor’s (Figure 3)

contribution to the latter's acceptance. Thus, Figure 6 summarizes in general what has already been presented in the previous chapters by integrating all viewpoints and components. The consolidation of all perspectives has certain advantages as, for example, a more objective view can be provided. Although predecessor and successor might have different explanations and perceptions than employees, and vice versa, a more reliable point of view is presented that might be closer to reality.

## 5 Discussion

This paper deals with the question of identifying influence factors on the successor's acceptance in family firm succession. Findings from qualitative focused interviews, photographs, and a quantitative survey embedded in a case study research design are condensed into a theoretical model that illustrates the identified influence factors. First of all, it remains difficult to say which determinant has the greatest influence on the successor's acceptance. On the one side, the predecessor can contribute much by showing appropriate behavior. On the other side, the successor seems to have to fulfill some necessary preconditions to get a chance. Even if the predecessors in their role as source of authority highly "recommend" their successors by appointing and supporting them, the successors need to meet certain demands. For example, they need to be skilled in both professional and social matters. In fact, many factors contribute and influence each other simultaneously, initiating a dynamic process that will be discussed in the following.

At the beginning of the legitimizing process, the predecessors deal with the question of the successors' suitability. This fits with the fact that the individuals' wishes and strengths become more and more important (trend toward individualism) and that the concept of primogeniture, which describes the transfer of the business to a family internal heir, seems to have become extinct nowadays (Halter & Schröder, 2010). This can be proven at least by numbers for the skilled crafts sector, where 58.8% of the successions took place family external in 2010, and only 41.2% of all businesses were handed over to a family internal person (Müller et al., 2011). Thus, the predecessors scrutinize the successors and undertake a kind of objective selection process to prove whether the aspirants are sufficiently able and competent (Filser et al., 2013). Breuer (2009) suggests that this even happens at an early age. If this initial suitability test is passed, the next question arises: is it in general reasonable that the candidate takes over the business? Because the transferors found themselves in a permanent dilemma between managing the business and being a good parent, they know that the successors often suffered as children from their clash of roles. The time entrepreneurs spent on the business was simply not available to the family (Breuer, 2000). It can be regarded as a sort of protection from the dilemma the predecessors went through as owner and parent themselves. Nevertheless, if the predecessors conclude that their successors are able to take over the business, this increases their commitment toward and trust in their successors. It can be seen as an initiating step in their function as legitimizing agents. Simultaneously, the successors judge the situation and evaluate constantly whether they can imagine this way of living (Breuer, 2000).



Also, other possibilities are evaluated, such as, for instance, starting a career in a family external business. These are then compared with the possibilities the family firm offers. This process of evaluating could also be found in the interviews in this study, especially in cases where the successors found a difficult market environment and were not sure whether they would succeed or not. These considerations are described as “context factors” by De Massis et al. (2008). Likewise, the authors state that a change in market conditions or an expected decline in firm performance might reduce the successor’s willingness to take over.

In this study, most of the successors signaled from their early childhood on whether they were interested in and willing to take over the business one day. This includes being around in the business as a child, helping out or working during school holidays, and pursuing a career that fits into the craft context (apprenticeship as well as master craftsman education). Barach et al. (1988) identified “starting early” by joining the firm during summer jobs as a worthwhile strategy for gaining credibility (p. 54). Sharma and Irving (2005) discussed in their study antecedents and consequences for the successor’s commitment to the family business. The findings in this paper concerning the successor’s signals fit into the four mind-sets that the authors have identified. The successor’s willingness to follow can be seen as *affective commitment* and is “desire based” (Sharma & Irving, 2005, p. 16). The identification with the occupation can be described as *imperative commitment* and might also be called “occupational entrenchment” (Carson, Carson, & Bedeian, 1995). Also, a sense of obligation to continue the business could be found in the interviews. This *normative commitment* is “largely based on expectations that the family has for their role in the business rather than an intrinsic desire to contribute to the firm” (Sharma & Irving, 2005, p. 15). It simultaneously poses the question whether there can actually be something like voluntariness to succeed. Breuer (2009) describes this as a “voluntariness myth” because, from his point of view, successors are always influenced or even compelled, even though statements such as “do whatever makes you happy” are said.

Barnes and Hershon (1989) argue that incumbents mostly do not devolve power and responsibility to their successors as long as they are alive and present in the business. This results in long phases of “cohabitation” (Breuer, 2002). It increases the successor’s feeling of uncertainty and, in general, stands for contrariness and inconsistency of the predecessor’s and the successor’s interests, directions, and strategies (Breuer, 2002). The findings of this paper reveal that it is not always negative or disadvantageous if long phases of collaboration take place because intrinsic knowledge can be transferred more easily. Nevertheless, a defined point in time definitely facilitates the succession process, because it forces both sides to initiate and execute certain steps necessary for an effective succession. Filser et al. (2013) confirm that it is “important to address and communicate company succession at the earliest date possible” (p. 272). Deadlines can also support the completion of actions, tasks, and steps. The early establishment of a succession plan including upcoming steps and actions is therefore often mentioned in the literature (Dyck et al., 2002; Handler, 1990; Lansberg, 1988; Le Breton-Miller et al., 2004; Sonnenfeld & Spence, 1989). Moreover, it gives the successor a sense of security

regarding the succession. Being supported and legitimated by the forerunner results in a feeling of self-efficacy and self-confidence, as was shown within the legitimizing process in this study.

Accompanied by this is the official announcement of the successor's start in the business. Often, the successor has worked in the business before, but the promotion to managing director, which simultaneously means that the predecessor steps aside a little bit more or even withdraws, offers an opportunity to get things formalized. In some cases, symbolic procedures took place such as, for instance, a barbeque or company parties. All in all, it can be said that making it official fosters the acceptance of the successor. As Breuer (2009) mentions, "formalizing the succession" also has consequences for the predecessor and the successor. Both might feel more secure regarding their future life: while the predecessors can more easily retire from the business and look for alternative life tasks, because they have the security that the business is going to be continued, the successors can start making concrete plans about their "independent, entrepreneurial venture" (Breuer, 2009, p. 314).

The results concerning the predecessor's behavior correspond to findings in the literature, where the predecessors take the role of a supervisor in the beginning by assigning tasks while being the immediate superior, by giving feedback, and by correcting mistakes (Cadieux, 2007). Also, that the predecessors remain active in the firm and are in charge of specific tasks might be caused by their long lasting and sole responsibility for the business in the past. Frequently, the successors do not want to exclude them from their life work (Cadieux, 2007). By proving their competence, the successors grow into their new responsibilities, which simultaneously disburdens the predecessors. Thus, the predecessor's withdrawal from the business gradually empowers the new leader, showing that the successor has proven his/her abilities and the predecessor trusts him/her. Chrisman et al. (1998) also identify trust as an important variable in their study about important attributes of the successor for an effective succession and regard it as even more important than competence. In this study, trust on the part of the predecessor in his/her successor has been identified as a condition sine qua non. Furthermore, Goldberg and Wooldridge (1993) have shown that the incumbent's confidence in the successor's willingness to take over the business is correlated with the predecessor's ease in empowering the new leader and transferring his/her authority to him/her. In the interviews in this study, these aspects have also been discovered: the predecessors recognized over time whether they could rely on their successors and whether they aimed at ensuring the general good of the company. If this was approved, the predecessor was more willing to devolve the autonomy to decide to the successor step by step. Confidence and mutual trust is also one of the influencing factors that Koffi and Lorrain (2010) mention in their study. It is obvious that this is also a process because the predecessor will not step aside right from the beginning. More likely, after the entry of the scion, the incumbent acts as a coach by introducing the successor to the operating processes, by transferring knowledge, and by introducing him/her to all stakeholders. In the course of the joint-reign phase, the roles then change to the predecessor as a mentor and consultant, whereas the successor also moves into a new role, as Handler (1990) and Brückner (2011) have revealed: "The owner's role adjustment is therefore defined in terms of a diminishing level of involvement and

authority” (Handler, 1990, p. 43). Taking over full responsibility occurs after several years, making it easier for the employees to perceive the successor as head of the firm on an equal footing, because they do not view the successor as a “helper” any more. Findings in this paper reveal the predecessor as an initiator of this role development and identified his willingness as indispensable. The process is completed by the predecessor’s retirement from the firm, as findings from the photograph section in this paper also reveal. The predecessors’ final withdrawal was accomplished by giving up their offices, which empowered the successor to become an independent and effective leader. Goldberg and Wooldridge (1993) stated in their paper that “effective succession is not likely to occur as long as the predecessor is still involved in the business” (p. 65). This can be confirmed from findings in this paper, where the successor’s acceptance was highest in cases where the predecessor had already left the business.

Empowering of the successor also means that the predecessor protects the successor from all doubters who might want to harm him (Koffi & Lorrain, 2010) and that he is loyal to him in any case of conflict (Cadieux, 2007). This behavior could be observed in this study concerning male predecessors as well—and not only in conjunction with women business leaders, as Koffi and Lorrain (2010) argue. Furthermore, the development process, which was observed in the case studies, mainly referred to behavioral patterns regarding family tradition and roles. In some cases, it was difficult for both predecessor and successor to leave manifested father–son or father–daughter roles and to become equal partners. A reason for this might lie in the difficulty for predecessors to get rid of father–child patterns that had worked in the family system, but turned out to fail in the business environment (Breuer, 2009): “You remain the child in perpetuity” (Successor 9, Firm E). Now both parties have to disengage themselves from their initial roles as parent and child and develop an equal partnership free from past behavioral patterns. Otherwise, the successor might also be perceived as an everlasting child on the part of employees, which endangers his/her legitimate position.

As mentioned before, legitimate power is described as the most complex source of power, but also the most effective one in achieving influence (French & Raven, 1959). From the findings across all methods, it could be deduced that the predecessors often inherit and maintain an enormous amount of legitimate power, particularly position power. On the one side, the attribution or possession of legitimate power empowers the predecessor as legitimizing agent to choose the successor. In particular, this was impressively seen in the survey results (IPI), where the legitimate power of the predecessor had the greatest influence of all variables on the successor’s acceptance. Furthermore, forerunners holding a large amount of legitimacy simultaneously had successors with high legitimate power. Thus, the successor’s legitimate power was a direct reflection of the power and status of the legitimizing authority (Bass & Bass, 2008). On the other side, the predecessor’s expert power, that is his knowledge, expertise, and skills, negatively influenced the successor’s acceptance. Moreover, a high level of identification or idealization on the part of employees with the predecessor (referent power) affected the successor’s position negatively. In other words, the predecessor often remained the senior boss with a wide influence

based on his/her former formal position—even if he/she had withdrawn from the business. This is a result of many factors, for example, the huge knowledge and wealth of experience the predecessor holds, or simply because the predecessor has been their boss for a very long time period and the subordinates often hold close relationships with him, as Lansberg (1988) explains. The predecessor's retained strong influence was described as a "lighthouse effect" in this paper.

Nevertheless, the successors have to develop their own positions in the business by showing commitment and passion. Instead of sitting in a well-feathered nest, proving their abilities can be a long and sometimes exhausting job. An interview excerpt from Steier's (2001) study confirms this: "When there is a family business, your father can give you some credibility, but you also have to build it for yourself" (p. 271).

What can the successors now contribute themselves? The competence of the future leader has already been mentioned as one determinant for gaining legitimation in Hollander's theory (1964). The results of this study therefore conform to existing psychological theory, as the professional expertise of the successor could be identified as a striking factor for proving oneself as adequate for the position as new leader. Although measuring competence is difficult, different studies from succession literature involved proxies such as "education", "experience in family business", "experience outside family business", "financial skills", "technical skills", and other variables (Chrisman et al., 1998). In this study, especially technical skills, experience outside the family business, and education were most important. What cannot be proven is whether the evaluation of the successor's competence is independent from the source of authority or whether the predecessor's suitability test is one precondition for the employees to consider the successor as able. Although Read (1974) supposes that the leader's competence is judged independently from the legitimizing agent, other authors stress the source of authority as a moderating variable (Hollander & Julian, 1969). From the findings in the interviews, it can be said that the employees seemed to have a clear understanding of the successor's abilities independent from the predecessor's opinion. In contrast, the survey results (IPI) did not identify the successors' expert power as a relevant influence variable for their acceptance. Nevertheless, because of the emphasis on required expertise in the focused interviews across all perspectives, it was decided to retain it in the theoretical framework. As Filser et al. (2013) state in their conclusion, one of the prerequisites to continue the business is competence on behalf of the successor: "Incompetence leads to a lack of trust" and "a lack of trust on behalf of the employees might also affect the acceptance of the successor" (p. 272). This statement can be confirmed thoroughly.

The new leader's group-conforming behavior turned out to be another important aspect. Conformity refers to "a set of behaviors, displayed in a given situation, evidently in keeping with certain demands of the social situation" (Hollander, 1964, p. 185). First, the successors need to be aware of a given group norm and, second, their manifest behavior should be in concordance with these group norms (Hollander, 1964). Hence, the group itself determines the group norms, which consists of the subordinates in the

case of an organization: “It is possible, indeed highly probable, that conforming behavior for one individual may be nonconforming with another, in terms of the perceptions of the group members in the situation” (p. 187). The question is how should a successor behave toward the subordinates in order to gain acceptance? Different aspects, found in the interviews, can be ascribed as group-conforming behavior. One of the most striking points was that the employees expected him to be very social and sensitive. They appreciated successors who keep their feet on the ground, who behave authentically, and who do not act as if they own the place. Yukl (2002) also emphasizes that ineffective leaders who exercise power in “an arrogant, manipulative, and domineering manner” (p. 185) are more likely to raise resistance.

Furthermore, showing passion and commitment for the business and love for the products were factors that helped the successor to gain acceptance. Chrisman et al. (1998) identified commitment to the business as one of the two most important attributes a successor should hold. The authors argue that commitment strongly alludes to trustworthiness and the successor’s real and honest intentions. Simultaneously, the employees admired the successors in a way for their passion and their skills. This can be compared with French and Raven’s (1959) referent power, which enables the superior person to influence a subordinate because of his/her identification with him (French & Raven, 1959). In concordance, findings from the IPI revealed that a high amount of referent power resulted in higher acceptance levels of the successor.

Also, Lambrecht (2005) identified love for the product as one of three reasons why the family considered it as important that the family business was continued by the family. Although not directly associated with the successor’s acceptance, the “fulfillment of values” (Lambrecht, 2005, p. 275) might also be part of the successor’s group-conforming behavior. Furthermore, contributing to the work output by lending a hand when things get stressful, while simultaneously being assertive and making positions clear to others, was seen as a necessary characteristic a successor should have. Associated with the successor’s presence in the day-to-day business is his/her possibility of controlling the group’s tasks and outputs. This enables him/her to correct the subordinates if they make mistakes, and to change processes if something goes wrong. Rudimentarily, this could be compared with French and Raven’s (1959) coercive power, which is based on the subordinates’ perception that the superior person has the right to disapprove or animadvert the subordinates. It also alludes to the control of group activities, which appeared to be one facet of measuring the legitimization of leaders in small groups in different questionnaires (Anderson & Wanberg, 1991; Kehr, 2000).

Although it is demanded from the successors to behave according to existing group norms, they should simultaneously behave innovatively, which displays a breakup with existing patterns. Hollander (1964, 1987) developed the so-called Idiosyncrasy Credit Model, which solves the paradox. The more accepted the “would-be leader” is (Hollander, 1985, p. 502), the larger is the room for development he/she is granted to behave in a nonconforming manner. To receive this credit, the legitimated leader should

behave competently and conform in the beginning. After he/she has “proven” his/her position and gained a sufficient amount of trust, his/her nonconformity can lead to innovation and a change in social structures at a later date (Hollander, 1985). This also highlights a certain process perspective and, accordingly, these patterns could also be found in the interviews. In rare cases, the successors initiated radical changes at the beginning of their career in the business. In contrast, after a while and after they had maintained and extended their position inside the firm, the successors became more courageous and suggested innovations. One reason therefore might lay in the frequently observed predecessors’ resistance to changes. It was necessary that at least they were on the successor’s side. Furthermore, employees with a major age difference from the successor and thus a longer job tenure were more skeptical toward changes than others. An adjustment to new structures or products requires a shift in attitude, which older employees more often seemed to lack. Lansberg (1988) attributes this to the employees’ fear of changing processes that might “restrict their autonomy and influence” (p. 130). Cabrera-Suarez, Saa-Perez and Garcia-Almeida (2001) also state that the successor must consider operational and organizational structure within the firm, but should not reject them without having good reasons. Nevertheless, for the future success of the business, it is of the “utmost importance that family firms develop an entrepreneurial mindset that allows them to identify and exploit opportunities in their environments” (Kellermanns & Eddleston, 2006, p. 809). Innovative behavior is thereby closely connected to corporate entrepreneurship and includes product as well as process innovation and the pursuit of new markets (Covin & Miles, 1999; Zahra, Neubaum, & Huse, 2000). Furthermore, a business’s willingness to change is positively associated with corporate entrepreneurship, as Kellermanns and Eddleston (2006) found out. But, as “first generation family businesses are often based on innovative ideas, after a few years, they often lose their entrepreneurial momentum” (Salvato, 2004). Thus, it might be in the charge of the successor to “rejuvenate, recreate, and reinvent” (Kellermanns & Eddleston, 2006, p. 813)—especially when the family is still owned and managed by multiple generations (Jaffe & Lane, 2004). It proved to be a good strategy for the successors to behave competently and conform to the group norms in the beginning. But strongly connected with the acceptance of the successors in their role as new leaders, it was also expected that certain things might change. At this stage, the successors should implement new ideas and show innovative behavior.

## **6 Conclusion, Contribution, and Limitations**

Filser et al. (2013), in their review about psychological aspects of succession in family business management, complain that most of the existing, empirical studies do not focus exclusively on psychological aspects, conflicts, and emotions. This study contributes to this special field of interest. It examines the influence of several potential sources on the successor’s acceptance in family businesses and takes the bases of social power approach as underlying theory from social psychology into consideration.

It could be shown that the predecessors as legitimizing agents have a remarkable influence on establishing the new leader—regarding their behavior and certain considerable actions. The survey results revealed that the predecessor's level of acceptance measured by his/her amount of legitimate power has a great influence on the successors' acceptance as future leader from the subordinates' point of view. Furthermore, the degree of identification with predecessors appeared to have a negative influence on the successor's position in the firm, whereas enjoying high popularity as successor had a positive effect. As mentioned above, especially in joint-reign phases, where predecessor and successor collaborate, this might become a problem. Hence, a dilemma occurs: on the one side, one could recommend shortening the joint-reign phase as much as possible due to the predecessors' power and strong position that might outperform the successors' authority. On the other side, this phase is especially important for transferring knowledge and expertise (Churchill & Hatten, [1987] 1997). Successors and predecessors should therefore try to communicate with each other as much as possible in order to exchange views and to prevent conflict. However, the predecessors should be willing to share knowledge and to assign responsibilities.

But the successor himself also contributes to his/her legitimation by acting competently and being socially skilled. Although the successor's expert power was not of significant influence in the survey, it was often mentioned in the interviews across all parties. Moreover, proving their intrinsic wish and willingness to take over, showing their passion for the business as well as for the products, and demonstrating assertiveness if appropriate were further influence factors increasing their acceptance, authority, and reputation in the business.

Furthermore, other aspects were revealed to be important, such as for example the early announcement of the new leader at a defined point in time as part of the legitimizing process. It could be seen that all suggested influential aspects stemming from the small group experiments and the underlying theory (French & Raven, 1959; Hollander, 1964) can be confirmed in the field. Furthermore, the meaning of the term "conformity with group norms" was elaborated in the context of family succession, namely displaying commitment to the products and business, showing passion, having leadership qualities, and finding a balance between preserving existing structures and initiating changes. Although the succession literature suggests different attributes the successor should hold in order to achieve an effective succession and has elaborated on the conducive behavior of predecessors toward their successors, the presented model illuminates the influence factors especially in terms of the successor's legitimacy and therefore presents a new view that considers different bases of social power.

The non-family employees' perspective and feelings during a succession are also an often-mentioned research topic with a further need to investigate (Filser et al., 2013; Havla, 2014). This study tries to fill this gap and contemplates the succession also from the employee's point of view by involving their perspective in the interviews and in the survey. Also, conducting interviews with different people contributes to the concept of triangulation that is one keyword in conjunction with qualitative research.

As Flick (2009) states, it can be used, on the one hand, as a strategy for improving the quality of qualitative research. On the other hand, *triangulation* “describes and formalizes the relation between qualitative and quantitative research”. Denzin (1989) developed a systematic approach to triangulation for social research in the 1970s. He distinguishes four different types of triangulation: *data*, *investigator*, *theory*, and *methodological triangulation*. Especially the data triangulation was applied by collecting data from different individuals, in particular the predecessors, successors, and employees. This enables the researcher to have a look at one problem from different perspectives, which strengthens the validity of the developed model. For instance, competence and participation in the day-to-day business were variables not only mentioned by employees, but also by the predecessors. Still, a longitudinal study (Flick, 2009), which would have analyzed the cases again at a later date and therefore would have provided more information about the change in the successor’s status and influence, has not been executed. Examining the long-term perspective of the succession process would have gone beyond the scope of this study.

Furthermore, all findings are summarized in a theoretical model, which depicts all influence factors in a descriptive manner. One of its major contributions is the systemization and structuring of a complex topic—the process of legitimizing a successor in family firm succession. To use Lewin’s (1945) often-quoted endorsement of theory that views theory as key in guiding effective practice: “There is nothing so practical as a good theory” (Lewin, 1945; cited from Sharma, 2004, p. 2). Nevertheless, theoretical models always provide a simplified representation of reality.

The greatest limitation of the model might be its assumption that there is only one predecessor, who selects one successor. But in many family businesses, the appointment of the successor is a consequence of a democratic choice by different family members. In this study, family members who might also have influenced the appointment process as legitimizing agents as well as sibling successors or groups of successors were not considered. Also, the support of family employees working in the business and their influence on the acceptance of the successor has not been analyzed. What makes a family business a family firm—its “familiness”, which can be described as “resources and capabilities related to family involvement and interactions” (Chrisman, Chua, & Litz, 2003, p. 468), is thus neglected. However, that ownership is not split up between large numbers of family members is a typical characteristic of the German crafts sector (Müller et al., 2011).

There is clearly a need to conduct empirical studies, which confirm or contradict the different aspects of the model. The IPI, which was used in this study, is a questionnaire based on social power theory and focuses on power and influence (Raven, 2008). But to test the single aspects of the theoretical framework, a more practical approach is needed, which is closer to the model. This would involve the development of a specific questionnaire that consists of all dimensions and factors the model contains.

Further investigation should also focus on whether the model can be confirmed within industries different from the skilled crafts sector and within businesses from other countries, where the successor’s



authority might play a different role, for example in more or less hierarchical organizational settings. So it remains questionable whether the successor's expertise plays the same important role in other industrial sectors or whether this finding is caused by the legal entry requirements that craftspeople have to fulfill when starting or managing a business. On the other side, competence was identified as a striking influence variable even in small group experiments. For this reason, the results might still be generalized. Also, it should be further elaborated whether the model can be applied independently from the mode of succession (internally within the family or externally). Although two cases had family external successors, these forms of succession surely have their own characteristics that need to be considered further in greater detail.

Another limitation of the study is the fact that, in most of the cases, the successors were perceived as highly accepted. In only one business did the successor seem to be less accepted. Unfortunately, it was not possible to conduct interviews with the predecessor and employees in this conflict-riddled case, which is why their perspectives are missing. Here, the successor not only lacked technical competence, which is why she could not prove her abilities in the business, she also struggled for authority and control because her predecessor undermined it constantly. Hence, it is questionable whether findings from this case are sufficient for generalizing the identified antecedents and causes for a less accepted leader.

Nevertheless, the predecessor was revealed as legitimizing agent with an enormous influence on the successor's acceptance due to his position power. Because all transferors appeared to have a great amount of power and experienced respect and appraisal, the consequences of having a less powerful perceived forerunner are difficult to predict. Certainly, such cases remain difficult to identify in the field, because it can be assumed that the majority of owners and predecessors are accepted by their associates. Disloyal employees can expect to be dismissed if they do not meet expectations or behave inappropriately. At least, results from the IPI indicated the tendency for predecessors with less legitimate power to entail less accepted successors, even if their absolute level of legitimacy was still medium to high. Hence, the consequences of a not completely legitimated source of authority are not predictable in the present study and could be the subject of further investigation.

In the end, the successor's rise in the family firm is a long and weary journey including many imponderables for everybody affected by the succession. Results of this study lead us to assume that the success of positioning a new leader depends, on the one side, on the predecessor's role as source of authority and, on the other side, how the successor can contribute enormously to his/her own standing. This paper aimed to supporting the predecessor, successor, and employees to overcome obstacles in the path of succession and provided valuable advice about how the new leader of the business can gain a foothold and acceptance. This in turns enables him/her to perpetuate the family business and to continue the family tradition—until the next generation steps in.

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